

Executive Intelligence Review

SPECIAL REPORT

White Paper on the Panama crisis

new edition
December 1987

featuring
18 months later:
the Project Democracy,
assault on Panama

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Preface: 18 months later— Project Democracy's assault on Panama

EIR first released this report in July 1986, to shake official Washington back to its senses, before the United States locked itself into a policy course toward Panama that could only lead to a strategic disaster in the Western Hemisphere.

EIR's warnings were not heeded. In June 1987, the plot to overthrow the government of Panama exploded, in exactly the way we had forewarned, led by exactly the cast of characters EIR had named and documented, as "neither 'honest' nor democratic, but rather front men working for the drug mafia: drug money-launderers, lawyers for cocaine and marijuana traffickers, terrorists, and gun-runners."

The new faces who jumped on the opposition bandwagon in 1987 have proven to be of the same character. Soviet-linked narco-terrorists are leading the campaign to overthrow the government and military of Panama—plain and simple.

The record on these characters is not hidden, nor unknown. Yet EIR remains the only major publication within the United States which has dared to publish the truth.

U.S. newspapers report Arnulfo Arias plans to return as president of Panama—but never mention that Arias is the same committed Nazi who sought to ally Panama with Hitler's regime during World War II. They report that retired Col. Roberto Diaz Herrera's attacks set off the antigovernment uprising—but not Diaz Herrera's fervent praise for his "extraordinary friend" Fidel Castro, nor his claims that his war against General Noriega is a "mystic psychic war" launched on orders of his occult guru, whom he calls a "new man-God."

Not once has the U.S. media reported that the opposition's leader in Washington, Gabriel Galindo Lewis, is a long-term "business associate" of Colombia's Alfonso Lopez Michelsen, the great friend of Fidel Castro who served as the dope cartel's intermediary in its plan to "go legit." Never has the American public been told that the Miami bank owned by the opposition's leading editor, Roberto Eisenmann, had become an operational headquarters for dope mafia money-laundering.

Washington officialdom has now united behind the demand that Gen. Manuel Noriega, commander of Panama's Defense Forces, be stripped of all position and power within the country. Panama's government, too, must resign, Washington's powers insist, and the nation's institutions must be restructured, so that never again can nationalists there mobilize enough power to challenge the rule of the international financial cartel.

Those few in Washington who once recognized this policy as folly have fallen silent, deluding themselves that if General Noriega will only resign quickly, the crisis with Panama can be patched up, and little harm will result to hemispheric relations. The U.S. news media's blackout of any news which throws doubt on this assessment has worsened Washington's miscalculations on the Panama crisis.

EIR decided it is time to review the strategic realities of the Panama crisis again.

By themselves, the insurgents have captured little support inside Panama. General Noriega has received the emphatic backing of the Defense Forces, enjoys widespread popularity with Panama's civilian population (if not its bankers), and has shown no intention of resigning.

Yet because the insurgency has received the full backing of the United States, serious unrest has now become possible in Panama—a nation which not six months ago was a haven of stability in a region of warfare.

Unrest is being fomented, at the same time that economic warfare by the U.S. against the country threatens to bring about a dramatic and sudden increase in unemployment, hunger, and poverty, within the

next six months. In the highly charged environment created by the U.S. political campaign, the conditions are rapidly being set for an explosion in Panama, like those now devouring El Salvador and Nicaragua.

How long do Washington officials think it will be, before Soviet-directed terrorists begin to organize guerrilla war inside Panama? Do they believe Moscow, Managua, and Havana are blind, and cannot see that the United States government itself has set out to tear down Panama's government and military? That the moment of opportunity for guerrilla warfare is now, while Panama's military is under attack—from its allies?

No doubt, some in Washington argue with braggadocio that U.S. troops can assume the tasks of Panama's military, and do a better job. Can they not see that no number of U.S. troops, redeployed from no-matter-how-many strategic posts around the globe, can defend the Panama Canal, once a significant terrorist insurgency develops inside Panama itself?

If Washington is blind to that reality, Moscow, most assuredly is not.

Dismantling the military

The opposition movement does not hide the fact that what it seeks is to eliminate the Panamanian military outright. "Panama does not need an Army," a column in the opposition's daily, *La Prensa*, proclaimed on July 19, 1987. It was a true anarchists' war cry: "To have a valid and true democracy, we must dismantle the misnamed Defense Forces, Civil Police, Coast Guard, and border police. . . . Until we do this, we will not have democracy in Panama. . . . Panamanian people: We will be free and have a democracy, only on the day in which we end with the parasitical army," *La Prensa* wrote.

In a speech to the troops and citizens in Panama on Aug. 12, 1987, General Noriega warned that the campaign is nothing less than an attempt "by a foreign power" to prevent Panama from being a "free and independent nation." Specifically, it is a replay of how Teddy Roosevelt dismantled Panama's military immediately after its separation from Colombia, Noriega stated. "We remember that one year after the separation in 1904, Gen. Esteban Huertas was sent to Europe, on the excuse of carrying out some studies of vital importance for the National Army. It was a strategy of the United States which did not want an organized army in Panama," Noriega reminded his audience.

While General Huertas was away, "the government of that day followed orders, and dissolved this army. . . . The National Army was transformed into a police force. . . . We then had a 'whistle and nightstick' police force, without presence, unattended, and ignorant—at the orders of the domestic oligarchy and a foreign army."

In 1915, the local oligarchic government followed U.S. orders again, and forced the police to turn over all heavy weaponry, leaving them only their revolvers. The consequence of this action was U.S. occupation of the country, the General pointed out. In 1919, U.S. troops occupied Panama's northern province of Chiriquí, and stayed for two years.

A new Malvinas?

Since Teddy Roosevelt's assertion in 1903 of the right of U.S. dominion over Panama in perpetuity, Panama has symbolized the fight for sovereignty in the Hemisphere. As long as the United States was seen as moving to rectify this assertion of limited sovereignty, other nations in the region have remained quiet, letting the Canal remain an issue between the United States and Panama. That apparent quiet should not be misinterpreted.

Washington's showdown with Panama is already taking its toll on United States' relations with its American neighbors. Throughout the region, the U.S. campaign is increasingly understood as a plot to eliminate Panama's military entirely, in the first step to reneging on the U.S. treaty commitment to return full sovereignty to Panama on Dec. 31, 1999.

In addition, the anti-Panama campaign is recognized as an attack on the militaries of all Ibero-America, and thus an attack on one of the fundamental pillars of sovereignty of each nation.

Honored in 1987 by the militaries of Mexico and Guatemala, General Noriega has gained respect throughout Ibero-America as a leading proponent of the need for the military to play a much more active role in determining all national policy, if the advance of narco-terrorism is to be defeated, and national peace restored in the area.

General Noriega's insistence that "there can be no government alone, absent and divorced from the men who bear arms," has placed him at loggerheads with Project Democracy. While Project Democracy seeks to turn civilians against military, in a crude repetition of the imperial principle of divide and conquer, the Panamanian military champions the policy of "civic action," the principle of "the identification of the uniformed man with the needy population."

"This is our Malvinas," Noriega told an Argentine audience during a mid-August interview on Radio de la Plata. He likened the U.S. propaganda campaign against him to slander campaigns run against such other Ibero-American nationalist military men, such as Argentina's Gen. Juan Domingo Peron and Peru's Gen. Juan Velasco Alvarado.

The U.S. campaign "portrays the policeman with the same rifle and the same big stick Theodore Roosevelt used at the time of the 'big-stick' policy, which the United States has imposed on us since 1904. . . . Here is where we have the whole problem. The whole problem lies there," Noriega stressed.

U.S. policy toward Panama is blindly leading to a new hemispheric crisis, equal to or greater than that created by U.S. support for Great Britain against Argentina during the 1982 Malvinas War. U.S. relations with its neighbors, and in particular, U.S./Ibero-American military cooperation, have never fully recovered from the damage caused by that 1982 decision to ignore hemispheric treaty obligations.

Who will benefit from such a confrontation, at a time when Soviet irregular forces advance across the continent?

The endgame can yet be stopped. To do so, EIR now reissues its White Paper on the Panama crisis. In the new edition, we add the story of how:

- The narco-banking interests ordered the opening of the latest assault against General Noriega;
- Cuba-centered gnostic drug-cultists triggered the crisis;
- Old and new faces in the forces of insurrection hook into the narcotics trade; and
- Project Democracy is the mother of the opposition movement, whose headquarters are in Washington.

As EIR has documented elsewhere, Panama is not the only target of Project Democracy. Thus, in addition to its importance to the case of Panama, this updated report can prove of use as well to those American patriots battling the narco-terrorist assault in their own countries. The same networks identified here, are running the operation to overthrow President Alan Garcia in Peru, return the monarchy to power in Brazil, dismantle the military in Argentina, and drive Mexico into civil war.

Dope bankers give the orders

For over a year and a half, Project Democracy's "Operation Overthrow" against Panama's government and military floundered, finding few supporters within Panama, and failing to win active support from more rational strategists within the U.S. military establishment. That picture changed in June 1987, when the war against Panama began in earnest. This time, the secret government in the United States succeeded in rallying "official" Washington behind their plot.

What had changed?

The answer was bluntly stated on Aug. 10, 1987, in a New York Times news analysis entitled "Bank Uncertainty in Panama." Author Larry Rother wrote:

The political crisis follows closely what bankers here saw as a serious breach of bank secrecy regulations. Earlier this year, as part of an American campaign against the laundering of drug money, the Panamanian Government froze a few suspect accounts here in a manner that bankers and lawyers

regarded as arbitrary. The action, which took place in May, involved about \$10 million in 54 accounts at 18 banks. "The papers were served without citing any statutes or articles in complete disregard for the legal procedures that are supposed to be followed," one Panamanian banker said. "It was done to appease the Americans and was typical of the way this guy works."

Operation Pisces

Indeed. On May 6, 1987, U.S. officials had announced the results of the first phase of "Operation Pisces," an anti-drug operation which they called "the largest and most successful undercover investigation in federal drug law enforcement history." 58 major U.S. and Colombian narcotics runners were arrested in Miami, Los Angeles, and New York, and indictments were issued against 57 more.

The indictments were the fruit of a three-year investigation by U.S. Drug Enforcement Administration agents into drug money-laundering, the aspect of drug-running which bankers would prefer were left unmentioned, let alone investigated and prosecuted.

In Operation Pisces, this line of investigation proved eminently successful. Exemplary of the level of traffickers caught in its net was Jose López Chacon, arrested as he stepped off the plane in Miami to meet undercover DEA agents posing as money launderers. The U.S. Drug Enforcement Administration ranks Lopez Chacon as a trafficker comparable in importance to Hugo Obando Ochoa, a chief of the Medellin Cartel. What worried the men at the top of the narcotics trade most about Operation Pisces, however, was not that top traffickers had been caught, but that the Panamanian government, in coordination with U.S. anti-drug forces, seized traffickers' bank accounts in the offshore international banking center in Panama. International coordination against drug money-laundering opened a powerful flank against the supranational dope business.

Panama's government seized 54 accounts in 18 banks of various nationalities operating in the offshore center including, according to press accounts, banks from Colombia, Venezuela, Panama, and Luxembourg. Those accounts were then opened for examination by U.S. drug agents. Follow-up investigations by the Panama Defense Forces (PDF) led to the identification of another 85 accounts whose deposits were suspected to be the proceeds of drug sales. Those, too, were frozen.

It was the first implementation of Panama's new banking Law 23, a law designed specifically to curb drug money-laundering through the offshore center, which had been drawn up in close cooperation with the anti-drug unit of Panama's Defense Forces. The law had been passed earlier in the year, but it went into operation with Operation Pisces. As the Bogota, Colombia daily *El Espectador* noted: "With the decision to freeze bank accounts in Panama, it has been shown that Panama's new laws against drug-trafficking are effective."

U.S. anti-drug officials had already stated that they viewed the Panamanian anti-laundering legislation as a milestone in the fight against drugs. On March 16, 1987, DEA Administrator John C. Lawn sent a letter to Panama's ambassador to the United States, Dominador Kaiser Bazan, conveying the DEA's appreciation. Lawn wrote:

I was pleased to read Law No. 23, which was recently enacted by the Republic of Panama to more effectively combat the financial laundering aspects of drug trafficking. It is a significant step towards curbing the illegal flow of money through Panama. I hope this initiative your government has taken will serve as a model for other countries throughout the Americas [emphasis added].

On May 27, 1987, Lawn sent a letter to General Noriega personally, to express the DEA's joy at the success of the operation.

Once again the United States DEA and the enforcement authorities of the Republic of Panama have joined efforts to strike an effective blow against the drug-traffickers who plague us all. As you know, the recently concluded Operation Pisces was enormously successful: many millions of dollars and many thousands of pounds of drugs have been taken from the drug traffickers and international money launderers.

Your personal commitment to Operation Pisces and the competent, professional, and tireless efforts of other officials in the Republic of Panama were essential to the final positive outcome of this investigation. Drug traffickers around the world are now on notice that the proceeds and profits of their illegal ventures are not welcome in Panama.

Lawn specified that the importance of Operation Pisces extended beyond any individual accounts seized, as the Operation provided critical insight into the mechanisms of banking transactions in general, which drug-traffickers use. While citing the work of several top Panamanian officials who participated in Operation Pisces, Lawn was fervent in his personal thanks to General Noriega for this advance. He wrote:

The operations on May 6 ... led to the freezing of millions of dollars in trafficker bank accounts in Panama and the seizure of banking records which will provide enforcement authorities with insight into the operations of drug traffickers and money launderers. . . .

I look forward to our continued efforts together. DEA has long welcomed our close association and we stand ready to proceed jointly against international drug traffickers whenever the opportunity arises.

The First Interamericas case

This was not the first time General Noriega's PDF had struck the dope banking apparatus. In December 1984, the Defense Forces of Panama provided information to the DEA on the activities of Jorge Luis Ochoa and Gilberto Rodriguez Orejuela which led to their subsequent arrest in Spain on charges of masterminding the smuggling of 1,500 kilos of cocaine into the United States from Colombia between the months of February and July 1983 alone. The two were some of the "highest" drug kingpins ever caught in the anti-cocaine fight.

Then, in an unprecedented act, the government shut down the First Interamericas Bank, after the Defense Forces presented their evidence that the two cocaine traffickers used the bank to launder their profits. As the investigation into First Interamericas proceeded, the names of several top leaders of the perennial opposition to Panama's military surfaced in connection with First Interamericas or the Ochoa/Rodriguez Orejuela mob, a point to which we shall return later.

At that time, U.S. authorities acknowledged the role of General Noriega in assuring that victory, and warned that the cocaine mafia had vowed revenge. In March, the U.S. embassy in Panama sent a telex to the Secretary of State, the Drug Enforcement Administration, and U.S. embassies in Madrid and Bogota, advising them that the Defense Forces were targeted for "retaliation," and that U.S. authorities would be alert to stop such actions. The telex stated:

The seizure of a bank in Panama for laundering drug proceeds was the first ever by the GOP [Government of Panama] and was the result of a cooperative investigation between the DEA/PCO, NY-DETF (FP5), the U.S. Attorney's Office of the Eastern District of N.Y., and the Panamanian Defense Force. . . .

To date, the PDF has received numerous telephone calls of retaliation. On March 2, 1985, the PDF developed information that Jesus Balderrama Vasquez, Jorge Alonso, and Maiquel Nulfo would arrive in Panama from Colombia on March 4, 1985. The PDF informed DEA/PCO that the suspects' motive for traveling to Panama may be in retaliation for the seizure. The PDF and DEA/PCO will monitor the activity of the suspects while they are in Panama.

U.S. switches sides

But in 1987, the story has been a different one. What had been a worrisome precedent for dope bankers in 1985, had not only been codified in law, but was being enforced. The liberal Eastern Establishment in the United States, whose assets had created Panama's offshore center, did not intend to let Panama's government interfere in their running of the center no\y. For a year their press had labeled

Panama a den of thieves and drug-runners because of the offshore center; now Panama's Defense Forces chief, General Noriega, was labeled a "dictator" for taking measures to stop drug money-laundering through that center.

The offshore bankers' local political apparatus went into action, opposition papers, *Extra* and *La Prensa*, launched a press campaign against Panama's participation in "Operation Pisces" as a move that "will devastate the Panamanian banking center." *Extra* protested, "The U.S. Attorney has more power to investigate bank accounts in Panama than he has to investigate bank accounts in his own country." *La Prensa* accused the Panamanian Defense Forces of being U.S. lackeys for their action. "Matters dealing with drug-trafficking and money-laundering are handled by Panama's Defense Forces solely for propaganda purposes and to serve U.S. interests," the paper editorialized on May 12, 1987.

Representatives of the National Association of Banks in Panama called a meeting with Panama's banking authorities to protest, "This will end the Panamanian banking system, because people will no longer believe in banking secrecy."

Banking Commission director Mario de Diego answered quietly, "Anyone who has nothing to do with drug-trafficking has nothing to fear." In his press conference, Attorney General Carlos Villalaz (who had played a leading role in Operation Pisces), reminded bankers that Panama's bank center "was not created to protect the financial system of drug-trafficking."

In less than a month, "Operation Overthrow" was under way, led by those same forces who protested that Operation Pisces merely "served U.S. interests." The Eastern Establishment wanted to deliver one message loud and clear: Any nation which follows Panama's successful implementation of Law 23, may receive the same treatment.

Within the United States' elite, the line went out: Noriega, must go, and hesitations from U.S. military men or the men on the frontlines of fighting drugs, cannot stand in the way. "Operation Overthrow" became the "consensus" policy in Washington—not because military men had changed their evaluation of its dangerous foolishness, nor because antinarcotics officials had suddenly found "evidence" of drug-involvement, but because acquiescence was easier than bucking orders of an angered Eastern Establishment.

U.S. military opposition to the "Ger Noriega" campaign was reported still alive in July by U.S. newspapers. On July 11, the New York Times reported that "the American military people say that the most organized group in Panama is the Defense Forces. Their position is that Noriega is all they've got. They don't want to go through a period of change that could be painful, embarrassing, or threatening."

Nonetheless, three days later, the spokesman for the U.S. Southern Command announced that all U.S. military cooperation with Panama had been suspended.

Drug Enforcement Administration officials have been equally opposed to the campaign, fearing an end to the excellent relationship of cooperation which Panama and the United States have maintained in the fight against drugs up until now—largely because of the efforts of Gen. Manuel Noriega.

To date, the State Department's Bureau of International Narcotics Matters has been the only agency of government to buck the line in public since June 1987. In its Mid-year Evaluation, released in September, the Bureau praised the "significant strides" made by the Panamanian government "in the first half of 1987 against the major narcotics-related activities which occur in Panama, especially money laundering and transshipment of precursor chemicals and cocaine. Money laundering . . . was dealt a severe blow by Operation Pisces. . . ." The PDF seized record levels of cocaine which traffickers had attempted to ship through Panama, tire report noted.

The evaluation of U.S. anti-drug agencies, not helpful to the anti-Panama campaign, was simply blacked out by the U.S. media.

The military connection

The signal for "Operation Overthrow" was given the night of June 6, by former Deputy Commander of Panama's Defense Forces, Col. Roberto Diaz Herrera. Diaz Herrera, who had hoped to win the post of

Defense Minister in the opposition government which next comes to power, was the “inside man” for the opposition’s planned coup against General Noriega and the high command. That plan was foiled when Diaz Herrera was retired from the Defense Forces on June 1, for “health reasons.”

U.S. military intelligence and anti-drug law enforcement agencies had long identified Col. Roberto Diaz Herrera as one of the closest men to Castro’s Cuba in Panama. His connections to the drug trade were notorious, as was his control over prostitution and contraband in Panama. Yet when he called reporters to his home on June 6, promising to give them “proof that Panama’s military had engaged in corruption, murder and fraud to keep themselves in power, they went running.

His interview demonstrated that his retirement had been required for mental health reasons. Diaz Herrera gave the reporters a rambling, disassociated monologue upon his mystical beliefs, confessions of his own wrongdoings, and charges against the PDF which echoed the slander dossier circulated by Project Democracy’s Adm. John Poindexter a year ago against Diaz Herrera’s long-time factional opponent, General Noriega.

Nonetheless, reports filed by international press agencies and newspapers were identical: Diaz Herrera was hailed as “the first crack in Panama’s military forces.” Widely reported were his charges that the Defense Forces (PDF): 1) put Nicolas Ardito Barletta in as President of Panama through fraud in 1984, keeping the presidency from Arnulfo Arias; 2) then forced Ardito Barletta to resign in 1985; 3) ordered the assassination of “guerrilla” Hugo Spadafora; and 4) allowed and engaged in widespread corruption, including accepting \$12 million from the Shah of Iran. The wire stories did report that the colonel had confessed to taking millions in bribes from Cubans seeking to leave Castro’s regime— along with his claims that he was “sure” Noriega and others had done the same.

U.S. newspapers played up Diaz Herrera’s accusation that Noriega had plotted the assassination of Panama’s Gen. Omar Torrijos. (General Torrijos had died in a mysterious plane crash in August 1981). Downplayed, however, was Diaz Herrera’s charge that the American CIA, George Bush, U.S. Southern Command head Gen. Wallace Nutting, and Panama’s Christian Democratic party leaders were in on the assassination. Also downplayed was the fact that Diaz Herrera had provided nothing concrete to back up his allegations, claiming instead that he had given his “proof to Panama’s Catholic Archbishop, Marcos McGrath, for safe-keeping.

Censored outright from the international press, however, were the actual transcripts of Diaz Herrera’s interviews, for those revealed that the man issuing this new round of charges against Panama’s Defense Forces considers himself a close friend of Fidel Castro, practices the occult, and was in the throes of a mental breakdown!

The media’s handling of the Diaz Herrera story in the summer of 1987 may go down in history as one of the most extraordinary displays of dirty “psychological-warfare operations” against an allied nation ever given by the U.S. intelligence community.

No longer was the character of Diaz Herrera to be known only through intelligence reports, or by Panama experts. Now, he granted interviews for an entire week to any reporter he could find—several were printed in full by the Panamanian media—revealing both his state of mind and his allegiances to anyone who cared to read. Each interview was more incoherent than the last; in each he not only insisted on his personal loyalty to Fidel Castro, but became angry over the media’s refusal to report that he was acting as the disciple of an Indian gnostic guru named Sai Baba.

Who Diaz Herrera actually is, or whether his charges were credible or not, was immaterial to those directing Operation Overthrow. The U.S. State Department and embassy in Panama demanded General Noriega resign from the PDF, on the basis of Diaz Herrera’s charges. To make the story credible to the American population, the U.S. media simply censored Diaz Herrera’s interviews, eliminating any mention of his fervent support for Fidel Castro, or of his claims that he was acting on behalf of an occult power.

That censorship, with few exceptions, holds to this date. The Wall Street Journal reported the occult angle to the Diaz Herrera story on June 11, but other papers limited themselves to a passing remark that the opposition’s new hero believed in “spirits,” if they mentioned it at all.

In its June 19, 1987 issue, EIR broke the Fidel Castro-agnostic story in the United States, identifying that network as the same as that through which the international drug trade is run. When the blackout continued, EIR published a lengthier report in its July 3 issue, including excerpts of the transcript of Diaz Herrera's first interview in that issue.

On July 27, Diaz Herrera was brought forcibly before Panama's attorney general, and ordered to produce his "proof." He then confessed that he could "produce no proof whatsoever." This news, not fitting the needs of Operation Overthrow, was relegated to brief, mostly buried, notes in the back pages of U.S. newspapers.

The Mossad's gnostic cult

From the outset, Diaz Herrera insisted on the importance of his membership in the Sai Baba cult, in his decision to "confess" his own past sins, and attack the PDF. Ibero-American intelligence agencies identify the Sai Baba cult, active in Argentina, Panama, and Mexico in particular, as an operation run by Israel's Mossad, through a network of psychiatrists who "participate in" the Sai Baba cult. Built around the idea that all the religions must be unified, the cult's ideology matches the belief-structure of various gnostic cults proliferating in the Caribbean area.

There is no doubt Diaz Herrera was immersed in the cult. An image of the Indian guru, Satya Sai Baba, hung over an altar Diaz Herrera had set up in his home, and he passed out photos of his guru to reporters who came to visit. Explaining that he had encountered the cult during a visit to Argentina some time ago, Diaz Herrera called Sai Baba the new "man-God ... a divine incarnation equal to Jesus Christ." He explained to the Wall Street Journal's reporter that it was after studying Sai Baba's writings for seven months, that "I felt the desire to transform Panama." Baba is my "secret weapon" against General Noriega, he raved; "I have no doubt that he, not I, is in command of everything."

Although he contradicted himself frequently in the interviews given over the course of the week, he never swerved from his claim that he was coordinating his activities with a network of occultists holding high offices in the Caribbean, a network which is prepared to unleash "a psychic, mystic, and religious war" throughout the region. He named Cuba's Fidel Castro, and Socialist International Vice President Jose Francisco Pena Gomez of the Dominican Republic, as leaders of this gnostic network.

Pena Gomez can corroborate my charges on the Torrijos assassination, he stated, because he, too, knows of Baba and the occult. "He told me that he has spoken twice with the spirit of Torrijos, that the spirit of Torrijos is restless because he was assassinated," Diaz Herrera swore.

Diaz Herrera's praise for Fidel was effusive. "Fidel Castro is a mystic," he asserted. "I have spoken two times with Comandante Castro, and we spoke in these terms. . . . He is a spiritual man, despite his being a Marxist-Leninist, and he is a profoundly human man, to the core. He is a great friend not only of Panama, but an extraordinary friend to me."

Diaz Herrera's longstanding connections to Cuba are a matter of record. Through family members, he controlled Panama's embassy in Cuba for several years. (This channel included his brother, Efebo Diaz Herrera, who was ambassador to Cuba. Brother Efebo's business connections include his role as alternate director of an insurance company founded in Panama by Colombian fugitive financier Jaime Michelsen Uribe, cousin of former president Alfonso Lopez Michelsen, famous for his 1984 intercession on behalf of the drug mafia).

Diaz Herrera's leftist and Cuban ties have not been cut off, nor were they hidden in this latest crisis. Even as U.S. embassy officials declared that the looney colonel's charges had called the legitimacy of the government and military into question, heavily armed members of the Victoriano Lorenzo Brigade, which had fought on the side of the Sandinistas in 1978-79 under the direction of Hugo Spadafora, were protecting Diaz Herrera's house. Diaz Herrera emphasized to reporters that he had been a good buddy of Hugo Spadafora from 1975-78, and that only lack of contact, not a difference in opinion, led the friends to drift apart. Furthermore, Diaz Herrera's lawyer is Spadafora's old buddy, Alvin Weeden, whose role as a courier for Steven Samos and the dope mob is documented in the pages of this report.

Joining Spadafora's crew at the house were several Catholic priests active in the Marxist-allied Theology of Liberation movement, with whom Diaz Herrera was working closely.

On July 2, an open letter from Diaz Herrera, "To the Honest Left-wingers in Panama" was published by opposition daily, *Extra*. "I urge the Torrijist leftwing and the Christian and honest left to wage a struggle without selfishness, sectarianism, or foolish and divisionist labels," he wrote. "Let us form an independent, just, egalitarian, and peaceful homeland."

From Barletta to Villa Coca

Diaz Herrera's participation in the Sai Baba cult is important to an investigation into his connections to the dope trade. EIR has extensively documented how Soviet participation in international narcotics traffic, including its Bulgarian, Colombian, and Cuban branches, are run through the Gnostic International and its cults. Colombia's M-19 terrorists, created by the Gnostic church, are a textbook example of the importance of the Gnostics in narcoterrorist operations more broadly. (See EIR's book, *Dope, Inc.* and Special Report, "Narco-terrorism in Ibero-America.")

Diaz Herrera was protected for years within Panama's Defense Forces by U.S. banking interests and their assets within the U.S. intelligence community, despite his well-known links to the drug trade and to Cuba. Diaz Herrera, like his factional ally Gen. Ruben Dario Paredes, was considered useful to these U.S. interests, as an "inside man" to ensure no nationalist grouping in Panama consolidated enough power to go after the foreign economic interests, including the lucrative drug trade, which have enjoyed virtual free rein over the country's economy since its founding.

In return, Diaz Herrera attempted to serve his protectors well. After the death of General Torrijos, Diaz Herrera teamed up with General Paredes (for his part the leading protector of the M-19 operations inside Panama), to purge the ruling Democratic Revolutionary Party (PRD) of several nationalist leaders, as part of a plan to gain General Paredes the presidency, and then bring the bankers' opposition to power.

In September 1985, Diaz Herrera attempted a coup within the PDF against General Noriega, on behalf of Panama's then-president, banker Nicolas Ardito Barletta, who feared General Noriega's attacks on the International Monetary Fund, and speculative economic interests. Since 1970 when he oversaw the creation of the offshore banking center in Panama, Barletta had been assigned the job of ensuring Panama never interfered with the "bank secrecy," even for criminal activities.

Barletta lost the 1985 fight, and quit the presidency, but Diaz Herrera has remained loyal to Barletta. After the PDF pressed for implementation of the new banking law strengthening prosecution for drug trafficking in 1987, Diaz Herrera adamantly opposed its implementation, and attempted to stop Panama's cooperation with the U.S. in Operation Pisces, U.S. anti-drug officials later reported. In the midst of his campaign against General Noriega this summer, Diaz Herrera issued a leaflet (published proudly by opposition daily *El Siglo*), attacking Panama's Attorney General Carlos Villalaz as a puppet of the PDF, because Villalaz, he said, had cooperated with the military to draw up "the new regulatory laws which the government was forced by the U.S. to repress drugs and above all avoid money laundering."

Thus it is no surprise that Castro's friend Diaz Herrera continues to praise Barletta effusively, calling him "my personal friend. ... I admire him greatly," nor that Barletta was one of the first to back Diaz Herrera's charges against Noriega and the rest of the military as "opportune," when the June crisis broke.

Diaz Herrera did not just protect the profiteers of the drug trade; he was actively involved in the business of trafficking. Specifically, Diaz Herrera ran the "Panama connection" for the Reynaldo Rodriguez Lopez mob in Peru.

The Rodriguez Lopez gang ran one of the largest cocaine pipelines in South America, until that operation exploded, quite literally, on July 24, 1985, when a gigantic cocaine laboratory blew up in a mansion located in one of Lima's richest districts. While Rodriguez was not caught until a year later, his network began to unravel, becoming famous as "the Villa Coca case."

Rodriguez Lopez ran coca and cocaine paste from Peru, through Central America, to Mexico, and then the United States beginning in the 1970s. By the 1980s, Rodriguez had struck the requisite deal with the Colombian cocaine chiefs known as the Medellin Cartel, to be able to stay in business.

Inside Peru, Rodriguez owed his success to his connections with the Peruvian Investigative Police (PIP) and the Civil Guard, connections which prospered until the Garcia administration came to power. In 1980, Rodriguez was named an official “adviser” to the PIP High Command, when Gen. Jose Jorge Zarate was inspector general of the PIP, and Gen. Eduardo Ipinze Rebatta’s chief. Both generals were named as protectors of the Rodriguez trafficking organization after the Villa Coca exploded, and were forced to resign in ignominy. The head of the Civil Guard, Lt. Gen. Humberto Catter Arredondo, was forced to resign in the same scandal, when he, too, was linked to Rodriguez and Villa Coca.

As the investigations proceeded in Peru, the word leaked out that Col. Diaz Herrera worked closely with Rodriguez, PIP General Zarate, and the Civil Guard’s Gen. Catter Arredondo, in the Villa Coca network. Rodriguez’ Panama operations were centralized through his tourist agency, Seturin, which had, in turn, built up a trafficking network within Air Panama.

Diaz Herrera’s ties to this branch of the Peruvian mob are not surprising. The Panamanian colonel had been a classmate of both Zarate and Catter, during his graduate studies in Lima at the Civil Guard’s La Campina Academy.

Professional military?

This is the man whom the U.S. State Department has backed as a spokesman for their campaign to create what they call an “apolitical and professional military institution,” by the resignation (and trial) of Gen. Manuel Noriega! The other military men who hope to benefit from the State Department’s “Get Noriega” campaign, are no more professional nor apolitical than is the crazed trafficker, Diaz Herrera.

In July, Diaz Herrera’s ally, retired Gen. Ruben Dario Paredes, jumped in to aid the flagging campaign against Noriega. Immediately after the U.S. announced the cut-off of economic aid to Panama, Paredes issued an open letter, addressed to “The Heart of the Armed Forces,” which was immediately picked up by the U.S. media. In it, Paredes called General Noriega the sole cause of division within Panama, and threatened that if he did not resign, “civil war” might result. Opposition dailies gave banner headlines to the letter: “Paredes to the Troops: Get Him Out.”

Shortly thereafter, Panamanian police uncovered documents in the headquarters of the opposition’s Civic Crusade, which showed that the State Department, through its embassy in Panama City, had offered Paredes the post of defense minister in the government which the U.S. hopes it can establish after President Delvalle and General Noriega are overthrown.

Paredes’ role in protecting narcoterrorism was featured in EIR’s original White Paper, reprinted here. In August 1986, the Panamanian government published a report, *Sixteen Years of Fighting Drug Traffic*, which confirmed EIR’s story in full.

Sixteen Years reported that the Ochoa mob in Colombia, co-partners of the Medellin Cartel, had given a “former National Guard Commander” gifts of specially bred pacing horses, in return for a promise to allow Panama to become a major cocaine-processing center. Shortly thereafter, *El Tiempo* of Bogota named General Paredes as the “former National Guard Commander” to whom the *Sixteen Years* referred.

The story is a major one, known to anti-drug authorities under the file name of “Melo.” Lt. Col. Julian Melo Borbua, a protege of Gen. Paredes who had risen to executive secretary of the PDF General Command, was dishonorably discharged from the PDF in 1984, accused of working with the Medellin Cartel.

In 1984, investigations by the PDF’s investigative police, DENI, uncovered an operation by Colombia’s drug chiefs to move major sections of their operations into Panama, to escape the war on drugs in Colombia launched by Justice Minister Rodrigo Lara Bonilla that year. The mob’s need to find a new center of operations became even more urgent, when Colombia’s military responded to the mob’s assassination of Lara Bonilla by escalating their war.

As Sixteen Years reports, the mafia's plan "was designed to get clear transit of cocaine through Panama, to use Panamanian banking facilities for their transactions; and finally to install a big laboratory in Darien, Panama's less populated jungle province."

"The Ochoa brothers, one of the most powerful drug mafias established in Medellin, had made contact with authorities who had political aspirations, and presented them with costly pace horses and other presents," the Panamanian government's report states. "Melo sold his influence to the Colombian mafia," it adds, noting that "Melo had met the Ochoa group in Colombia when they had presented a previous Commander of the National Guard with pace horses through a rich Panamanian cattle man, who is a member of the political opposition."

The previous Commander was Ruben Paredes.

Working with Melo were several civilians, Gabriel and Olmedo Mendez Ricardo Tribaldos Giraldes, and Jaime Castillo among them. Tribaldos, one of those responsible for importing from Germany into Panama a huge quantity of ethyl ether, a critical element in the processing of cocaine, had received \$250,000 as his first payoffs from the Colombian mafia for initiating the new drug operation in Panama. Later, Tribaldos traveled with Melo to Cali, where the two negotiated with the Ochoa brothers both the installation of a cocaine laboratory in Darien, and the regular shipment of ether through Panama to Colombia. This time, Tribaldos and Melo were paid \$4 million for their promises.

When several ether shipments were captured (both by Panamanian forces and by Colombian authorities working from PDF tips), and the cocaine laboratory discovered and dismantled, and those working there arrested, the mafia ordered its Panamanian traffickers to take action—quickly. Tribaldos, Mendez, and Lt. Colonel Melo met, and decided upon a multi-front attack on the government, the country's economy, and the military, in hopes of breaking resistance to the cocaine plot. Included in their plans was the assassination of General Noriega, and the triggering of capital flight out of the banking center.

The plot did not succeed. Melo was dishonorably discharged from the PDF to face criminal charges, the same as any other citizen; Tribaldos and Gabriel Mendez were charged with drug-trafficking, and jailed. (All were later released by Panamanian courts.)

Their arrest hit the Panamanian opposition hard. Both Ricardo Tribaldos and his brother, Cesar, himself the brother-in-law and business partner of La Prensa's Roberto Eisenmann, were then, and still are today, active in the anti-government conspiracy.

The mob has not given up its plans to install its people at the head of the PDF. On July 25, opposition daily Extra called for Lt. Col. Julian Melo to be reintegrated into the Armed Forces.

Familiar faces on the civilian side

The instruments deployed by Project Democracy to overthrow the government of Panama are not simply the narcotics mafia's top contacts in the military, but also in business and politics as well. When the uprising broke in June 1987, the news reports coming in, one after the other, featured prominently the same men and women whose narcotics and terrorist connections had been exposed in great detail in EIR's first edition of its White Paper on the Panama Crisis!

The opposition went into action immediately following Colonel Diaz Herrera's press conference on June 6. By June 9, supporters of the old Nazi president, Arnulfo Arias, were rioting in the streets, demanding the government be overthrown, and Arias installed as president.

On June 10, leaders of 5 opposition political parties announced the formation of a "Patriotic Junta of National Resistance," and ordered their members to demonstrate in the streets, until General Noriega resigned.

Thirty-five business and professional groups revealed that they, too, had formed a group to coordinate actions against the government, named the "Civic Crusade." The Crusade's leadership announced a nationwide strike, which they claimed would last until Diaz Herrera's charges were investigated, and

everyone he named purged from government. Bankers and leading businessmen closed the doors to their establishments. The strike lasted until the government declared a state of emergency on June 11.

The failure of the opposition movement to gain support outside the financial district of Panama City, soon led even the movement's friends in the international press to dub the opposition "the BMW revolution." To the extent the bankers have been able to mobilize support from Panamanians, they have received it from the middle class alone; neither the poorer area of Panama City and Colon, nor the interior of the country has shown any interest in participating in the overthrow of their government, or military.

But even the epithet "BMW revolution" is a cover-up of the nature of the opposition movement which the U.S. State Department is attempting to bring to power in Panama. It is not the relative wealth which the leadership of the opposition enjoys, which makes the situation so dangerous, but that this would-be government is led by the narcotics mob!

Every key player identified in the first edition of EIR's White Paper as either a self-avowed Nazi, a terrorist, a participant in the narcotics trade, or some combination of those three, has appeared this summer, leading the movement to overthrow the government.

Review the list:

- From the outset, sections of the opposition movement have demanded that the old Nazi, Arnulfo Arias, be returned to power. Castro's friend Diaz Herrera declared from the outset that "Arnulfo Arias is the President of Panama." Arias immediately joined in, ordering his supporters to bring down the government, whatever the costs. "We don't want to shed blood, but if the military clique insists we will defend ourselves. . . . Anything is allowed to topple this regime," he raved.

The anti-Semitic convictions of many in the opposition have raised fears that the anti-government movement might unleash its fury against the Jewish community itself, the Washington Times reported in mid-June.

The columns of *La Prensa's* Guillermo Sanchez Borbon, hailed by the U.S. liberal media as one of Panama's most fearless journalists, exude the raw anti-Semitism shared by many in the opposition's leadership. On July 7, he attacked Panama's President Eric Delvalle as a "born-again Jew." On July 21, Sanchez Borbon praised the Nazi Arias as his leader, and hailed Arias' first period of government as the historical turning point of all Panamanian history. "In his first presidency, Arias carried out a profound social transformation without precedent, which has not been surpassed to this day. For 56 years, he has been the axis [sic] around which all political life in Panama has turned," *La Prensa's* star columnist wrote.

The leading "social transformations" of the first Arias presidency were the introduction of Hitlerite race laws in Panama, whose implementation was only blocked in 1941, when Arias was overthrown as a threat to the Hemisphere because of his alliance with Hitler's Germany.

- Nicolas Ardito Barletta, the advocate of drug-legalization and bank secrecy for drug money-laundering and son of one of Arias' Nazi officials, flew back from Washington (where he prefers to live) to join in "Operation Overthrow." So eager is he to see General Noriega eliminated, that he declared that there might be some truth to Diaz Herrera's charge that he, Barletta, had become president of Panama through fraud—although, he quickly added, he had always thought he had been a legitimate president!

- Christian Democrat Secretary General Guillermo Cochez has appeared at the head of nearly every opposition rally. Cochez, cited in this Report threatening to turn Panama into a new Nicaragua, was exposed' in June, 1986 as one of the Panamanian politicians payrolled by drug money-launderer Steven Samos, whose story we tell at length. Old Willie couldn't deny it; on June 15, 1986 a picture of a receipt written by Cochez for money received from Samos, was published by Panamanian daily La Republica. Nonetheless, he has become a favorite of the Project Democracy crew in Washington.

- The spokesman for the Chamber of Commerce during the June strikes was Cesar Tribaldos. As the summer anti-government campaign escalated, Tribaldos was deployed to the Civic Crusade to serve as a coordinator of the anti-government campaign. He has been up front inciting citizens to disobey the law, telling them that "civil resistance means not to obey, not to work, not to go to school, not to pay taxes." Newspapers identified Tribaldos as the ex-president of the Chambers of Commerce, but readers of EIR know other means by which Tribaldos has made his money.

When the First Interamericas case broke in in 1985, Tribaldos was named by one of the Colombian drug-runners as the man who laundered \$40 million through the Banco Continental for them. Getting caught in the narcotics business seemed to be a family business; brother Ricardo had been indicted the year before on charges of conspiracy to import chemicals for use in processing cocaine inside Panama.

- Cesar Tribaldos sat on the board of directors of the Banco Continental. That bank, identified as a financial channel for the Christian Democratic party, has also been active in Operation Overthrow. Tire bank's head, Roberto Motta, was one of nine conspirators accused of "promoting public disorders of grave consequence for the nation" by Panama's Legislative Assembly in June 1987.

- Roberto Eisenmann and his team at *La Prensa* are found at the center of the anti-government insurgency. Eisenmann, who knows the ropes in Washington after a year of study at Harvard, was given the job by the U.S. embassy of recruiting other businessmen to the opposition side, and coordinating opposition lobbying with the U.S. Congress. He also played a key role in securing financing for the opposition's insurgency, including putting its leaders in touch with a group of private U.S. citizens who had contributed to Oliver North's Contra fundraising.

La Prensa Contributing Editor Winston Robles, whose joint business projects with dope money launderer Steven Samos are outlined in this Report, has been meeting with the U.S. embassy's deputy chief of mission, John Maisto. Roberto Brenes, editor of *La Prensa's* economic supplement, is one of the top five men coordinating the Civic Crusade with Eisenmann and Tribaldos. Tribaldos, in turn, is a business partner with Eisenmann in several endeavors, serving both as his alternate on the board of Banco Continental, and manager of Eisenmann's department store, Mansion Dante.

General Paredes' political machine has also been active in the insurgency. Notable in this connection is the role of Alberto Conte, former director of Paredes' presidential campaign, and a writer for Eisenmann's *La Prensa*. Conte today heads a public relations firm called Latina Americana de Publicidad, and an outfit called the Social Studies Institute, which have been used by the U.S. Agency for International Development, through Conte, to both profile private sector leaders for susceptibility to recruitment to the opposition movement, and as a channel for U.S. government money into the opposition.

Civil war?

This is the leadership of an opposition movement which has warned that it can, and will, turn Panama into a "new Nicaragua" if not handed power soon. More than "civil disobedience" is being prepared.

On Aug. 4, members of the National Department of Investigation raided the offices of the Chamber of Commerce, and the Panamanian Association of Business Executives (APED), after Attorney General Carlos Augusto Villalaz had received reports that opposition forces based there were circulating leaflets advising acts of violence during a planned demonstration on Aug. 7.

The report was confirmed—in spades. Boxes of materials confiscated included manuals on how to construct Molotov cocktails and other bombs and fliers containing instructions on how to shoot down police helicopters from apartment rooftops. Copies of telegrams sent to top officials in the United States, France, Israel, and Japan, requesting a suspension of aid to the present Delvalle government, were seized.

A timetable for a coup d'état was also discovered, including the following elements:

- ouster of Noriega and close military associates;
- ouster of President Delvalle, Vice President Esquivel, and their replacement with a governing junta;
- eliminating the supreme court and electoral tribunal, to be replaced with elected magistrates;
- eliminating the national assembly, and replacing it with a constituent assembly to write a new constitution;
- holding presidential elections one year after coup.

The threats to introduce violent methods of struggle have increased in direct proportion to the collapse of the opposition's credibility as a mass movement. Opposition leader Carlos Gonzalez de la Lastra warned on Sept. 14 that "if the Crusade does not come to a happy ending, God free us from what

follows.” His sentiments were echoed by Osvaldo Velasquez, president of the Panamanian Human Rights Committee (founded by Roberto Eisenmann), who warned that “no place in the world exists where situations of violence cannot generate a civil war.”

When yet another demonstration failed on Oct. 22, an unnamed opposition leader told the *New York Times*, “We are at a very low point. We need violence to revitalize the movement.”

“If we don’t reach a peaceful solution to the Panamanian problem now, the population, as in other Central American countries, will find other ways. . . . Unemployment and deterioration is suffered daily by the Panamanian economy, creating an environment of impotence and frustration in the population, the results of which can pave the way to civil war,” Civic Crusade leader Aurelio Barria declared to Venezuela’s *Diario de Caracas* in an October interview.

Yet opposition spokesmen have stressed repeatedly that their strategy for gaining power, is premised precisely on creating the conditions of economic chaos, which they themselves admit can bring about civil war!

Opposition leaders have traveled from Washington to Europe, begging foreign governments, banks, and businesses to cut off aid and pull their investments out of Panama. Inside Panama, Civic Crusade leaders have concentrated their efforts on reducing government revenues, and provoking disinvestment and capital flight.

A press release issued by the National Civic Crusade on Oct. 27 in Washington, D.C., states bluntly that the Crusade plans to escalate its economic sabotage. “The delay of payments such as taxes and other public services will be emphasized, accelerating the fiscal collapse of the government,” the Crusade release declares. “Economic deterioration” and “frustration” are “two elements that historically have fostered further instability.”

Meet the crusade's mother:

Project Democracy

There is nothing “native” about the movement to overthrow the government and military command of Panama: the “opposition” was created, financed, and directed every step of the way from outside the country. The opposition movement, a sort of Panamanian Contras, is the child of Project Democracy, the secret, parallel government brought to public light when the Iran-Contra scandal exploded in November 1986.

The foreign plotters complain that the leadership of the opposition movement is incompetent, because they have been unable to rally the population to their side. Arguments are given as to why this or that faction must be given more support, because they will surely be more successful. Each faction, in turn, proves no better than the last.

What those foreign plotters fail to understand, is that it is the very nature of the operation which leads to failure. Teddy Roosevelt reincarnated as an “Oliver North Democrat,” is, after all, still Teddy Roosevelt.

There is a name in Panama for men like the Eisenmanns, the Galindos, the Arias Calderons—men such as “Willie Coaches” who change their name to curry favor in Washington. They are called “Bunau-Varillas,” followers of the hated Philippe Bunau-Varilla who, as Panama’s agent, signed the 1903 treaty with the United States which asserted perpetual limited sovereignty for Panama.

General Noriega described these leaders succinctly this summer, as the men who “sell Panama.”

But the so-called “opposition” movement in Panama is not only foreign controlled; it is the Panamanian wing of an international conspiracy whose aim is to impose a corporativist-fascist dictatorship upon the countries of the West, including within the United States itself. The only thing “democratic” about this movement is its name. To understand better how this opposition beast works, it is necessary to understand something about its mother: Project Democracy.

Project Democracy's story

Project Democracy was first known around the world as the so-called “Reagan doctrine,” a policy which asserted a U.S. right to dictate domestic policies to its allies around the world, in the name of rolling back communism worldwide.

Then, when the Iran-Contra scandal broke in November 1986, it was revealed that Project Democracy was the codename given by Oliver North to the covert network run out of the basement of the White House, trading arms-for-hostages with Khomeini’s terrorists, and using Swiss based drug launderers to channel the money to Nicaragua’s Contras. • Hardly a policy to strengthen anti-communism’s cause.

EIR investigators soon unraveled the deeper story, a story told in full in EIR’s Special Report, “Project Democracy: The ‘Parallel Government’ behind the Iran-Contra Affair.” The roots of Project Democracy extend back twenty years, to Henry Kissinger’s reorganization of the United States’ National Security Council to be the central command post of a virtual “government within the government,” working on behalf of Western banking interests who seek to establish a new, supranational global order, run as a condominium between Western bankers and the Russians.

Hatchet-men for this bankers’ dictatorship, were a network of rightwing social-democratic organizations led by former followers of Soviet “right oppositionist” N. Bukharin. Out to destroy the form of government established by the U.S. Constitution, this grouping created its own channels of power,

running through both private and public institutions, which answered not to elected officials, but to these private interests, thus establishing, in effect, a parallel government.

In the wake of the oil crisis of 1973, these Western banking interests founded the Trilateral Commission, to assure the smooth transmission of policy orders to governments around the world, under conditions of economic crisis which they fully expected would dominate the coming decades. Thus, one of the first projects undertaken by the Trilaterals, was a study on the "ungovernability" of modern democracy in an era of economic crisis and social upheaval, a project directed by Zbigniew Brzezinski, then the director of the Trilateral Commission.

From that study came the international apparatus today known as Project Democracy.

A cleaned-up version of the conclusions of the Trilaterals' discussions, was published in book form, under the title, *The Crisis of Democracy*, written by Michael Crozier, Samuel Huntington, and Joji Watanuki. The starting point of *The Crisis of Democracy* is the decline of such economic progress as had characterized the 1960s, and the advent of the post-industrial society. In his introduction, Brzezinski compares the atmosphere of 1975 with the early 1920s, when Oswald Spengler published his mystical *The Decline of the West*.

The book argues outright, that changes are needed in the political system of the United States itself. "Democracy is more of a threat to itself in the United States," the Trilaterals state. The reason they offer as to why reveals a sharp concern that under conditions of crisis, new political currents could overturn their grip on power. They warn, "The lesson of the 1960s was that American political parties were extraordinarily vulnerable organizations, in the sense that they could be easily penetrated, and even captured, by highly motivated and well-organized groups with a cause and a candidate."

In 1975, the program of the Trilaterals was given a formal name: "fascism with a democratic face." The phrase was first floated by the so-called Initiative Committee for National Economic Planning (ICNEP), a group founded by such liberal economists as Wassily Leontief and J.K. Galbraith. It soon began to surface from different comers, as a rallying cry.

Certain prime financial supporters of the liberal wing of the Democratic Party have a "hidden agenda for American politics ... a planned economy . . . state capitalism . . . fascism without the lampshade factories, Nicholas von Hoffman revealed in a Washington Post column in earl-1975. In March 1975, Challenge magazine carried an article entitled "The Coming Corporatism." That article explained:

Corporatism is a distinct form of economic structure. It was recognized as such in the 1930s by people of diverse political backgrounds, before Hitler extinguished the enthusiasm which greeted Mussolini's variant. . . . This "corporatism" is a comprehensive economic system under which the state intensively channels predominantly privately owned business towards four goals, which have become increasingly explicit during the current economic crisis: Order, Unity, Nationalism, and "Success."

. . . Let us not mince words. Corporatism is fascism with a human face. What the parties are putting forward now is an acceptable face of fascism; indeed a masked version of it, because so far the more repugnant political and social aspects of the German and Italian regimes are absent or only present in diluted form.

Steadily over the past two years, the United States has come under the grip of this group. Under the Carter administration, it was no secret that the Trilateral Commission ran the show. Under the Reagan administration, Project Democracy consolidated its vise-grip on policy by the middle of 1983. When the quasi-public body, the National Endowment for Democracy (NED), was created in November 1983, the Trilateral had secured a new base for international and domestic operations. While financed with government funds, the NED was established as a private entity, operating outside of government oversight restrictions, Freedom of Information Act requirements, and financial audits and accountability

The NED was organized as a blatantly corporatist-fascist structure designating four subsidiary institutes to receive and deploy the bulk the public funding. These included:

- 1) The AFL-CIO's Free Trade Union Institute and its Western Hemisphere affiliate AIFLD;
- 2) The U.S. Chamber of Commerce's Center for International Private Enterprise (CIPE);

3) The Republican National Committee's newly created overseas "action arm," the National Republican Institute for International Affairs (NRI);

4) The Democratic National Committee's parallel group, the National Democratic Institute for International Affairs (NDI).

From the outset, the NED was mandated to conduct an ambitious program of intervention into the internal public and private institutions of foreign nations, particularly the nations of Ibero-America, which have received the bulk of NED official financing since its founding.

The five designated areas of NED operation listed in its charter documents, outlined the means by which the shock troops for Project Democracy's technocratic dictatorships would be recruited. These were:

1) "Leadership Training": a euphemism for what more conventional, earlier CIA training manuals would have referred to as "agent-in-place" and "agent-of-influence" recruitment, training, and financing.

2) "Education": training and broadly defined propaganda efforts.

3) "Strengthening the Institutions of Democracy": funding of selectee labor unions, university programs, political parties, newspapers, business groups, religious groups, and community action programs that would put their resources at the disposal of the Trilateral Commission and IMF agendas.

4) "Conveying Ideas and Information": indoctrination and action propaganda, in more traditional language.

5) "Development of Personal and Institutional Ties": the build-up of overt channels of influence through NED-linked personnel and with agents-in-place and agents-of-influence operating in the countries targeted by the various NED covert action programs.

The program had been lifted straight from the Trilateral's Crisis in Democracy project. Point seven in the list of concluding statements attached as an appendix to that book was, "Creation of New Institutions for the Cooperative Promotion of Democracy." Promotion of the Trilateral's plans required an international effort, point seven argues. "One might consider, therefore, means of securing support and resources from foundations, business corporations, labor unions, political parties, civic associations, and where possible and appropriate, government agencies; for the creation of an institute for the strengthening of democratic institutions."

Although operating domestically within the United States as well, the NED has become the central headquarters of the international operations of Project Democracy. Sovereign nation-states, obstacles to the global "New Yalta" to which Project Democracy is committed, became its primary target. Around the world, Project Democracy's hit-squads have been organizing coups, destabilizing friendly governments, financing covert operations in support of insurgencies.

In Ibero-America, Project Democracy has targeted the institutions which have formed the backbone of the republics of the region from their founding: the labor movement, the Catholic Church and, with extraordinary zeal, the military. Once these institutions are weakened or destroyed, the nation-states' capabilities to mobilize resistance to the designs of international finance will have been destroyed.

In Panama, that meant the destruction of the civic-military alliance established under Gen. Omar Torrijos in Panama. And General Noriega, organizing throughout the region on the necessity for the military to participate actively in the formulation of all aspects of national policy, emphatically including economic policy, was an obstacle to be removed.

Poindexter gives the orders

Every asset in Project Democracy's arsenal has been thrown against Panama, both covert and "official." Project Democracy's control over "Operation Overthrow" in Panama came to light, as the details of the criminal and covert activities of the covert NSC network exposed by the Iran-Contra scandal. It was National Security Council Director Admiral Poindexter himself who directed the initial set-up of the CIA's and State Department's operations against Panama, which are detailed in EIR's original White Paper.

Poindexter did more than coordinate the operation. In December 1985, he traveled to Panama, requested a meeting with General Noriega, and there threatened him that either he got out of office, or he would be destroyed.

On June 12, 1986, as EIR's White Paper went to press, the New York Times published a full-page slander against General Noriega. Penned by old intelligence hand Seymour Hersh, the article called Noriega everything from a drug-runner to a Cuban agent, money-launderer, and the murderer of Spadafora. The article was a masterpiece of innuendo and allegations, for no proof of any charge was presented.

One intelligence official quoted attempted to cover the lack of "proof" by asserting that Noriega is "brilliant in masking much of his direct involvement" in his alleged illegal activities. Hersh promised that the CIA had proof, but that it remained "classified." All U.S. officials cited in the article requested to remain anonymous, Hersh wrote, except one: Adm. John Poindexter.

To be sure the message got across, Hersh followed up the next day with a second article, reporting that U.S. agencies had once before threatened to assassinate Noriega, in the 1970s.

Panamanian President Eric Delvalle answered: "I personally think that they, the New York Times, have lied. What is the importance of a publication in the New York Times—however big the name of the New York Times might be—if they don't dare to say who said it?"

After Poindexter was fired, it became public: It was Poindexter who told Hersh to pen his page of slander, and handed him the "dossier" on which it was based.

To date, that June 1986 Poindexter-Hersh bit of psychological warfare, continues to be cited as the "proof" of General Noriega's corruption and malfeasance.

The Philippines blueprint

When General Noriega refused to resign under pressure, the Project Democracy crowd set out to lay the groundwork for insurrection inside Panama.

Demonstrating a remarkable lack of originality in their schemes, Project Democracy's planners turned to their leading "success story" internationally—the ouster of the Marcos regime in the Philippines—as the model for overthrowing Noriega and the Delvalle government. While General Noriega is not Ferdinand Marcos, not only has the Aquino operation in the Philippines provided the blueprint for the Panama operation, but the same people who ran the Philippines operation have been transferred to Panama to repeat their performance!

The bringing to power of Aquino's "people's power" movement was run from Washington. For three years, State Department officials and Project Democracy's agents built up a "young officers' reform movement" against Ferdinand Marcos inside the Filipino military; encouraged and directed the civilian opposition movement; ordered international credit cuts against the country; coordinated international control over national elections; orchestrated an unbroken press campaign against the "Marcos dictatorship."

At times, Cory Aquino's appearances on U.S. national television became so frequent, that it seemed she was running for the presidency of the United States.

On Feb. 25, 1986, President Marcos was "invited" onto a U.S. Air Force jet, and flown out of the Philippines to exile in Hawaii. Within hours of his leaving, a senior Reagan administration official bragged to reporters: "We had to follow a very careful path of our public statements and our private actions in order to achieve the stable outcome that we sought many, many months ago. I believe this is a classical example of a policy which set goals—and then dealt with a series of evolving circumstances—and in the end achieved what we set out to achieve."

Since that coup, Cory Aquino's "democratic" regime has adopted a tougher International Monetary Fund program than any to which Marcos had ever agreed. Major sections of national industry have been sold to New York bankers in "payment" for the foreign debt, while credit for local industry has been restricted.

As conditions of life collapse under the program, communist organizing has advanced. Today, the Soviet-run New People's Army (NPA) controls an estimated 20-30% of the country. Philippine security experts estimate that the NPA has now positioned itself to seize power in less than two years, if no comprehensive program, including national economic recovery, is undertaken to fight the insurgency.

Is this the "end" the State Department set out to achieve? If not, why is the State Department today repeating in Panama, step-by-step, the same "careful path of public statements and private actions" which has brought the Philippines to the brink of national disintegration and communist takeover?

The roving 'democratic' hit squad

Within two months of Marcos' overthrow, a team of State Department officials was posted to Panama, to turn Poindexter's threats into action.

John Maisto was named Deputy Chief of Mission in Panama, under Ambassador Arthur Davis. From his position as State Department Desk Officer for the Philippines in 1985-86, Maisto had played a crucial role in setting up Project Democracy's overthrow of Marcos, and was proud of it.

In an Aug. 16, 1985 cover story, EIR published Maisto's own admissions of his seditious activities against the Philippines. "We are providing the public support" for the young officers' group, We Belong, Maisto had bragged. "We deal with them, but it is not that we're going out slapping a U.S. label on them, because that's the last thing they need."

Married to a Filipino woman himself, he coordinated the opposition movement based in the United States. Maisto praised the opposition's role in the Parliament, for their "very active, very positive role. They're keeping the government on its toes. . . . They're making life difficult for the government."

Sounding every bit a socialist, Maisto stressed that the State Department was "trying to target our economic assistance, so that it helps break down the vested structures of the economic system. It helps the Filipinos dismantle the monopoly capitalist system that they have. . . . The IMF and the World Bank are targeting their assistance, and we have an awful lot of input into the IMF and the World Bank."

Joining Maisto in Panama was David Cohen, another Philippine hand sent in to work with the Agency for International Development (AID) office in Panama. Cohen had also been posted to Paraguay, when Davis had been ambassador to that country.

Taking up the job of commercial attaché at the embassy was David Miller, another who had helped direct the Philippines "democratic coup," along with Maisto. (Miller's activities soon extended beyond the commercial realm; on Sept. 13, 1987 he was arrested while "enthusiastically participating" in an anti-government demonstration.)

With the embassy staff reorganized around its new task—that of overthrowing the government—operations to retool the opposition movement into an instrument of power began in earnest.

AID: channeling the black economy

Exemplary of the way the Project Democracy crowd created the opposition, are AID's operations in the Panamanian business community over 1986-87.

AID had been in on the ground floor of the creation of Project Democracy's National Endowment for Democracy, providing \$300,000 in 1982 to finance a six-month study called "The Democracy Project," by the American Political Foundation. Out of that Foundation study, came the outlines of the legislation that a year later established the NED.

Today, the AID has become the leading U.S. governmental agency working to impose the economic "development" strategy advocated by the NED: legalizing the black, or illegal, economy. Increasingly, AID personnel have made cooperation with this black economy strategy, a conditionality for receiving AID's financing.

The policy package is sold under the name, “informal economy,” a term popularized by the NED-financed Instituto de Libertad y Democracia of Lima, in its best-selling book, *The Other Path: The Informal Revolution*. As Mario Vargas Llosa explains in his introduction to *The Other Path*, the “informal economy” is nothing other than the “black, hidden, or marginal economy.”

In Ibero-America, the underground economy means drugs, by far the single-largest component of the illegal economy. Drugs are already the main cash crop of many countries and the only foreign income that some countries are using to pay the foreign debt.

AID's coordination with the NED on this strategy was displayed most recently, when AID and the NED's business branch, the Center for International Private Enterprise (CIPE), co-sponsored an “International Conference on the Informal Sector” in Washington, D.C. on Oct. 26-27, 1987. The conference was addressed by Peter McPherson, AID administrator for eight years until his recent transfer to the post of Deputy Secretary of the Treasury, and attended by some 38 AID bureaucrats.

“Throughout the developing world, an informal economic sector comprises a vast underground market operating independently of governmental authority,” a conference brochure announced. “The conference's aim is to demonstrate the potential economic and political influence of these informal sectors to 150 business, political, and governmental leaders from over 30 nations. The long-term goal is to liberalize political and economic institutions, thus tapping the informal entrepreneurial energy to promote economic growth.”

Representing Panama's businessmen at the conference, was Rafael Zuniga, Executive Director of the Chamber of Commerce, and a leader of the National Civic Crusade.

Other parties in the Crusade are also an active part of CIPE's international network. This includes the Panamanian Association of Business Executives, whose president, Eduardo Vallarino, and vice president, Roberto Brenes, are top coordinators of the Civic Crusade. In 1987, CIPE allocated \$58,000 for this business association, not the first year it has supported the association.

Recruiting a movement

Inside Panama, AID set out to build up a private sector movement, under the rubric of “strengthening democratic values” and “private sector development,” along the lines of NED activity cited above.

The amounts of money being channeled to the opposition through these AID-related programs are no small potatoes. AID's 1988 report to Congress on its official funding and projects, (Latin America and the Caribbean, Annex III, AID's Congressional Presentation for Fiscal Year 1988), provides some startling statistics on its funding for the category of “Strengthening Democratic Institutions and Processes.”

“After many years of military-dominated government and only a brief recent exposure to democracy, Panamanian democratic institutions require careful nurturing to flourish,” AID's report argues. Therefore:

- AID plans to allocate \$12.5 million for its “Strengthening Local Government” project between 1987-91. Of that, AID estimates an expenditure of \$200,000 of its \$1.7 million obligation in 1987, the report states. This project seeks to promote “grass-roots political organization,” and “to encourage more local-level decision making.”

- Over half a million dollars will be spent in 1987 on scholarships for private sector leaders to study in the United States, with that figure expected to more than double in 1988. Another \$1.5 million in scholarships in 1987 has been allocated for “key groups in Panamanian society which are likely to play leading roles in Panama's political and economic evolution,” with this category rising to \$3.5 million in 1988. AID's report specifies that this program does not include technical scholarships for agricultural training or health programs, but is solely dedicated to fostering its version of “democracy.”

- In 1988, a whole new program of “private enterprise support” is planned, with an expected expenditure of nearly \$700,000.

Other monies in this category of “democratic support” are provided for “free and democratic trade unions,” and a program to train members of the judicial branch.

AID's official publications declare that the policy guiding their activities in Panama is to overturn the legacy of *Torrijismo* in Panama—the conception that the task of government is to assure broad-scale national development—and to establish in its stead, rule by “free enterprise,” where no national group can ever again refuse to submit to the austerity policies demanded by international financial agencies. The report states:

Panama faces continuing economic problems requiring financial discipline, additional policy reform, and external assistance. An interventionist public sector philosophy has held sway since the early 1970s, resulting in a bloated public sector, distortion of the economy's price structure and resource allocation. . . .

With the passage of reform legislation in early 1986, the stage has been set for an economic restructuring and greater reliance on market forces. Changes in the labor code provide incentives for increased productivity at lower costs. The Industrial Incentives Law will reduce tariffs, eliminate most import quotas and reduce protection levels. . . . The Agricultural Incentives Law will encourage production of commodities for which Panama has a comparative advantage. . . .

Panama's standby agreement with the International Monetary Fund (IMF), signed in July 1985, was suspended in early 1986 but is now back on track. . . .

AID's specific objectives in Panama are to: (1) assist the government in implementing its fiscal stabilization program; (2) assist in the transition to a leaner, more efficient public sector, including the divestiture of public enterprises; (3) encourage the transition from an economy based on import substitution to one based on efficient private sector production and exports. . . .

AID channeled monies, for example, into the Social Sciences Institute, headed by Alberto Conte, which was assigned the task of profiling Panama's business leaders, to select those to be recruited to the opposition movement. Financing for those willing to work with the embassy's movement was held out as an incentive from the beginning. “We sent out a number of letters to the private sector offering general financing for projects that would strengthen democracy,” an AID official explained to a Panamanian paper.

Later, this profiling operation would also utilize the contacts of banker publisher Robert Eisenmann to build the opposition. After organizing his business allies to the idea of joining a U.S.-sponsored coup attempt, Eisenmann put the people he found interested in touch with Rep. Stephen Solarz, the Democratic congressman from New York state who, as chairman of the House Foreign Relations Subcommittee on Asian and Pacific Affairs, had led the congressional side of “Operation Overthrow Marcos.”

Eisenmann also placed people in contact with private U.S. financial angels who had aided the NSC's Contra operation, hooking them into Project Democracy's covert operations. Among these targeted contributors to the would-be “Panamanian Contras” were Texas millionaire Ellen Garwood, Connecticut heiress Barbara Newington, and coal executive Thomas Claggett.

Final preparations

With AID identifying and recruiting the prospective leadership of the expanded anti-government movement, attention now turned to recruiting the beginnings of a “grass-roots” machine—under international control—to control the election process in Panama. Here again, the Philippines experiment became the model.

Project Democracy created two particular institutions to corrupt the election process in the Philippines. The first, and most important, was the founding of an electoral machine more powerful than any governmental body, and under the control of Project Democracy. Thus was born the National Citizens' Movement for Free Elections, known around the world as NAMFREL. By the time elections were held in February 1986, NAMFREL had established itself as an “independent” poll-watchers association—with a staff and an organization recruited, trained, and directed by Project Democracy operatives—which served openly as the Aquino electoral arm.

Once in Panama, Maisto set out to create the Panamanian NAMFREL. Shortly before the June 1987 uprising began, Panamanians announced that a new organization had been founded, called “MODELHO.” Its name—the National Citizens’ Movement for Free and Honest Elections—was almost a literal translation of NAMFREL.

Project Democracy’s second step was to establish the principle of foreign control over national elections. Here, they set up an “international observers team” which it filled with people loyal to Project Democracy’s plans. The international team observing the February 1986 elections, was headed, for example, by one of the founders of the NED, Allan Weinstein.

Here again, the overlap of the conspiracy against the two countries reached remarkable levels. MODELHO was formally established, after the National Democratic Institute for International Affairs (NDI), one of the four subsidiary institutes of the NED, brought three leading Panamanians to participate in an “international observers team” of the May 15, 1987 parliamentary elections in the Philippines.

Maisto chose the three Panamanians who participated in the NDI’s international team: the president of the Chambers of Commerce, Aurelio Barria, Jr., a member of the Election Tribunal; Luis Carlos Chen; and the vicar general of the Archdiocese of Panama, Father Fernando Guardia.

The report on that trip published in the fall 1987 issue of the NDI newsletter, did not hide that the trip was designed to spread “the Philippines model” to other countries. The NDI wrote:

Members of the observer delegation, sponsored by the NDI and led by Canadian Sen. Al Graham, came primarily from countries which are seeking to create or strengthen their electoral systems. “One of the most interesting parts of the entire program was a forum on our final day, when delegation members reflected on the relevance of their observations to the situation in their respective countries,” Graham said in a June 22 speech. . . . “Without exception, they stressed the value of lessons learned, and individually they spoke positively of how these lessons could be put to practical use in their own countries.”

Perhaps the most lasting impression was left by NAMFREL, which received accolades from everyone in the group for its training, organization, professionalism, and commitment to uphold the integrity of the election process. Members of the delegation were eager to learn the techniques NAMFREL used to instill the civil aware-ness. ... As a result of the mission, efforts to form similar poll-watching groups are underway in Chile, Haiti, and Panama.

Panama’s ‘Cardinal Sin’

For Father Guardia, his participation in the Philippines observers team became a virtual religious experience. The trip was “an entire rebirth, ineffable, which cannot be repeated, and which left indelible marks,” Guardia wrote in the May 31 issue of the Panamanian newspaper, *Catolica*. “Among the miracles of the Philippines, there is NAMFREL, which is the acronym for a civic institution which is a model for the entire free, world. . . . A national movement of citizens for free elections.” Guardia provided the paper with a picture of himself, standing proudly next to Cory Aquino.

From the outset of the June riots, Father Guardia placed himself at the front of the opposition movement, declaring that the Catholic Church would take an “activist role” in the crisis. Guardia himself joined the Civic Crusade in an “advisory” role. Guardia soon began saying Mass, especially for the opposition, and using his homilies to repeat that “the people . . . say no to the arrogance of power.”

While not all the Catholic Church in Panama agreed with Guardia’s “activist role” in the political situation, Guardia enjoyed the protection of Archbishop Marcos McGrath, who himself hoped to win world fame as the “Cardinal Sin” of Panama.

McGrath has been involved with the Project Democracy conspiracy from the beginning, and at a much higher level than Father Guardia. McGrath is a member of the Inter-American Dialogue, the informal Western Hemisphere “back-channel” which, since its founding in 1983, has set the Eastern Establishment’s policy agenda for the region, on matters of drugs, the military, and economics.

The Dialogue—founded and chaired to this day by that old Panama “expert,” Sol Linowitz—has quietly played a leading role in organizing the Panama crisis, lining up international support behind another of its leading Panamanian participants, Nicolas Ardito Barletta, around whom the entire crisis has centered.

McGrath’s support for Project Democracy’s political ambitions in Panama is not the first time he has put his loyalty to his friends in the international financial elite above his obedience to his religious superior, Pope John Paul II. In 1986, McGrath, like Barletta, gave his signature in support of the Dialogue’s 1986 call that “selective legalization of narcotics” be considered as an alternative to winning a War on drugs, a position in diametrical opposition to Pope John Paul II’s calls for Catholics everywhere to commit themselves to battle the evil slavery of the drug trade.

Need deploys the Senate, too

“When you see myself and Jesse Helms taking the same side on an issue, you have nothing to worry about,” the liberal senator from Massachusetts, Edward Kennedy, reportedly assured his Civic Crusade friends. There is a lesson to be learned from the spectacle of liberal and conservative members of Congress falling over themselves to impose sanctions on Panama. Loyalty to Project Democracy’s “democratic dictatorship” has become a more powerful allegiance than ideology or party.

Whereas North Carolina’s “conservative” Senator Jesse Helms first took up the cause of the Panamanian opposition movement on the Senate floor, today it is the liberals like Massachusetts’ Edward Kennedy and California’s Alan Cranston who claim, “I’m a Crusade member, too.” Nor can the anti-Panama campaign be explained as a product of a Republican administration, for it is the Democratic Party’s International Institute which has now taken the lead.

From Helms to Cranston, the leading sponsors of the “Get Panama” campaign on Capitol Hill, are active supporters of Project Democracy’s NED.

Take the sponsors of the two Senate Resolutions presented in August which demanded the imposition of U.S. trade sanctions and a cutoff of aid, until a new “transitional government” is installed in Panama.

Sen. Alan Cranston introduced Senate Resolution 1650, the so-called “Democracy in Panama Act of 1987,” which seeks to prohibit the importation of any Panamanian sugar or sugar product into the United States, and co-sponsored S. 1614, a resolution labeled simply, “To restrict United States assistance to Panama.” Lately, he has been leading the hue and cry against Panama from the Senate floor.

On Nov. 17, Cranston received the “W. Averell Harriman Democracy Award” from the NED’s National Democratic Institute for International Affairs (NDI), for his “achievements in defense of democracy and human rights.” Cranston shared the award with Argentine President Raul Alfonsín. The NDI praised Cranston for having “authored legislation which puts human rights at the forefront of his country’s foreign policy.”

Panama is not the only country which has received the brunt of Cranston’s “democratic” zeal. In 1985, Cranston hosted, along with Rep. Stephen Solarz, the Washington visits of Filipino opposition leaders.

Sen. Alfonse D’Amato, the conservative-talking Republican from New York, was the author of S. 1614, and has volunteered to testify before Senate committees against Panama. From the outset, D’Amato has been a champion of the NED, playing an active role in assuring that Congress voted up the appropriations demanded by the NED.

Sen. Edward Kennedy, a co-sponsor of both Senate resolutions, has become the Civic Crusade’s “Godfather” on the Hill. While Kennedy, too, played a role in Project Democracy’s Philippines-bashing (he forced through U.S. governmental investigations into alleged corruption by the Philippine government before the Aquino coup), until he jumped onto the Panama bandwagon, his primary work with Project Democracy focused on the United States.

Kennedy has long been an activist for Project Democracy’s efforts to effect a cold coup against the U.S. Constitution. In 1978, Kennedy was the keynote speaker at the founding conference of the Brookings Institute’s “Project 1987,” one of the initial study groups formed to draw up proposals for how

to “reform” the U.S. Constitution to replace the presidential system with a parliamentary system modeled on that of Great Britain.

On Oct. 6, 1987, yet another Senate Resolution attacking Panama as a “military dictatorship” was discussed in the Senate. This time, its merits were debated at the same time as a proposal to increase funding for an NED project in Nicaragua. Thus, Senators Helms and Christopher Dodd (another anti-Panama activist), literally alternated between their praise for the NED, and attacks on Panama! (This resolution, which was not passed by the Senate, stated that the U.S. Senate considers the Panama Canal Treaties null and void unless Panama formally accepts a U.S. right to intervene in Panamanian affairs, as written in the DeConcini Reservation.)

Dodd, too, was in on the creation of the NED from the ground floor, serving in the American Political Foundation’s 1982 “Democracy Program” which drew up the legislation for the NED.

Opposition headquarters: Washington, D.C.

After the opposition’s insurgency took off in June, Project Democracy decided it was time to build up that movement into a credible alternative to govern in Panama. The headquarters for the operation was not established in Panama—but in Washington, D.C.!

NATIONAL CIVIC CRUSADE OF PANAMA, INC.
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On July 13, 1987, the Panamanian opposition was officially incorporated under the name of “National Civic Crusade of Panama,” hereafter the Crusade, at the Department of Consumer and Regulatory Affairs of the government of the District of Columbia, under File 872441. The Crusade registered itself as an “organization exempt from federal taxation” with the purpose of carrying out political and propagandistic work against the Republic of Panama in the United States.

Three Panamanians undersigned the incorporation documents: Eduardo Antonio Lewis (son of Gabriel Lewis Galindo), Rufino Flores, and Milton Ruiz, listed as the Crusade’s Secretary-Treasurer. In the beginning, the Crusade operated from Suite 605 at 1730 M Street, N.W, but by September, a larger and more expensive suite was rented in the same building, two floors down, in Suite 402, from where they are currently running their subversive activities.

The key individual behind the Crusade’s activities in Washington is Gabriel Lewis Galindo, former Panamanian ambassador to the United States. Other prominent members are businessman Roberto Brenes; Milton Ruiz; Eduardo Vallarino, former president of the National Caucus for Private Enterprise; Gilbert Mallol, former president of the Panamanian Chamber of Commerce; Jose Pretto; and Diogenes de la Rosa, an old Trotskyist ideologue, diplomat, and university professor.

The Crusade activities, in Washington primarily consist of giving press conferences, lobbying on Capitol Hill, holding demonstrations, and doing whatever is required to gain U.S. support for their “cause.” In press conferences that they have held since they were officially established, they failed to give a credible explanation of why they are based in Washington, or what their “strategy” is to gain power.

On Oct. 27, the Crusade leadership called a press conference to try to convince the U.S. media that although the Oct. 22 demonstration had been “poorly attended,” it was really “a step forward in the process of democratization.” The demonstration had been labeled beforehand as the “beginning of the end of Noriega.”

The Crusade members, all of whom claimed to have fled Panama in fear for their lives, said that their plans to take power consist of calling for many “demonstrations” inside Panama in order to “militarily immobilize” the country. They said they believe December 1987 will be a turning point in their campaign to “take over,” since the Panamanian government will not be able to pay government workers their

Christmas bonus due to the deep economic crisis Panama is going through. At that point, the Crusade believes, workers will turn against the government, a sector which even they acknowledge continues thus far to back the government.

The Crusade also reported their trips abroad to seek support. They reported that they have visited Venezuela, Colombia, Norway, and Spain, where they claimed to have received an “excellent reception” from the Social Democracy, including from Venezuela’s Carlos Andres Perez and Spain’s Felipe Gonzalez.

Gabriel Lewis Galindo

Gabriel Lewis Galindo began organizing the Crusade, immediately after he left Panama to fly to Washington in the middle of June. “I have appointed myself international representative of the Panamanian opposition and I am going to charter a plane and use every penny at my disposal,” Lewis told the New York Times on June 16. “We are in a crusade to overthrow these military officers and establish democracy.”

Lewis, 58 years old, was described by the New York Times as heir to one of Panama’s “oldest and most distinguished families,” and a member of Panama’s “millionaire elite.” He has large real estate holdings (including Contadora Island, which he bought with an eye to building a major resort center), and owns a bank, the Banco del Istmo.

Many in Panama, however, question how Lewis made his multimillion dollar personal fortune. Judging by some of Lewis’s business partners, more than real estate may have gone into making his fortune. According to Lewis’s buddy William Jorden, Lewis Galindo has been “a long-term business associate” of Colombia’s former president, Alfonso Lopez Michelsen.

Lewis Galindo’s business associate Lopez Michelsen has made no effort to hide his ties to the narcotics mafia. Under his presidency from 1974 to 1978, Lopez Michelsen oversaw the expansion of the narcotics trade in Colombia. His finance minister, Rodrigo Botero Montoya, set up the mechanisms of drug money-laundering in the country, creating the special window at the Central Bank where black market dollars were exchanged for pesos—no questions asked as to their origin. In 1982, the mafia repaid the favor—by financing Lopez Michelsen’s unsuccessful presidential campaign. His campaign manager, dope-legalization advocate Ernesto Samper Pizano, admitted publicly that he accepted a check for the campaign from dope king Carlos Lehder Rivas.

In May 1984, Lopez Michelsen met secretly in Panama with cocaine chiefs Pablo Escobar and Jorge Ochoa, to discuss how to get the Colombian government to accept the mafia’s offer to invest their “capital” in Colombia, if the government would grant an amnesty. Lopez Michelsen agreed to intercede on the mafia’s behalf; when the Colombian government rejected the proposal privately, he took the mafia’s case before the Colombian nation, telling Bogota’s *El Tiempo* that it were better to reach “some form of arrangement” with the “cocaine organization,” than to fight the drug trade.

Lewis’s bad reputation spawned concern among Crusade backers in Washington, suggesting that he adopt a “low profile,” and stick to a behind-the-scenes role, in order to protect the political image of the largely young Crusade members. But Lewis brushed away those concerns. He is known throughout Washington as the key political force, the experienced wheeler and dealer, the “brains” behind the Crusade activities. “Nothing gets done without Ambassador Lewis’s clearance,” sources close to the Crusade have revealed.

From his years as ambassador to the United States in the seventies, Lewis cultivated top-level connections to the Eastern Establishment and its secret government. He is known to know Washington “inside out” and “know how to open doors.” He is tied to the pro-drug Inter-American Dialogue crowd, through the person of his longstanding friend Trilateral Commission member Sol Linowitz. But his most useful connection has been Ambassador William John Jorden.

William Jorden

Jorden is the “hands-on” Eastern Establishment man running the Panamanian opposition. A member of the New York-based blueblood Council on Foreign Relations, Jorden began his “diplomatic career” as foreign correspondent for the New York Times. From 1948 to 1958, Jorden wrote for the New York Times from Japan, Korea, and the Soviet Union. He joined the State Department in 1958 as a member of the policy planning council. In 1968, he participated in the Vietnam Peace Talks in Paris, working under W. Averell Harriman and Henry Kissinger. In 1969, then-President Lyndon B. Johnson named him his assistant, before he was sent to Panama as U.S. ambassador from 1974 to 1978, the only such post he has ever held. Once back in the United States, he became a scholar in residence at the Lyndon B. Johnson Library.

It was during the 1970s Panama Canal Treaty negotiations, when Washington, that Jorden and Lewis first worked closely together. In *Panama Odyssey*, Jorden’s book reviewing the Treaty negotiations, he writes effusively of Lewis Galindo being “Gabriel, my friend and partner,” and “my Panamanian brother.”

There is only one other Panamanian of whom Jorden writes as warmly: Nicolas Ardito Barletta, whom Jorden considers “the best mind in Panama,” “one of the finest economic intellects” in Latin America.

Today, the three are collaborating again. This summer, Jorden appeared on ABC’s Nightline to lie to the American people about the situation in Panama repeating, once again, the now-famous allegations against Noriega. He tried to give credibility to his story by speaking from a position of “former U.S. ambassador” to Panama who “witnessed” the relationship between Panama’s Defense Forces and the CIA.

In recent months, Jorden has become the star witness for the “get Noriega” gang in Capitol Hill, testifying in favor of the Crusade. Before the Senate Subcommittee on Western Hemispheric Affairs, on Oct. 22, Jorden—one of three “public” witnesses—said that in his “long history of knowledge” on Panama, he has never seen such a “sustained daily repetition of popular sentiment” against the government. Characterizing Noriega as the “most corrupt fellow in recent history,” he said that Noriega’s connections to drugs are “not out of my mind.”

Sen. Jesse Helms asked Jorden whether he would be interested in serving as an “impartial observer” in the event of elections in Panama. “Yes,” Jorden replied. “We recommend you,” Helms concluded.

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Susan Davis International, formerly Susan Davis and Associates, was hired by the Crusade as their public relations and lobbying firm as well as legal representative in Washington, D.C.

The firm’s president, Susan Davis, is registered as a foreign agent with the U.S. Department of Justice under register Number 3444, hired to lobby for the Crusade among its other foreign clients. In documents filed with the Department of Justice, Susan Davis described her role as the person “responsible for advice and counsel” to the Crusade “on congressional relations and media activities.”

In a letter sent to Crusade Treasurer Milton Ruiz on June 24, Davis presents the terms of the contract. “Susan Davis International is pleased to work with the National Civic Crusade for Panama in its effort to promote democracy in Panama. Fee for services for public relations advice and counsel will be \$3,000 dollars per week, plus expenses. . . . The \$3,000 weekly fee will cover hours of service provided by Susan Davis International (SDI) ranging from \$45 to \$250 per hour. The National Civic Crusade will be billed for additional hours above the weekly fee if the National Civic Crusade requests additional assistance. Expenses will be billed as received and carry the standard 18% service charge. They are due and payable upon receipt.”

The "letter of agreement," tantamount to a "binding contract," was signed by both Davis and Ruiz. At \$3,000 a week minimal payment, the Crusade has paid Susan Davis close to \$40,000 for three months of service from the date the contract was signed to date.

In the month of June, Davis's firm started bombarding the Senate with loads of disinformation. On June 23, a packet of black propaganda was sent to each U.S. senator "urging support for S. 239, expressing the sense of the Senate concerning support for human rights and evolution to genuine democracy in Panama," according to Davis' filed report with the Department of Justice. The "packet" included a letter written by the National Civic Crusade "describing current events in Panama."

On June 24, the same packet was sent to each House member on the House of Representatives' Foreign Affairs Committee urging support for House Resolution 149, "expressing support for genuine democracy in Panama."

And on June 25, another letter from the Crusade and additional anti-Noriega U.S. media clippings were sent to all 100 senators.

Four days after the Davis mailing, on June 29, the Senate passed a non-binding resolution urging the government of Panama to oust General Noriega. The resolution was adopted, 84 to 2. Soon after, the House passed a similar resolution.

Hiring Davis also gives the Crusade access to those "connections" so necessary to get around the U.S. capital these days. Before starting her lobbying firm, Davis was part of the inner circles of the Republican Party, heavily involved in women's affairs. She became known as a feminist from the time she headed the National Women's Forum and the Women Business Owner Committee. In 1985, the Washington Business Journal placed her among the 50 most powerful women in the nation.

In 1972 she worked for the Nixon presidential campaign; in 1976 for Ford; and in 1980, for the Reagan-Bush campaign. In 1984, she was put in charge of handling the VIPs attending Ronald Reagan's presidential inauguration.

INTER-AMERICAN DIALOGUE

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Strategy planning for the anti-Panama campaign is also carried out through the Inter-American Dialogue.

The Dialogue was founded in October 1983 by Sol M. Linowitz, former U.S. ambassador to the Organization of American States and co-negotiator of the Panama Canal Treaties, and Galo Plaza, former president of Ecuador and secretary general of the OAS, to serve as a self-described group of "concerned citizens from the United States, Canada, Latin America, and the Caribbean who meet and discuss and offer recommendations on major hemispheric issues."

The first discussion took place in Oct. 15, 1983, under the auspices of the Woodrow Wilson Center for Scholars at the Smithsonian Institution. Among those who attended the founding conference were David Rockefeller, chairman of Chase Manhattan Bank and the Council of the Americas; Roberto Goizueta, chairman of the board of Coca Cola, Inc.; and Daniel Oduber, former president of Costa Rica. In 1986, Rodrigo Botero, L6pez Michelsen's finance minister, served as co-vice chairman of the Dialogue.

Today, the Inter-American Dialogue operates under the auspices of the Aspen Institute for Humanistic Studies, and is financed with grants from foundations and corporations. They have issued three major reports: "The Americas at a Crossroads" (April 1983), "The Americas in 1984: A Year for Decisions" (May 1984) and the latest, "Rebuilding Cooperation in the Americas" (October 1986).

In their 1986 report, the Inter-American Dialogue recommends, among other things, the legalization of drugs. On page 40, the report reads: "The illegality of drugs, however, makes the damage greater for both the addicts and for the societies of the Americas. . . . Societies suffer from the crimes committed to finance drug habits. ... If selective legalization of drugs could reduce the enormous profits derived from

drug trafficking, it would decrease vice and corruption. It might also shift demand away from the most harmful drugs.”

On page 32 of that report, the Inter-American Dialogue spells out their support for the National Endowment for Democracy, and its agenda in the Americas. “Democratic government should not provide economic or military assistance to regimes that systematically engage in violations of basic human rights,” the Report urged, adding that the Dialogue planned to create a special task force to study civilian-military relations in Ibero-America, with a mandate to issue “detailed recommendations” on how to “institutionalize civilian control of the armed forces.” The Report calls for “expanding the mandate, resources, and influence” of the OAS Inter-American Commission on Human Rights to intervene in countries’ internal affairs to “promote democracy.”

The Dialogue’s 1987 conference, held Oct. 19-10 in Washington, centered its discussions on the Central American situation. At the conclusion, the Dialogue called for the U.S. government to “negotiate security concerns” directly with the Sandinista regime. A Dialogue’s Task Force on Central America was formed, chaired by Daniel Oduber and former Secretary of Defense Elliott Richardson, also an NED board member. Both Oduber and Richardson testified in favor of the Sandinistas before the House Foreign Affairs Committee chaired by Rep. Dante Fascell, a strong advocate and supporter of the National Endowment for Democracy.

Oduber, for his part, in 1986 acquired some notoriety as regards the drug trade. On Nov. 24 of that year, Costa Rica’s major newspaper, *La Nación*, reported that U.S. Drug Enforcement Administration agent Daniel E. Moritz had named Oduber in testimony before a U.S. federal judge in the southern district of Florida, as part of his extradition request against drug-trafficker Carleton Caceres. Caceres’ mob used Costa Rica as a major transshipment point, and Moritz testified, according to *La Nación*, that “other arrangements were made to utilize a strip referred to a ‘la Flore’ on the farm belonging to for me Costa Rican President Daniel Oduber. located in the Liberia section of the Guanacaste Province.”

Questioned by *La Nación* on the Florida trial transcripts, Oduber responded: “I hope you publish this so that I can continue with another trial. ... I want to see it published first, then I will comment in court. To date, EIR is not aware of any suit filed by Oduber.

From the Panamanian side, the two most active members are:

Nicolas Ardito Barletta, one of the few Ibero-Americans who has attended all conferences since the first one, in 1983, when he was vice president of the World Bank for Latin America and the Caribbean.

Marcos McGrath, C.S.G., Archbishop of Panama since 1969. Member of the radical Theology of Liberation dissident current within the Catholic church, McGrath is regarded as one of the Crusade’s strongest supporters.

INTERAMERICAN COMMISSION ON HUMAN RIGHTS

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The Human Rights Commission of the OAS accused the government of Panama of killing narco-terrorist Hugo Spadafora in a report issued in October 1987. The Commission added that the government of Panama had violated several articles of the American Convention on Human Rights in the death of Spadafora. The panel issued its “findings” in a 77-page report.

The OAS Commission works closely with the Washington-based International Human Rights Law Group. A representative of the latter was invited by the Crusade to “witness the brutal repression” at the failed demonstration called by the opposition Oct. 22. At her return, the group representative gave an eyewitness report to the media on what she called an “unprecedented level of arrests without warrants.”

The Inter-American Human Rights Commission report was praised by Secretary of State George Shultz as an “impressive public report” at this year’s OAS General Assembly.

Members of the OAS Commission include, among others, the Argentine Inter-American Dialogue member Elsa Kelly and Bruce McCollm, co-director of Freedom House, a human rights international group financed by the NED.

NATIONAL DEMOCRATIC INSTITUTE FOR
INTERNATIONAL AFFAIRS
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Financed by NED, the National Democratic Institute has announced plans to “move big” in Panama in 1988. NDI plans to launch a “far-reaching project” in Panama “working with all the opposition parties” to “bring democracy back.” The preparatory work for the 1988 final attack has taken place in Washington with a series of “planning sessions” between NDI officials and Crusade representatives.

In May of this year, NDI sponsored a trip of twenty-four political parties and civic leaders from 11 countries to the Philippines to “learn from the country’s recent experiences in election reform and administration.” The Panamanian delegation was formed by Aurelio Barria, president of the Chamber of Commerce; Luis Carlos Chen, member of the Election Tribunal; and Father Fernando Guardia, vicar general of the Archdiocese of Panama.

In the fall of 1987, Christian Democratic Congressman Guillermo, Cochez was listed on the NDI visitors’ list as “Willie Coaches,” apparently in an effort to hide his real identity. Cochez, or “Coaches,” and Barria are NDI’s contact persons inside Panama.

Former Vice President Walter Mondale is NDI chairman. NDI’s work on Panama is being encouraged by several legislators, including Senators Bill Bradley, Edward Kennedy, and Alan Cranston, honored with NDI’s “W. Averell Harriman Democracy Award” Nov. 18, 1987.

NATIONAL SECURITY COUNCIL
Old Executive Office Building
Washington, D.C.

The departure of John Poindexter and Oliver North from the National Security Council did not end the NSC’s role as a key player within the administration in the destabilization of Panama. All of those who replace the Poindexter team are known to share the same views on Panama, particularly the need to dump Noriega at any cost and bring the Crusade to power.

NSC Director for Latin American Affairs Ludlow Flower, is known to be very close to the Crusade, and, in particular, a close personal friend of Lewis Galindo. In a public forum at the Georgetown University campus, organized by the Crusade, Flower spoke on-the-record to attack the Panamanian government and gain votes for an “early return to democracy.”

“Noriega is not our baby . . . this guy ain’t ours, we deal with all kinds of characters around the world,” Flower said in response to the audience’s hostile accusations that the U.S. government is responsible for keeping Noriega in power. “Noriega is a Panamanian creation, an unwanted offspring of your own nationalism,” he told the Panamanian audience.

SCHOOL OF ADVANCED INTERNATIONAL STUDIES
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SAIS' Latin American Studies Program director is Dr. Riordan Roett, an academician hired by Wall Street banks as an "adviser" on Latin American affairs. Since the arrival of the Crusade in Washington, Roett and his staff have been collaborating closely with them, making available the University's facilities for their press conferences and putting them in touch with academic circles.

SAIS has been one of the main think tanks pushing for the simultaneous "democratization" and "privatization" of Panama. In September 1986, SAIS sponsored the first academic seminar in Washington on the internal situation of Panama. The one-day seminar featured, on the U.S. side, former NSC Adviser Norman Bailey, State Department Panama Desk Director Richard Wyrrough, World Bank official Gunter Koenig and, Inter-American Defense Board official, Col. Jack Barnes. Panama's opposition was represented by Christian Democratic Party leader Ricardo Arias Calderon and banker-journalist Roberto Eisenmann. Then-Panamanian ambassador to Washington, D.C. Dominador Kaiser Basan, tried to represent the Panamanian government with not much success since, as he admitted, he saw himself as part of the opposition.

It was at this seminar that Norman Bailey, then associate to former CIA Director William Colby, launched an unsuccessful campaign to demand that the U.S. government force the OAS to intervene in Panama in favor of reinstituting Nicolas Ardito Barletta as the bankers' president in Panama. Both Roett and Bailey believed that the major crime committed by the nationalists in Panama was to have halted Ardito Barletta's process of turning over the Panamanian economy to the narco-bankers and the IMF.

Roett is known as a liberal specialist on Ibero-American affairs. He is tied to the Bonn-based Social Democracy's Friedrich Ebert Stiftung (Foundation) and the European Social Democracy in general. His ability to present the U.S. policies for privatization and genocide in the Third World in a soft-spoken, almost convincing, manner to Third World countries, is the reason banks hired him as an "adviser." The key to Roett's style is his daring rhetoric about the need for "economic growth" in Ibero-America and against U.S. meddling in Ibero-American internal affairs.

A chronology of intervention

State Department spokesman Charles Redman charged September 1987 that the Panamanian government is carrying out a “disinformation and defamation campaign” against the United States, which involves fabricating reports that the United States is intervening in the internal affairs of Panama. The United States has shown “respect for Panamanian domestic issues,” he insisted.

The audacity of such a lie on the part of those officials may sway American public opinion—from whom the facts have been hidden by the U.S. media—but only adds to the United States’ disgrace on an international scale.

The record of United States’ intervention in Panama since the crisis began in June 1987, has been unmatched in Ibero-America since the days of Teddy Roosevelt. The U.S. administration has adopted its crude tactics with Panama, as it has become clear that its only hope for overthrowing the government lies in sheer force; the opposition politicians have failed utterly to win support within the country.

U.S. embassy backing

When Diaz Herrera’s June 1 retirement from the Defense Forces threatened to upset the opposition’s plans for a coup, the opposition moved forward their schedule. On June 6, Diaz Herrera called his press conference; by June 9, the opposition had sent its first people out in the streets, demanding the resignation of General Noriega.

From the outset, the U.S. State Department backed the opposition’s charges. As rioters marched in the streets crying “Viva Diaz Herrera,” the U.S. embassy declared that it “strongly supports the efforts of Panamanians to get all the facts out in the open in a manner that is fair to all. Panamanians can resolve the situation only on the basis of the truth.”

When Panama’s government declared a state of emergency on June 11, to stop street disturbances from escalating, the State Department protested. The United States “continues to support firmly the return of Panama to a state of full and functioning democracy,” State’s spokesman Phyllis Oakley warned. She added, “We also support the goal of free and untarnished elections, and the foil development of an apolitical, professional military institution.”

The U.S. embassy declared it hoped the state of emergency would be “short-lived.”

On June 14, a former Panamanian military officer, Luis G. Suarez, reported that Ambassador Davis had been meeting with officers of the PDF, to request they remove General Noriega as commander, take charge of the PDF themselves, and call new elections. The U.S. embassy issued a reply: “The ambassador is meeting with a whole variety of people across the spectrum. We will talk with anybody who will meet with us for an exchange of ideas.”

Next: economic warfare

Financial and economic warfare against Panama was soon a topic for open debate.

“The World Bank is the linchpin,” the Washington Times reported on June 16. The Times laid out the World Bank’s no-lose strategy: The Bank is demanding conditionalities on disbursement of a \$50 million loan—layoffs of public sector employees, reductions of social security benefits, privatization of the economy—which, if the government attempts to implement them, will create a popular backlash against the government. If the government refuses the conditionalities, the government will face a cutoff of all international loans.

“Nobody is even willing to enter into negotiations to reschedule Panama’s \$4 billion foreign debt until the World Bank loan comes through,” the Times reported.

Panama’s foreign debt problems soon became a regular of U.S. media coverage of the Panama crisis. A June 22 Los Angeles Times story captured the thinking of Panama’s enemies. Civil disobedience has “weakened Panama’s ability to manage its \$4 billion foreign debt, making Noriega more vulnerable to U.S. pressures to withdraw from politics,” they asserted.

An election gambit

Assistant Secretary of State Elliott Abrams remained at the front of the Panama destabilization. On June 18, his office issued a statement acknowledging that he had met that day with Panamanian hotel magnate, Gabriel Lewis Galindo, the self-described “international representative of the Panamanian opposition.”

Lewis Galindo had fled to the U.S. after a proposal he had been circulating was captured. The proposal revealed that he had sought for President Delvalle and General Noriega to be expelled from the country, the Supreme Court, Legislative Assembly, and Electoral Councils dissolved, and a junta established to rule the country.

By mid-June, it was clear General Noriega was not willing to retire at the first shot. U.S. embassy officials called in opposition leaders, to revamp their strategy.

CIA henchmen were demanding more be done—rapidly—to crack the Noriega problem. The United States must “assign to [the Panama case] the high priority it deserves,” wrote CIA socialist Cord Meyer, in a column printed by the New York Post on June 18. “What is needed is the kind of high-level crisis management team drawn from State, Defense, NSC, and CIA that functioned so well in handling the Philippine problem.”

A new tactic, taken straight from the Philippine experience, was now advanced. If the Panamanian government could be forced to advance the scheduled date of the presidential elections, to ease international pressures against the country, Project Democracy would then have succeeded in placing itself in the driver’s seat of Panamanian affairs. With sovereignty ceded—even once—the overthrow of Noriega and the government would then be only a matter of time.

Embassy officials propose that the Civic Crusade “consider dropping its demand for Noriega’s ouster, in exchange for presidential elections late this year or next,” Chamber of Commerce head Aurelio Barria told the Los Angeles Times on June 16. Barria explained that he had just met with Maisto at the Embassy, and had been informed that “they are looking ... for a constitutional way out.”

Barria added that, of course, he agreed with Maisto’s “suggestion.”

A June 20 editorial in the Panamanian daily *La Critica* indicated that the Panamanian government, too, had studied the Philippine experience closely. “The first phase of the Philippines Plan programmed for Panama has ended in a resounding failure,” because Panamanians “did not fall for the plan. . . to blame our country’s military forces for all of our country’s inherited evils,” *La Critica* wrote.

They warned, however, that the next phase of the “oligarchs’ Philippines plan” is to force “the president and the electoral tribunal to move up the elections that by law should be held in 1989. . . . Marcos fell into that trap,” *La Critica* noted. He won the election, but then found that “no one believed him. The revolts started again. . . In Panama, the first part of the Plan already failed; the second part has been discovered. Let us not let down our guard.”

U.S. Senate rule over Panama?

The U.S. Congress now joined the anti-Panama campaign. On June 23, the Foreign Affairs Committee of the House of Representatives sent to the floor a resolution calling upon Panama to establish a democratic government.

On June 26, the Senate passed a similar resolution, putting on the record that Panama's sovereignty, for them, is limited. This time, the liberal Democratic senators from Connecticut and Massachusetts, Christopher Dodd and Edward Kennedy, led the charge.

The Senate resolution, passed by 84 to 2, called upon the Panamanian government to undertake "an impartial and independent investigation" of allegations against General Noriega." The resolution demanded, further, that during such time as the investigation is being carried out, General Noriega and other "implicated" officials must resign, and went so far as to specify which provisions of Panama's legal code the senators consider justified their conviction of guilt without the benefit of trial.

In addition, instructions that the Panamanian government must restore suspended constitutional rights, establish a "genuine and authentic" civil authority, retire the Defense Forces from any non-military activities, ensure a "professional army under civilian control," take steps to provide credibility and confidence in elections, and assure an "independent" judicial system, were included.

"The resolution is a threat to sovereignty and national independence," Panama's foreign ministry stated in its note of protest to Secretary of State Shultz. Copies of the note were sent to the governments of every ' country in the world.

President Delvalle ordered Panama's ambassador to the United States recalled for consultations. "It is inconceivable that the Senate of the U.S. deliberately attempts to dictate norms to a foreign government. It is an attitude which is openly in conflict with the principle of independence and freedom which the founding fathers of the U.S. consecrated in the Constitution of the U.S.A.," he stated in an address to his nation.

The response of the U.S. State Department was to escalate the campaign. Word leaked out that Maisto had thrown an "intimate" party, and invited leading members of the opposition.

On June 30, Abrams reiterated that the Senate's resolution reflects administration policy. Speaking before the World Affairs Council, Abrams praised the "extensive and previously underestimated political opposition" in Panama. "The old complacency inside and outside of Panama over the inevitable dominance of the Panamanian Defense Forces in the nation's politics is gone," he asserted. "Military leaders must remove their institution from politics, end any appearance of corruption, and modernize their forces."

The next day, State Department spokesman Charles Redman announced that the U.S. would close the U.S. Information Agency Library and the Consular section of the embassy until Panama "offers guarantees of appropriate protection." Redman charged that the government of Panama had orchestrated a demonstration against U.S. actions outside the embassy. Other officials informed the press that the United States was considering cutting off all economic aid to Panama, in retaliation.

Now the military joins

The opposition continued their agitation, and continued to receive the support of U.S. officials. On July 10, some 5,000 members of the opposition attempted to hold a demonstration despite a government ban. Ten Americans were arrested for participating in the rally—four of them linked to the U.S. Southern Command.

With the operation stalling, the State Department ordered the U.S. military to make clear that it, too, demanded General Noriega go.

On July 15, a spokesman for the U.S. Southern Command confirmed reports that the United States had cut off all routine maintenance previously provided for the PDF. "This is not stopping military aid or security assistance, or the turnover of any major equipment," the spokesman specified, but covers small equipment, and stops all U.S. army repair work for the Panamanian military under the American Security Assistance Program, "on everything except what is already in the pipeline."

The message, however, should be understood, the spokesman warned. “In essence, we do not support the Defense Forces until further notice.”

CIA socialist Cord Meyer again urged action. His July 17 Washington Times column complained, “There is as yet no break in the current unity of the PDF officer corps. ... So long as the 22,000-man PDF stands behind him, the General cannot be dislodged.” With neither President Delvalle nor the PDF Command showing signs of willingness to accept the State Department’s orders, the U.S. military boycott of the PDF was deemed vital, to break the PDF.

A “Restricted Interagency Group” was set up to coordinate U.S. contingency planning to “facilitate” General Noriega’s departure, the Washington Post revealed on July 23. This planning included finding a place to send Noriega, when he leaves, the Post adds. Already, all new commitments of U.S. military and economic aid have been quietly suspended, affecting \$6 million in military aid and \$20 million in economic aid planned for this year, the Post reported.

‘To hell in a handbasket’

By the end of July, however, it was clear that General Noriega was not planning to accept the U.S. “offer” to establish residence in the growing colony of former U.S. allies exiled at U.S. “request.” U.S. attention now began to focus on escalating economic warfare.

Once again, the orders were discussed freely in the U.S. press. Review the U.S. press coverage on July 31 alone.

The Christian Science Monitor wrote: “The opposition does not have the power to make the changes, and they know that. . . . The opposition stresses that a stagnated economy will lead to instability—and the absolute necessity for change.”

Wrote the Washington Post: “Panama’s banking system ... is coming under increasing pressure as political opposition activities mount, and the government is feeling the effects of a default on loan payments to foreign governments.” Because Panama does not have its own currency, the Post explained, a sharp increase in capital flight could bring about a liquidity crisis, as the government cannot print more money. Thus, the Post’s sources assert, “the economy is going to keep deteriorating, social problems are going to grow, and there’s going to be more capital flight.”

For its part, the Washington Times reported that the international banking community “has been panicked. . . . The exit of deposits has been very fast over the last few days. . . . There is a liquidity crunch on the system.”

True, the Baltimore Sun did vary the NSC script for Panama coverage that day. Its article asserted that General Noriega “is a public relations disaster. He has a face like a pineapple: He looks like an Indian, and he’s not acceptable to the old families that ran the country.” And that was cited from a “favorable” source!

“It all has to happen together—economic turmoil, daily demonstrations, further withdrawal of U.S. economic and military aid, and the military’s internal collapse,” the Christian Science Monitor explained on Aug. 3. U.S. planners now realize that for General Noriega to go, “a considerably greater deterioration of social and economic conditions would have to evolve. . . . The economy would really have to go to hell in a handbasket,” the Washington Post emphasized.

Between June and the beginning of August, an estimated 10-15% of the \$39 billion in deposits in the banking center left Panama, the Christian Science Monitor reported on Aug. 3. Capital flight was not “spontaneous,” the New York Times reported a few days later. “Most bankers, saying they are under orders to lower their financial exposure in Panama have stopped making new loans and even calling in some old ones,” explained the Times on Aug. 10.

As the Financial Times of London explained that same day, “the one element likely to force a change is the economic situation. Panama has no Central Bank, uses the dollar as currency, and therefore cannot print money. Its fiscal deficit ... is likely to be \$300 million. . . . This can only be covered through borrowing—likely to prove difficult in the circumstances.”

Once again, the U.S. Senate stepped in. In early August, eight senators—led by Senator “Limited Sovereignty” Dodd—sent a letter to Shultz requesting that the State Department continue its freeze on economic and military aid indefinitely, but urged that it also develop other measures in order “to evidence our firm opposition to the control of the government of Panama by its military forces.”

From slander to assassination

New “measures” were also taken. News of a Miami grand jury investigation into allegations that Noriega is linked to narcotics traffickers was leaked to the press. Noriega is the “focus of a major federal ‘drug-conspiracy investigation and is suspected of providing protection to cocaine trafficking and money laundering,” reported a Los Angeles Times story, published in several newspapers around the United States in early August.

The story admitted that the grand jury was initiated because the State Department, NSC, and Justice Department wanted Noriega out. The paper’s sources also admitted the investigators were having trouble corroborating their sources’ stories. “Don’t hold your breath,” one source responded when asked if the grand jury was expected to issue an indictment soon.

The main witness against General Noriega is Ramon Milian Rodriguez, a drug-runner arrested in Florida in May, 1983—on a tip from the Panamanian Defense Forces. At the time, U.S. Justice Department Special Agent James L. Bramble had sent then-Colonel Noriega a letter expressing the U.S. gratitude for his cooperation, “without which the investigation and arrest of Milian Rodriguez would have been impossible.

To most observers, it would appear that Milian, now serving 35 years for cocaine trafficking, had found his chance for revenge against those that had sent him to jail. Nonetheless, for the U.S. Justice Department, convicted trafficker Milian Rodriguez is the best “source” they have yet been able to find to corroborate the allegations that General Noriega has been involved in drugs.

Soon, the news was out that the man running the Justice Department’s “get Noriega” team was none other than Associate Attorney General Stephen Trott, the same official who had been working overtime to block investigations into the Nicaraguan Contra drug-running, while running the “get *LaRouche*” team with fellow Associate Attorney William Weld.

On July 16, Trott had called a special meeting at the Justice Department of representatives from the FBI and DEA to set himself up as the “referee” of investigations into General Noriega, the Los Angeles Times reported on Aug. 13. Trott ordered everyone at the meeting to “pull together all we have on him to see if it was prosecutable.”

After that, the DEA in Miami began collecting “every snippet that we have on the guy,” as one of their sources put it, despite the fact that the DEA preferred to continue its working relationship with Noriega and the PDF, the Los Angeles paper noted.

Soon, the U.S. Customs Service was ordered to collect snippets, too. Their assignment, the Los Angeles Times reported on Aug. 23, was to come up with proof that Noriega was involved, in any way, with illegal shipments of U.S. high-technology to Cuba. Clearly, one year and a half after Admiral Poindexter’s allegations had been published in the New York Times, the secret government was still having trouble coming up with the promised goods. “A Senate source with knowledge of the Customs Service inquiry said that it showed greater promise of establishing criminal violations by General Noriega than the drug and money-laundering cases,” said the Times.

Should the “investigations,” economic warfare, and “orders” from the U.S. government fail to force General Noriega to resign, the option of assassination has been floated. Again, the U.S. press was the vehicle for the threat.

On Aug. 8, the Baltimore Sun published an editorial opinion column on Panama, written by one Gwynne Dyer. Dyer argued that Noriega was in power because of U.S. support, and that support was repeating the errors the United States had made in South Vietnam. “Even there, however, the U.S. eventually found it necessary to organize the assassination of its original ally, Ngo Dinh Diem, whose

corruption, inefficiency, and massive unpopularity were hampering the war effort. ...” As for Noriega, she concluded: “Washington has tacitly given its assent to his removal. It will probably not be long.”

‘Just let Noriega go. . .’

The primary problem facing the Project Democracy crowd, was their failure to get the Panamanian government to yield on any question of sovereignty. The U.S. intelligence community put out “the word” that if General Noriega handed over his post to someone—even someone he designated as his successor—U.S. pressure would ease up. Problems over the transfer of the Panama Canal under the Torrijos-Carter Treaty could also be worked out, officials told their contacts—provided General Noriega was sacrificed.

It was a replay of the proposal that Panama call early elections, to get the U.S. State Department off its back. If the government could be induced to cough up its commanding general, the principle of sovereignty itself would be ceded. Mopping up opposition from politicians and less experienced military men to international rule over Panama would then be a matter of time.

That tactic failed, too. On Aug. 11, the four leading members of, Panama’s diplomatic team assigned to the United States broadcast an extraordinary, nationally televised “Report to the Nation,” which warned that the actual target of the “get Noriega” campaign was Panama’s military itself, and thereby, its sovereignty.

Panamanians must understand that what is at stake is not the career of one man, but an effort to return Panama to the status of a colony, by turning civilians against the military, Special Ambassador Aquilino Boyd explained. There are “some misguided people” in the United States “who seek to disavow what various generations of struggle for sovereignty and the independence of the country, managed to achieve in the Torrijos-Carter treaties, thanks to the union which had been produced between the people and the National Guard.”

“One message I believe we have made very clear [in the United States], is not to try to destroy the Defense Forces of Panama, because the medicine could result in worse than the disease for them,” he concluded.

In his report, Jose Blandón, Panama’s consul general in New York, named the “invisible government led by the group of McFarlane, Poindexter, and North” as the agency which had launched the anti-Noriega war, as “a campaign essentially aimed at the liquidation of the government of the Republic of Panama.”

On Aug. 12, thousands of citizens attending celebrations of the third anniversary of the creation of Battalion 2000, the Defense Forces’ elite corps which is preparing to take charge of the defense of the Panama Canal on Dec. 31, 1999, heard the same message, this time from Panama’s military men, who warned they will not allow the military to be reduced again to the status of unarmed policemen. And they added, the military stands by its commander, General Noriega.

National territory violated

Failing to split the civilian and military apparatus in Panama, U.S. intervention escalated, seeking to crack Panamanian will by force.

- Retired U.S. Colonel Chico Stone was identified as directing an opposition demonstration on Aug. 30, a demonstration which turned violent, and ended in one death.

- U.S. Commercial Attaché David Miller was arrested on Sept. 13, as he participated in a demonstration of the Civilian Crusade in the San Miguelito district of Panama City. Embassy officials first asserted that, Miller had been only “passing through” the area on his way elsewhere, but later changed their story, admitting that Miller attended the rally, but claiming he had been assigned to “observe.” Panama’s foreign ministry replied that photographs taken at the opposition rally prove that

Miller was actively participating in a demonstration demanding the overthrow of the legally constituted government—a clear violation of the Vienna Convention regulations on the conduct of diplomatic personnel.

- Sept. 22, a U.S. Blackhawk helicopter (Registration number M-23985) flew from Howard Air Force Base, over Panamanian territory, refusing to respond to the control tower's questions on either its identification or the purpose of its trip. When approached by ground patrols upon landing near Panama's Rio Hato military base, the helicopter fled.

The same day, approximately 120 U.S. soldiers in uniform, normally assigned to the Canal Zone, were posted to the U.S. embassy in Panama City, and sent through Panamanian territory without advising Panama's Foreign Ministry, as required by law.

As these actions were taking place, Ambassador Davis and John Maisto held a luncheon meeting, at Maisto's residence, with members of the opposition.

Panama's Cabinet Council issued a communique on Sept. 24, detailing the repeated and various violations of Panamanian sovereignty by U.S. officials. "We believe the time has come to warn that the Panamanian Government will not tolerate any more actions of intervention and disrespect, that it is ready to firmly maintain its national dignity at any cost, and that it will undertake the defense of the national sovereignty as demanded by circumstances," concludes the communique.

As the communique was issued, Davis and Maisto were busy meeting with Arnulfo Arias for two-and-a-half hours, at Maisto's residence. Strictly a "social call," to discuss matters of a "general nature," said Arias' spokesman.

And in Washington, Reagan administration officials were busy attempting to veto a \$16.7 million loan from the Inter-American Development Bank to Panama, requested to improve Panama's highway system. A financial source familiar with the IDB operations told UPI a few days later that the U.S. justified its attempted veto, "because of its problems with Noriega." The United States, which holds 34% of the voting power in the Bank, failed to win the support of enough bank members to block the loan.

The 45-day countdown

That same day, Sept. 24, the U.S. Senate issued an ultimatum to the government of Panama that it disband itself, and form a "non-military transitional government" within 45 days, or face a U.S. economic boycott.

Senate Resolution 1174, adopted as an amendment to the Department of Defense authorization bill, stated that unless (1) the Government of Panama has demonstrated substantial progress in the effort to assure civilian control of the armed forces and that the Panama Defense Forces and its leaders have been removed from nonmilitary activities and institutions; (2) the government of Panama has established an independent investigation into allegations of illegal actions by members of the Panama Defense Forces; (3) a nonmilitary transitional government is in power, and (4) freedom of the press . . . [is] restored, all within 45 days, the United States must cease all economic and military assistance . . . suspend all shipments of military equipment and spare parts . . . prohibit the importation of sugars, syrups, or molasses and reallocate Panama's sugar quota to other countries.

The resolution was sponsored by Christopher Dodd (D-Conn.), chairman of the Western Hemispheric Affairs subcommittee, along with Alan Cranston (D-Calif.), Edward Kennedy (D-Mass.), David Durenberger (R-Minn.), Alfonse D'Amato (R-N.Y.), and John Kerry (D-Mass.). It gained immediate bipartisan support, with Jesse Helms (R-N.C.) voicing his disappointment "that the senator from Connecticut did not offer a mandatory cutoff."

The threat to strangle Panama's sugar industry was not arbitrary. According to reports circulating in Washington, Elliott Abrams was angry that Delvalle had told him point-blank that Panama was simply not going to oust General Noriega as commander of the PDF. Abrams ordered measures be taken. The Senate obliged.

Panama sells 45,000 tons of sugar to the United States annually under the quota, with a guaranteed price two-thirds above the current, miserably low, world price for sugar. Not only will the boycott affect national income, but the earnings of Panama's largest private sugar producers: President Eric Delvalle and Justice Minister Rodolfo Chiari, the Washington Times noted on Sept. 25.

The provocations continued. The United States housed a group of U.S. military personnel in a downtown district experiencing frequent* opposition demonstrations. Predictably, as police broke up one violent demonstration, nine U.S. servicemen were among those arrested. The U.S. embassy and the Southern Command know better than to station U.S. military personnel in the middle of disturbance-prone districts. A deliberate provocation?

On Oct. 6, the U.S. Senate came very close to passing an amendment which, in effect, would have ripped up the 1977 Panama Canal Treaties entirely.

The amendment, introduced by Sen. Steve Symms (R-Idaho) to a State Department authorization bill, demanded that Panama accept the so-called DeConcini Reservation, passed by the Senate, but not part of the official treaties and never ratified by Panama. The DeConcini Reservation asserted that the U.S. has a right, in perpetuity, to intervene militarily in Panama, or abrogate the treaties, as it deems necessary.

Symms' amendment read:

In view of 1) the deteriorating condition of the Panama Canal; 2) the continuing military dictatorship of General Noriega and his involvement in criminal activities, and 3) the refusal of the Panamanian government to accept the DeConcini Reservation concerning U.S. defense rights upon which Senate consent to the ratification of the Panama Canal Treaty was predicated, it is the sense of the Senate that the Senate ought not to have consented to the ratification of the Panama Canal Treaties, whereby the Panama Canal was given away, and that such treaties are voidable unless and until Panama formally accepts the DeConcini Reservation and should be voided by the President if such acceptance is not forthcoming within six months of the adoption of this section.

The amendment was voted down by a narrow majority of 59 to 39.

From November to March

The war against Panama has not stopped.

Since the Panamanian government did not fold up shop and go home within 45 days as requested, the U.S. Senate has moved to legislate economic sanctions against Panama. On Nov. 19, the Senate Foreign Relations Committee voted 19 to 0 to support bill S. 1614, which requires the U.S. government to cut off all economic assistance to Panama, and eliminate Panama's sugar quota with the United States, unless a "nonmilitary transitional government"—approved by Washington—is installed.

Senator Helms added an additional amendment, specifying that the CIA cannot—by law—collaborate with any government or military officials, but is free to work with private Panamanian "citizens," i.e. the "democratic opposition."

The Foreign Relations Committee vote clears the bill for consideration by the full Senate.

The same day, the New York Times introduced a new element in the campaign, publishing faked "revelations" supposedly based on the recently released Congressional Report on the Iran-Contra scandal, which function to set up a cover for an assassination operation against General Noriega which would not be blamed on the opposition, or its backers.

"Panama's military leader offered to undertake sabotage and possibly assassinations in Nicaragua for the Reagan administration," claimed the New York Times on Nov. 19. They cited unidentified "congressional sources," who, the Times says, name Noriega as the "third party" mentioned in the final Iran-Contra congressional report. The report itself is based on testimony by Project Democracy asset Lt. Col. Oliver North during his closed-door testimony last summer.

A Panamanian military officer close to Noriega told the Miami Herald Nov. 19 that Noriega had "never made such an offer" to North "or anyone else in the U.S. government." In fact, he said, when

National Security Adviser Adm. John Poindexter was in Panama in December 1985, Noriega rebuffed his attempts to “force” support for the Contras.

But like Seymour Hersh’s 1986 psychological warfare piece, the story was picked up by every major U.S. media, and played as the lead item on the news that night. Thus, by blasting all over the United States that Noriega “offered” to kill Sandinista leaders, the New York Times’ bit of black propaganda has provided a cover that a hit on Noriega—which a group within the Panamanian opposition is known to be seeking—could be blamed on others, perhaps the Sandinista regime, perhaps the narco-mafia. In fact, were the mafia to kill Noriega, they would be doing it on behalf of—perhaps, even paid by—the opposition with whom they are politically and financially allied.

I. Introduction: Why destabilize Panama

North Carolina's Sen. Jesse Helms, the U.S. State Department, and sections of the Reagan administration, have joined in a campaign to overthrow the government and Defense Forces of the Republic of Panama. They charge that Panama's government, particularly the Defense Forces, have been taken over by the narcotics trade, and that, therefore, the United States must bring to power Panama's "democratic opposition" movement.

If allowed to continue, the destabilization campaign of Helms and the Liberals, will hand the Panama Canal over to Soviet-directed narco-terrorists—without the Soviets having to spend the cost of a bullet. As this report shows, the principal figures in the "democratic opposition" movement which Helms and the State Department are attempting to bring to power, are neither "honest" nor democratic, but rather front men working for the drug mafia: drug-money launderers, lawyers for cocaine and marijuana traffickers, terrorists, and gun-runners. These are no allies of the United States, but fanatics and criminals, committed to the destruction of not only Panama, but all nation-states, including the U.S. republic.

EIR has commissioned this White Paper to bring the truth on the developing Panama crisis to American citizens and lawmakers, so that decisive action can be taken to stop this campaign, before the United States faces a new strategic crisis on its southern flank. Assembled in this report are:

- a "Who's Who" in the drug mob's campaign to overthrow Panama's government;
- the facts on how "conservative" Jesse Helms has joined with State Department one-worlders to implement a destabilization campaign designed by the U.S. Liberal Eastern Establishment;
- how that Liberal Establishment, through David Rockefeller's Trilateral Commission and the New York Council on Foreign Relations, created the "off-shore" banking center in Panama, to handle their debt-and-drug looting of South America;
- proposals on how the United States can help secure Panama, through a series of Canal-centered development projects, which break Panama's economic dependence on the "off-shore" economy run by that international banking cartel.

The destabilization campaign

The destabilization campaign is well advanced. The major media controlled by the Eastern Establishment—the New York Times, Washington Post, Boston Globe, Washington Times—have pumped out "news" on Panama to fit their plans. American citizens have been told that Panama is under the grip of a corrupt, drug-running dictatorship, run by the commander of Panama's Defense Forces, Gen. Manuel Antonio Noriega. Panama has a President, the press must admit, but he is really a puppet in Noriega's "thinly veiled dictatorship."

Economic aid to Panama from the World Bank, International Monetary Fund, and U.S. government agencies, has been restricted, first held up on "technicalities," then conditioned on acceptance of laws demanded by bankers, now withheld until "political changes" occur. A new U.S. ambassador to Panama was appointed, who promptly announced that his assignment is to force the military back into their barracks, and the government to "democratize." Hearings into "corruption" and "instability" in Panama have been called in both the U.S. Senate and House of Representatives.

North Carolina's Sen. Jesse Helms, sounding every day more like a "human rights" advocate from the heyday of the Carter administration, has made himself the champion of the "Panama in crisis" campaign, linking his attacks on Panama to a similar campaign against the government of Mexico. During a May visit to Panama, an aide to Senator Helms, Deborah DeMoss, told the Panamanian opposition movement that the Reagan administration has now given a "greenlight" for the overthrow of the Panamanian

government. The United States, she said, will soon demand that General Noriega be removed from the Defense Forces, in the interest of "security."

Members of Panama's "opposition movement" have been promised full U.S. government support for their efforts to overthrow the government of Panama. They have been given time on U.S. national television, interviewed by the U.S. press, consulted regularly with U.S. State Department personnel, and brought before U.S. congressional hearings.

The narco-terrorist threat to the Canal

U.S. promotion of this "opposition" movement has reached the level of national scandal. Documentation of the drug mafia activities of leaders of the "democratic opposition," presented in the first section of this report, is all available in court papers and government documents in the public domain inside the United States, as are the connections of the mafia's "opposition" movement to the networks of Gnostic terrorists deployed by the drug mob throughout the Central American-Colombian region.

This opposition is not "anti-communist." They are part of a South American narcotics business whose current headquarters has been established in Fidel Castro's Cuba, where Colombian cocaine czar Carlos Lehder's business partner, American mobster Robert Vesco, receives state protection for his business. More than the Soviets and their Cuban allies are involved in the drug-trade, but the Soviets and the Cubans have placed the resources of their states behind the narcotics mafia—of which leaders of Panama's Opposition movement are a part—as their principal weapon of warfare upon the Americas.

The Opposition's campaign against General Noriega and "drug-traffic" in Panama echoes the smear campaign launched by the Colombian mafia against Colombian Justice Minister Rodrigo Lara Bonilla—shortly before a mafia hit-squad assassinated that courageous anti-drug fighter on the streets of Bogota. The mob's press outlets repeated until his death that Lara Bonilla worked for the mob, preparing public opinion for the assassination. The intensity of the campaign against General Noriega indicates that the mafia intends not only to displace him from his Command at the head of the Defense Forces, but to eliminate him, as they eliminated Lara Bonilla.

The opposition has declared that it is willing to use violence, terror, and sabotage to impose itself upon the country. Leaders of the Christian Democratic party, principles in the mafia's opposition movement, state outright that they are already "preparing the soil for a new El Salvador or Nicaragua" in Panama.

Conditions of civil conflict in Panama are precisely those under which (a Soviet-directed terrorist hit upon the Canal could be carried out, with the least political penalty. Yet, U.S. State Department officials are not only cognizant of the security threat represented by the destabilization campaign, but they state outright that they are willing to sacrifice the security of the Canal to further their political goals.

"American officials say that, despite the Panama Canal's importance to the United States as a strategic and commercial gateway between the two oceans, relations with Panama will not return to normal until internal • changes take place," Roger Fontaine explained in the Washington Times on Feb. 24, 1986. Fontaine cited an interview with outgoing Ambassador Everett Briggs, who stated that "most important to all to us is the need to complete the transition back to civilian and democratic government." Fontaine, a former National Security Council policy advisor for Latin America who has been associated with Henry Kissinger for years, has himself been a principle in the "get Panama" campaign.

State Department officials have gone so far as to cover up actual terrorist preparations to attack the Canal, to justify their campaign. In January 1986, General Noriega warned that Panamanian intelligence had in its possession evidence that suicide commando groups, based out of the Netherlands Antilles, were "being trained in or becoming familiar with the situation in Latin America, and how they can affect areas of interest to the United States." The Panama Canal "is one of the most desired and coveted targets of a guerrilla commando group, a terrorist commando group that uses explosives in suicide attacks," Noriega stated. He compared the detected terrorist operations to the wave of terror launched with the bloody Rome and Vienna airport massacres over the Christmas holidays.

In response to General Noriega's January warning, the U.S. State Department issued a denial of any knowledge of a "specific threat" to the Canal. The opposition press claimed the threat was "invented" for political reasons. Within less than a month, four Lebanese citizens were arrested as they tried to enter Panama on Feb. 2, 1986, presumed to be members of an advance terrorist commando group. The four had flown from Beirut, Lebanon to Geneva, Switzerland, and then to Amsterdam, the Netherlands, before arriving in Panama. Carrying cash and costly airplane tickets, the men claimed they were part of a group of students "touring Latin America" in order to familiarize themselves with its situation, before the World Cup soccer championships took place in Mexico—four months later! Other Libyan-directed plots have since been uncovered.

George Shultz's revenge

Why are the State Department, Sen. Jesse Helms, and the Liberal Establishment's media outlets, all working with a group of documented drug-runners, terrorists, and anti-Americans, to overthrow the government of Panama—despite the risks to U.S. security?

The decision to overthrow the government and military of Panama— whatever the costs—was taken on Sept. 28, 1985, when Nicolas Ardito Barletta resigned as President of Panama. Barletta, a banker who had studied economics under George Shultz at the University of Chicago in the 1960s, had been the international banking cartel's "inside man" in the Ibero-American Presidents' club. His job was to sabotage any agreement on a unified opposition to the banks' debt-collection policies in region. When Barletta was forced to resign in the face of overwhelming domestic opposition to his austerity programs, the banking cartel feared Panama would take the lead along with Alan Garcia in Peru, in resisting International Monetary Fund rule over the continent.

Because Barletta's resignation was blamed on the commander of the Defense Forces, General Noriega, the decision was taken to dismantle Panama's military and system of government. In Panama, that destabilization campaign soon became known as "George Shultz's Revenge" (see Appendix III).

When he became President of Panama in May 1984, Barletta had been given two assignments to carry out for the international banks. His first assignment was to end Panama's activist foreign policy on matters of regional sovereignty and development. The activist foreign policy had been adopted by the government of Gen. Omar Torrijos, which championed the integration of Ibero-America as a means of national self-defense. Panama's leading role in sponsoring the Contadora peace process for Central America, exemplifies the commitments Barletta was assigned to stop. Barletta's second job was to destroy the domestic coalition which sustained those foreign policies, the institutions of military-civilian participation identified as the legacy of "Torrijismo."

Few Americans know more than the gossip presented by the media on Omar Torrijos, the military man who led Panama from October 1968 until his assassination in July 1981. The media pictured Torrijos as an inexplicable combination of charismatic wild-man, communistic opportunist, drunk, and possible drug-trafficker. The legacy of Torrijismo, therefore, has been equally colored by that opposition-fed media gossip.

The story is a simpler one. Colonel Torrijos led a generation of Panamanians, civilian and military, committed to ending the legacy of U.S. intervention into Panama which was codified in the treaty governing the Panama Canal since 1903. The Torrijista doctrine, which still guides the military today, is premised "on the principle which states that national defense is directly related to development and human well-being," as General Noriega reiterated it in an August 1985 speech celebrating the first anniversary of the founding of Panama's Battalion 2000, the battalion which will assume responsibility for defending the Canal in the year 2000.

For Barletta, Shultz, and international bankers, the concept of military responsibility for assuring national policies which foster the "human wellbeing" of the population, is highly "undemocratic."

The inauguration of Alan Garcia as President of Peru on July 28, 1985, heightened the importance of Ardito Barletta as the only banker-President in Ibero-America. In his inaugural speech, Garcia proposed

that the Presidents of Ibero-America convoke a summit meeting, the first ever in the region's history, to discuss what common actions of their nations could resolve the common crisis of debt, drugs, and terrorism. For reasons of history, Garcia suggested that Panama be the host country for such a summit.

Ardito Barletta rejected the proposal flat out. He told Panamanian labor leaders in August that no Ibero-American country would back the Peruvian President in his war against the International Monetary Fund. "Garcia has jumped into shark-infested waters, and expects others to jump in after him. No one will," stated Barletta. Indeed, if there is anything Barletta is expert in, it is in the practices of loan-sharks.

But on Sept. 4, 1985, General Noriega visited Pen and met at length with Garcia. Garcia told Panamanian journalists afterwards that the two had discussed how "the Latin American people must push their governments to create a common front to confront the foreign debt problem. . . . We are a continent with destiny and with rights, and I have found an enormous coincidence in policies with General Noriega, which makes me very satisfied, since it demonstrates that the Latin Americans[^]-understand each other, and can act together."

Ardito Barletta responded with an attempt to mobilize an anti-Noriega coup from within the Defense Forces. In mid-September, Panama was rampant with rumors that Noriega had been kicked out of the military while he was traveling in Europe. Barletta badly misestimated Noriega's support within the Defense Forces, however, and soon found that his only political support in Panama was coming from U.S. Ambassador Everitt Briggs. On Sept. 28, after long discussions with military, political, and labor representatives, Ardito Barletta resigned from the presidency.

The fall of Ardito Barletta was a hard blow to the IMF and its friends. In Lima, the news was greeted with headlines which reported, "President of Panama Falls for Having Listened to the IMF." The Panamanian President fell "because of his anti-Latin American positions," Peruvian Sen. Guillermo Larco Cox stated. In other capitals in Ibero-America, the message in Ardito Barletta's fall was carefully noted.

Panama's Democratic Revolutionary Party (PRD) issued a statement asserting that Barletta's support for "the neo-liberal and monetarist theories of the IMF" had been rejected by the population. Now, the government "will be more in solidarity with other Latin American countries in the joint struggle to politically confront the problems stemming from the international economic crisis and the foreign debt." Panama's vice-president, Eric Delvalle, assumed the presidency.

The State Department issued a statement declaring that the United States "deeply regrets" the resignation of Ardito Barletta, "a person of international stature." The Washington Times complained: "Mr. Delvalle does not have the international financial contacts that Mr. Barletta possessed," and thus the International Monetary Fund and World Bank "will take a dim view of the latest shuffle."

Delvalle announced from the beginning, that his priorities differed from those of Ardito Barletta. The government rejects "foreign models" which "constitute the financial ruin of the population," he stated. He also stated that Panama would begin organizing for the summit proposed by Garcia.

With Ardito Barletta—and his policies—out of office, the decision was taken by international banking circles, and Mr. Barletta's former teacher, George Shultz, that the Panamanian system of government and military had to be overthrown entirely—even if that means handing Panama over to terrorists and drug-runners who work for the Soviet KGB.

National sovereignty

There are issues of a longer-term nature underlying the continuing debate among U.S. military and civilian authorities over proper U.S. relations with Panama, issues of more importance than the vengeful obsessions of a Sen. Helms or George Shultz. The question of the Panama Canal, still vital to U.S. national security, forces the United States to focus policy debate on the central principles which must ground U.S. policy towards all of Ibero-America.

The principle of the sovereignty of nation-states is the fundamental issue at stake in the Panama crisis. Under the terms of the Torrijos-Carter Treaties, signed into law in 1978, the nation of Panama will assume sole responsibility for the defense and maintenance of the Canal on Dec. 31, 1999. Within the United

States, however, a campaign has begun against fulfilling U.S. obligations under the treaty, led by those who are committed to wiping out the principle of sovereignty as a basis of relations between nations.

A decision to abrogate the treaties, now being prepared by both former opponents of the treaties, such as Sen. Jesse Helms, and former “supporters” within such bastions of the Eastern Establishment as the Council on Foreign Relations, will pit the U.S. against not only Panama, but all of Ibero-America, for whom Panamanian sovereignty over the whole of its nation is a matter of principle.

That the Council on Foreign Relations never intended the Torrijos-Carter Treaties, which it once championed, to acknowledge the principle of sovereignty was spelled out in 1978 by Richard Falk, a member of that Council, in an article appearing in the Carnegie Endowment’s Foreign Policy magazine in the Spring of 1978. Falk argued that the United States never intended to give up its rights of intervention into Panama, and would “interpret” the Torrijos-Carter Treaties in that manner. Panama will interpret the treaties differently, he wrote, and this difference will lead inevitably to confrontation. In this regard, Falk compared the Torrijos-Carter Treaties to the Geneva Accords of 1954 between the United States and Vietnam. “The ambiguity of the Geneva accords of 1954 encouraged Hanoi and Washington to proceed, each on reasonable grounds, in contradictory directions that culminated in the Vietnam War,” Falk wrote. Panama will not carry out its side of the treaties, and U.S. intervention against radicalized ferment in Panama will become inevitable (see Appendix II).

The Jacobin-styled Opposition movement which Jesse Helms and George Shultz would have the United States support in Panama, represents precisely the forces of “radicalized ferment” which Falk identified as leading to an inevitable, Vietnam-like, confrontation between the United States and Panama. Panama’s Opposition movement is democratic, only as “mob-democracy” prepares the conditions for social chaos, and then, repression.

A return to the principles of foreign policy which shaped the founding of the United States as a republic, is the only means to avoid the “inevitability” of the “treaty trap” which Falk and the CFR willfully seek. In testimony presented to the U.S. Senate Foreign Relations Committee in 1978, EIR founder Lyndon H. LaRouche, Jr. proposed that the United States take explicit action to remedy two primary weaknesses in the proposed accords.

LaRouche argued, first, that the United States should issue a new statement of policy doctrine, in which it categorically rejects the doctrine of “limited sovereignty,” and instead reasserts U.S. commitment to the intent and principles of the Monroe Doctrine as outlined by John Quincy Adams in 1823. Contrary to the so-called “Roosevelt Corollary,” which twisted the Doctrine into an assertion of U.S. rights to serve as primary bill-collector in the Western Hemisphere for international finance, Adam’s Monroe Doctrine outlined a community of principle, founded upon the principle of sovereignty, upon which inter-American relations must be based.

Second, LaRouche argued, U.S. interests in maintaining the security of the Panama Canal are best served by a U.S. commitment to aid Panama in the kind of intensive technological development which can assure the “human well-being” of its citizens, and thus social peace inside the country.

Toward the year 2000

Those points remain valid for resolving today’s crisis. Panama is today attacked for permitting bank secrecy laws which protect illegal activities. But those bank secrecy laws were demanded as the fundamental condition for the establishment of an off-shore banking center in Panama at the outset of the 1970s, and today, the livelihoods of some 8,000 Panamanian families depend on that off-shore center, and more on the service industry which supplies it.

In the final section of this report, EIR outlines a series of industrial and infrastructure projects, centered around the resources of the Canal, which if implemented, can shift Panama’s economy away from its current dependence on banking and services. With the appropriate U.S. support, by the year 2000, Panama can be a booming industrial center in Ibero-America, leaving far behind the legacy of a century of tax-farming and speculation imposed by foreign interests.

The nation of Panama has begun mobilizing its people and resources to assume its job of securing and running the Canal in the year 2000, reshaping the development of the military, education programs for the schools, and the work of the nation's professional elite towards that goal. "The inexorable countdown has already begun," President Delvalle stated in a May interview with *La Estrella de Panama*. "We are only 14 years away from being the ones solely responsible for the Canal and our destiny. I am fully convinced that we will take it over with full success." The President called for "constructive" national debate on the tasks ahead, with maximum participation of the population.

He included a message to those in the United States who already say Panama cannot fulfill those responsibilities. "The more harmonious and quick the transition, the better the Canal Service will be and the better the Panamanian people will remember the United States," the President stressed. "This would be the most firm and sure basis of a permanent friendship."

Similarly, General Noriega, when asked in April by the Spanish International News Service about reported differences between the U.S. State Department and the Pentagon on policy towards Panama, answered in this way: "I wish to be positive, totally positive, because we are part of the Latin American community, and because, with the United States, we are partners in a great task, the Panama Canal. We could say that we are now returning from a confrontation. Panama has implemented the Torrijos-Carter Treaties. These treaties have given the United States the chance to live peacefully on the Central American isthmus. This is because Panama is a conscientious and strategic partner."

Noriega pointed to the special significance which the Panama-U.S. partnership "in a great task" can have for all U.S. relations with Ibero-America. "The Latin American situation itself demonstrates that Panama is the United States' best ally and partner, and that Panama is the best place from which the United States can maintain peace in the region," stated the General. "Our relations are respectful, and they are necessary."

If the United States takes up that spirit of collaborative development, Panama in the year 2000 can stand as an example of a U.S. return to the generous republican principles upon which it was founded.

II. Who's who in the destabilization plot: Panama

"I tell you, we are preparing the soil here for the same problems they have in El Salvador and Nicaragua. People are losing their faith. What are they going to do? They are going into the mountains soon."

Guillermo Cochez
Christian Democratic Party
May 22, 1986

On April 25, Panamanian President Eric Delvalle warned Panamanian citizens in a nationwide television address, that there are some within the country who seek "to undermine the peaceful and harmonious political coexistence which must prevail among all Panamanians." The President added that "the international situation is worrisome, and increased tensions and conflicts might reach our coasts. No Panamanian of patriotic will and courage will ever want this for our country or his family."

The President was referring to a campaign run by the Democratic Opposition Alliance (ADO), whose members, as boasted by Opposition leader Guillermo Cochez above, are already "preparing the soil" for Panama to become a "new Nicaragua." Leaders of the Democratic Opposition Alliance have been knocking on doors in the United States, in search of aid in their campaign to overthrow the government of Panama. The military's role in politics is unlikely to diminish without "a push from abroad," Opposition leader Jorge Ruben Rosas confided to the Washington Post in April.

Thus far, they have received the support they sought from major U.S. media, from congressmen, the U.S. State Department, and the U.S. banking crowd (*see III. The destabilization begins: the U.S. side*). The 'mob's democrats'

Who are these "democratic forces" in Panama who demand that the United States cut off all military and economic aid to the current government, and place them in power instead?

Documentation in the hands of U.S. government agencies has already answered that question. Go down the list of names and institutions in the leadership of the "democratic" Opposition. In case after case, the documentation already exists, that the leadership of the Opposition are active participants in the vast drug and gun-running network in the Western Hemisphere.

In this section, we present a summary of these files as they are in hand today:

- How the presidential candidate of the Democratic Opposition Alliance, Arnulfo Arias Madrid, was an avowed follower of Adolf Hitler during World War II, reportedly involved in drug-trafficking as early as the 1950s, and connected to terrorist units operating in Panama.
- How the Opposition's "human rights" cause célèbre, Hugo Spadafora, was a terrorist gun-runner for Libya's Muammar Qaddafi.
- How the editors and publishers of the Opposition's two newspapers in Panama, La Prensa and an afternoon daily, Extra, featured prominently in U.S. court cases last year: La Prensa's editors as leading members of one of the largest marijuana rings ever broken up by U.S. authorities; Extra's editor as being linked with the Israeli-Iranian arms-smuggling ring, led by Israeli Gen. Avraham Bar-Am, broken up in April.
- How Gen. Ruben Dario Paredes, the Opposition's man in the military—which they now charge is so corrupted by drugs it cannot be saved—is himself a leading protector of the Colombian cocaine trade and terrorism.

These elements—Arias, La Prensa, Extra, General Paredes—are the foundations of the Democratic Opposition Alliance. Joining them in the Alliance are the Christian Democratic Party, whose secretary general today is Ricardo Arias Calderon. The Christian Democrats, the largest and best-financed party in the Alliance, provide critical regional support for the destabilization operation, drawing on their ties to the National Action Party in Mexico, and circles around Venezuelan Christian Democratic leader Aristides Calvani.

The Alliance was created in support of the candidacy of Arnulfo “the Nazi” Arias for President in the 1984 campaign, out of the group of political parties which had worked together in the 1970s to oppose the revision of the 1903 Panama Canal Treaty. Christian Democratic head Arias Calderon was the second vice-presidential candidate (the slate included two vice-presidents) under Arnulfo. First Vice-President, was the drug-banker, Carlos Rodriguez.

Their program is as Guillermo Cochez stated above. Cochez is not from some radical left fringe of that Christian Democratic Party; he is a former secretary general of the party who today serves in the nation’s Legislative Assembly. His program of chaos was echoed by today’s secretary general. “Cry havoc, and let loose the dogs of war!” exclaimed Ricardo Arias Calderon when his slate lost the elections in 1984. He repeated in October of that year, “The Opposition can only accept the destruction of the system.”

Joining the ADO in its campaign to bring down the government is the Popular Action Party, headed by Carlos Ivan Zuniga and Miguel Bernal. PAPO, as the party is called, has been the force, organizing the street demonstrations and strikes against the government. Bernal provides the key international links for this part of the anti-government organizing, through his contacts with such New York Council on Foreign Relations’ “house radicals” as Richard Falk.

PAPO has been preparing for more serious violence than street demonstrations. In early November 1985, PAPO Vice President, Jose A. de la Guardia, was arrested as he left the Canal Zone after a visit to the U.S. base, Fort Clayton, carrying a large supply of weapons and explosives, plus plans for terrorist actions against the electrical installations, the printing plants of government newspapers, local radio stations, and gasoline stations. The arrest was carried out by Panama’s Defense Forces, in cooperation with members of U.S. Army Intelligence. But before the details of de la Guardia’s capture were released, Bernal was back on the streets, leading a demonstration charging the Defense Forces with “disappearing” his comrade.

In 1977-78, the Opposition claimed the population supported them in their rejection of the new Canal Treaty. When the national plebiscite was held, they were roundly defeated. Today, that same Opposition must again seek international support for their campaign against the institutions of their country. If the U.S. government provides what these terrorists and mafiosi demand, the U.S. will find it is supporting a branch of the South American dope trade whose current headquarters of operation lies in Fidel Castro’s Cuba.

What is Arnulfo Arias Madrid?

In mid-February 1986, a spokesman for the office of Sen. Jesse Helms declared to a caller: “Of course, the government of Delvalle should be replaced . . . whether by new elections or by a recount of the votes of the presidential elections” of 1985. Arnulfo Arias lost those elections by a narrow margin to President Nicolas Ardito Barletta, and would presumably emerge the victor in a U.S.-prompted election recount. Who, therefore, is the octogenarian Arias, who leads the “Democratic Opposition” in Panama, and who has been promoted by Helms’s office and State Department-linked circles in the United States for a comeback to power in Panama?

Arnulfo Arias Madrid is an unrepentant Nazi and a terrorist. Throughout his adult life, he has been involved in secret occult societies whose stated purpose is the destruction of Judeo-Christian civilization; he has personally led coups d’état against elected governments; he has participated in armed terrorism and murder. His closest associates were linked to the gambling and drug trade, and Arias himself reportedly reaped enormous profits from illegal trafficking in narcotics. As an admirer and supporter of Adolf Hitler,

he has promoted genocidal policies against Jews, blacks, and others, and sought to aid the Third Reich's cause during World War II by offering to cede it the Panama Canal.

The practitioner of Satanism

During the 1984 presidential election campaign, Arias shocked Panamanians during a campaign speech, when he asserted that he was certain he would win the election, because "the stars" had ordained it. He added, that once in power again, he would ensure the Age of Aquarius began in Panama.

Arias has dedicated his 60-plus years of political career to defeating Christian civilization, seeking to replace the Christian era, also called the Age of Pisces, by the Gnostics' Age of Aquarius. President of Panama three times (1940-October 1941; November 1949-May 1951, and for 11 days in 1968), each time he was thrown out of office when he attempted to transform the institutions of Panama into instruments of his Gnostic ideas.

Arias' occultism is the key to his continuing Nazi beliefs. His fascination with Satanic occultism began while practicing medicine in France in 1925, where he came into contact with the secret society called "Los Polares." This racist occult society was connected to the Theosophical Society of Julius Evola in Italy, and the Thule Society in Germany, of which Adolf Hitler's mentor, Prof.-Gen. Karl Haushofer, was a member, along with Rudolf Hess and Alfred Rosenberg. Later, during his service as Panama's Ambassador to Italy, and later France, from 1936-1939, Arias was reportedly personally inducted into the Satanic cult which secretly ran the Third Reich.

By then, Arias had already seized control of an occult network in Panama, and turned it into his instrument of political power. In 1931, Arias led a coup d'état against then President Florencio H. Arosemena, murdering several armed guards and taking the President prisoner. Arias' (brother Harmodio was imposed as Provisional President, later dropping the "Provisional." The instrument used by Arnulfo for the coup was Accion Comunal, a secret society of so-called "alienated" middle-class revolutionaries which was founded in Panama in 1923. Arnulfo joined Accion Comunal in 1930, upon his return from his European studies. All the principals in the 1931 rebellion were initiates of Accion Comunal, and many of them, including Arnulfo, assumed cabinet posts in the new government.

Accion Comunal presented itself to the general public as a "patriotic" movement, protesting U.S. domination of Panama, but its internal functioning was modeled on the secret societies propagated by the ancient "mystery" religions, as the group's founder, Victor Florencio Goytia, explained in a 1964 interview, with the authors of a testimonial titled *The Movement of Accion Comunal*.

Goytia explained that he had been a student of "social, religious, and political movements from the times of Christ, from before Christ: the Egyptians, the Phoenicians . . . the Chaldeans, the Greeks, particularly those societies which give a mystical aspect to business." These studies were combined with a study of the rituals of masonic associations throughout the ages, as well as those of such "revolutionary associations as the Carbonari, the 'Comuneros' of Castille, etc., which, in order to survive and guard against the enemy, had to develop a certain conformity," Goytia explained. "On the basis of this, we based the rituals of Accion Comunal."

The Movement of Accion Comunal, describes the black rites through which new initiates had to pass:

After the swearing and signing in blood, stamped in the black book, and after a rather mystical ceremony . . . the members organized themselves into squads ready for the battle. . . . The members of Accion Comunal wore white hoods when they were initiated, and the chiefs wore dark hoods, allowing only their eyes to be seen. . . . In addition, they had a special greeting with crossed hands, to be able to more easily recognize a member of the fraternity. All of this ceremony, which seemed a little sect-like, religious with mystical overtones, was necessary to create a certain conformity among the members, and to be able to carry out the serious task they had imposed on themselves. ..."

Accion Comunal was organized in uniformed paramilitary squads, and adopted the symbology of the fascists as its own, designing an emblem joining the swastika, the fasces, a dagger, and an open book. Goytia explained the esoteric meaning contained in the emblem:

Because in time immemorial . . . the swastika had a mystical significance, especially in Nordic civilizations. The Germanic civilization presented the swastika as a society in movement, as the wheel which advanced; that is what made us choose the symbol, because it went well with the name, Action, and Communal Action, the action of the people, the movement of the people. The fasces, because it is the symbol of unity; the fasces was one of the lessons which was given in the ritual to point out, for example, what the initiate represented, as a single and weak element of society, easy to break. . . .

The dagger and the book had a specific meaning also. With the book, we were representing an infinity of things ... to give the idea that we were going to engrave in a book with blood, the obligations of those who entered the society, and with the dagger, the element of punishment, or correction, in case of infractions of the established norms.

In time, Accion Comunal dissolved as a distinct body, with its members forming several political groups. In the late 1930s, the majority of the members joined Arnulfo Arias in the political party which would place him in power as President in 1940, the Partido Nacional Revolucionario. Members retained their identity as “brothers,” however, Accion Comunal leader Jose Manuel Quirido Quiros stated in 1964. As he explained, “upon occasion we have met as Accion Comunal, and we in Accion Comunal, despite all the political differences which we have, have a tie which cannot be broken, and that is that we consider ourselves brothers, and at bottom, we sincerely care for one another.” In 1985, the Panamanian newspaper La Prensa recorded one such meeting, publishing a picture of an Accion Comunal dinner, held Jan. 2, 1985, in honor of Arnulfo Arias.

Arias modeled his National Revolutionary Party directly on Hitler’s Nazis. In 1937, as ambassador to Mussolini’s Italy, Arias met with Adolf Hitler and, according to an FBI report found in the U.S. National Archives, “became a Nazi convert, body and soul, and on returning to Panama, established a Nazi political party, the National Revolutionary Party.” As President in 1940, Arias ordered the creation of an elite death squad, trained by Guatemalan Nazi Fernando Gomez Ayau, who worked under the direct tutelage of Hitler’s ambassador to Panama, Hans von Winter. Von Winter also advised the formation of a “political police” force, called the GUSIPA, or “Silent Panamanista Guard,” which also required its members to pass through initiation rites and take loyalty oaths in blood. The head of GUSIPA was Nicolas Ardito Barletta, father of recent President Nicolas Ardito Barletta.

The racist

Throughout his political career, Arias attempted to “purify” Panama, purging it of the “lesser races.” In 1933, as health minister in his brother’s government, Arias presented legislation for the sterilization of blacks and euthanasia of the elderly. This was the same year that Hitler imposed mass sterilization in Germany. Although the Panamanian congress refused to approve the law at the time, sterilization of blacks did occur during Arias’ own 1941 presidency. Dr. Jose Marfa Nunez of the Hospital of Santo Tomas officially denounced the fact that all blacks who entered the hospital for any reason were being sterilized.

During his Oct. 1, 1940 inaugural address, Arias declared:

The demagogic concept that all men are free and equal is biologically without foundation. . . . The concept of liberty as an inalienable and unlimited right of the individual must give way to the more modern concept of liberty conditioned by the social exigencies of the community. ... To realize its destiny, it is imperative that Panama better its biological conditions. Without entering into profound discussions which would be foreign to a presentation such as this, we must admit that a grave ethnic

problem exists in Panama, which began when the U.S. government brought in great contingents of elements of color who are foreign to our culture. . . . The majority continue, as in previous days, to be congregated in our two great cities in the manner of foreign bodies.

Arias then imposed a new constitution forbidding the immigration of blacks, Chinese, and Japanese to Panama, and took away the citizenship of 40,000 blacks of West Indian origin. Arias went so far as to ask the United States to return the blacks who had helped construct the Panama Canal to the West Indian “homelands,” according to former U.S. Ambassador to Panama William J. Jordan, in order to “purify” the racial structure.

A State Department memorandum issued just before Arias’ 1941 overthrow, notes that his government was planning to issue a decree clarifying bans on immigration of certain races and nationalities:

The Decree-Law serves to confirm earlier reports that President Arias planned to bar all the Jews from business in Panama. The promulgation of the Decree-Law may be expected to encourage a panic similar to that in which the Chinese were persecuted early this year. . . . There will be rich booty for the Arias Administration if the persecution of the Jews is started. (Sept. 29, 1941, NA 819.55J/ 4)

Arias has been charged with directing the mass execution of Jewish families resident in Panama during his 1940-41 period in office. A book published in 1981, *Holocaust in Panama*, by Aristides Ivan Hassan R., outlines the untold story of how an elite death squad formed under the Arias government, prepared and carried out the mass execution of 13 German Jewish families in the region of Cotito, province of Chiriquí, in 1941.

Hassan’s book describes the reported occult training given to the 12-man squad, aimed at turning them into “warrior monks” of the Third Reich, capable of the brutality demonstrated in the massacre. Arnulfo Arias, he charges, participated personally in the detailed planning of the operation, including presiding over the final induction ceremony for the “warrior brothers.” According to Hassan, *Holocaust in Panama* is based on the confessions of one of the 12 death squad members named Julio Cesar Gonzalez, historical records of the period, and excavations of a mass grave in Cotito, carried out in 1980.

The charges of massacre are denied by Arias. Hassan claims that all records of the existence, and massacre, of the German Jewish families who had immigrated to Panama in 1922, were destroyed by Arias’ networks in Panama, and the Nazis in Germany, to cover up their crime. Although EIR has not verified Hassan’s charges on the massacre, the reporting of Arias’ collaboration with the Nazi Third Reich in the book, including with specific individuals, has been confirmed by material in U.S. wartime records, found at the U.S. National Archives.

Further, a massacre of Swiss and German colonists in Cotito, by Arias’ police in July 1941, reported in Gonzalez’ confessions as an “accident” that occurred during the extermination mission against the Jewish colonists, has been confirmed. According to a War Department General Staff Report of July 14, 1941:

On July 3, 1941, the Panama police massacred 12 of the 23 Swiss and German agricultural-religious colonists at Cotito, Province of Chiriquí, about 20 miles south of the Costa Rican border. Three of the colonists—an 82-year-old man and two boys—escaped unhurt. The remainder, six women and two children, were wounded by the fire of the police, and four of them are still in grave condition in the hospital at David.

The general opinion prevails in all circles that the attack on these people was hardly justified and it has created indignation in all quarters. (July 14, 1941, NA 819.00/2136)

In October 1980, an excavation team investigating Hassan’s charges, found the remains of what is believed to be 18 bodies in a mass grave at Cotito, according to the calculation of Detective Bartolo Rovira, head of the Department of Investigation of Volcan. The skulls that were unearthed in the grave bore bullet holes; investigators confirmed their dentures were German-made.

Arias, the Nazi

Arias made no effort to hide his allegiance to the Nazi cause during the war. A “strictly confidential” report to the U.S. State Department from then U.S. Ambassador to Chile Claude G. Bowers, entitled “Subversive Activities and Statements of Arnulfo Arias,” reports the results of an informant’s “interesting and significant interview with Arnulfo Arias, former President of Panama, in the latter’s Santiago hotel room on Sept. 7, 1942.”

The agent above mentioned entered Dr. Arias’ room with the Nazi salute and the greeting “Heil Hitler!” which was answered in kind by the Panamanian. . . . Arnulfo Arias started off by attacking the “imperialistic” policy of the United States in Panama and the “false and hypocritical” democracy of the United States. . . . Questioned specifically as to his opinion concerning the outcome of the war, Dr. Arias stated that formerly he had believed in the possibility of Allied victory, but that during recent months, the triumphs of Hitler in Russia and North Africa had changed the international situation, that Russia would be completely “liquidated” during the winter, and that with the forthcoming Axis victory the day was arriving when “we shall be free.”

Finally, when questioned as to whether he was a partisan of Nazism, Arias said that above all else he was a Panamanian, but that if the Nazis should cooperate in “our emancipation” (presumably of Panama and other Latin American states), he would be their fervent admirer. (Sept. 12, 1942, NA 819.001. Arias, Arnulfo/311)

Not long after Arias was deposed from power, the U.S. embassy in? Panama sent a dispatch (No. 3126) to the State Department, which contained a detailed intelligence evaluation of Arias’ pro-Nazi activities. The dispatch itself is now missing from the State Department archives, yet a quote from it survives in an Office of Naval Intelligence report (R-473-42, index guide 104-300):

Enrique Garcia de Paredes, an employee of the Compania Internacional de Seguros, recently returned from a business trip to Chile, states that he had a long interview with Arnulfo Arias, deposed President of Panama, in which Arias stated to him that the German Ambassador in Santiago, Baron von Schon, had proposed to him that he go to Berlin, take with him such elements of his previous administration in Panama as would consent to go, and set up there the Panamanian Government in exile. That the German Ambassador in Santiago had one million pesos available for the expenses of this movement. That he had not decided to accept as he still had high hopes of returning to power in Panama shortly. (Oct. 16, 1941, NA 702.1921/12)

During Arias’ presidency, he was indicted by family members, brother Harmodio and nephew Roberto, for being a Nazi sympathizer, as identified in the following letter from the U.S. embassy in Panama to U.S. Undersecretary of State Sumner Welles, and in a State Department memorandum:

This morning Harmodio Arias came to see me and we had a long talk. ... He stated in the first place that what he had to say was extremely embarrassing to him, as it had to do with his brother. . . . He finally said to me as clearly as any one could, without using the definite words I am employing, that he felt that Arnulfo was in some way committed to the Nazis and was definitely playing their game. . . . He said that if the United States enters the war he fears that we shall have a most difficult situation here. . . . (July 7, 1941, NA 819.00/2134 1/2)

Roberto Arias, the nephew of the President of Panama, came in to see me day before yesterday . . . [and] said that his uncle’s paper La Tribuna is decidedly pro-Nazi. . . . Arias says that his uncle has sent police into all of the shops who advertise with their paper and has made inventories of their stocks with the warning that they would be unable to replenish their stocks if their sympathies did not change. . . . Arias says that the Germans have convinced his uncle that the canal should be international and not belong to any country. . . . (Feb. 8, 1941, NA 819.00/2-841)

Arnulfo Arias met with Adolf Hitler in 1937, and the following confidential memorandum was prepared by the U.S. Office of Military Intelligence (G-2):

[Arias’] minister to Germany, Francisco Villalaz, obtained for him an audience with Adolf Hitler in Berlin in 1937. Villalaz has much influence in Berlin. . . . President Arnulfo Arias appointed two pro-

totalitarians as his secretaries—Dr. Cristobal Rodriguez, General Secretary, and Antonio Isaza Aguilera, private secretary. Both have been rather outspoken in their totalitarian views, and they were chosen, it is said, precisely for this reason. ... In 1936 [Isaza] was appointed Consul General to Hamburg, occupying this post until this year. In Germany he engaged in illegal speculation of currency using his diplomatic immunity to advantage. He has direct contact with the German Legation and is very pro-Nazi. (October 1941, NA 819.00/2106)

Two months later, “an informant” to the FBI filed the following memorandum:

Dr. Villalaz carefully made inquiries in Panama as to local conditions there, and by a stroke of luck found out that the brother of the then President [Harmodio Arias] of Panama was suffering from a bad case of dictator-worship. It was no problem to the Nazis, and lost no time reaching this man, Dr. Arnulfo Arias, a young Panama City physician and only brother of Harmodio Arias, then serving the presidential term 1932-36, and bringing young Dr. Arias to Berlin.

At Berlin, Dr. Arnulfo Arias was treated as an important and influential personality and received by Hitler, Goering, Goebbels, Himmler, and others of the most powerful and strategically placed Nazis. This visit of Dr. Arias was solemnly stated to have “no political significance,” but in fact it was a typical Nazi job. Dr. Arias was under the sympathetic and calculating tutelage of Nazi specialists and with typical German thoroughness, he was given a short but intensive course in Nazi public administration and party organization. In these matters, the intermediary between him and his Nazi hosts and patrons was Francisco Villalaz. So extraordinary was the interest shown in Dr. Arias, that the late U.S. Ambassador to Germany, Mr. Dodd, could not help noticing what was going on. His written commentary on this intrigue of the Nazis was a masterpiece of observation. The predictions therein contained, based on the Ambassador’s scrutiny, have been to date amazingly secret. When Arnulfo left Germany, he visited Italy and with German recommendations was received by the Fascist with open arms and given an opportunity to see the inside workings of the Fascist government under the personal guidance of Achille Starace. Arnulfo became a Nazi convert, body and soul, and on returning to Panama, established a Nazi political party, National Revolutionary Party.

A report by the State Department’s Division of the American Republics, titled “Anti-American and Pro-Axis Activities of Arnulfo Arias,” dated Nov. 2, 1943 includes the following:

To an informant of the Embassy [of the United States in Santiago, Chile], Arias stated that in his opinion the true German patriot is incarnate in Hitler. He expressed complete faith in the triumph of Nazism. Ambassador Bowers reported that there was evidence of the possibility of Japanese funds being used to assist Arias in propaganda efforts and explained that there was no doubt that Arias was in Santiago working as an agent for the enemy.

Arias surrounded himself with Nazi sympathizers, as demonstrated by the following descriptions of his closest friends and cabinet members, taken from a biographical sketch of the President’s most intimate circle of friends, prepared by the U.S. embassy in Panama:

Julio Ernesto Heurtemate is a loud-mouthed young man, of French descent, blatantly pro-Nazi and anti-American. He studied in Paris and later at the Wharton School of Finance, University of Pennsylvania. For months [his wife] has been under suspicion as being an agent for the Nazis. . . .

Manuel Maria Valdes. He is a close personal friend of President Arnulfo Arias . . . [and] is openly pro-Nazi and convinced that Germany will win the war. . . .

Jose “Pepe” Ehrman has been closely associated with Arnulfo Arias for the past ten years. For several years previous to 1940, he was Secretary of the Panamanian Legation in Paris, and was also secretary to Arnulfo when he was Minister to Italy. It is said that he often accompanied Arnulfo on his visits to Germany, and there became imbued with Nazi ideas. . . .

Colonel Olmedo Fabrega is the Aide-de-Camp and a close personal friend of President Arias. He is an enthusiastic supporter of the Axis Powers. (May 31, 1941, NA 819.00/2133)

In a confidential assessment of the Arias government by the military intelligence division of the War Department General Staff, his “pro-Axis” and “anti-American” sympathies are noted repeatedly:

The only national organization closely patterned along the lines of Nazism is the National Revolutionary Party of which Dr. Arnulfo Arias, President of the Republic, is the leader. . . . The present policy of the Arias administration appears to be one of support of the ideology of the Axis powers. . . .

Throughout his period in exile in the early and middle 1940s, Arias traveled extensively around the continent, always working in close coordination with known Nazi agents and attempting to forge a Nazi support apparatus wherever he went. On Oct. 10, 1942, U.S. Ambassador to Chile Bowers sent the following “strictly confidential” airgram to the Secretary of State:

The Panamanian Minister has received the following report from a confidential source considered by him to be most reliable: On September 22 Arnulfo Arias had a long conversation with Guillermo Izquierdo Araya and Roberto Vega Blanlot, both active officials of the Chilean Nazi party. Furthermore, Arias receives mail from Manuel Olamedo, a high official of Trarisocean in Buenos Aires, who was expelled from Chile in August of this year.

In April 1942, Philip W. Bonsai of the U.S. embassy in Caracas wrote a memorandum to the Secretary of State, noting:

The Department has learned from unofficial sources that Arias left Mexico with definite plans for entering Argentina, where he hopes to affiliate himself with Axis sympathizers and to set himself up as the symbol against “American aggression.”

Arias, the drug trafficker

Arias has repeatedly charged governments of Panama that he opposed, such as the Torrijos regime, with involvement in the drug trade. And yet, according to the March 5, 1979 issue of the magazine Inquiry:

Arias’ oft-expressed outrage at corruption in the Torrijos regime wears thin, however, when his own record is recalled. During an earlier stretch as President of Panama, from 1949 to 1951, Arnulfo and his favorite nephew Antonio “the Druggist” Arias, in collaboration with the secret police, masterminded a huge narcotics and gold-smuggling ring that accounted for much of the \$2 million that President Arias is said to have made during his 20 months in office. Arias was also accused by Opposition leaders—whom he promptly threw in jail—of profiting from illegal business deals with the Somoza family in Nicaragua.

A U.S. Military Intelligence report of Feb. 11, 1941, detailed President Arias’ interest in establishing a gambling haven in Panama, a project for which he anticipated substantial personal gain:

President Arias apparently concentrated his activities during January on the distribution of gambling concessions in which he is reported to have a large interest. He made several trips to the interior, allegedly to investigate the agricultural possibilities of certain provinces. However, the main object of these visits, it has been learned, was to lay the foundation for the construction of tourist hotels (to contain gambling concessions) at different points of the interior. (Feb. 11, 1941, NA 819.00/2120)

On Feb. 1, 1943, U.S. Naval Intelligence in Panama sent an urgent, “confidential” report to the Office of Strategic Services on the arrival in Panama of Arias’ intimate Dr. Jose Rafael Wendehake from Venezuela, where he had been residing together with Arias:

Dr. Jose Rafael Wendehake . . . during the Arnulfo Arias regime, not only was the beneficiary of extensive gambling concessions granted by the then President, but a reliable informant has stated that he

also was protected in his illicit narcotics sales. This office . . . believes that Wendehake's presence in Panama constitutes a definite threat to the security of the United States. Wendehake is the logical person to solidify the ranks of those disgruntled racketeers with whom he was associated under the Arias regime. (OSS Confidential, c.i.d. 28776)

Another Arias intimate during his presidency, according to a May 1941 report of the U.S. embassy in Panama was:

Julio Lopez Masegosa... a close personal friend of President Arnulfo Arias and a member of the "inner circle." He is . . . prominent in the gambling rackets, from which it is said he receives cuts and concessions. Masegosa is a first class racketeer. . . . (May 31, 1941 NA 819.00/2133)

Arias' brother Harmodio identified the links between the Arias presidency and the criminal underworld, in an interview with the U.S. embassy in Panama, described in a letter to then U.S. Undersecretary of State Sumner Welles. Summing up Harmodio's viewpoint, the letter stated:

Anything in the nature of an apparent victory for this Government would make the gangsters and racketeers who are running it so sure of themselves that they would be doubly difficult for us to deal with in the future. (July 7, 1941, NA 819.00/2134 1/2)

An Office of Naval Intelligence report of March 21, 1942, contains details of the illegal activities of Arias' crony, Nicolas Ardito Barletta, the former mayor of Panama City, former head of its police force, and father of the recent President of Panama, Nicolas Ardito Barletta:

Nicolas Ardito Barletta and others of his former compatriots in the mayoralty of Panama City were finally indicted for abuse of office. . . . Their activities as such constituted part of the reign of terror for alien merchants, which existed while Barletta was in office. The District Attorney in his petition mentioned instances of Chinese merchants being forced to sell out for a song or else face arbitrary imprisonment. Barletta is specifically being accused of collusion in these extortions, an offense bearing a penalty of from one to seven years in prison and a perpetual ban from holding public office. (March 21, 1942, ONI report serial 86-42, monograph 102-200)

Arias, the Anti-American

On Feb. 11, 1942, FBI Director J. Edgar Hoover sent a "personal and confidential" letter "by special messenger" to Col. William J. Donovan, head of the OSS, in which he stated:

Information from a . . . reliable source has been received to the effect that Arnulfo Arias arrived at Havana, Cuba . . . [and] that Arias has been associated in the past with a Japanese espionage agent by the name of Dr. George Osawa. Dr. Osawa is alleged to have stated that Arnulfo Arias, during his visit to Havana, upon the occasion of his being deposed as President of the Republic of Panama, visited the above city for the purpose of meeting with Rafael Trujillo, Dictator and President-elect of the Dominican Republic, and Fulgencio Batista, President of Cuba, with a preconceived plan of effecting a bloc between the Dominican Republic and against the United States. The exact nature of this bloc or coalition has not been determined.

On July 22, 1942, the American ambassador to Venezuela, Corrigan, sent the following confidential telegram to the State Department:

Arnulfo Arias, who is unmistakably anti-American, left Caracas at the end of April. He was here for eleven weeks and when he left he had in his possession a visa which had been issued under the direction of the President of Brazil, entitling him to permanent residence in that country. Because of his anti-American sympathies he would possibly be more dangerous in those countries which still have relations with the Axis powers. His contacts with Panama would be easier from any country along the west coast.

A Military Intelligence report from the War Department General Staff stated in July 1941:

President Arias devoted much of his time and energy during his visit to Costa Rica to an endeavor to sell the Costa Rican people on his program of advanced nationalism, the principal point of which, it became apparent to American residents there, is hatred of the people of the United States.

On Sept. 12, 1942, U.S. ambassador to Chile Bowers sent a report on Arias' "Subversive Activities and Statements" to the Secretary of State, reporting on the exiled Arias' conversation with an informant:

Arnulfo Arias started off by attacking the "imperialistic" policy of the United States in Panama and the "false and hypocritical" democracy of the United States. He said that the Good Neighbor Policy was only a weapon used to strangle the smaller Latin American nations economically. At some length he developed the theme that the nations of Latin America must emancipate themselves from United States influence and "control," and that after the imminent German victory, liberators such as O'Higgins, San Martin and Bolivar will arise to fight the "hypocritical policy of the Good Neighbor" When asked whether he considered it desirable at this time to attempt a movement for the emancipation of Panama from the North Americans, the ex-President of Panama replied that such a movement must await the time when "our enemy" is debilitated and when other nations are in a position to help Panama. Thereupon he launched into a long tirade in favor of the internationalization of the Panama Canal. (Sept. 12, 1942, NA 819.001 Arias, Arnulfo/ 311)

In his Oct. 1, 1940 inaugural speech, Arias openly threatened the United States:

As Panama has ceded its territory to the United States to construct the Canal, Panama also can cede territory to the Germany of Adolf Hitler, so that they can construct here what they wish and can help us against Imperialism.

The next day, in a radio address to the Panamanian nation, Arias repeated:

The United States knows that. . . the Republic of Panama may be small and weak and lack material resources for the defense of its rights, but on the other hand it could, in case of reprisal, affect the high interests of the United States by granting concessions in its territory to other powerful countries which would have material force to defend it [emphasis by U.S. Ambassador William Dawson, Panama, Oct. 5, 1940, Airmail Letter No. 681]. (Oct. 2, 1940, NA 819.001 Arias, Arnulfo/49)

Hugo Spadafora, portrait of a mercenary

The cause célèbre of Senator Helms's well-orchestrated hearings on Panama has been the death of Dr. Hugo Spadafora, a Panamanian "guerrilla" leader and gun-runner in the pay of Libya's Colonel Qaddafi. On Sept. 14, 1985, Spadafora was found, decapitated, in a river bordering Costa Rica and Panama. Ever since, Spadafora's history has been rewritten, in order to fit the needs of the destabilization of Panama.

Spadafora has been presented to the world by Panama's Opposition movement, Senator Helms, the U.S. State Department, and, of course, the U.S. media, as a "martyr of Panamanian independence," a

“swashbuckling doctor” turned romantic revolutionary dedicated to the liberation of his country, and “an insistent critic” of the “dictatorship” in Panama. Spadafora’s supporters also insist that he was assassinated by the Defense Forces of Panama, on the orders of its Commander, Gen. Manuel Antonio Noriega, despite all evidence to the contrary.

Senator Helms was blunt enough in his declaration on how “the Spadafora case” was to be used. Speaking at the March 10, 1986 opening of his hearings, he stated:

The brutality of the murder of Dr. Spadafora, an insistent critic of powerful elements in Panama, is without precedent. It has served as a catalyst to action for many, inside of Panama and without, who believed that it marks the end of Panama’s independence, and signifies the hidden takeover of the country by illegitimate and antidemocratic forces. We have called these hearings, therefore, to probe the truth of the assertion, and to do what we properly can to help Panamanians recover their dignity, freedom, and stability.

Who, really, was Hugo Spadafora? In brief, the late Panamanian “guerrilla fighter” turned “contra,” was a mercenary for sale to the highest bidder. Born of Italian-Panamanian parents, Hugo Spadafora joined the Italian Socialist Party in the early 1960s, while studying medicine at the University of Bologna. Spadafora’s connections to Middle Eastern terrorism quickly followed, when he accepted a scholarship to Cairo University in 1965. Once in Cairo, “the first thing I did was to go to the Cuban Embassy and tell them I was ready to go,” Spadafora bragged to the New York Times in December 1980.

However, the Cubans rejected him as a possible spy, he claimed. So, drawing on his Italian socialist contacts, he joined up with Amilcar Cabral’s “liberation war” in Guinea-Bissau in 1966, staying just long enough to rub shoulders with “genuine revolutionaries” and pick up a marketable reputation. Spadafora returned to Panama in 1967, to join “guerrilla” organizing of the Paris Cafe set at the University of Panama. In 1969, after the overthrow of Arnulfo Arias’ regime by a group of colonels led by Col. Omar Torrijos, Spadafora joined forces with the unrepentant Nazi Arias against the “communist” Torrijos, and began organizing “resistance” to the Torrijos government for Arias. Jailed in June 1969 for his violent opposition to the Torrijos government, Spadafora suddenly “saw the light” and denounced his erstwhile Nazi ally, embracing the Torrijos regime and ultimately serving as Deputy Health Minister in the mid-1970s.

In 1978, Spadafora formed a “Bolivarian” brigade to fight with the Sandinistas in Nicaragua. Before departing for the Nicaraguan battlefield, Spadafora undertook to collect funds for the Sandinistas in Panama and Costa Rica—not all of which reportedly reached the Nicaraguan insurgents. Spadafora’s 80-man brigade joined with “Commander Zero,” Eden Pastora, in the Southern Front, the wing of the rebels financed by gangster Robert Vesco and his Costa Rican protector, Don “Pepe” Figueres.

Gnostic terrorism

The Bolivarian Brigade was a precedent for today’s Gnostic narco-terrorist armies, exemplified by the “Americas Battalion” now fighting throughout the Andean region. Explained Spadafora in 1980:

The time has come for the creation of a Bolivarian force—independent of superpowers and governments and capable of combatting militarily anywhere in the continent where the armed struggle is the only avenue left for peoples seeking their liberation. . . . There are tens of thousands of Latin Americans willing to fight for the liberation of the continent, but for this we must achieve the authentic unity of all revolutionaries, of Marxists, of Catholics, of Social Democrats, of progressive Christian Democrats.

When the Nicaraguan revolution had concluded, Spadafora returned to Panama with the prestige of a “guerrilla fighter”—and with two Mercedes Benz autos allegedly awarded him from Somoza’s private

collection. The prestige did not last long, however, and when his funds ran out, Spadafora sallied forth in search of new adventure. He traveled back and forth between Libya, Europe, Mexico, and Central America. At the end of 1980, Spadafora traveled to the Middle East to try to secure funds and arms from the Palestine Liberation Organization for a new “International Brigade” to foment revolution in Central America.

The Libyan connection

The PLO reportedly offered weapons, but Libyan dictator Qaddafi offered \$4 million for Spadafora’s mercenary army to establish a beachhead in Belize, whence they expected to attempt the overthrow of the Guatemalan government and assist the revolutionaries in El Salvador. Returning to Costa Rica, Spadafora entered into negotiations with Guatemalan insurgents, offering considerably fewer funds than those provided him by Qaddafi. The talks broke down due to well-founded suspicion of Spadafora, who then invested part of Qaddafi’s money in weapons which he sold, above market price, to the Salvadorans.

When his International Brigade was rejected by both the Guatemalans and Salvadorans as untrustworthy, Spadafora was pressured by Managua—in Qaddafi’s name—to return the money. Instead, he joined forces with his former Sandinista commander Eden Pastora, who had since split from the Sandinistas, and with the Nicaraguan “counter-revolution” to which he promised funds and arms. Unable to convince Pastora to join with the former Somozista wing of the “contras”—where the majority of U.S. funding was to be had—Spadafora split with Pastora to woo the other “contra” groups and to offer arms and funds to the Miskito Indian resistance led by Brooklyn Rivera. That courtship, too, was short-lived.

At the time of his death, rumors were circulating in Costa Rica and Panama that Spadafora was now looking to Panama itself, as the next site for his “guerrilla” organizing. Seeking to present himself now as an “anti-corruption” fighter, Spadafora also announced that he, along with Alvin Weeden Gamboa, was preparing charges that General Noriega was involved in drug-trafficking. Spadafora’s relationship with Weeden indicates he had entered a “new” line of business: narcotics. The dossier on Weeden, a hit-man and launderer for the narcotics mafia, is presented in the next section of this report, on La Prensa and the mob.

A bloody shirt

Spadafora’s murder, by persons unknown, was seized upon as a “bloody shirt” to wave by the international media, and by Helms and his collaborators in the U.S. State Department, to lay at the doorstep of Panamanian Defense Forces chief Gen. Manuel Antonio Noriega. Not reported were the charges by Eden Pastora, broadcast on Miami radio, that Spadafora had betrayed the “contras,” selling their arms shipments to the Sandinistas. Nor was it reported that the director of the Costa Rican Judicial Investigations Organization, Fernando Cruz Castro, found in November of 1985 that Spadafora had been killed on Costa Rican, not Panamanian territory, and therefore explicitly absolved the Panamanian Defense Forces (FDP) of any connection with the Spadafora murder.

On Nov. 11, 1985, San Jose’s conservative daily La Nación reported that the area where Spadafora’s body was discovered was in fact a center of the drug trade:

Profuse reports by the local press indicate very clearly that something is going on the Costa Rican side of the Punta Burica area, and the Costa Rican authorities apparently know nothing about it. The horrendous assassination first of Panamanian politician Hugo Spadafora, of bestial characteristics, followed by the similar killing of two Panamanian youths in Costa Rican territory, should have set the government and the Attorney General’s office into motion. But this is not what happened. ... It is in the public domain—at least in Panama—that the Costa Rican side of Punta Burica is the least risky for drug traffickers and that there are extensive marijuana plantations, and perhaps well-organized cocaine laboratories as well.

Providing a bit of evidence “from beyond the grave,” that it may well have been the drug-trafficking “contras” who carried out the assassination of Spadafora, is the Jan. 3, 1978 Panamanian newspaper *Mas Para Todos*, which carried on its front page the blaring headline: “Somoza orders: kill Spadafora.” The article detailed that Somoza’s order included the decapitation of Spadafora, and the disposal of his head somewhere in Panamanian territory. As of the writing of this report, Spadafora’s head has not been found.

Despite the extensive available evidence regarding the possible murderers of Spadafora, the would-be destabilizers of Panama run out of Washington, D.C. are determined to use his bloody shirt in their campaign to dismantle Panama’s Defense Forces. Opposition forces state freely that they will organize every type of action, peaceful and violent, against the government, until the top leadership of the Defense Forces are fired, and tried, on their allegations. Spadafora’s funeral on Sept. 19, 1985, attended by the top leaders of the Democratic Opposition Alliance, was turned into a political rally for Spadafora’s terrorist allies. Insurgents who had fought with him in Nicaragua in 1979, in the Victoriano Lorenzo Brigade, promised violence, chanting throughout the funeral, “Com-andante, your troops are present. . . Your death will not go unanswered. The heads of those responsible will fall.” On Sept. 16, Hugo’s father, Carmen “Melo” Spadafora, promised that “those responsible for this act will have to shed tears of blood, because behind Hugo, there are many people who are prepared to avenge it.”

Arnulfo Arias personally took to the streets on Oct. 9, 1985, in defense of his former ally. Following a march of thousands chanting, “Noriega is a murderer, down with military terrorism,” Arias told the protesters “The moment has come when the entire military leadership must leave the presidency, because the blood of Spadafora demands justice for his assassin.”

The Opposition remains committed to its strategy of violence, as Spadafora’s sister Laura repeated before Senator Helm’s hearings on March 10, with her statement that if the United States did not overthrow “the military government of Panama,” the Opposition would unleash “civil war, terrorism, sabotage, or generalized violence” across the country, and that “the Canal would become the major target.”

La Prensa and the syndicate

Leading the “anti-corruption” campaign against the government and Panamanian Defense Forces, has been the Panamanian newspaper, La Prensa. La Prensa’s charges that the military and government are involved in drug-running have been trumpeted across the Americas, as the voice of “honesty” in Panama. *Caretas* magazine in Peru, associated with former Prime Minister Manuel Ulloa, used La Prensa’s charges, in a campaign to stop Peruvian President Alan Garcia from visiting Panama. The Boston Globe called for the U.S. government to help put “people like La Prensa” in power across the globe!

Those promoting La Prensa, have been caught promoting drug-runners. La Prensa is not just the voice of the drug lobby. According to testimony presented in U.S. courts, the newspaper’s publisher, editors, and closest friends, have been working for the drug mob for nearly 10 years. We present here what has been uncovered thus far, in an ongoing investigation into the La Prensa group.

Meet the La Prensa group

At the height of U.S.-Panama negotiations on a new Canal Treaty in the mid-1970s, a group of individuals opposed to the Torrijos government formed a new political party. Named the Popular Action Party, the new Opposition group had three leaders: two lawyers, Alvin Weeden Gamboa and Winston Robles, and a construction magnate, Roberto Eisenmann. “PAPO” declared itself to be social democratic in ideology, and set out to oppose the Panama Canal treaties, and anything else tied to the nationalist Torrijos government.

The group was not new. Ivan and Winston Robles, who were law partners, led a Movement of Independent Lawyers. Winston, along with -Guillermo Ford, the director of a financial group in Panama,

and another lawyer friend, Eusebio Marchosky, testified against the treaties before the U.S. Congress in 1977, on behalf of the Panamanian Human Rights Committee. The Committee had been created and directed by several Eisenmann family members, including Roberto's aunt, an American citizen named Adelaide.

Another Robles, Alma, was also active in the Opposition, setting up a group called "Union Patriótica Feminina." Alma, the sister of Ivan and Winston, was in the process of divorcing her husband, Steven Samos. In March 1978, Alma received international attention from the Washington Post, which characterized her "an elegant dresser with a gentle manner. . . . Two years ago she was just another housewife minding her own business," but she now is setting out to build a boutique in Panama City, and leads the women's group. Members of the Union Patriótica Feminina are women "who all may have different political ideologies, but who are devoted to one purpose—to work against the Torrijos government," the Post explained.

Alma objected to the "methods of the government," she told the Post. She claimed her arrest in 1977 was on orders of Col. Manuel Noriega, then head of Intelligence for the National Guard. Noriega told the Post, "Alma Robles was using her house for plotting the economic overthrow of the government. . . like trying to provoke mercenaries to plan terrorist activities."

The Post parlayed Alma's complaints into another attack on the National Guard, and the man who is today its Commander, General Noriega. "Col. Manuel A. Noriega Is the Canal Zone's Most Feared Man. Just Ask Alma Robles," the Post headlined its article, adding the kicker, "Col. Noriega: The Name that Strikes Instant Terror."

La Prensa

In August 1980, the daily newspaper La Prensa was founded as the voice of the Opposition. A joint company with 500 stockholders, La Prensa was the idea of a group of businessmen and lawyers, including the head of the Christian Democrats, Ricardo Arias Calderon. Roberto Eisenmann, a stockholder, took leadership of the paper, making his friend and old political associate, Winston Robles, editor-in-chief.

Under Robles' direction, La Prensa quickly took on a scandal-mongering tone. Charges of "corruption in government" became the standard fare of the paper. The military, however, received the brunt of La Prensa's ire.

In 1984, a business partner of Guillermo Ford and Roberto Eisenmann, Carlos Rodriguez, joined the active Opposition to "Torrijismo" and the government. Rodriguez became the first vice-presidential running mate of Arnulfo Arias, the Opposition's candidate for the 1984 presidential elections. Rodriguez, Ford, and Eisenmann jointly owned a Florida bank, Dadeland National Bank, which they had used to finance the Panamanian Opposition in the 1970s. Most Opposition activities were then coordinated from Miami.

In January 1986, Eisenmann took his campaign against Panama's military onto American television. On Jan. 9, 1986, Eisenmann was featured on a MacNeil-Lehrer special program on Panama. By that time, he had become "one of Panama's richest businessmen," according to reporter Charles Krause. Eisenmann was harsh against the military: "Obviously the U.S. has very strategic interests in Panama and the region, and it would be, I think, not in the U.S. interest to have Panama become another Philippines, because of U.S. support of a military gang." He called the military a "mafia gang ... in full military uniform," and demanded the U.S. government cut off all military aid to Panama, and reveal information on military corruption. Otherwise, he warned, the government faces a "three-to-six months shelf life" before it disintegrates, the "level of frustration" reaches the breaking point, and "insurgency" may begin.

Like Alma Robles and Eisenmann, Alvin Weeden was also venomous toward Panama's military. No longer with the Popular Action Party, by 1985, Weeden had another associate in his anti-military campaign: Hugo Spadafora. Weeden was one of the first to charge that General Noriega was responsible for the murder of Spadafora, saying the murder was "aimed at intimidating the civilian forces opposed to

General Noriega's dictatorship." At the time, Weeden and Spadafora claimed to be working together to compile sufficient evidence to file charges against Noriega for ties to drug-trafficking, and Weeden was preparing to be Spadafora's lawyer in the suit against Noriega.

La Prensa's business

Weeden's "civilian forces opposed to General Noriega's dictatorship," those figures appealing to the Washington Post for aid against the "fearful" General Noriega, now stand exposed as nothing but a band of drug-trafficked!

On Dec. 12, 1984, six people were indicted for drug-smuggling in the United States. U.S. federal authorities announced they had cracked an international marijuana smuggling ring run by a Cuban-American, Jose Antonio Fernandez.

The 30-count indictment, issued by the U.S. District Court of Southern Florida, charged the six with conspiracy, racketeering, drug-trafficking, fraud, and laundering of drug proceeds—in sum, of forming a syndicate "responsible for the importation and distribution of in excess of 600,000 pounds of marijuana into the United States." In later testimony, members of the ring claimed their smuggling had brought over 1.5 million pounds of marijuana into the United States.

The Fernandez syndicate was described as follows:

From on or about an unknown date, believed to be January 1977, and continuously thereafter, to and including the date of this Indictment, the Fernandez marijuana smuggling syndicate . . . did constitute an Enterprise within the meaning of Title 18, U.S. Code, Section 1961(4), that is, a group of individuals and entities, foreign and domestic, associated in fact for the purpose of importing and distributing marijuana, laundering the proceeds and profits, and investing the monies derived from marijuana importation and distribution through the use of foreign and domestic corporations, financial institutions, and business entities utilized to conceal the true owners of the acquired assets and the true source of the finances for the acquisition of these assets.

Later, the indictment reads:

Beginning in or about December 1977, and continuing thereafter until the date of this Indictment . . . the defendants . . . willfully and unlawfully devised a scheme and artifice to defraud the people of the State of Florida and its government agencies by deceit, false and fraudulent pretenses, concealment and material misrepresentation in connection with the acquisition and maintenance by the Fernandez syndicate of a hidden controlling interest in the Sunshine State Bank.

The Fernandez ring had bought a Florida bank outright, the Sunshine State Bank, used to launder the proceeds of its business.

Indicted in the Sunshine State Bank case were:

- Jose Antonio Fernandez, a Cuban-American who ran the ring;
- Gerardo Jorge Guevara, his brother-in-law, and top partner;
- Ray L. Corona, Cuban-American, president of Sunshine State Bank from May 1978 to Jan. 30, 1984; thereafter chairman of the board;
- Rafael L. Corona, Ray's father; chairman of the board of Sunshine from May 1978 to Feb. 10, 1984, thereafter managing director;
- Manuel Lopez Castro, Fernandez's U.S. attorney;
- William Vaughn, who was charged with handling part of the money laundering for the syndicate.

Not indicted, because he agreed to turn state's evidence on the syndicate in which he had played a leading role, was:

- Steven Samos, the Panamanian national who ran the money-laundering end of the Fernandez syndicate from May 1977 until sometime in 1983, when Samos learned Fernandez was under investigation by a federal grand jury.

For once, there was a “corruption” scandal La Prensa preferred not make the news; it had a Panama connection—to them. In return for turning state’s evidence, Samos requested not only immunity for himself, but also for:

- Alma Robles, his ex-wife, and sister of Ivan and Winston Robles.

Alma had served as the front for Fernandez’s involvement with Sunshine State Bank: her account was used to transfer his money;

- Ivan Robles, Samos’ personal lawyer and a “courier” for the Fernandez syndicate.

Other associates of the syndicate whose names emerged in the subsequent trial, but not yet indicted or prosecuted are:

- Winston Robles, lawyer for Samos, and for many of Fernandez’s Panamanian “companies”;
- Alvin Weeden, a dirty-jobs man for the syndicate; Weeden personally transported more than a half a million dollars of dope money for Fernandez;

- Roberto Eisenmann. His Dadeland National Bank was used for Fernandez’s money-laundering operations. Fernandez bought shares in Dadeland Bank as early as 1976. Admitted syndicate member Ivan Robles was a bank employee;

- Guillermo Ford, co-owner of Dadeland Bank;
- Carlos Rodriguez, co-owner of Dadeland Bank.

The court testimony established that each of the above “anti-corruption” fighters of Panama appeared to form part of that “group of individuals and entities . . . associated in fact for the purpose of importing and distributing marijuana, laundering the proceeds and profits, and investing the monies derived . . . through entities utilized to conceal the true owners.”

Other relevant institutions mentioned in the indictment included:

- Banco de Iberoamerica of Panama, involved in several wire transfers of sums ranging from \$550,000 to \$900,000 to the account of indicted syndicate member Ray Corona. Banco de Iberoamerica, along with Dadeland National Bank and Chase Bank International, Miami, were also cited in the indictment as recipients of unspecified letters from Panama related to the syndicate in December 1977.

- Hamilton Bank and Trust, Ltd., purchased by the syndicate in December 1977, through another Panamanian front company, Andorra Investments. Hamilton Bank and Trust established an account at Banco de Iberoamerica. Through Hamilton, \$2.4 million was invested in Sunshine State.

Other leads for investigation opened by the indictment include:

- A San Pedro Sula connection. The indictment reports that Ray Corona had “traveled from Miami, Florida to San Pedro Sula, Honduras in order to meet with and persuade an investor to invest approximately \$1 million in the acquisition of stock in Sunshine State Bank.” In December 1977, defendants Ray and Rafael Corona called Honduras, and persuaded an investor to sign a financial statement which falsely reported his cash assets, which was later submitted to Florida banking authorities to aid the mobster’s acquisition of stock in Sunshine State.

- An Atlantic City connection. The syndicate bought \$626,000 worth of Cavanaugh Community Corporation debenture bonds, using four separate Panamanian shells. Cavanaugh Community was a failed venture to buy land and build a casino in Atlantic City, New Jersey.

Fernandez pleaded guilty, before coming to trial. The first trial, lasting from Aug. 5, 1985 until Sept. 8, 1985, ended in a guilty verdict for Guevara and Lopez Castro. Vaughn was declared innocent; the jury decided that he had been corrupted by Samos. The jury could reach no decision on the Coronas, however. They returned for trial again on April 21, 1986, with no verdict yet reached.

In August 1985, the head of the ring, “Tony” Fernandez, was sentenced to 50 years in federal prison and a \$50,000 fine.

Jose Antonio Fernandez came to the United States from Cuba “in 1962 to work for a drug dealer,” Florida’s Daily Challenge reported on Aug. 19, 1985. “He eventually became a drug broker and made

millions bringing 'mother ships' laden with Colombian marijuana into the Gulf of Mexico," the Challenge states, "where the cargo was transferred to smaller vessels for delivery in Texas, Louisiana, and Florida." Generally known as "Tony," his other nickname, says the Challenge, was "La Mentirita"—the Little Lie.

Once in court, Fernandez testified to having brokered the sale of 1.5 million pounds of marijuana between 1977 and 1981. Fernandez claimed that he first became involved in marijuana smuggling in 1976 or 1977, but quickly moved to set up a partnership with his brother-in-law, Gerardo Jorge Guevara, as a wholesale broker of marijuana, arranging buyers for his partners in the Colombian mob. The Fernandez-Guevara team brought in more than 30 shipments of marijuana, each between 10,000 and 50,000 pounds. The value of the 1.5 million pounds brought in by their syndicate was estimated at \$750 million.

In 1981, Fernandez had been indicted on drug-trafficking charges in New Orleans. The Coronas, directors of Sunshine State Bank, put up \$100,000 bail; he jumped it and became a fugitive. In May, Fernandez was kidnaped by Colombian mobsters, who shipped him, his wife, and children to an area near Barranquilla, Colombia, while they "negotiated" new terms for their business "relationship." The mob family of Pablo Escobar Gaviria demanded direct control of his business, as payment for some \$10-\$ 12 million which he owed them for shipments confiscated by the U.S. Drug Enforcement Administration.

The Colombians sent a messenger, Rafael Fernandez, to deliver orders to Tony's money-launderer, Steven Samos. The Gaviria gang "requested" Samos turn over \$250,000 to the Colombians. Soon, Francisco J. Gaviria personally visited Panama to collect Fernandez's papers, documents, records, and control of all his property. After a discreet visit by two more mafiosi, Julio Maresma and Frank Castro, during which Samos was "invited" to watch a "video cassette" of another member of the Fernandez syndicate informing U.S. authorities on the organization's operations, Samos obliged.

The Fernandez syndicate, including its Panamanian connections, were now run directly by the Gavirias. Francisco Gaviria, who became the new head of the organization, even took over Fernandez's house in Miami. The federal indictment summarized the new relationship as follows:

"On or about June 2, 1981, the defendant Jose Antonio Fernandez acquired new partners in his drug smuggling enterprise in Colombia and made cash transfers to them. . . . On or about June 11, 1981, the defendant Fernandez replaced the Board of Directors of several of his Panamanian companies with his new partners in the Republic of Colombia."

His goods turned over, Fernandez was released by the mob after two months. Tony left for Costa Rica to meet with Samos and collect some cash. Tony soon received a new identity, with Samos' help. For the next two years, Fernandez operated in Spain and Brazil on a false Colombian passport issued to "Dr. Antonio Carlos Valdez," with Samos' help. In 1983, Fernandez was arrested in Rio de Janeiro, and extradited to the United States.

Born in Hungary on Sept. 7, 1926, Steven Sandor Samos (originally Szamos), emigrated to Western Europe from Hungary in 1946, and moved to the United States in 1950. After study at the Wharton School of Business at the University of Pennsylvania, and at Temple University in Philadelphia, Samos became a certified public accountant, and soon, a naturalized U.S. citizen. Samos made his first contacts with Panama while working for Peat, Marwick and Mitchell and Co. The U.S. company, Rockwell Importer, owned 25% of Overseas Management Co. in Panama, and needed an auditor recognized in the United States. Samos was hired.

Thus, in 1958, Samos moved to Panama to become controller of Omanco, the Overseas Management Company. He worked for Omanco until 1968, when he was asked to quit after a customer sued the company, alleging that Samos had misused and lost his funds. Omanco freed itself of Samos, but lost all its assets to the customer, who seized everything down to the furniture as payment.

In 1960, Samos married Alma Robles Chiari, the cousin of a one time President of Panama. Alma became Samos' entree into Panama's "high society," and even the Union Club, the seat of Panama's oligarchy. As Guillermo Ford told the Wall Street Journal, "He knew every Tom, Dick and Harry in town. He was a wheeler-dealer. He was always making a deal." In 1981, he took out Panamanian citizenship.

His marriage also began his relationship with Alma's brothers, Ivan and Winston. When Samos set up the International Service Company (Interseco) in 1968, the law firm of the Robles brothers, Robles y

Robles, worked as Interseco's partner. Interseco is not a firm of attorneys, its brochures noted, but "it uses the services of competent professionals." Over the 15 years of its existence, Interseco created and sold some 2,000 Panamanian companies. By the late 1970s, Interseco ads in the Financial Times of London could brag that it was the largest company-selling company in Panama. Said one ad:

If you or your company want:

- to incorporate a Panama company;
- to register a ship under the Panama flag;
- to create a Panama trust;
- to benefit from the Colon Free Zone;
- to study Panama investment opportunities;
- to have sound professional management services;
- to learn about Panama's advantages. . . .

Then consult Panama's largest management company: International Service Company, Inc.

Getting richer, Samos built a 14-story condominium office tower in Panama City, and set up his offices in the penthouse suite. His international reputation grew. In 1973, he addressed a Miami conference organized by the Practising Law Institute on how to organize and operate an offshore company. With a \$600 advance, and little paper work, anyone can form a company, Interseco advertised. "If, for some reason, clients do not wish to act as directors and officers of the proposed Panama company, our bonded employees can act in such capacity on the client's behalf," the brochure states. Their only requirement, that employees are "held harmless" for whatever happens.

"He was always very successful," Roberto Eisenmann explained to the Journal.

Successful at what?

In December 1983, Samos sold Interseco to another Panamanian management company—which occupies the same spot in his building. He claims that he "retired" at that point; his worth, approximately \$6 million. Sometime in 1982, Samos had heard that a federal grand jury in Miami

was investigating Fernandez, and had contacted Fernandez's U.S. real estate lawyer. Business was getting too hot.

When U.S. prosecutors walked into his office in 1984 with the evidence on his involvement in the Fernandez syndicate, Samos agreed to turn state's evidence, in return for immunity from prosecution and confiscation of his goods. Today, Samos, still worth some \$6 million, is free to travel around the United States, if he so desires.

As the Panamanian newspaper, *La Critica*, noted, Samos was "ready to sing even *La Traviata*, if they asked him to." Samos is cooperating with federal authorities on investigations of two of his clients.

The 'Russian mafia' connection

Among the clients of Steven Samos was Lawrence Salvatore Iorizzo, a.k.a. Salvatore Carlino—a captain in the New York-based Colombo crime family. "Carlino" was arrested on drug-trafficking charges in Panama and deported at the request of Interpol, *El Matutino* reported April 24, 1986, citing "highly reliable sources." *El Matutino* gave no date for the arrest, but reported that Iorizzo's activities had been exposed when local authorities questioned his business partner, an Argentine named Jorge Rogelio Kropnik. Kropnik reported that Samos and Winston Robles served as lawyers for Iorizzo, all of them being "closely linked" with Erick d'Antini (El Duque de Alba), the owner of the company, CIT-ALCATEL, in the Edificio Vallarino in Panama. Also included among the Panamanian friends of the Colombo family's Iorizzo were Ivan and Alma Robles and Olga de Arias.

Iorizzo provides the link of the Samos-Robles-Eisenmann mafia to the U.S.-based "Russian mafia," quickly becoming one of the United States' most powerful ethnic-centered crime syndicates. Maintaining

its headquarters in Brighton Beach, Brooklyn, the Russian mafia was built up in the 1970s through a flood of "Russian Jewish emigres" sent from the Soviet Union. Local police officials and leaders of Jewish religious organizations report that some included among the Soviet-Jewish emigres, are not of Jewish origin at all, but simply hardened criminals, sent to the United States by the Soviet KGB under emigre cover, in the same way Fidel Castro sent several thousand Cuban criminals and DGI agents to the U.S., among the "refugees" who fled Cuba in the 1980 Mariel boatlift.

Once in the U.S., the Soviet criminals and intelligence operatives have built up their operations in cooperation with the old Meyer Lansky mob apparatus, specializing, police officials report, in loan sharking, counterfeiting, plastic explosives, and diamond and drug smuggling. Like the Los Angeles-centered "Israeli mafia," which it overlaps, the Russian mafia is also heavily infiltrated by the Israeli intelligence service Mossad, and has interfaced with the Jewish Defense League, a joint KGB/Mossad-controlled terrorist group responsible for a recent series of terrorist murders in the U.S., Western Europe, and Israel.

Several old line Italian mafia families, close to the Lansky-linked Anti-Defamation League for decades, have become partners with this Russian mafia, particularly the New York City-based Gambino, Genovese, and Colombo families. The case of lorizzo, a captain in the Colombo family, is exemplary.

In 1985, lorizzo, like Samos, had turned state's evidence against his business associates, and agreed to testify for the government in a trial being heard in Broward County Circuit Court in Fort Lauderdale, Florida, on a Colombo-Gambino family-associated scam for stealing some \$40 million in federal and state gasoline taxes. Samos' client, lorizzo had been a principal in that scam, which involved Michael Franzese, of the Gambino family, the Romanian-born Michael Markovitz, and Leo Bloom, a mobster based out of Reading, Pennsylvania with long-standing ties to the ADL and Mossad in various Caribbean money-laundering schemes. Markovitz is reported a key figure in the Russian mafia, while the Gambino family attorney of record, Barry Slotnick, has taken up the case of Benjamin and Morris Nayfeld, believed the heads of New York operations for the Russian mafia.

Helping lorizzo's decision to testify against his former associates was the fact that he was already serving time in a New York federal prison on earlier convictions for schemes including mail fraud.

When the 177-count indictment was unsealed in December 1985, Franzese, 25 other people, and 9 companies were accused of conspiring, beginning in June 1983, to set up a scheme to evade state gas taxes. The center of the scheme was the Houston Holdings, Inc., a wholesale petroleum company in Fort Lauderdale, Florida. Two of the companies, Houston Holdings and Southern Belle Petroleum, were responsible for \$13 million in missing taxes.

Houston Holdings, Inc., was another Samos special, a Panamanian shell company chartered by Interseco. Samos has denied he knew anything about lorizzo's mob ties, but he did admit to having aided the lorizzo-Franzese scheme, to the tune of \$1 million, and a "little" fraud. Samos sent one of his illiterate employees to school to learn how to write his name, the Wall Street Journal reports, so that the employee could serve as president of Houston Holdings. The job wasn't hard, once a rubber-stamp had been made of the fellow's signature: Company checks could be easily "signed," while the company's criminal owners remained anonymous.

According to his sworn statement, Samos then funneled \$1 million of his own money through the Trans Caribbean Bank, Ltd., his paper bank on St. Vincent's island, into Houston Holdings' account at a major commercial bank in Panama. Since Interseco employees ran the company, Samos' money was "safe" from robbery by his "business partners." With \$1 million in assets then appearing on Houston Holdings books, Samos bribed a Dun and Bradstreet contact in Panama to publish the fraudulent financial statement in its references.

The sunshine boys

Another Samos client, of course, was Jose Antonio Fernandez. Samos testified that he first became involved with “Tony” in May 1977. As the story unfolded in court, however, Mr. Samos’ ties to Mr. Fernandez appear to have started long before.

In May 1977, an old Cuban-exile friend of Samos, Nestor Sanchez, contacted him with a proposal. Sanchez, who had run a film distribution company in Batista’s Cuba and now distributed films throughout Central America and operated a series of movie theaters in Panama, wanted to introduce Samos to an old movie-business associate from his Havana days, Anebel Fernandez. Samos met with Anebel Fernandez and his aide Jose Uz, to discuss the various benefits and advantages of owning an anonymous Panamanian company.

They liked the deal. Samos was hired, and Sanford Enterprises, Inc., was born, opening its first account the next day at the Royal Bank of Canada.

Anebal was fronting for his son, Jose Antonio Fernandez. Samos was soon incited to Miami, to meet personally with Fernandez, Jr., and his lawyer, William Castrillo, on “possible uses of his first Panamanian corporation.” Samos testified, “We had a couple of very pleasant and fruitful meetings.” On his second trip to Miami, Samos testified, he asked Cas-trillo the origin of Fernandez’s money. The court transcript reports the answer:

He said that it is not really the leafy drug; it is the grass. . . . Yet,

I continued to do business with Tony Fernandez. . . .

Q: So, knowing Mr. Fernandez was a marijuana supplier, you continued to do business with him?

A: Unfortunately, yes.

Samos soon took on additional responsibilities for his new client: transferring dope earnings to Panama for “laundering.” In his testimony, Samos stated: “My purpose was to take it to Panama, launder it, and send it back in a clean form.” Samos received the money in shopping bags or cardboard boxes.

Samos elaborated. Jose Uz “brought the money in twenty, fifty, and hundred-dollar bills; he came each time in a new, different car. . . . We have used several methods of transferring the funds. First, we started to go to the different banks, and commercial banks and mortgage banks, savings and loan associations, and with the cash we purchased cashier’s checks, money orders, and banker’s drafts. Occasionally, we transferred by cable. Subsequently, we opened a whole chain of bank accounts in Miami in different banks, either in our respective names as individuals or as trustees, or mostly for a group of Panamanian companies which I had then available in Panama.”

Mr. William Vaughn aided him in handling the money, Samos testified. Never depositing more than \$10,000 at once, the team could launder between \$150,000 and \$300,000 in a period of two to three weeks. In the last half of 1977, Samos estimated, close to 15 bank accounts were opened, and \$1.5 million laundered.

William Vaughn

It was not the first time William Vaughn and Steven Samos had worked together. Vaughn, who was the representative of the Colon Free Zone in the United States, had presided over Overseas Management Co.’s New York office—the company for which Samos had been controller. In 1976, Vaughn and Samos had attempted to set up a Miami Free Zone, and created a Miami Free Zone Corporation for the project. They were joined by two Panamanian Opposition figures then in exile: Winston and Ivan Robles. Ivan was working as “some kind of assistant” at Dadeland National Bank at the time. Court transcripts report Samos’ explanation of the scheme:

Q: Tell the jury why you were interested in an opportunity to create the Free Zone in Miami in 1976?

A: Firstly, because my two brothers-in-law were exiled from Panama by General Torrijos, and temporarily lived here, in the Miami area, and I was seeking an opportunity for them to find profitable employment. That was my primary motivation.

Q: And Tony Fernandez would finance the complete operation.

Is this correct?

A: Yes, probably. That sounds correct.

The Free Trade Zone scheme was never fully implemented. But the group became a part of the Fernandez syndicate money-laundering. The syndicate opened one or more strong boxes at Dadeland Bank in the name of the Free Trade Zone Corporation to store the dope money before it was transported down to Panama. Who had access to the Dadeland box? Samos, Bill Vaughn, Ivan Robles—and one other, Alvin Weeden, a man Samos described as “the other Panamanian who helped me transport money to Panama.”

In May 1978, the Fernandez syndicate moved onto a bigger scheme, the buying of a bank in Miami.

Of couriers and lawyers

In the first round, \$1 million was laid out to buy shares in Sunshine State Bank. Samos described the preparations for the acquisition of the bank to the court. When the State Banking Commission gave its approval for the Coronas to buy the Sunshine State Bank for the Fernandez syndicate:

We went to celebrate. We went to Ocala.

Q: Who?

A: Tony Fernandez, his wife, and his two sons by his first marriage, and Ray Corona.

Q: Where did you go?

A: We went to the farm of Tony Fernandez in Ocala. He rented a private airplane, and we flew from Miami to Ocala. . . . Everyone was happy, including myself. We congratulated one another, mutually, on the success of the event. . . .

While the party went on, a money-counting machine ticked off the dollars for Samos in a back room. As he described it:

And while the machine counted, Tony placed the packets on the sofa. . . . Then, I placed the packets in the suitcase, but, this filled up, and as there was no more space, I asked for an additional suitcase or someplace to put the money. They gave me a cardboard box where I placed the rest of the money. Altogether, I took \$ 1 million dollars.

Back in Miami, Samos had the problem of shipping that much money down to Panama:

I have been putting it [the money] in large envelopes and I am taking it down to Panama and also received the assistance of some other people.

Q: Can you tell us who they were?

A: Yes. It was my brother-in-law, Ivan Robles, and Alvin Weeden. . . .

Q: Was this money transported to Panama?

A: Yes. It was transported to Panama. It was then put again to the clearing account, again it was placed in my wife's personal account in Panama, and my wife again instructed her bank to wire transfer the funds to Ray Corona's account.

Alma Robles provided her name to the Fernandez money going into Sunshine State. Samos testified that Alma, his wife for 18 years, did not recognize that the millions of dollars flowing through her

accounts came from narcotics, or that she was covering for a major trafficker in the bank. Alma not only gave "instructions" on her bank account; when the syndicate moved to buy out the remaining minority shares in Sunshine, Alma attended the closing meeting with Fernandez's lawyer Castrillo, for the purchase of the stocks, accompanied by her brother Ivan.

Samos also testified that Winston Robles had no idea drug-money was involved? but that Ivan knew from the very beginning. But Robles y Robles, whose office was just a few doors down from Samos', worked closely with him as their client in every aspect of his "wheeling's and dealings." Ivan did the dirty work, it is said in Panama City, and Winston "advised." Tony Fernandez specifically requested Samos speak to Winston Robles, when Fernandez considered fighting the Colombian mob takeover of his assets. When Fernandez was kidnaped, and the Gaviria mob began pressuring Samos to turn over to them direct control of Fernandez's assets, Samos hesitated. It was his lawyers, the Robles brothers, who advised against his cutting out now. Samos testified:

I only wanted to be a little bit more careful. Actually, I didn't think of doing anything. Not even pick up the telephone when it rang. However, consulting with my local lawyers, they advised me, and I was in agreement with them, that it was not fair that a man who had done so much for Fernandez and who still had in his hands control of the money, would run. . . .

He continued:

My attorneys advised me to cooperate with Tony Fernandez for the liquidation of some of his assets, so that the new owners or the new representatives or new office could then easier take over control of the assets.

Q: These were attorneys in Panama?

A: Yes.

Q: What upstanding member of the Panamanian bar told you to deal with the fugitive, Tony Fernandez, in such a manner?

[The prosecutor was asked to rephrase the question.]

Q: I did not hear the name of your lawyer. Is this Ivan Robie's?

A: It was the firm, Robles y Robles, yes.

Q: This firm, Robles y Robles, are those who told you to keep negotiating with Tony Fernandez, and to do whatever is necessary to help them with his goods. Is this correct?

A: They told me to continue with the accounts, and specifically, Ivan Robles told me that I should pack all the records and stocks and send them to Manny Lopez Castro.

Q: Who told you this?

A: Ivan Robles.

Roberto Eisenmann's Dadeland Bank

Samos was questioned about the Fernandez syndicate's relationship to Dadeland National Bank in Miami, a bank then owned by three Panamanian businessmen: Carlos Rodriguez, today the bank's executive vice-president, Roberto Eisenmann, and Guillermo Ford.

Q: You testified for the Grand Jury, did you not, you gave some business to Dadeland National Bank because it was owned by some Panamanians and you wanted to give them some business?

A: Yes.

Q: And, that was Billy Ford and Bobby Eastman [sic]?

A: Yes, and Mr. Rodriguez.

Q: Carlos Rodríguez?

A: Yes, Carlos Rodríguez.

Q: Did you tell your friends at Dadeland Bank you were selling 9,900 shares of their stock to one of the largest drug smugglers in the United States?

A: No.

Samos' attempt to protect his friends at Dadeland Bank fooled neither the Florida prosecutors nor Panamanian officials. The owners and directors of Dadeland Bank—Eisenmann, Rodriguez, and Ford—were part and parcel of the Robles-Samos-Weeden group for at least 10 years. They funded and participated in the same Panamanian Opposition operations, hired mob-runner Ivan Robles, rented lock-boxes to the Fernandez syndicate, promoted mob lawyer Winston Robles as a paradigm of “ethics.”

In mid-May, a group of Panamanian citizens formally presented the evidence on the La Prensa-Dadeland-Samos group to the Attorney General's Office, and requested that an investigation be opened into the principal figures named in the Fernandez-Samos syndicate. At last report, the Tenth District Attorney's Office had been ordered to begin a preliminary investigation.

This was not the first bank associated with Eisenmann which found itself implicated in drug-money laundering. In March 1985, scandal broke over the First Interamericas Bank of Panama, when it was discovered that it was owned by Colombian drug-traffickers, Jorge Luis Ochoa and Rodriguez Orejuela. First Interamericas Bank was soon closed, but one of the messengers of the Orejuela mafia held by the Panamanian authorities, a Colombian named Jairo Gonzalez Mendieta, kept talking. Gonzalez Mendieta reported that, in addition to using First Interamericas, he had helped arrange the laundering of some \$40 million through the Banco Continental de Panama, Colon branch, through a member of the bank's board of directors, Cesar Tribaldos.

Roberto Eisenmann sat on the board of Banco Continental, and his alternate on the board was Orejuela's money-launderer, Cesar Tribaldos. Banco Continental had earlier been charged with funding the Christian Democrats' campaign during the last elections.

Eisenmann's 'defense'

On May 9, Eisenmann published an editorial in La Prensa, answering the material contained in the court transcripts, which had been read throughout Panama in Critica and La Republica newspapers. “All Panamanians were surprised by the Samos affair,” Eisenmann wrote. “A reading of the testimony, clearly establishes some salient facts which the citizenry should know.” These included that, “Samos formed anonymous Panamanian companies for a foreign person,” whom he later found out “was dedicated to the business of marijuana”; he used his wife's name for his business, but “Alma Robles never knew who Samos' client was or what his business was.”

And also: “Samos also used his now ex-brother-in-law, Ivan Robles, who spent his exile in Miami. I presume that in the moment that he considers it advisable, due to the fact that he is a witness in a judicial process in the United States which is still continuing, Ivan Robles can confront Panamanian public opinion on his participation in the matter. I, his friend, can seek explanations in his state of mind in that moment, but I cannot justify his action.”

Further: “Samos, in the year 1976, invested, through a corporation, the nominal sum of \$25,000 to buy 917 shares in the Dadeland Bank in Miami, which has a total of 123,803 shares, which means 0.7% ownership. Learning of the matter, the Bank immediately bought these shares, so that for over a year, Samos does not have any relation with Dadeland Bank.”

We add emphasis, and note that Samos and the Fernandez syndicate were inducted over a year ago. Eisenmann does not mention the reference in the court transcript to Fernandez's owning 9,900 shares of Dadeland Bank, merely stating that “the implicated bank [Sunshine State] has no relationship whatsoever with Carlos Rodriguez, Guillermo Ford, or the signer of this article.”

Eisenmann emphasized that Winston Robles “had no knowledge of the matter. Winston Robles passed his exile in San Pedro Sula, Honduras, as dean of the Law Faculty of the University; . . . Winston informed the governing board of La Prensa when he found out, and it was at his direction that La Prensa

published the first news of Sunshine State Bank. . . . Knowing his inflexible integrity, I have no doubt that the knowledge of such a disagreeable event, in part motivated the almost fatal cerebral stroke which Winston suffered.”

Eisenmann asserted that Winston Robles had recovered completely from the stroke. Yet, after the “disagreeable” news became public, Winston has not returned to lead La Prensa, but has been relegated to “contributing editor.” Two months ago, Eisenmann assumed the post of editor-in-chief, making Winston Robles’ removal permanent.

The Robles and the Weedens

A family affair

Winston Robles has remained silent. His problem, however, is that his record speaks for itself. Robles y Robles, until the “disagreeable news” became a matter of public record, had advertised their business relations. In the 1984 edition of the international law directory, Martindale-Hubbell, Robles y Robles list as the first representative client: International Service Company. Listed as References: Dadeland National Bank and Banco de Iberoamerica. Members of the firm: only two, Ivan and Winston Robles.

Eisenmann didn’t mention Alvin Weeden, his political associate of 10 years whom La Prensa was busy promoting as an “anti-drug” fighter. Weeden has also been silent. Subsequent investigations into the activities of Weeden in Costa Rica, however, have turned up extraordinary detail on Weeden’s narcotics trade. It seems drug-trafficking is a family business in the Weeden family, too.

George Randall Weeden Gamboa, 43 years old, resident in San Jose, Costa Rica, owner of Banco Weeden Internacional located in the same city, uses his bank, and several other businesses, to launder drug-money for several people from both Miami and Panama, investigators in Costa Rica have confirmed. George Randall, born Panamanian and claiming both naturalized Costa Rican and U.S. citizenship, uses three passports from these nations when he travels, depending on his purpose. Partner with George in his money-laundering, is his brother, Alvin Weeden Gamboa.

George Randall’s first confirmed case of drug-money laundering occurred in 1983, the investigators report, when he “laundered” \$200,000 given to him by one of Banco Weeden Internacional’s stockholders, Wayne Franklin. Franklin later sold his 20% stock in the bank to George Randall, for the same sum, \$200,000. The manager of Banco Weeden Internacional, Alfredo Hernandez Herrero, is also an active participant in the money-laundering.

George and Alvin Weeden set up various joint corporations in Costa Rica and Miami, to facilitate their “business.” Amongst the shell companies are, Ceyccy, S.A., Inversions Osiris, Propiedades Horizontales, and Cocrefisa. Business has been very good indeed. According to reports, the two laundered \$10 million in 1985, and \$2 million of that in the month of June alone! The Weedens were found to deposit large sums of narco-dollars daily in various bank accounts maintained in Miami. In September 1985, more than \$4 million, using 11 checks which Weeden personally carried to Miami, was put through Cocrefisa. One of the checks, worth \$263,881.90, was written on an account at. . . Dadeland National Bank.

Extra: the other opposition paper

The only other Opposition newspaper in Panama, Extra, has also been implicated in the financial circles behind narco-terrorism. When authorities broke up the largest arms-trafficking ring in U.S. history with the April 22, 1986 arrests of Israeli Gen. Avraham Bar-Am and 16 associates in Bermuda, it was learned that a principal in the network, Iranian financier Cyrus Hashemi, had as his associates and representative the law firm Arias, Fabrega & Fabrega. The director of Extra, Mr. Gilberto Arias, was a principal partner at the time Hashemi was trafficking in weapons for Khomeini’s Iran.

Hashemi was the key inside informant on the arms-smuggling ring, U.S. news media have reported. According to sources close to the arresting agencies, Hashemi agreed to turn state's evidence, to protect himself from further prosecution. Hashemi fled to London in 1984 after a federal indictment was handed down against him for violating the U.S. arms embargo against Iran.

Hashemi was first exposed by EIR in 1980, for funding Iranian terrorist Bahram Nahidian in the 1980 assassination of anti-Khomeini leader Ali Akbar Tabatabai in Washington. Hashemi headed U.S. operations for Khomeini, as part of an international arms-procurement ring headed by Khomeini relative Sadeh Tabatabai, and involving Israeli businessmen "expelled" from Iran after the revolution.

Hashemi was indicted in the summer of 1984. Two of his companies, First Gulf Bank & Trust Co. and York House Trading Co., were named in the indictment. According to court documents, York House Trading is owned by Grosvenor Credit S.A., a corporation run by the Panama City law firm of Arias, Fabrega & Fabrega. Documents on file in federal court in New York show that Cyrus Hashemi approached Merrill Lynch Futures in 1982 seeking a line of credit for the Arias-run Grosvenor Credit. Hashemi gave Merrill Lynch a letter of reference from First Gulf Bank & Trust (later indicted), which indicated that York House was a wholly-owned subsidiary of Grosvenor. The officers of Grosvenor are all senior partners in the Arias law firm—an arrangement described as "very unusual" by one Panamanian insider.

The military connection: General Paredes

"Panama is rapidly slipping into the uncovered spot of the United States' next 'number-one trouble spot.' The drama is unraveling with frightening speed," wrote Georgie Anne Geyer in a May 14 nationally syndicated column. More than bad writing distinguishes Geyer's article from the now-standard media print-out on Panama. Geyer's article added a new case to the roster of scandals.

"The witnesses to the violent inner workings of the drama are at least two, both now silenced," she wrote. One is Hugo Spadafora; the "second victim" is Ruben Paredes, Jr., murdered in Colombia in March 1986. According to Geyer, Paredes, Jr.'s mistake was to become "friendly with one Captain Rodriguez," who, after getting drunk, had begun to criticize Panamanian General Noriega. Geyer never said outright that Noriega ordered Paredes killed, but that the Paredes case adds to the "dark insinuations and suppositions that grow with time and events" about Panama's Defense Forces and commander Noriega.

With that argument, Georgie Anne Geyer has stuck the label, "Made by the Mob," all over the anti-Panama press campaign.

The death of Paredes, Jr. and "Captain" Cesar Rodriguez in March was front-page news in both Panama and Colombia at the time. But Geyer failed to recount for her American audience what that news was: that Paredes, Jr. and Rodriguez had been kidnaped by the cocaine mob of Medellin, Colombia, as "payment" for their bungling a cocaine shipment. Paredes and Rodriguez were traffickers who had lost a shipment in early March, when Colombian authorities seized their yacht, the Krill, with 304 kilos of cocaine on board.

A case of misinformation? For years, Geyer has specialized in issuing "breaking" stories for the faction of the American intelligence community associated with Henry Kissinger, for whom she expresses her admiration. Geyer's May 14 column signals that these U.S.-based intelligence circles are scrambling to protect one of their biggest assets within Panama: the retired head of Panama's Defense Forces, Gen. Ruben Dario Paredes.

General Paredes has been the leading "asset" of Henry Kissinger and the U.S. State Department within Panama's military forces. Promoted in Washington as a "staunch anti-communist," Paredes was assigned the task of dismantling "Torrijismo," the nationalist project set in motion by the late Gen. Omar Torrijos, and, therefore, became the Opposition's man within the Defense Forces. Paredes and his networks have been pitted against General Noriega, who took up leadership of the nationalist faction of the Defense Forces when General Torrijos was killed. Although now officially retired, Paredes still controls an

important network who answer to him, and continues to actively work with Arias, the Opposition Alliance, and Helms, to force Noriega out of the military.

But General Paredes' credibility as the leader of an "anti-corruption" faction within the Defense Forces was blown in precisely those March events that Geyer misrepresented. In his rush to find his missing son, who he insists was merely "inexperienced," General Paredes made public his own ties to the cocaine-running Ochoa family of Colombia.

The Paredes and the Ochoas

The drug scandal associated with deaths of Rodriguez and Paredes was featured throughout Colombia and Panama. On March 21, the Panamanian daily, *La Critica*, broke the news there with a feature story, "Three Panamanians Kidnaped by the Ochoa Family, Kings of Colombian Drug Traffic." *La Critica* cited Colombian radio reports, which speculated that the mob sought to "settle accounts" with the two because of outstanding debts. Panamanian pilot Cesar Rodriguez, nicknamed "Captain Poison," "Lavamatico," or simply "Mercenary" for his drug and gun-running to all sides in Central America, was one of the missing, *La Critica* reported; the second was a young Panamanian woman Nubia Pino de Bravo, whose husband, Bruno Bravo, had been a pilot for the drug mob before his death some time earlier.

The name of the third soon made front-page news: General Paredes' son, Ruben Dario Paredes Jimenez. The reason for the mob's vengeance emerged. Colombian authorities intercepted the luxury yacht *Krill*, as it refueled at the island of San Andres. Found aboard the *Krill* were 304 kilos of cocaine, 80% pure. Its owner was listed as one of Rodriguez's companies, Crystal Sky Investments, which, in turn, listed young Paredes as its attorney.

On March 25, the three missing Panamanians were dug out of a Medellin cemetery. All had been killed in the manner of the mafia— hands tied, blindfolded, without underwear, a single bullet hole in the left side of the head.

Rodriguez was a well-known arms trafficker in Central America, notorious for his willingness to carry out what some considered suicidal actions for any group that would pay well enough. Rodriguez flew weapons to the Sandinistas in 1979, and then to insurgents in El Salvador until his plane crashed inside El Salvador in 1980, loaded with arms from Nicaragua. Most recently, Rodriguez was running weapons for the Nicaraguan "contras." *El Espectador* of Colombia reported that Rodriguez had been advanced millions of dollars to buy weapons for the Colombian M-19 terrorist group.

Rodriguez also was the owner of several of Panama's fanciest discos. The Tower Club became his business headquarters in Panama City, located on the 20th floor of the Bank of Boston building. (The Bank of Boston was not pleased at the publicity given its relations with the cocaine mafioso on the top floor. When *El Espectador* sent a photographer around "to take a few shots" of the bank, he "was threatened with death by an armed individual who guarded the building. 'As soon as you take the picture, I'll put a bullet into your head,' the man menaced the reporter," *El Espectador* reported March 27.)

"Apparently Paredes or Rodriguez had commercial relations with the Ochoas, in the buying of walking horses, which is one of the businesses of this family," *La Estrella* of Panama reported drily March 25. The Ochoa clan owns more than horses. The head of the clan, Fabio Ochoa, was implicated in the 1984 mafia hit-squad murder of Colombian Justice Minister Rodrigo Lara Bonilla. The Ochoas had been co-owners, with fugitive Pablo Escobar Gaviria, of Tranquilandia, the vast jungle cocaine laboratory Colombia's military destroyed on orders from Lara Bonilla. Another family member, Jorge Ochoa, now sits in a Spanish jail, charged with cocaine trafficking.

General Paredes sent a telegram to Colombian President Belisario Betancur, pleading for authorities to help find his son, whom he said had disappeared the afternoon of March 13, after checking into a Medellin hotel two days before with "a friend." He even issued appeals on Colombian radio.

The press reported that the Ochoa mob had kidnaped the two in revenge, but General Paredes insisted that he could vouch for their innocence, because the Ochoas had given him their word. Paredes told *La Estrella* in Panama that he had called up the Ochoa family in Medellin. "General Paredes says that he

could establish that his son was not in the power of the Ochoas, because they assured him of that,” La Estrella reported. Paredes claimed that the phone call was arranged “through an old friend of his in Panama.”

For General Paredes, his son’s drug-trafficking was not a crime. “He did not deserve this end,” he said excusing his son as “an adventurer, like any 25-year-old. ... He paid dearly for his lack of experience.”

The Arias connection

In Panamanian politics, General Paredes works with Arnulfo Arias Madrid. Paredes’ cooperation with Arias came into the open, when Paredes finally became head of the National Guard in March 1982, just seven months after the suspicious plane crash that killed Panama’s leader, Gen. Omar Torrijos. General Paredes was widely rumored to have been involved in the August 1981 assassination of Torrijos.

Paredes, associated with wealthy landowning interests in the country since his days as minister of agriculture in the Torrijos administration, set out to dismantle the coalition of labor, military, and nationalist businessmen which Torrijos had built and led, in order to bring the Nazi Arias back to power. Aided by the U.S. media and certain U.S. officials, Paredes built up an image as a “staunch anti-communist.”

On July 30, 1982, he made his big move. Panama’s President Aristedes Royo, an active proponent of Ibero-American unity in the wake of the Malvinas War, resigned from office, bringing to power Vice-President Ricardo de la Espriella, a long-standing personal friend of General Paredes. No one doubted that Royo’s “resignation” was a coup: his letter stated that a “throat ailment” compelled him to resign.

“The days of Torrijos are over,” commented one Ibero-American paper. El Nacional of Caracas called the resignation a “cold coup” directed by the United States, in order to limit Panama’s influence on Central America. International wires hailed de la Espriella as “a U.S.-educated banker” President, noting that he was considered “a man with close ties to international and national banking.” De la Espriella had studied at Stanford University, and served as administrative director of the U.S. Agency for International Development from 1957-62, before moving to Chase Manhattan and other local banks in Panama.

General Paredes was the power behind the coup, and he made sure that was understood by all. Within days, he called a press conference where he outlined a series of policy changes that would take place. Paredes told the press, “Real power now lies with the armed institutions,” and the President “has only designated administrative powers.”

Paredes began campaigning for Panama to take advantage of the Caribbean Basin Initiative, the “free enterprise” scam drawn up by the Rockefeller interests which promised U.S. tax benefits to those countries willing to allow entrepreneurs to make their money in any form of “free enterprise”—no questions asked. Paredes argued that Panama’s Labor Code had to be revised, in order to offer “cheaper” labor to foreign investors like the Rockefellers, and proposed modifying the Housing Code as well.

Foreign policy was also “realigned.” Paredes launched a campaign to break Panama’s traditional mediator role in Central America’s insurgencies, attempting—unsuccessfully—to force Panama to enter Central America’s conflict. By 1983, Paredes was reported to be a major source of contraband weapons for the Nicaraguan contras, specifically supporting Hugo Spadafora’s contra operations.

There was no outrage over violation of “democratic procedures” heard this time. Arnulfo Arias sent a telegram to de la Espriella congratulating him on his takeover of the presidency. Christian Democratic leader Ricardo Arias Calderon announced that Paredes had promised to institute many of “the goals for which the Opposition parties and the majority of Panamanian people have been struggling.”

Paredes spoke of the need for a government of “national unity.” It soon became clear that Paredes meant unity with the Nazi Arias. Paredes faced strong Opposition from within the National Guard for the project, however. U.S. Defense and Foreign Affairs Weekly reported rumors of shootouts in the army barracks in mid-August 1982. At issue was said to be a plan by Paredes to install Arias as President.

Paredes was scheduled to retire in September 1982, as required after 25 years of service, but a campaign was launched, not only to ensure that Paredes stayed on active duty, but also to build him up to a position where he could “clean out” the opposing faction within the National Guard led by Noriega.

“Sources close to the U.S. Embassy say the U.S. would prefer to see Paredes as the strong man,” London’s Latin American Newsletter reported on Aug. 13, 1982. “Embassy officials are not clear where Noriega stands, the sources say.” Former U.S. Ambassador to Panama Ambler Moss delivered a speech in mid-August 1983, described as a “glowing testimonial” to Paredes, whom Moss called one of the figures in Panamanian politics who was “best disposed towards the United States.” U.S. Gen. Wallace Nutting, then heading the U.S. Southern Command in Panama, called Paredes a “beacon of peace and stability” in the region.

By mid-September 1982, the deal was consolidated. De la Espriella invited Arnulfo Arias to lunch at the presidential office with General Paredes. The next day, the three flew off for a “working meeting” at Arias’ ranch near the Costa Rican border. To prove his goodwill, Paredes gave Arias a horse, named “Concordia.” Newspapers did not report, however, whether “Concordia” was a walking horse. Rumors began that Arias and Paredes were negotiating a common ticket in the next presidential elections.

By 1983, the Financial Times of London soon reported that Paredes had started “to form a parallel government in ministries and the PRD,” the ruling party. “The government is proceeding so rapidly with the dismantling of Torrijismo that opposition on occasion has found itself speechless,” Latin America Newsletter reported at the same time.

Paredes sponsored a movement for constitutional reform, to introduce changes in Panama’s Constitution transforming the system of representative democracy established under the Torrijos government. Under the Torrijos system, the Legislature was formed by two Chambers: a National Legislature Council and an Assembly of Corregimientos. Each of Panama’s 535 Corregimientos, similar to a U.S. county, elected a representative to the Assembly of Corregimientos, which met once a year to approve national policy decisions. Each representative, moreover, was also granted a budget to meet the necessities and improvements of the area he represented. Under the changes promoted by Paredes and passed in a national referendum, the two assemblies were consolidated into one Legislative Assembly, with 63 representatives organized by political party. Party control over the legislators was increased in the new Constitution, such that a party may remove any legislator who breaks with the party “line.”

Paredes’ ties with the liberal establishment in Washington only grew. Henry Kissinger was the special attraction at a Panamanian reception given for General Paredes during a visit to Washington in June 1983, where Kissinger made it clear that he had earned Kissinger’s approbation.

The KGB connection

U.S. networks supporting General Paredes should be brought under U.S. national security investigation, to identify penetration of U.S. official institutions by both the interests linked to cocaine trafficking and the Soviet KGB intelligence apparatus. As has been documented repeatedly in Ibero-America, the two—drugs and the KGB—are intimately related.

The current headquarters of the cocaine network led by the Ochoa family and Carlos Lehder Rivas, to which General Paredes is linked, is Havana, Cuba. In 1985, Fidel Castro publicly acknowledged that fugitive financier Robert Vesco, the man who joined Carlos Lehder in setting up the 1980s cocaine boom in Colombia, lives under state protection in Cuba. As documented by U.S. agencies, including the Drug Enforcement Administration, Sandinista Nicaragua is used by the Ochoa family as one transshipment point for cocaine heading toward the United States.

General Paredes provided protection for operations of the drug mafia’s terrorist army, the M-19, according to reports from law-enforcement officials in several countries. The reports specified that Paredes was known to have invited M-19 members to his home. Under his protection, Panama was used by them for money-laundering, weapons procurement, and as a safe haven from Colombian military campaigns.

Despite his “anti-communist” profile, Paredes maintained active ties to radical leftists within Panama as well. Exemplary was his relations with Miguel Antonio Bernal, a Panamanian radical associated with the Washington-based Institute for Policy Studies crowd, a policy outlet for the Soviet KGB and Cuban DGI. Shortly before Paredes forced President Royo to resign, Bernal organized a “March of Empty Pots” of tens of thousands against the President, demanding he step down. Bernal threatened that the march was just the beginning of an insurrection. “Panama is not like other countries where you organize bit by bit and where revolutions build gradually. Its history is of sudden explosions. One day the people are swigging beer, dancing, fooling around. The next day: Boom,” Bernal told the Washington Post.

Bernal and the march provided the international cover for Paredes’ coup against Royo. On July 27, the day before Royo developed a severe “throat ailment,” the Washington Post reported that Bernal’s march “was a cry for change that the country’s military leaders are rushing to answer, most likely at Royo’s expense.”

III. The destabilization begins: the US. side

On Sept. 28, 1985, Nicolas Ardito Barletta abandoned the presidency of Panama in the face of growing mass ferment among both labor and business sectors against the IMF austerity policies gutting the economy. Ardito Barletta's departure from office, the first such case of an Ibero-American President to fall due to a backlash against the IMF, triggered a nervous flurry of activity on the part of the world financial elite and its intelligence assets to plug the leak before it turned into a flood.

While the creditor banks moved to cut off all further credit to the new Panamanian government of Eric Arturo Delvalle, their agents in the news media and on Capitol Hill went to work to destabilize that government. First on the list for dismantling was the Panamanian Defense Forces (PDF), headed by Gen. Manuel Antonio Noriega. Noriega, an admittedly powerful influence in Panama, has drawn the special wrath of Panama's enemies for his vocal opposition to the IMF and his advocacy of stronger government intervention against the financial oligarchy in Panama.

Beginning with a persistent drumbeat against the "military dictatorship" in Panama, the press paved the way for a series of U.S. congressional hearings which all but openly called for the overthrow of the Delvalle government.

The press drumbeat

On October 1, the Miami Herald editorialized against "Panama's behind-the-scenes strongman Gen. Manuel Noriega" and his "bloodless coup." Protesting a bit too much, the Miami Herald insisted that "Mr. Ardito-Barletta's dismissal was not triggered by the painful economic reforms that he instituted; Panama's military could have lived with these austerity measures a little longer, even at the risk of increased internal unrest...."

But the New York Times two days later went much further, explicitly targeting Panamanian national sovereignty. Declaring that Panama has joined "the critical list" of Ibero-American dictatorships, the Times' editors threatened Oct. 3 that "General Noriega should not underestimate [U.S.] strategic interest in Panama's political future. America's access to the Panama Canal depends in the first instance on the stability of the regime that guarantees it...."

Horried by Panama's "dictatorial" exercise of its national sovereignty against the International Monetary Fund, these ladies and gentlemen of the Eastern Liberal Establishment press offered as their alternative the Panamanian opposition centered around the daily La Prensa. The Boston Globe Oct. 5 described La Prensa editor Roberto Eisenmann and company as "the true democrats battling an undemocratic system. People like them are the key to saving countries like Panama, Chile, South Korea, and the Philippines," and urged U.S. intervention to "tip the scale" in favor of the drug-running "freedom-fighters" of La Prensa. The Washington Post one day later editorially suggested the same.

The campaign had moved into a new phase by Nov. 8, the day on which the complete destabilization scenario against Panama was laid out by former U.S. National Security Council member Norman Bailey in an article in the Los Angeles Times. Bailey—whose special interest in Panama becomes obvious below—argued that a military coup against Panama's elected government had just occurred under the leadership of PDF Gen. Manuel Noriega. Denouncing Noriega as "widely suspected of drug dealings and the murder of an opposition figure shortly before the takeover," Bailey argued that if the United States did not act to remedy the situation—fast—Panama could prove to be "the first domino to fall" in newly democratic Latin America.

Bailey, an avid free-enterprise advocate, insisted that the economic crisis cited as leading to Ardito Barletta's downfall was "certainly nothing more than an excuse." He argued that, in fact, "there would

seem to be no Latin American President better prepared to understand and deal with the economic situation” than the Chicago University economist and former World Bank vice-president Nicolas Ardito Barletta. Bailey also offered a “legal” argument for why the U.S. might justifiably intervene to reimpose Barletta in the presidency: “According to the Panamanian Constitution, the President can separate himself from his tasks for up to 90 days without ceasing to be President.”

Bailey concluded his article with a call for the Organization of American States to “demand that the constitutional President of Panama be restored to the exercise of his office,” a move which the United States would wholeheartedly support.

Who is Norman Bailey?

Only weeks before Bailey’s column appeared, Associated Press had reported on Oct. 10, 1985 that Bailey’s consulting firm had been hired by Nicolas Ardito Barletta to “lobby for Panamanian interests in Washington.” The AP cable further noted that a Panamanian Defense Forces intelligence unit had prepared a document on the threatened destabilization of Panama, accusing elements of the U.S. State Department, the U.S. embassy in Panama, and others of being a part of the conspiracy. Bailey is specifically named in that report as a conspirator against the republic of Panama.

Bailey, an investment consultant associated with the “financier wing” of the U.S. Central Intelligence Agency for many years, is today a partner in the international, Washington, D.C.-based consulting firm Colby, Bailey, Werner & Associates, a company described by one reporter as “almost like a shadow government,” and by another as “comparable in the field of investment banking to Kissinger Associates ‘expertise’ in foreign policy matters.” The company’s drawing card is former CIA Director William Colby, who is married to Carter-era “human rights” militant Sally Shelton.

Also senior partners in the firm are Robert Werner, former Wall Street investment banker, and William B. Dale, who just retired as a top-level official of the International Monetary Fund after 22 years of service.

From 1983 to 1985, Bailey worked with Colby and wife Shelton in International Business-Government Counsellors, Inc. Like Colby, Bailey, Werner & Associates, IBGCI employs leading personnel from Kissinger and Trilateral Commission circles, among them career diplomat and former ambassador to Iran William Sullivan, whose services for Henry Kissinger included the Vietnam peace accords of 1972, the imposition of the mad Ayatollah Khomeini on Iran in 1979, and the overthrow of Ferdinand Marcos in the Philippines in 1986. Sullivan, according to his autobiography, *Obligato: Notes on a Foreign Service Career*, considers himself a member of a tightly-knit oligarchic “cult” (his own word), which has deeply penetrated and dominated American foreign policy since World War II.

Sullivan himself described the goal of this “cult” to be United States destruction of its own influence as a guarantor of the sovereignty of nation-states. He summed up decades of his “cult’s” activities: “We were, as a nation, deliberately reducing our hegemony and shrinking our international responsibilities to a scope more commensurate with our national capabilities.”

During his first years in the Reagan administration, Bailey was part of the National Security Council, in the section of Programming and Planning on economic policy. In 1983, he was promoted to the post of Special National Security Adviser to the President on International Economic Affairs. The drafting of the Caribbean Basin Initiative—which proposed the conversion of the region into a Hong Kong-style haven of cheap labor and fast money—is attributed to Bailey. Upon leaving the Reagan administration that year, Bailey worked as adviser to the Republican National Committee in foreign policy and national security affairs. From there, he moved on to international consulting, where he took up the cause of Ardito Barletta.

Enter the State Department

With the destabilization scenario well-presented by the U.S. liberal media, it was time for the State Department to get in on the act to “save democracy in Panama.” Stage one occurred in February 1986, when State issued its annual human rights report. The report complained: “The Panamanian military continues to dominate national politics. . . . The civil and human rights climate in Panama has been marred by the removal of the elected official.”

Stage two was the appointment of Arthur H. Davis, former U.S. ambassador to Paraguay, to head the embassy in Panama.

A former Colorado businessman, Davis began his business career at the same W. R. Grace Company which produced Manuel Ulloa, the former Peruvian prime minister who helped turn Peru into a cocaine economy. Davis worked in Ibero-America for Pan American Grace Airways, called Panagra, 1945-56. Davis then went on to the lucrative business of managing shopping center rentals in Colorado, until tapped in 1982 as ambassador to Paraguay. He became known as a “favorite” of Jesse Helms, who championed Davis as a “conservative” opposed to the career-service diplomats.

Davis made clear at his confirmation hearings on Feb. 19, 1986 that he planned to use his ambassadorial position in Panama, and whatever blackmail methods he could muster, to make certain the PDF was removed from power:

We have to move very rapidly to let them know that we are sure we do not want those things to continue. . . . We have consistently, under many administrations, stressed our great desire to have, as I say, an opening of democracy and put the military under civilian control. We have also stressed right up to the recent days, in meetings with Noriega and other people in Panama, our desire that the PDF calm down and take a back seat. . . .

I will certainly keep insisting upon a solution to the Spadafora case, and I think we always have to study whatever means we have, whether it is military assistance or aid assistance, in order to bring that about. . . . I do believe that the force of the United States and the pressure of the United States will have an effect on Panama. I think we will have to keep pressuring . . . to see to it that both on the opening up of democracy and on the violations of their human rights, that they know what our definite stand is and they know the consequences.

Davis’s testimony caused a diplomatic crisis. Panama’s PRD party and CONATO labor federation demanded that Davis be declared persona non grata by the Delvalle government. The Panamanian Defense Forces stated their agreement with the positions of President Delvalle and Foreign Minister Jorge Abadia, both of whom denounced Davis’s statements as unacceptable intervention in Panama’s internal affairs.

In the face of a formal protest from the Panamanian government, Secretary of State George Shultz backed off, insisting that the Davis testimony had been “misinterpreted” by the press. However, Senator Helms was undaunted. Helms announced a series of hearings on “human rights violations in Panama” to start March 10 under the auspices of his Subcommittee on Western Hemisphere Affairs.

Perfect for the starring role was none other than the administration’s human rights specialist, Elliott Abrams.

The ‘human rights’ mafia

Elliott Abrams, former Assistant Secretary of State for Human Rights and Humanitarian Affairs in the Reagan administration, is currently Assistant Secretary of State for Inter-American Affairs. Under State Department auspices, “human rights” has meant the imposition of a doctrine of “limited sovereignty” on nations, their destabilization, and the promotion of “oppressed” terrorists and drug-traffickers. Any government that would fight those terrorists and drug-traffickers is labeled a “repressive dictatorship.” Violation of the most fundamental human rights—the right to food, shelter, and dignified employment—

resulting from the debt collection policies of the International Monetary Fund has never made it onto the State Department's human rights agenda.

Elliott Abrams is at present the State Department's top officer on South America, to whom men like Ambassador Davis answer. His promotion to the Inter-American Affairs post on April 30, 1985 served as a go-ahead for destabilizations across the Ibero-American continent. While at Human Rights, Abrams had personally overseen the preparation of the State Department's 1984 Human Rights Country Review on Mexico. That report suggested that the only way Mexico could clean up its "human rights record," and demonstrate its "commitment to pluralism," was to allow the "conservative National Action Party (PAN)" to gain victories in July 1985 gubernatorial elections.

The PAN, currently in open electoral alliance with the Mexican Communist Party (PSUM), is a Nazi-communist product of the Hitler-Stalin Pact with direct links to the Soviet KGB. Exemplary is the case of PAN founder Manuel Gomez Morin, who was attorney for the Soviet embassy in Mexico in 1928, who created the PAN in 1939, and who steered the PAN into endorsing Nazi Germany's favorite candidate in Mexico's 1940 presidential elections, Juan Andrew Almazan. A special classified memorandum on the PAN, as well as on the Communist Party, prepared by U.S. Naval Intelligence in 1941, was filed under the identification code "Nazi-Communism."

PAN leader Jose Angel Conchello—who has publicly endorsed the economic policies of Nazi Germany—is Mexico's leading propagandist for the no-growth advocates of the Club of Rome, co-founded by KGB official Dzhermen Gvishiani. The PAN sponsored the 1981 Mexican visit of West German Green Party leader and KGB asset Rudolph Bahro, who helped facilitate the subsequent PAN-PSUM alliance.

PAN links to the drug-running mafia in Mexico have also been well documented. Drug bankers like Eloy Vallina Garza and Arcadio Valenzuela are leading financiers of the PAN, and it is no coincidence that PAN strongholds in Chihuahua and Sinaloa overlap with drug traffickers' strongholds in these states, including the key border cities of San Luis Rio Colorado, Agua Prieta, Ciudad Juarez, and Piedras Negras.

Abrams' report promoting the PAN set off a furor in Mexico, where government circles pointed out that the charges against Mexico were drawn in their entirety from three organizations: Amnesty International; the National Committee in Defense of Prisoners, Persecuted, Disappeared, and Political Exiles in Mexico (a front of the Revolutionary Workers Party); and the Plan de Ayala Committee, affiliated with Mexico's communist party, the PSUM. The PAN fascists were encouraged to unleash widespread violence during the July 1985 elections.

Abrams continues to play a major role in the destabilization of Mexico, as exemplified by the recently convened hearings on Mexico and drugs, which attempted to implicate the upper echelons of the Mexican government in the drug trade, and which again pushed the Nazi-communist PAN party against the ruling PRI party.

Who is Elliott Abrams?

Not yet 40 years of age, Abrams did not obtain his high-level positions at the State Department through any demonstration of merit: He married into them. He is the son-in-law of Norman Podhoretz, editor of the American Jewish Committee's Commentary magazine, the leading "neoconservative" Mossad outlet in the United States. His mother-in-law, Midge Decter, is chairman of the Committee for the Free World, a watering-hole of right-wing social-democrats, such as Jeane Kirkpatrick and Sen. Daniel Moynihan.

The Committee for the Free World has taken a lead role in promoting a U.S. military invasion of Central America, and is in the forefront of promoting the Kissinger/Trilateral Commission strategy of disbanding NATO—pulling U.S. troops out of Western Europe and deploying them closer to home, while the Soviets move unimpeded into Europe.

Abrams has worked closely with the Anti-Defamation League's Latin American division director, Rabbi Morton Rosenthal, who has been identified by some sources as one of the top 10 Israeli Mossad agents operating abroad. Rosenthal and Abrams have regularly collaborated with the "Nazi hunters" of the U.S. Justice Department's Office of Special Investigations (OSI), which draws much of its information from the Soviet KGB, with which it also coordinates activities.

One area of close collaboration between Abrams and Rosenthal has been the transfer to Ecuador of the London headquarters of the separatist World Sikh Organization, which spawned the assassins of Indian Prime Minister Indira Gandhi. This project has been directed by Rosenthal's actual boss, Jon Speller, an agent of the Soviet-supervised financial apparatus in the West known as "The Trust," which includes such notorious Moscow friends as Occidental Petroleum's Armand Hammer. Speller was a handler of Israel's Irgun fascists for decades, and is today a chief coordinator of what is the same network, the Israeli mafia. We will encounter Speller again, in connection with Sen. Jesse Helms.

Abrams, as Human Rights director at State, had his first meetings with Gen. J.S. Bhullar and other leaders of the terrorist World Sikh Organization in the summer of 1984, supposedly on the topic of India's "human rights" violations. Following the WSO assassination of Mrs. Gandhi, Abrams personally intervened to facilitate the transfer of WSO headquarters to a new base of operations in South America.

Using his influence in Ecuador, a long-time outpost of the Mossad, Abrams induced the Febres Cordero government to grant de facto government-in-exile status to the WSO's "Khalistani nation." A go-between in the secret Ecuador negotiations between WSO leaders and Abrams was Balbir Singh Nijjar, who had previously been a leader in the terrorist "Dal Khalsa" Sikh sect run from Britain by notorious opium and heroin ring leader Jaswant Singh Thekedar.

Abrams' sympathies for the drug-trafficking Sikh terrorists went so far as to insert a section highly favorable to the Sikh separatist cause in a State Department report to the House Appropriations Committee. In addition, Abrams worked closely with several congressmen to cut U.S. aid to India on the bogus grounds of "human rights" violations against Sikhs.

Abrams has also been implicated in the case of Jonathan Jay Pollard, the American arrested for spying against the United States on behalf of the Israeli Mossad in November 1985. The legal firm Verner, Lipfert, in which Abrams was a partner until entering the government, has taken up the defense of the confessed spy's wife, Anne Henderson Pollard, accused of complicity in her husband's espionage activities. Those activities were conducted on behalf of a unit of the Mossad whose purpose was to pass the U.S. secrets it obtained to Moscow in service of former Defense Minister Sharon's understandings with the Kremlin leadership.

This KGB link clarifies many of the details of arms-for-drugs trafficking conducted by the Sharon circles in Central America, trafficking which reached a high point during the period Abrams occupied the Human Rights post, and continued under his position at Inter-American Affairs.

Abrams, his high-sounding titles notwithstanding, serves as a front man for the clique of right-wing social democrats who put him in his positions of influence. Pushing the same line as his mother-in-law's Committee for a Free World, Abrams argues that America's front line against communism is in Central America, and that the United States must confront Moscow there, even if it requires stripping Western Europe of defenses to do so.

Thus, Abrams has adopted the role of "Mr. Contra" for the Reagan administration. Despite the widespread discrediting of the Nicaraguan insurgents for being up to their necks in drug trafficking, Abrams has not only been their fanatic defender, but has devoted the past few months to a series of personal meetings with the "contra" leadership to try to force through a "reorganization," or face-lift, of the motley crew. Sources report that Abrams' personal choice as boss of the insurgents is former United Brands employee and bankers' favorite Arturo Cruz.

The role of Jon Speller

Senator Jesse Helms inaugurated the March 10 hearings of the Committee on Foreign Relations Subcommittee on Western Hemisphere Affairs, with his personal pledge that this was just the first in a series of such sessions, to take up the “problem of restoring stability” to Panama, and that, in addition to bringing in intelligence community specialists and Panamanian opposition figures, he would also get the liberals in Congress and administration representatives onto his bandwagon. According to a staffer from Helms’s office, “The idea is to get across the message to Noriega that he has no support in the United States. . . . This is an issue around which liberals and conservatives can come together.”

Although one is tempted to explain Helms’s zeal to destabilize Panama as a neurotic obsession to hold onto the Canal at whatever cost, there is unfortunately too much evidence at hand to suggest that the Senator from North Carolina has either been blackmailed or has sold out altogether to Mossad/KGB networks who have planned the destruction of U.S. relations with its Ibero-American allies.

The leading vehicle for Mossad/KGB influence over Senator Helms has been Jon Speller, who supplies much of the “intelligence” and “policy orientation” on which Helms has relied. Speller has been identified by former U.S. intelligence officials as a “dangerous” figure with suspected links to the famous defector, British MI-6 executive H. “Kim” Philby, now a KGB general.

Speller’s still-active father, Robert, founder of Robert Speller & Sons publishers, is a protege of two Americans who were both prominent figures in the pre-1917 phase of the Boleshevik Revolution: Cdr. Sergius M. Riis and Stanley Washburn. Riis, of U.S. Naval Intelligence and a close associate of Leon Trotsky, became a ranking figure in the Bolshevik secret police.

Robert Speller was working with Riis by no later than 1935. By the postwar period, from his base in Helms’s North Carolina, Speller had by his own account pulled together a “private intelligence organization” comprised of 60 men and women in the United States and abroad, most of them provided him by Riis. The Spellers were also involved with the Irgun from its inception, the heart of KGB operations in Israel. Speller was instrumental in orchestrating Helms’s turnaround on the issue of Israel. He is now a supporter of the “Eretz Israel” mafia faction grouped around Sharon, which would “solve the Middle East problem” by taking back Israel’s “Biblical lands.”

Jon Speller is also a leading lobbyist for the “Khalistan” (Sikh Punjab) narco-terrorist organization, which Elliott Abrams and the ADL’s Rabbi Rosenthal have collaborated to aid.

Among Jon Speller’s published works are *The Panama Canal: Heart of Americas Security*.

These are the gangsters upon whom Senator Helms has relied for intelligence in preparing his hearings on Panamanian “corruption.”

The Helms hearings

A fierce opponent of the 1976 Panama Canal Treaty, Helms made it clear that one object of the hearings he was sponsoring was to make it impossible to return the Canal to Panamanian sovereignty in 1999:

. . . When the commitment to turn the Panama Canal over to Panama was made in the 1976 treaties, there were many of us in this country who felt that Panama, physically, was too small a country to bear the burden of responsibility for a strategic waterway coveted by the major military and economic powers of the world. But there was an implicit agreement in the treaties that the United States would work to encourage stability and development in Panama during the transition period so that Panama would be as strong as possible in the year 2000.

So far Panama has not achieved either political stability or economic development. . . . In the past 45 months, Panama has had five Presidents, three of whom were removed by pressure from elements in the military. The brutal murder of Dr. Hugo Spadafora last September has not been solved. . . . It has served as a catalyst to action for many, inside of Panama and without, who believed that it marks the end of Panama’s independence and signifies the hidden takeover of the country by illegitimate and anti-democratic forces. . . .

Recent events in the Philippines illustrate graphically the instability that results for a society that is not open and dynamic. And I might add, also, that the situation in Mexico is a grave security risk to the United States. Within the next four to six weeks, this Subcommittee will also examine the corruption and power structure of Mexico in the context of assisting reform. . . .

Not accidentally, the New York Times of May 8, ran a “timely” article questioning Panama’s “readiness” to take over the Canal:

Panamanians celebrated emotionally seven years ago when the treaty went into effect under which control of the Panama Canal will be handed over from the United States by the year 2000. . . . But although few question the treaty’s merit, several officials are beginning to express concern for the future management of the canal itself. . . . The officials noted that Panama’s economy and politics are dominated by the army, a force that Panamanian political analysts most often describe as a mafia with its fingers in everything, including drug-running. They say they fear the head of the army will appoint cronies to key jobs and dip into the millions in reserve funds used to maintain the canal. . . .

Norman Bailey brought his lobbying efforts on behalf of the destabilization of Panama into those March 10 hearings, where he repeated almost word-for-word the arguments presented in his Los Angeles Times column. He further claimed that U.S. intelligence had in its possession extensive documentation on the role of Panama’s Defense Forces in drug trafficking.

On Sept. 27, 1985 . . . President Nicolas Ardito Barletta was forced out of office as a direct result of the new cycle of state-supported narco-terrorism the Panamanian Defense Forces (PDF) are alleged to have supported in the region. Barletta had agreed to the formation of an independent commission to investigate the assassination of Dr. Hugo Spadafora. . . . He was last seen alive while under arrest by a member of the G-2, the PDF security forces. . . .

Bailey’s claim that “extensive documentation” to back up his statements was in the hands of the U.S. government has been denied by government spokesmen at subsequent hearings. Nonetheless, Bailey continues to be cited as an “expert” on Panamanian corruption by the U.S. media.

Ambler H. Moss, Jr., the Carter administration’s ambassador to Panama from 1978-82 and presently the dean of the University of Miami Graduate School of International Studies, also addressed Helms’s March 10 hearings, where he specifically protested the ousting of Ardito Barletta as a blow to the IMF and World Bank’s efforts to give Panama a “successful investment climate”:

The ouster of President Ardito Barletta . . . was seen by virtually every observer in the country—in government, the media, academia, and business—as a lamentable event. . . . Modification of the labor code, which President Ardito Barletta was unable to accomplish politically, is being urged by the IMF and World Bank as necessary to improve the country’s investment climate. . . . Panama could become a very successful economy by the proper application of the private-sector strategy of the Caribbean Basin Initiative. . . .

The underlying commitment of the Helms hearings and its participants to wreak havoc and destabilize Panama was given full voice by the sister of the “martyred” terrorist mercenary Hugo Spadafora, Laura:

It is the opinion of a large section of Panamanian society that Panama is the Philippines of tomorrow for the Western Hemisphere. There are many significant parallels: Panama has an 18-year-old corrupt and brutal military dictatorship which is now totally exhausted. . . . There was a grossly fraudulent U.S.-inspired election in which the loser was declared the winner. . . .

The major difference with the Philippines situation is that Panama does not yet have a violent insurgency movement. . . . The Panamanian Defense Forces functions more like a gang of thugs than a military institution. . . . Furthermore, the military regime is a threat to the security of the Panama Canal. The irresponsibility of military commanders could lead them from their current position of blackmail to a position of terrorism and sabotage of the Canal. The continuation of the military government in Panama will produce the same effects as in other countries: civil war, terrorism, sabotage, or general violence. When this happens, the Canal will become the most sought after target. .

..

With his opening shot fired March 10, Helms reconvened the hearings on Panama on April 21, and on April 29 scored a big success by convincing the liberals of the House of Representatives to sponsor similar hearings under the joint sponsorship of Gus Yatron's Human Rights Subcommittee and Michael Barnes' Western Hemisphere Subcommittee.

Elliott Abrams was the House subcommittee's sole witness, and while repeatedly raising the same issues touched upon at all of the previous hearings, kept his testimony sufficiently "diplomatic" to prompt howls of protest from the subcommittee for being "too bland."

While hardly retreating from Helms's anti-Panama offensive, the State Department had been sufficiently forewarned by Panama's response to the Davis scandal that something short of an outright declaration of war on the nation of Panama was called for. Thus, while Abrams testified that the United States was "aware of and deeply troubled by persistent rumors of corrupt official involvement of Panamanians in drug trafficking," he also admitted that the United States has been able to rely on excellent collaboration from Panama's civilian and law-enforcement authorities in the fight against drugs in the region. In fact, Abrams specifically noted that individuals linked to drug trafficking, as in the case of Col. Julian Melo, had been cashiered from the Panamanian Defense Forces.

Abrams also waved the "bloody shirt" of Hugo Spadafora, but limited his comments to a protest that the government's investigation of the case "has been closed without solving the crime."

It was during the question-and-answer period that followed his formal testimony to the Helms hearings that Abrams abandoned his diplomatic formulas, and went after the Panamanian military by name, charging that the amount of influence wielded by Panamanian Defense Forces chief Gen. Manuel Noriega "is simply inconsistent with the kind of control by an elected government that you would have to have, before you would be willing to call it a democracy."

Abrams further cited the 1985 Human Rights Report he sponsored, on the subject of the elections which Arnulfo Arias lost to Ardito Barletta:

It is now widely accepted in Panama that Nicolas Ardito Barletta did not win the elections in 1984, but rather that the PDF engineered his victory by tampering with the vote-counting procedures. . . .

(p. 646)

Abrams concluded his April 21 testimony: "The Panama Defense Forces has enjoyed a measure of continuing influence in political and governmental matters that is undesirable if civilian constitutional rule is to prosper."

IV. Offshore banking in Panama: Property of Dope, Inc.

Panama's offshore banking center has been made an important feature of the international campaign to present Panama's government and military as a haven of drug-runners. U.S. Drug Enforcement Administration spokesman Ray McKinnon testified to U.S. Senate hearings on April 21 that the Panamanian government has put up "considerable resistance ... to lifting bank secrecy laws, even to deal with the laundering of money from narcotics." Opposition newspapers quickly picked up the U.S. lead, and began presenting Panama as the center of world drug trafficking.

By the late 1970s, Panama's offshore banking center had grown into one of the world's top 10 offshore centers, in volume and number of banks. Its growth zoomed in tandem with South America's foreign debt, capital flight from the region, and narcotics earnings—the combined financial package of the 1970s which created the wreckage of the Ibero-American economy of the 1980s. As with all such "offshore" centers, however, the banking center's existence is premised upon the guarantee that no national government, including Panama's, will be allowed to interfere with its activities and functioning.

The offshore center in Panama is not the property of the government of Panama, therefore. It is the property of the international banking cartel, today the great benefactors of the world's largest business, illegal narcotics. The build-up of a banking center in Panama in 1970 was a conditionality imposed by the Liberal Eastern Establishment of the United States, in return for their acceptance and support for a new U.S.-Panama treaty on the Panama Canal. These are the same interests who today are using the existence of the banking center as a battering ram to replace the current government—with a political machine deployed by the cocaine mafia!

General Noriega pointed out the irony of the current international campaign, in an interview with Spanish International News in early April of this year. "The banking center was created, following the recommendations made by the large U.S. economic organizations," Noriega stated, with "one of the incentives for this banking center the secret banking system." Noriega added, "Under the umbrella of this bonanza, the tentacles of terrorism began to spread and grow: This was the drug traffic." One mechanism to stop the drug money, Noriega noted, would be "to fight against drug traffic," a point the "economic organizations" who recommended the center's establishment in the first place had better consider.

The legacy of Theodore Roosevelt

Since its founding as a nation in 1903, Panama has suffered two major limitations on its sovereignty. Well-known is U.S. control over the Canal Zone, and the accompanying rights of intervention into Panamanian politics expressed in the 1903 Hay-Bunau-Varilla Treaty. Restrictions on Panama's economic sovereignty, included in the nation's Constitution, may prove in the long run, however, an even greater danger to Panama.

Panama does not issue its own currency, and a clause in the Constitution prohibits Panama from creating one. It is the U.S. dollar, renamed the "balboa," upon which Panama's economy depends, and thus, it is ultimately the controllers of the U.S. dollar who decide the nation's economic policy.

Without control of its currency, Panama has found itself vulnerable to the dictates of foreign interests throughout its history. Panama was again reminded of the foreign grip upon its decisions this year, when U.S. government agencies joined the International Monetary Fund and World Bank in demanding that Panama change national laws protecting labor, industry, and agriculture, before international credit would be extended to the country. The demanded changes in legislation were all to the benefit of foreign

interests. Greater tax benefits, for example, were demanded for foreign companies which hire cheap foreign immigrants, not for national industry hiring Panamanians.

Labor, industry, and agriculture united in a 10-day national strike against implementation of the proposed changes. Panama's Treasury reserves had been driven down by hefty payments on foreign debt obligations, however. Unable to issue new currency, the government's only source of sufficient income to meet the nation's payroll, was new international loans. Despite the political consequences, the government was forced to accept the foreign demands to change its laws.

Ultimately, it is through this grip upon the country's currency and credit that foreign interests have maintained their control over other sections of Panama's economy. Throughout its history, Panama, like Liberia, another country whose only currency is the dollar, has been used as a "facility" for "free enterprise" business. Like Liberia, Panama's liberal ship registry laws were written in the 1920s, as were the laws for "company" creation, making the country an unregulated tax haven for dubious enterprises of the kind which the activities of the chief opposition leaders and Mr. Steven Samos exemplify.

Plans to develop a free zone in Panama were first drawn up in 1948 by a foreign expert in free zones, Dr. Thomas Lyons, and the initial steps to turn Panama into a banking haven were taken in 1959, when legislation was passed permitting numbered bank accounts and making disclosure about those accounts a crime. Today, the Colon Free Zone is a walled-in compound sitting next to one of Panama's poorest neighborhoods, where foreign companies store or assemble products without the bother of customs or taxes. The only larger free zone in the world is the British Crown Colony of Hong Kong.

By 1979, London's Financial Times could write that Panama's economy was thoroughly dependent on three "foreign enclaves": the Canal Zone, the financial center, and United Brands, which still controls production and export of bananas, Panama's primary source of non-service industry income. If tourism, itself oriented to Panama's service industry, is added in, the Times noted, 80% of Panama's Gross National Product is based on these "foreign enclaves."

The Linowitz commissions

Panama's real take-off as a world-scale banking center came in the late 1960s. As world trade and production entered a depression from which it has yet to recover, the strategists for the oligarchical banking families of North America and Europe set out to alter world financial arrangements to maximize financial wealth, even as the depression deepened. The decision by a group of financial interests centered around Chase Manhattan Bank's David Rockefeller and the New York Council of Foreign Relations (CFR), to establish an offshore center in the Western Hemisphere, was a spin-off of that overall global financial reorganization.

In October 1968, a group of Panamanian colonels, led by Omar Torrijos, overthrew Arnulfo Arias within weeks of the old Nazi's assuming office again. Torrijos soon emerged as both the leader of the government and as a man with a vision: to restore Panamanian sovereignty over the entirety of its territory. For the next 10 years, Torrijos mobilized both the Panamanian nation and the country's Ibero-American allies, in support of his campaign to secure a new Panama Canal Treaty.

At least some of the U.S. elite recognized that the security of the Canal required, in the long run, a rectification of the injustices contained in the Hay-Bunau-Virella Treaty. Rockefeller and the CFR group put the two concerns together, and came up with a "package" for Panama: CFR support for a Panama Canal Treaty, which returns to Panama sovereign rights over its territory, would be traded off for the right to build up a new foreign enclave within the economy, the banking center. At the time, it was an offer Panama could not refuse. A nation of 2 million people, with foreign troops stationed in its very middle, Panama did not then have even the possibility of an Ibero-American Common Market to consider as an alternative to provide jobs and food for its people.

The Council on Foreign Relations sponsored a series of planning meetings on Panama in New York, led by Rodman Rockefeller and former Treasury Secretary Douglas Dillon. Then, the Rockefeller and Ford Foundations funded a Commission on U.S.-Latin American Relations to put forward the political

side of their deal. Joining together such leading members of the CFR and the Rockefeller-founded Trilateral Commission as Samuel Huntington, Michael Blumenthal, Elliot Richardson, and Lehman Brothers' Peter Peterson, the Commission was chaired by Sol Linowitz, a partner in the international law firm Coudert Brothers, board member of Marine Midland Bank, former chairman of Xerox Corporation, and Ambassador to the Organization of American States under Lyndon Johnson.

Linowitz oversaw the Panama operation, from start to finish. Linowitz's first U.S.-Latin American Commission issued its conclusions, including the recommendation on passage of a new Panama Canal Treaty in its 1974 report, and was followed by a second such Commission in 1976, which prepared policies for the Carter administration. Linowitz then joined old Vietnam hand Ellsworth Bunker, as co-negotiator with Panama on a new treaty. Linowitz's Marine Midland soon joined Rockefeller's Chase Manhattan, in extending new loans to Panama.

In 1978, an old aide to Linowitz, Ambler Moss, was tapped to serve as U.S. Ambassador to Panama. Linowitz had first known Moss, when, as a foreign service officer, he was assigned to work with Linowitz at the OAS. He worked to advance Moss's career, praising Moss as "my bright and extremely capable assistant." At Linowitz's "urging," Moss attended law school, and then joined Linowitz at Coudert Brothers. When Linowitz was named Canal negotiator, he brought along Moss as his aide, and then ensured his appointment as Ambassador to Panama, a job he held until 1982.

Enter Nicolas Ardito Barletta

The bankers inside man in Panama was Nicolas Ardito Barletta. In late 1968, when Col. Omar Torrijos first set up his government, Ardito Barletta was named director general of the Bureau of Planning and Administration, at the urging of several local financial leaders. Trained in U.S. schools and married at the time to an American, Ardito Barletta was viewed highly by the CFR crowd. After graduating from North Carolina State, "Nicky" had received his Ph.D. at the University of Chicago, where he studied under George Shultz, now U.S. Secretary of State. Panamanian military men called Ardito Barletta "a pretty boy," but his American banker friends called him "a brilliant economist," as Sol Linowitz stated in his recent autobiography, noting that Shultz "remembers him well and affectionately."

The bankers promoted "Nicky" Barletta internationally. The Washington Post's socialite writer Sally Quinn described "Nicky" as "tall, dark, handsome, suave, a movie-idol type," in a 1978 article in which she commented, "Young Panamanian women swoon over him as much as American economists do." (Nicky is now a divorced man—whether due to the attentions of young Panamanian women or, perhaps, American economists.)

Ardito Barletta explained to Quinn that he saw his own role in Panama "a little as that of a Kissinger," whom, he added, he admires as "a wonderful mind, a brilliant guy."

It was the bankers' policy that Nicky Barletta carried back to Panama. "The idea of luring banks to Panama started in 1969," the Wall Street Journal asserted in 1982, "when Nicolas Ardito Barletta . . . was trying to find a way to broaden the economy. . . . The solution he hit upon was to turn Panama into an offshore, or Eurocurrency, banking center." The key to the plan, was the rewriting of banking legislation in Panama, to guarantee freedom from government regulation, a job undertaken by Barletta's Economic and Planning staff.

In 1970, the reformed banking legislation was signed into law, and as London's Financial Times noted later, it "sent bankers flocking to Panama City." The law established income tax exemptions for offshore business, made domestic and offshore bank accounts tax and interest-free, allowed accounts to be held in any currency, and set no limits on interest rates banks could charge.

A National Banking Commission was created whose purpose, as stated in the Banking Law, was "to strengthen and promote the proper conditions for the development of Panama as an international financial center." Presiding over the seven-member Commission, which includes private bankers and government officials, is the Minister of Planning and Economic Policy. The Commission cleaned out some 200 pirate banks which had flourished since the 1959 banking changes, but maintained the provisions guaranteeing

numbered bank accounts. Article 74 of the new law enhanced bank secrecy rights. "The Commission is forbidden to conduct or order investigations concerning the private affairs of any bank's clients," it states, and "the information obtained by the Commission in the exercise of its functions may not be revealed to any person or authority, except if judicially requested in accordance with the legal provisions in force." Article 101 of the 1970 law, orders a fine be levied against "any person who furnishes information in violation of this Cabinet Decree . . . without prejudice to the applicable criminal and civil liabilities."

In 1973, Ardito Barletta was named Minister of Planning and Economic Policy, and thus also, president of the Banking Commission which runs the international center. He retained that responsibility until 1978, when he left Panama to become a vice-president at the World Bank. In 1982, the Wall Street Journal reported that Ardito Barletta was still proud that his 1970 banking law had created a banking code that made offshore transactions tax-free and very discreet: "'More secret than Switzerland,' Mr. Barletta boasts."

"Well-known" and internationally "respected" banks were the primary financial institutions to take advantage of the new law. The Panama Banking Commission prefers "major international banks already headquartered in responsible foreign countries," and prohibits banks headquartered elsewhere in the Caribbean or subsidiaries of major international banks, if those subsidiaries are in the Caribbean, the U.S. Senate Permanent Investigation Subcommittee reported in a February 1983 document, "Crime and Secrecy: the Use of Offshore Banks and Companies." By 1977, Latin American Newsletter reported, some 82% of Panama's banks were foreign, with such "respectable" banks in the top-10 list as Bank of America, First National Bank of Chicago, Banco do Brasil, Swiss Bank Corporation, Citibank, Banque Nationale de Paris, and, of course, Chase Manhattan.

The drug connection of these international banks has at no time been a secret. "A lot of Panama's deposits are the proceeds of neighboring Colombia's[^] burgeoning illicit drug trade—tainted money that the banks wouldn't be able to touch if they were properly regulated," stated the Wall Street Journal in its 1982 piece on the "Latin Switzerland."

Reported also in that article, is how the banks have fought off any government control, whether regulation, a 1% tax, or requirements that banks channel some funds into the Panamanian economy. When discussion of a plan arose in 1982, before President Aristedes Royo was overthrown by General Paredes, for the banks to lend \$20 million, total, to farmers every two years, the banks threatened to walk out of Panama. "We're here because the Panamanian government has been committed to not rocking the boat," Michelle Colburn, an international loan officer from Marine Midland Bank, told the Journal. A European banker added simply[^] "I'm not here to act as a charity. I'm here to make money."

Dope, Inc.'s economic terrorists

Panama's relationship to the foreign enclaves remains an uneasy one. General Omar Torrijos' one great mistake was leaving the country's economic powers untouched following the 1968 coup, according to Defense Forces Commander General Noriega. There is "a permanent economic terrorist group in Panama that is seeking power," and to attain it, would even "sell its soul to the devil," Noriega stated in January 1986. Torrijos "thought by letting them live, they were going to help Panama . . . but the reality is different," he stated.

The "economic organizations" who set up Panama's banking center, however, have shown no interest in "fighting drugs," as the latest joint project of Ardito Barletta and Sol Linowitz made explicit.

Both Ardito Barletta and Linowitz are members of a group called the Inter-American Dialogue. The Dialogue describes itself as a "group of concerned citizens" of the Western Hemisphere which has met yearly since Linowitz founded the group in 1982, as a select committee of politicians and bankers from the region. The cream of America's Liberal Establishment are members of the Dialogue, including Trilateral Commission members McGeorge Bundy, Robert McNamara, Cyrus Vance, and Elliot Richardson, along with directors from the same banks appearing in the Panama offshore story: Marine Midland, Chemical Bank, Chase Manhattan. They are joined by the men who implement policy for the

Liberal Establishment in Ibero-America. In addition to Ardito Barletta, former Colombian Finance Minister Rodrigo Botero, now a board member of the Ford Foundation; Pedro-Pablo Kuczinski, former Peruvian minister of energy and mines, now co-chairman of First Boston International; and Father Javier Gorostiaga, the Panamanian Jesuit who heads the Institute of Social and Economic Research he founded for the Sandinista government in Nicaragua, are among the members.

In 1986, the members of the Inter-American Dialogue proposed that drug legalization be placed on the agenda for the Americas. The Dialogue's report, "Rebuilding Cooperation in the Americas," released in April, argues that the narcotics business cannot be defeated for years and moreover, fighting narcotics is not cost-effective. Not only does "waging war on drugs cost money," the Inter-American Dialogue states, but "more important, it will inevitably result in the loss of jobs, income, and foreign exchange that the drug trade provides." The report states that "new approaches" other than fighting drugs must be considered, specifying "selective legalization."

The report's conclusions as a whole are endorsed by the Dialogue's members, the 1986 report states. The preface notes, "Each member subscribes to the report's overall content and tone, and supports its principal recommendations, except as noted by individual statements appended to the text." Not one member of the group objected to the report's arguments on narcotics. One Dialogue member, Brazilian publisher Robert Civita, whose publishing empire includes control over television channels and Brazil's largest circulation weekly, *Veja*, has since launched a campaign in *Veja* for the legalization of cocaine.

The Dialogue's Report argues further, that only minor changes in International Monetary Fund policies toward the region be implemented, leaving current IMF conditionalities intact; that Ibero-America's military institutions be weakened as a key component of the U.S. State Department's "democracy" strategy; and that the U.S. continue its current policy of consulting the Soviet Union on Western Hemisphere affairs.

If this strategy of the Establishment is implemented, the narcotics mafia will indeed be left as the most powerful institution—economically and militarily—in the Western Hemisphere—the objective of the Establishment for decades.

V. A strategy for the development of Panama

All Panamanians are perfectly clear on one point, that the next 14 years will be decisive for the future of their country. As of the year 2000, Panama will take complete charge of operation and administration of the Canal, in accordance with the Torrijos-Carter treaty signed in 1978. The treaty establishes the transfer to Panama of the Canal and all installations related to its operation, that transfer to be carried out gradually so as to conclude on the last day of the year 1999, at which time Panama will exercise total sovereignty over the Canal Zone.

With the objective of assuring fulfillment of the treaty and promoting the development of the Canal Zone, Panamanian President Eric Arturo Delvalle has formulated a national plan to guarantee that the Canal installations will return to Panama in the best of conditions, and that the necessary modernization efforts will be made so that the Canal will continue to operate efficiently, well beyond the year 2000. Among the fundamentals of the plan are the need to integrate operation of the Canal with development of the national economy, of rehabilitation and modernization of its installations, and of studying new alternatives of inter-oceanic transport.

But control over the Canal is only the beginning of a new era for Panama. In these next 14 years, Panama has the opportunity to establish conditions which will not only allow it to take sovereign control of its own territory and resources, but simultaneously to establish the basis for developing its national economy and preparing for the great tasks that will take it into the 21st century. If sovereignty over the Canal is viewed from any other perspective, Panama will reach the year 2000 with the prerogative of administering the vast Canal, but without the capacity to generate a process of self-sustained development that would enable it to take advantage of the potentials of that portion of the Central American isthmus.

If Panama limits itself solely to operating and administering the Canal, it condemns itself to living off a technologically obsolete canal, constructed 72 years ago with infrastructure increasingly inadequate for handling the growing needs of worldwide maritime transport. Under these conditions, the country will not advance. Neither will it have anything to offer to its population. Panamanians will remain tied to the technological miracle that the Canal was at the beginning of the century, but which is increasingly become a bottleneck to international trade, and which sooner or later will necessarily have to be replaced by a new, more advanced, and more efficient mode of inter-oceanic transport.

The future of Panama goes much beyond the Canal itself. On the one hand, Panama is ideally located territorially for the construction of a second, sea-level inter-ocean canal, whose construction becomes increasingly indispensable for managing the volumes of cargo and size of ships that already exist and will continue to grow in the years ahead. Therefore, the construction of the new canal offers Panama enormous development opportunities, conserving the unique geographic position it has held for a century which has turned the Central American isthmus into one of the principal arteries of international commerce.

From the perspective of the future development of Ibero-America, the construction of a second Panama Canal is a question of fundamental importance. The Ibero-American countries today urgently need to establish a common market and advance toward the economic integration of the region, such that their economies can be strengthened and the problem of the foreign debt confronted in unity. In the context of an Ibero-American Common Market, the need for inter-oceanic maritime transport will multiply many times, generating a density of cargo impossible to handle through the present canal.

Under these circumstances, the construction of a second canal in Panama becomes a project of vital importance for the integration and development of Ibero-America. Clearly, such a project must be undertaken within a strict model of cooperation and economic integration—leaving behind the neo-colonialist schemes which characterized the construction of the first canal—and with the hoped-for participation of all the countries of Ibero-America, while respecting the territorial and economic

sovereignty of Panama. Given the benefits that such a project would offer to the world, it is obvious that its undertaking would awaken the interest of a large number of countries from outside the region, such as the United States and Japan, whose participation would be of tremendous help as long as it remained subject to the already indicated principles of national sovereignty.

The benefits and opportunities for Panama would simply be enormous. It would be placed in an ideal position for the development of a highly competitive manufacturing industry, taking advantage of the vast flows of raw materials and semi-manufactured products through the canal. But doubtless the greatest opportunity would lie within the shipping industry itself, such that Panama could develop a high degree of specialization in the construction and repair of ships, which would in turn imply the parallel development of another series of both light and heavy “feeder” industries, the most important of which would be production of steel.

At the continental level, the consolidation of an Ibero-American-wide shipping industry would have enormous implications for the independent development of all the countries of the subcontinent, thereby eliminating one of the major bottlenecks that currently prevent the formation of an Ibero-American Common Market: the inadequate merchant fleets of each individual country in the region. This aspect of Ibero-American development is one of the most crucial strategic points in which the Panamanians could decisively contribute to the economic integration of the region, which would in its turn yield vast benefits for the potential development of Panama.

A second, sea-level canal

On December 8, 1984, the United States, Japan, and the Republic of Panama signed an agreement to carry out a series of feasibility studies to investigate and settle upon the best way of facilitating expanded transport of goods across the Isthmus of Panama. Given the present obvious inadequacy of the Panama Canal and the fact that full feasibility studies have been under discussion since at least the end of World War II, one might initially be inclined to welcome this agreement and hope for its rapid implementation.

However, the terms of this agreement show it to be highly inadequate to the urgent need to complete feasibility studies and have construction of a sea-level canal substantially under way—if not complete—by the turn of the century. Any feasibility study would have to reach its conclusions within two years to be of use; while the such acceleration might cost more, the increase would be vastly outweighed by the benefits from the new canal. The feasibility studies proposed in the agreement would themselves take five years, while the U.S. Smithsonian Institution has demanded another ten-fifteen years’ worth of environmental studies.

As an EIR study summarized below demonstrates, a second canal is urgently needed, and any steps interposed at this point will make the Isthmus of Panama by the end of this century a critically congested bottleneck rather than a center for facilitating world trade.

A sea-level canal carries the single greatest promise and opportunity for the in-depth economic development of the Central American, Caribbean, and northern South American nations. It presents them with the golden opportunity of taking advantage of their strategic location and resources for the purpose of rapidly attaining the status of modern industrialized nations. Or, in stark contrast, they could continue on the present course of abiding by debilitating International Monetary Fund (IMF) conditionalities, which mean continuing economic decline, increasingly dangerous social instability, and the possibility of military involvement.

It is true that relative to the size of its population and economy, Panama is shouldering a very large foreign debt burden—3.3 billion balboas at the end of 1983, which represents 75% of the GNP, almost 1,600 balboas per person. (The Panamanian balboa is equal to one U.S. dollar.) But this debt was quite justifiably incurred and disbursed for the purpose of well-conceived and necessary infrastructure and industrial development projects.

Repayment difficulties did not arise until after 1980, when the high interest-rate policy of U.S. Federal Reserve chairman Paul A. Volcker greatly and arbitrarily inflated the size of the debt, and a concomitant

large decline in Panama's terms of trade further cut the country's debt service payment capability. Still, even in 1982, Panama's debt service as a percentage of exports was only about 14%, which compares very favorably with the large majority of developing-sector nations. Thus, even on the basis of its own most questionable criteria, no justification can be found for the IMF's present massive intervention, which undermines Panama's productive capabilities.

Until 1980, Gen. Omar Torrijos had systematically prepared the country from the standpoint of infrastructure and social development programs (notably education) to be ready for its next great task—the construction of a second sea-level canal and the simultaneous transition from an “upper middle-income” developing nation (World Bank classification) to a modern industrialized country.

Driver of development

The new canal must be conceived as the principal “driver” for the economic transformation of the entire Central American and North-South American region. As such, it will be a keystone in achieving broader Ibero-American integration, including the formation of an alliance among debtors to better renegotiate their foreign debt and the establishment of an Ibero-American Common Market as per the policy specifications in Lyndon H. LaRouche's Operation Juarez.

Through the development of new and expanded port facilities as well as new industrial processing capabilities, the canal will not only funnel world maritime trade as transit, but raw materials and semi-finished products can increasingly be captured, up-graded, and transshipped.

A percentage of certain raw materials passing through the present canal could be efficiently processed if good port facilities and industrial infrastructure were available. Bauxite, for example, could be refined using the abundant hydroelectric potential of Panama. In other cases, new trade flows will occur, taking advantage of the speed and convenience of a sea-level canal, and in some cases processing could well occur in Panama. Brazilian iron ore and Colombian coal could be combined to create steel in a carefully developed industrial city and then reloaded for export. Even during the construction period, the positive economic impact will be large-scale. Perhaps it is best identified by focusing attention on the close to 15,000 new, relatively high-skilled jobs that will be created. This amounts to a boost of 10% for the Panamanian industrial workforce—not counting the upgrading of significant parts of the present workforce or the large number of “downstream”-type of new jobs not directly involved in construction.

Even at the time of its excavation, the present Panama Canal was only considered a first provisional step. What was then anticipated, can and must be completed now.

Trade projections

In the year 2000, either the present Panama lock canal will have become little more than a museum piece of 19th-century engineering prowess, carrying only a fragment of the traffic that would properly transit through the Isthmus of Panama, or a new, sea-level canal will have become one of the principal arteries of world commerce, linking two oceans and two hemispheres by a direct sealine, while also serving as the major transportation artery for a thriving Ibero-American Common Market and for a northern South America-Central America-Caribbean Basin industrialization zone.

Pessimists today have concluded that the expense of a new Panama Canal is prohibitive relative to the benefits to be derived, and that the limitations of the canal can be partially overcome by less expensive halfway measures. But as we show below, major chunks of the natural trade of the canal are already bypassing it out of necessity, and cannot be expected to return unless a new canal is built. Not to build the canal is to permit the Isthmus of Panama to again become the roadblock to efficient world trade that it was prior to the original construction of the canal, as the following analysis of past and projected future cargoes through the canal will demonstrate.

The Panama Canal, now approaching its 100th birthday, has between 1960 and the present been a mirror of the world economy. During the 1960s, total cargo traffic through the canal ballooned from 60

million tons in 1960 to 114 m.t. in 1970. Growth continued through 1975, reaching 140 m.t. before dipping for several years in the wake of the first oil shock. Apart from petroleum shipments from Alaska to the U.S. East Coast, there was only a slight recovery by 1980-81, and in 1983 there was a sharp dip in total traffic back to 1975 levels, based on the completion of an oil pipeline across Panama to carry the Alaskan oil.

Table 1 shows that for many commodities, the peak year was as early as 1975, and that in general, apart from the two largest categories, petroleum and grain, there has been a relative stagnation in most major cargoes for the past decade.

In terms of numbers of ships transiting the canal, a peak was reached in the late 1960s (Figure 1), where the theoretical capacity of the canal, around 14-15,000 transits per year, was attained, causing major delays. However, the economics of the shipping industry, especially after the 1974 oil shock, has led to increasing the size of ships carrying bulk cargoes, the major type of cargo that uses the canal, which reduced the number of ships transiting while increasing the total cargo. But by the late 1970s, this process had reached the other limit of the canal, the size of ship that can go through, which is in the range of 60,000 deadweight tons (d.w.t.). At present, the most economically sized ships for two of the major bulk commodities in world trade, coal and iron ore, are 90-200,000 d.w.t., while for petroleum tankers, the optimal size is 200-300,000 d.w.t.

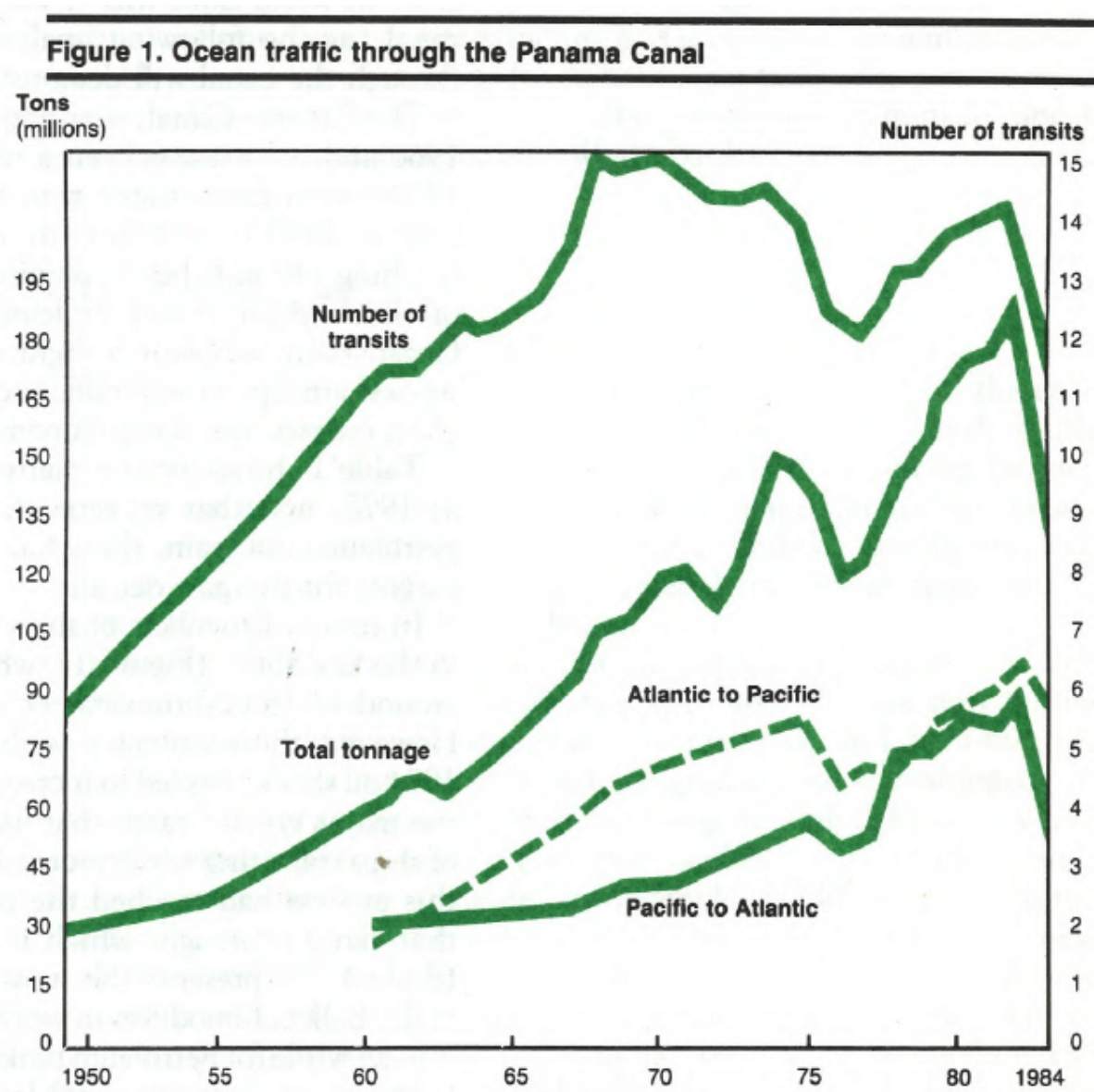
Hence, the present canal loses a major portion of its potential traffic because it is cheaper to take an alternate route with one large ship than to use the canal with many smaller ones. Thus Brazil currently exports around 25 million tons of iron ore to Japan via the Cape of Good Hope in South Africa in 200,000 d.w.t. ships, which would use the canal were it large enough. Half or more of the coking coal sent to Japan from the

Table 1. Principal commodities moving through the Panama Canal, 1960-83

(Million tons)

ATLANTIC TO PACIFIC	1960	1970	1975	1980	1983
Grain	2	12	17	28	35
Petroleum & products	12	14	16	12	14
Coal & coking coal	5	21	25	28	9
Fertilizers	2	5	7	8	8
Ores	1	2	2	1	1
Chemicals	1	2	2	4	4
TOTAL	23	73	84	85	88
PACIFIC TO ATLANTIC					
Petroleum & products	3	3	8	35	20
Lumber & pulp	4	6	5	7	5
Iron & steel	1	6	10	6	4

Ores	10	6	6	6	3
Agricultural products	6	8	9	8	5
Machinery	0	1	1	2	1
TOTAL	32	41	56	82	58



U.S. east coast, which could take advantage of a larger-capacity canal, now goes in 90f000 d.w.t. ships by the same South Africa route. And a pipeline was constructed across Panama to carry Alaskan oil, because

that was much more economical than either using the canal in small tankers or taking the longer route around South America. The present, canal has been deprived of a large portion of its potential cargo.?

The other most striking feature of present canal traffic is that the nations contiguous to the canal derive the least benefit from it. The vast bulk of the Atlantic-to-Pacific trade goes from North America to Asia, and most of the remainder is petroleum and derivatives from the producing and refining centers in Mexico, Venezuela, and the Caribbean. Almost none of the traffic represents intra-Ibero-American commerce that logically would involve Brazil, Venezuela, Colombia, Ecuador, Peru, Mexico, Panama, and the rest of Central America. This is true in both directions. '

The projected expansion

The projections in Table 2 (see also the maps) were based on two assumptions: a recovery of the world economy and with it world trade, and a sustained period of industrial growth for the economies of the developing sector, especially including the nations of Ibero-America, but also including Asia and Africa. The largest magnitude of increased traffic assumed to go through a new Panama Canal in the year 2000 is the trade from the east coast of North America to Asia. It is assumed that all of the coal trade will be captured. This is coking coal, whose demand is in direct proportion to demand for steel. Having reached a high point of 22 million tons already, projecting a return to 30 m.t. is a very conservative projection, especially since Taiwan, Korea, and probably the other nations of Southeast Asia will also be importing it. The other major component of growth in this trade is in general products, including chemicals, manufactured items, and metals, which was projected to grow at about 4.5% between 1983 and 2000, a very modest estimate based on assuming a 4-5% growth in the world economy. The other fast-growing, if smaller item, is the trade with the west coast of South America, whose growth reflects the expected high rates of economic growth of the Colombian, Peruvian, Ecuadorian, and Chilean economies.

The sharpest growth overall is from the west coast of South America through the canal, because we anticipate 60 m.t. of iron ore, most of it going to the Far East, though some will also be used for steel-making on the South American west coast. The coal indicated is from the Colombian Cerejon mining project, which will start operations this year and export 15 m.t. by 1995, of which we expect two-thirds to be sold in Asia. And we anticipate the rapid growth of intra-continental trade from 2 m.t. now (mostly petroleum and products) to 10 m.t., mostly more highly manufactured items, plus some bulk items. Imports from Europe should also grow rapidly as industrialization takes off, and trade from Africa will rise from negligible levels to 10 m.t. as well.

From the Pacific to the Atlantic, the total trade will not grow as dramatically, because other than oil, there are no large bulk commodities that will use the canal. We anticipate a return of most of the Alaskan oil traffic, estimating 35 m.t. in 2000. Trade from the west coast of South America to the east coast will rise from virtually nothing to 5 m.t., and shipments to Europe will rise to 11 m.t. The imports from Asia to North America will continue to rise, up from almost zero to 5 m.t. by 2000.

Under assumptions of healthy growth of the world economy, with

Table 2. Projected traffic through the Panama Canal in the year 2000

(Million tons)

1983

2000

Atlantic to Pacific

East Coast North America to:

Asia	57	120
Grains	29	41
Coal	9	30
Other	19	48
West Coast North America	5	14
West Coast South America	5	17

East Coast South America to:

Asia	2	75
Iron ore	0	60
Coal	0	10
West Coast North America	2	10
West Coast South America	2	10

Europe to:

West Coast North America	3	6
West Coast South America	1	4

Africa to Pacific Coast 0 10

Pacific to Atlantic

West Coast North America to:

East Coast North America	9	35
Petroleum	6	30
East Coast South America	1	3
Europe	10	17
Africa	2	7

West Coast South America to:

East Coast North America	8	13
East Coast South America	0	5
Europe	4	11

Asia to:

East Coast North America	12	23
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Note: Figures for smaller regions are omitted, so subtotals may not add to totals.

sustained industrialization of the Third World economies, these projections will in fact be extremely conservative, but they can serve as a baseline for determining the feasibility of constructing a new canal. The savings realized by using the new large ships for bulk cargoes will be amplified by making the canal large enough to receive them, and will cut days and sometimes weeks off the travel times. And, while manufactured items such as machinery do not loom large in terms of weight, they are central for the process of industrialization, and the canal will be an essential transportation artery for creating the Ibero-American Common Market that must emerge if the continent is to develop. The canal route will remain the cheapest means of transport by far between Brazil, Venezuela, Colombia, and the east coast of Mexico, on the one side, and the, Pacific coast of Colombia, Ecuador, Peru, Chile, and the west coast of Mexico, on the other, well into the 21st century.

The canal design

The optimal plan for a second Panama Canal would involve the construction of a two-way, sea-level canal crossing the isthmus from the Chorrera district on the Pacific to a point near the mouth of the Lagarto River on the Caribbean. The canal could be finished within 12-14 years at a cost of \$15-18 billion, and would allow the simultaneous passage in opposite directions of two ships of a little more than 300,000 tons apiece. Its construction will require the biggest excavation in history, employing 10,000 workers in direct construction work and another 5,000 in subsidiary work.

Two industrial complexes should also be built, one at each end of the new canal, to transform domestic and foreign raw material into finished and semi-finished goods for internal consumption and export. For example, Cerro Colorado copper could be turned into wire and electrical motors.

The sea-level canal is the key to the economic recovery of Panama, because it offers immediate possibilities of resolving the country's serious unemployment problem and will introduce new advanced technologies to the country. The main source of investments in the new canal would be from abroad, but the canal would be built, managed, and owned by Panamanians.

The canal design

Panama's present lock canal is one of the engineering marvels of the 19th century, yet today it is becoming more and more a bottleneck to expanding interoceanic traffic (Tables 3 and 4). Various competent proposals exist for excavating a sea-level canal, ranging from the use of nuclear explosives to conventional excavation. We are ruling out nuclear explosives because the chosen route, known as Route 10, passes close to Panama's major population centers.

A detailed analysis of the various plans and studies led to the conclusion that the immediate start of the construction work is technically feasible, and the cost of building it can be paid off with toll revenues in a period no longer than 30 years after the canal opens.

Route 10 is judged by various experts to be the best for conventional means of excavation. One of the route's advantages is that it is only 13 kilometers from the present canal, and is accessible by the national highway and the Chorrera road, which facilitates supervision and logistical supplies to the project. The highest point is only 125 meters. From 15 to 20% of the route's surface consists of basalt and other hard materials, which would have to be blasted away, while the rest is soft material, removable with mechanical shovels.

Table 3. Why the present canal is not adequate

Obsolescence	Upper limit of capacity of 65,000 tons of displacement (32 m. in width; 289.75 m. in length; 12.2 m. of draft) Useless for 8% of the world shipping fleet Panama does not attract all the traffic it should.
Saturation	Maximum saturation reached by 1985. Ships could be forced to wait in line for as long as 1-2 weeks.
Security	Vulnerable to sabotage and accidents.

Table 4. Loss of potential toll income

(Partial calculation, 1981 figures)

Cargo that does not go through the canal	Loss
Iron ore —27 million tons	45
Coal —12 million tons	21
Grain —12 million tons	22
	(approx.)
TOTAL	85
	(approx.)

Note: In 1983 alone, the canal lost 1,500 crossings of oil tankers, which implies a loss in the range of \$50 million in tolls. It is to be expected that a level canal would not only attract this traffic, which now takes other routes, but that it would attract vessels of very large capacity, which the current canal automatically excludes.

Table 5. Recommended canal design specifications

Optimal configuration	2 lanes for vessels of 300 tons each
Dimensions of the prism	450 meters width at the bottom, and a depth of 29 meters
Length	Approx. 82 kilometers (not including entrance stretch)
Capacity	280,000 annual crossings (almost 20 times the present canal)
Time	2 years of feasibility studies and design
Speed of crossing	7 knots per hour (13 km/h)
Duration of crossing	5-8 hours

Note: The only fundamental design problem which the sea-level canal construction presents is the difference between the tide levels of the Caribbean and Pacific. This can be solved with tide gates and artificial inlets.

The optimal configuration is a sea-level, two-lane canal, with each lane capable of admitting a ship up to 300,000 deadweight tons, at an average speed of 7 knots or 13 km/hour. Not including the entrance passages on the Caribbean and Pacific, the total length would be about 82 km, and the crossing through the land part would take only about six hours. (See Table 5 for more details on the design). The major design problem presented by a sea-level canal is the difference in tide levels between the Caribbean and

the Pacific, a problem resolved with tide gates or by creating big artificial inlets using the material from the dredging and excavation, as proposed by Demostenes Vergara Stanziola.

The building of the new canal would employ some 10,000 workers, 40% of them engineers and skilled workers, and 60% semi-skilled. In the first two years, the period of feasibility studies and design, 500 would be employed. By the third year, when the actual construction begins, the crew goes up to 5,000. From the fifth year to finish, 10,000 would be employed.

Support personnel would also have to be hired, who would not take part directly in the construction but in complementary jobs. It is estimated that these indirect workers would add up to 50% of the personnel hired for the project itself, or 5,000 workers in the period of most intense activity.

Financing the project

The cost of building a two-lane level canal for ships of 300,000 tons is calculated at \$18 billion in 1984 U.S. dollars. Financing would come mainly from four sources: 1) export-import banks, or similar institutions, in Japan, the United States, and elsewhere; 2) interested governments; 3) multilateral loan institutions, such as the Inter-American Development Bank, World Bank, etc.; 4) commercial banks.

The Japanese have shown interest in financial aid, since the canal would facilitate shipping their goods to Europe and the U.S. Atlantic coast. The United Kingdom, Netherlands, West Germany, France, and Italy, have also shown a marked interest in participating with technical aid and financial backing.

The export-import banks would participate via loans to the construction firms to buy equipment in the loaning country. Governments could supply loans which might later be remitted, while the multilateral institutions and commercial banks would give loans to the Sea-Level Canal Entity of Panama—an autonomous state firm which would be set up to build and manage the canal—backed up by the toll revenues. We calculated that commercial bank loans would be under 50% of the total. But since bank loans have an average term of seven to eight years, with very few exceptions, the financing package has to be structured such that the bank loans are the first to be paid or refinanced.

The financing would be by stepwise loans, the usual method for development projects like this one. The money would not be disbursed at one time, but as needed, to save on interest costs. The payment of the loans would begin in the first year of the canal's operation.

The total cost of the project will depend on what interest rates can be obtained (Table 6). Real interest rates (interest rates less the inflation rate) prevailing before 1979 were never more than 1.5%; but even presuming a real interest rate of 7.5%, the total debt at the end of the project will rise to a little less than \$30 billion in 1984 U.S. dollars, and can be paid with the tolls of a period of 30 years or less (Table 7). These calculations are based on a maximum of 39,000 crossings after 30 years, which is far from the potential maximum of 280,000 crossings.

Objections to the project

We have analyzed and refuted, one by one, all the objections that can be presented against this project. It will cost too much. We have demonstrated that even at usurious

Table 6. Total cost of the project

(Millions of dollars)

Real interest	Construction	Interest	Total
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rates	costs	payments	debt
1.5%	18	1.80	19.80
2.5%	18	3.10	21.10
5.0%	18	6.83	24.83
7.5%	18	11.30	29.30

Table 7. Projected canal revenues

(Millions of dollars)

Year*	Revenue
1	600
2	630
3	661
4	694
5	729
6	765
7	804
8	844
9	886
10	930
11	976
12	1,025
13	1,076
14	1,130
15	1,186
16	1,209
17	1,233
18	1,257
19	1,282
20	1,307
21	1,333
22	1,359
23	1,384
24	1,413
25	1,441
26	1,469
27	1,498
28	1,528
29	1,558
30	1,589
Total	33,796

^{*}Calculated on the basis of an annual base income of \$600 million which would increase by 5% per year until the 15th year, and 2% from then on. Calculations are based on toll rates prevailing before 1981.

interest rates, the sea-level canal will generate sufficient income to pay off the entire debt in no more than 30 years. This money will not come from the national treasury, but from the canal itself.

Moreover, the lock canal will have to be replaced sooner or later. In 1970, when the Commission for the Study of an Interoceanic Canal (CECI) presented its study, the sea-level canal would have cost \$3.5 billion; now it will cost \$18 billion, if begun right away. By the year 2040, when the present lock canal will be useless, it will cost \$100 billion. Doesn't it make sense to start now?

There are other alternatives. Among the "less costly" alternatives to a level canal, the following are often mentioned:

1) The "Panamanian alternative," to build a third set of locks for ships of 250,000 tons or more. Its main attraction is that the cost would only be \$3.5 billion. It would postpone the saturation of the canal until the year 2040, but would entail \$15.5 billion in costs which the sea-level canal would not: \$5 billion in wages for operation and maintenance; \$2 billion for tugboats, fuel, and spare parts; \$5 billion for electricity to power the lock mechanism. The savings would thus be only \$2.5 billion.

2) Oil pipelines, highways, railways: These alternatives are even more problematic. First, they add various costly and lengthy steps to cargo movement, increasing the possibility of damage, loss, accident, and environmental contamination (e.g., oil spills).

These alternatives also violate the most elementary rule of transporting goods: The most expeditious and economical means is always by sea, from the place of production to the destination.

Also, these plans do not take maximum advantage of Panama's unique geography.

The canal might contaminate the environment. One of the worries of environmentalists is that the sea-level canal would permit the passage of flora and fauna from one ocean to the other. On the contrary, this will be impossible with a sea-level canal, since the inland waterway will be mainly fresh water, and marine life will not survive the passage. Even if the canal prism were to use a great deal of water, it would be sufficient to introduce a fresh-water curtain to shut off passage to plants and animals from one ocean to the other.

The canal would create unemployment. The sea-level canal would indeed need fewer workers to function than the present lock canal, but this disadvantage will be offset by new jobs, better paid in many cases, which will be created in the industrial complexes, and by the trade boom that will be stimulated by the building of the new canal.

The economic impact

The construction of a new sea-level Panama Canal will have a great impact on the industrialization not only of Panama, but also of Colombia, Venezuela, Costa Rica, and the other smaller nations of Central America and the Caribbean. The expansion of ports on either terminus of the new canal will turn the canal into a major transshipment point for goods coming and going from Europe and Asia to North and South America. Industrial zones will be created on either end of the new canal, as well as in the nearby coastal areas of Colombia and Venezuela. The canal will be the cornerstone of an Ibero-American Common Market, serving as the most important transportation artery for trade from Brazil all the way around the northern part of South America to Peru.

However, since the canal will be located in Panama, the most profound economic impact will be felt there, and we concentrate the bulk of our report on these effects.

Pulling out of the recession

Although the world recession and debt crisis have hit the Panamanian economy hard in the last few years, much as they have the rest of Ibero-America, the Panamanian economy retains several strengths

which would immediately help the economy to recover following a decision to begin to construct the canal. The literacy rate is high, having risen from 45% in 1950 to 84% in 1980 for older people, and from 78% to 95% for people now entering the labor force. And almost 50% of university graduates in 1982 were in either natural sciences/engineering or in medicine—a much higher rate of economically useful specialties than is typical of the continent.

Energy consumption per capita is also high in comparison to the continent, at 1.6 tons of coal equivalent per person (four times the Central American average and slightly above the present level of South Korea, one of the most successful developing economies in the world). Electricity use per capita stands at 817 KwH, double the rate in the rest of Central America and greater than South Korea's until 1979. Thus, in two critical areas, labor force and energy, Panama is not too badly off.

The labor-force structure of the economy, however, exhibits the weaknesses of an inadequately industrialized society. The occupational structure of the country in 1980 is as follows:

Occupational area	Percent
Agriculture	28.7
Manufacturing	10.5
Construction	5.9
Transportation	5.7
Electricity and mining	1.8
Commerce and services	47.4

Thus while agriculture is less than 30% of the total, non-productive activities (commerce and services) are almost 50%, while manufacturing is just above 10%. Construction is disproportionately large, which will be a major help in building the canal, but the economy will need to transform many of those service jobs into productive jobs in construction and manufacturing as it develops. In 1980, there were 45,000 workers unemployed, more than 8% of the total.

Agriculture is another weak spot in the economy. While tractor use is double that elsewhere in Central America (seven tractors per 1,000 hectares of land) yields are low—only 1.8 tons/hectare for rice (4-6 t/ha is considered good), 0.8 t/ha for corn (3-5 t/ha is good), and 55 t/ha for sugar cane (90 t/ha and up is good). The major reason for these low yields is undoubtedly the very low use of fertilizer, which stands at less than half the level of the rest of Central America and at a small fraction of the North American or European rate. However, consumption of animal protein, at 4.7 ounces of meat, 1 ounce of fish, and 3.4 ounces of milk products per person per day, indicates a basically adequate diet.

Since 1979, the rate of housing construction has fallen dramatically, leaving significant portions of the population without decent housing, and necessary investments in transportation and the expansion of the energy grid have not been made, all due to pressure from the International Monetary Fund (IMF).

The preparation phase

The first two years of the canal project will be taken up by detailed engineering and logistical planning, which is required before construction can begin on a project of this magnitude. New requirements will be placed on the economies of Panama and other countries of the region.

First, to free sufficient labor for canal construction and all the new industries that will develop, agriculture must be made much more efficient, which must start by increasing yields through intensive fertilizer use. Twenty-seven thousand tons of nitrogen fertilizer, a tripling of present total consumption,

would bring the country up to the level of Costa Rica, where yields are substantially higher. Cattle and milk production must be made more efficient, as they are presently only 40% and 20%, respectively, of U.S. levels.

Programs to train workers for the skilled jobs the canal will require must be initiated right away. University programs specializing in various engineering and technical skills must be expanded and upgraded if the country is to be able to staff the skilled labor and engineering positions that construction and operation of the canal will create.

In terms of industry, several cement plants should be built at this time, since every phase of the construction project will require cement. Cement can be shipped very cheaply by water, so a cement industry developed for the construction of the canal would find itself in an excellent position as development of the entire region continued. A new town will also be required to service the construction process of the sea-level canal, providing a communications and logistics center for the construction process, as well as a center for services and amenities for the work force. This new town could be on the shores of Lake Gatun, allowing excellent access, since it can be supplied by barge through the existing canal and the lake.

The requirements for such a center can be approximated by the development plans laid out for the industrial centers which were planned around the Carajas development project in Brazil (until these plans were halted by the IMF). One of these, Barcarena, is designed as a mini-port, supporting a population of just under 3,500. This requires, in turn, approximately 50,000 square meters of housing, 60,000 square meters of paving for roads and sidewalks, and an electrical capacity of 100 MW (peak load). The overall cost of residential and commercial infrastructure for Barcarena was estimated as \$30 million in 1981. This is cheap, not only with respect to the overall cost of the canal, but especially if the city is conceived of as a center for development in an otherwise backward area of the country.

The construction phase

The cost of construction has been estimated at \$18 billion, or an average of \$1.5 billion a year for 12 years. At least 25% of this spending, or \$375 million, will occur within Panama for labor, building materials, and ancillary services. The direct payment of wages would total approximately \$100 million per year for about 10,000 workers, 4,000 of them engineers and skilled workers. This would cut unemployment by 25% directly, while the spending of the remaining \$275 million would create jobs and wealth of several times that amount, probably cutting unemployment to negligible levels while spurring general economic growth. At \$7,200 a year, the wage levels planned will be almost double the present average industrial wage in Panama, which will create the demand for better housing and other durable consumer goods. In addition to the direct affects on the work force, and the money added by other spending, the procurement for the canal itself would tend to push the production capabilities of the economy away from the dead-end road of labor-intensive jobs in textiles or electronics assembly and toward the production of tangible goods on the high end of the technical spectrum, such as electricity, parts for pumps and trucks, etc.

The first few years of construction will tax to the utmost the skill capacities of the present labor force, as it is being rapidly upgraded. But by the second six years of construction, the infrastructure for the port cities/industrial parks should have begun, which will require electricity, water, roads and rail, and industrial capabilities, as well as the actual port facilities (much of which will have to be built after the completion of the canal entrances).

The possibilities for industrial expansion once the canal is operative will be unlimited. The design of the port/industrial zone cities will therefore have to be of the highest quality, to allow for expansion without obsolescence, in a situation where the "center of gravity" of the city will not be easy to shift. An initial design for a city of 50,000 which supports an industrial work force of 7,000 can be taken from the Brazilian Carajas project mentioned above. At 1981 prices, the building of such a city represented an investment of just over \$500 million.

The planning and engineering work which will be needed for the canal will bring together the most advanced capabilities in the world, an inestimable benefit to the future of Panama. It may be appropriate to institutionalize these benefits by the creation of an Institute of Engineering, which would initially function both in a support capacity for the project and as a transmission mechanism into the rest of the educational system.

Effects outside Panama

In other parts of Ibero-America, there will be immediate benefits from the building of the canal. Major purchases can be made from Mexico and Venezuela using the technology they have developed for oil drilling, and Colombia is the closest supplier of most metal and cement products. Brazil has major capabilities in earth-moving equipment and other heavy industrial goods, as well as experience in civil engineering projects such as the building of dams.

Even more important, the construction of the canal would signal the end of IMF-dictated dismantling of large-scale development projects elsewhere on the continent. In Venezuela, which had begun a series of major infrastructural projects in the 1970s, paying for them with oil revenues, the IMF and the banks forced cancellation of all of these projects, with the result that industry has stagnated since 1980, construction output has declined 25%, and the economy is reeling under almost \$40 billion in debt. In Colombia, long the playground of the World Bank, heavy industry had been discouraged while the IMF looked favorably on the development of a drug economy large enough to rival the legal economy, distorting and destroying any development plans for the nation.

Both economies will be heavily involved in the Panama Canal project, and industries will be built up in both countries such as steel, aluminum, and metal manufacturing, to utilize the new canal and its industrial zone, while both countries resume their large-scale infrastructural projects.

In the Central American countries, improvements in transportation infrastructure such as ports and railroads can be combined with other specific programs for national development, premised on the immediate accessibility of a transportation hub. A multinational development force might come into being using the existing skills of various countries to upgrade the port facilities in Central America, in some cases using existing plans whose implementation has been stalled by the IMF. For example, a 1977 study describes the possibilities for upgrading 11 ports to more than double tonnage capacity.

Another focus of infrastructure development would be the repair and completion of the Pan-American Highway, to be followed by a doubletrack rail line along the same route. This would provide a backbone of transportation between countries and in connection with the canal ports.

Operating phase

To maintain the new canal and port city, including 24-hour service appropriate to a world-class port, will require 25,000 workers. The canal itself will require only 3-4,000, but the spin-off industries can be expected to employ at least 10,000 more. To support a work force of this size, a city of 300,000 will be required. In the port, cargo will be transshipped from bulk carriers of 70-200,000 tons to smaller vessels, which will service ports throughout Central America and on the South American coasts. Rail shipments will also be accumulated in port warehouses to make up ship loads, and relatively small shipments, moved as containerized cargo, will be distributed outward by rail and truck. Computerized warehouses, such as exist in Singapore, will allow handling of such small lots with almost no loss of efficiency. A major advantage of this port will be its design, from the start, as a fully equipped modern transportation hub where state-of-the-art technology can be applied with the greatest efficiency.

The canal will also have a major impact on industrial activity, for example, by fostering aluminum refining and steel making, using the ample bauxite and scrap iron that pass through or near the canal along with the abundant hydroelectric power which can be developed in Panama. A recent study identified specific sites with a total hydroelectric potential of 6,600 MW, compared to developed capacity of 650 MW today. Using the Singapore model, additional processing of chemicals and textiles can also be successful.

In some cases, the processing will occur in Panama itself. Long-standing proposals exist for using the abundant coal reserves of Colombia in conjunction with the iron ore of Brazil and Venezuela. Some significant fraction of the resulting steel might well be made in Panama, where both products have excellent water access, and where further distribution either in Central America or throughout the U.S. heartland, which will be immediately possible through the Mississippi and the Gulf ports.

Effects on the world economy

With the project of building a new, sea-level canal, Panama will be placing itself in the camp of those committed to development and growth internationally. The canal will have enormous benefits for Panama, and as is right and natural, those very benefits will come largely from the value which the canal will provide for many other countries, including the war-ravaged countries of Central America.

There is presently very little trade between the Atlantic and Pacific coasts of South America, which represents a very distorted economic development pattern. The linchpin of Ibero-American development will be a continental division of labor in which intra-continental trade must skyrocket. Only a new, sea-level canal can prevent the costs of this new trade from being prohibitively high. This is because the geography of the continent will prohibit significant cross-interior land transport for many more decades, and sea transport through the canal will enable critical savings in transport time and costs. The costs of the canal will be much less than those that would otherwise be required for less efficient land transport in the next three to five decades.

The new canal will of course benefit the United States, both enabling a great expansion in economical east coast-west coast trade and cheapening the costs to Asia from the east coast, and to Europe from the west. Also, the growth of the Ibero-American economies will spark much additional U.S. export and import activity that will also use the canal. Japan will also be a major beneficiary, as will Korea, Taiwan, and China, especially with the rapid growth of Venezuela's, Colombia's, and Brazil's economies. Mexico will be able to increase its economical east coast west coast trade, as well as its trade with South America.

Without the canal, the cost of alternative routes will end up being much greater than the cost of the canal to the world economy—while the region would be deprived of this project, central to its own efforts to develop.

Appendix I: Lyndon LaRouche's proposed amendments to the Panama Canal Treaty

On Sept. 22, 1977, Lyndon H. LaRouche, Jr. issued proposed amendments to the new Panama Canal treaties. These were presented to the Senate Foreign Relations Committee on Oct. 12, 1977 by Dennis Small, EIR Ibero-America Editor. LaRouche's proposed amendments follow.

Sept. 22, 1977—In anticipation of the forthcoming testimony of Governor Ronald Reagan to the U.S. Senate on the subject of the Panama Canal treaty, I propose that the principal substantial and otherwise apparent defects in the signed draft of the treaty be remedied by means of issuance of a new policy doctrine statement, updating the Monroe Doctrine.

The following draft includes, it should be noted, a policy element recently publicly voiced by Governor Reagan, a point on which I and many other leading U.S. citizens are in essential agreement.

USA Panama doctrine

In 1823, at a time of grave peril to our nation, President James Monroe promulgated what has been known as the "Monroe Doctrine." That was done in the context of consultation with two former U.S. Presidents, Jefferson and Madison, and with key participation by then-Secretary of State John Quincy Adams. If the circumstances and intent of that doctrine are properly understood, it has an appropriate continuation in the United States Western Hemisphere policy at the present time, a continuation which ought to be clearly identified in connection with discussions of the signed draft treaty between the governments of the United States and Panama.

The circumstances were principally these.

Through various agents affiliated with the banking interests of London, Amsterdam, and Geneva, banking interests allied with the British monarchy and with circles around Lord Shelburne and William Pitt the Younger, the United States' friends in France had been variously guillotined, otherwise dead, exiled or otherwise reduced from former positions of influence. Those British agents included Danton, Marat, Mirabeau, Necker, Talleyrand, and others. With the defeat of France, the imposition of the British agent Duke of Orleans on the restored French throne, and the British establishment of its Holy Alliance order upon continental Europe, the elements of the "League of Armed Neutrality" so essential to U.S. victory in the American Revolution had been eliminated. The British had thus dared to launch war against us, provoking the War of 1812, and after the Treaty of Vienna, used their global hegemony in efforts to provoke us and to subvert and crush us.

It is notable, in this connection, that London-based financial interests and their allies in the British government were responsible for development of the plantation slave system in the United States during the 1815-1860 period, and were directly responsible for promoting and indeed almost creating the U.S. Civil War. Although Great Britain formally acknowledged U.S. independence at the Treaty of Paris in 1783, the United Kingdom did not in fact recognize U.S. sovereignty in practice until negotiations between Her Majesty's government and the administration of Abraham Lincoln in 1863.

It was under the dangerous circumstances of the 1815-1863 period, the period in which British power was predominantly committed to subverting and crushing our nation, that the administration of President Monroe steered through perilous political and military waters to the adoption of the so-called Monroe Doctrine.

Although the popular account of the Monroe Doctrine is that it was a de facto compact with Great Britain's naval power against Latin American intrusions by the Holy Alliance powers, those responsible

for the Doctrine understood that the Holy Alliance powers were principally subjects of a British-controlled “concert of powers” on the European continent.

British Foreign Minister Canning had proposed to make de facto U.S.-British hegemony over the Western Hemisphere a treaty-agreement between His Majesty’s government and the government of the United States. This would have been in effect, U.S. granting to Great Britain official looting rights throughout Latin America. Thus, on the advice of Secretary of State John Quincy Adams, the United States declined the treaty offered by Canning.

However, the United States was in no position to make a direct confrontation with Great Britain. Hence, the Monroe administration adopted the Monroe Doctrine, which had the double purpose of placating London while maintaining the principles of United States foreign policy doctrine for the time that the United States grew strong enough to enforce such a doctrine.

The principal distinction between the proposed treaty with Great Britain and the Monroe Doctrine was identified at that time by John Quincy Adams. The United States maintained the principle of unconditional sovereignty of new republics in the Western Hemisphere, whereas the British had a doctrine of “limited sovereignty,” meaning British creation and destabilization of Latin American governments at its pleasure, through British influence over such clients as Simon Bolivar.

This principled difference between Britain and the United States was most clearly expressed in the Maximilian affair, in which the combined naval forces of Great Britain, France, and Spain overthrew the legitimate Benito Juarez republican government of Mexico as part of a looting effort of debt collection against the subjugated people of Mexico.

There were two elements in the influential thinking of John Quincy Adams behind the Monroe Doctrine. First, there were extensive precedents in United States foreign policy, as notably expressed in preceding treaties for the policy of absolute sovereignty of new American republics. More fundamentally, from the political movement associated with Benjamin Franklin and his collaborators leading into the American Revolution and in the establishment of the United States as a federal republic, the principal issue between the United States and His Majesty’s government was American commitment to the realization of technological progress in industrial and agricultural development, in opposition to the British policy, as set forth in Adam Smith’s colonialist policy in *The Wealth of Nations*, of keeping England’s colonies and competitors in a condition of ruralized labor-intensive relative technological backwardness.

The foreign and domestic policy of the founders of the United States, from the roots of the American Revolution through the election of 1828, was the constitutional principle that the proper basis for government and law of a republic was the development of the wealth and culture of the people through promoting an environment of technological progress in discovery, in the expansion of industry and agriculture, and in the educational and free-press policies of the nation. The establishment of sovereign republics committed to those principles and enjoying the benefits of such principles is the purpose and essence of the establishment of the United States and its order of constitutional law.

Over the intervening decades, and most notably during the present century, a growing bulk of fraudulent reinterpretation of United States history has been popularized both inside the United States and abroad. The false report has been circulated that the English Plantations and republic of eighteenth-century North Americans was principally, an aggregation of rough, semi-literate frontiersmen. In fact, despite the efforts of the British government and allied financial interests to prevent the people of this nation from acquiring the capital needed for industrial development, our people were the most literate in the world, with a much higher level of popular culture than existed either in England or in France. It was that literacy and other factors of the superior popular culture of the English-speaking people of North America which made the American Revolution and establishment of the constitutional federal republic possible, where efforts to the same effect failed in both England and France. Although the early United States lacked the capital resources of Great Britain, wherever our people’s passion for science and technological progress were given outlets, our technical accomplishments, such as those of Robert Fulton,

were conspicuously in advance of what was generally possible in the poorer level of popular culture than available in England.

Although our forefathers were largely of British origins, they represented in kernel the most advanced impulses from among the British people, who had founded societies on these shores to the purpose of establishing political and cultural forms not generally possible in the oppressive and politically backward England. This nation drew skilled persons from England, from France and other European nations, seeking here the possibility for the freer and more fruitful expression of their productive powers.

It was on the basis of those impulses and principles that the United States was founded and the foundations established for this nation's growth to great economic power.

In the early successes of the American Republic and in the comparable failures of the French Revolution, a fundamental principle was demonstrated.

In the struggle between Federalist Thomas Paine and other friends of Benjamin Franklin, on the one side of the French Revolution, and in the associates of Robespierre on the other side, the allies of Paine sought to establish France as a republic committed to scientific and technological progress under constitutional principles modeled on the lessons of the United States experience. The followers of Robespierre's faction, including British agents Danton and Marat, offered an opposite conception, mob democracy. It was the success of the latter faction which produced the hideous Red Terror in France, and led to the Napoleonic period through which British hegemony over Europe was established for most of the 19th century.

This demonstrated that the "American System" works, while the British system, and political forms derived from Rousseau and Bentham's "philosophical radicalism," led to chaos and dictatorship.

The principle underlying the success of the American system is that in a climate of freedom and cultural development of the individual focused upon objectives of technological progress, the individual member of society is encouraged to value himself or herself for his or her creative mental powers, his or her ability to discover, transmit, enrich, and practice new scientific and related conceptions through which man's dominion over nature is advanced. By so placing the valuation of the individual upon that creative mental power which fundamentally distinguishes man from such lower beasts as baboons, the individual member of a republic committed to technological progress develops respect for his or her own mind, and for the mental potentials of his fellow citizens.

This policy and cultural circumstance has two consequences essential for a republic. First, a climate of technologically progressive popular culture and education is the indispensable means for raising the productive powers of labor, which is in turn the fundamental human basis for enhancing the prosperity of the nation and its individual members. Second, the practical emphasis such a republic places on the individual human mind's creative potentials provides the basis for the prevalence of moral values consistent with the needs of humanity, and consistent with the quality of general electorate a republic requires.

The anti-technological progress prejudices associated with both the doctrines of Rousseau and those of Jeremy Bentham are intrinsically what we call today Malthusian or neo-Malthusian. In these latter, anti-American conceptions, the human individual is degraded politically and morally to likeness with a lower beast. He is degraded to the status of a mere biological individual, with more or less fixed potentialities and impulses attributed to him, just as the needs and behavior of lower beasts is apparently determined from generation to generation by a fixed genetic heritage. Just as the judge who sent the great Lavoisier to the Red Terror's guillotine said, "The revolution has no need of men of science," so the Malthusians and their co-thinkers degrade man generally to a lower beast likeness fit only to find his miserable peace with existing natural conditions, and to propose political utopias in which man returns to baboon likeness in harmony with some more primitive condition of the ecology.

It was America as the symbol and reality of the principle of technological progress which made America the cynosure of oppressed Europeans fleeing from relative zero growth to the land of opportunity here. Although we have often deviated from that principle in our foreign and domestic policies, it is the perpetuation of the American System despite those deviations which has given our

nation its greatness and power, a power which depends for its perpetuation upon a repudiation of both what our forefathers regarded as the British system and of the anti-technological doctrines of philosophical radicalism traced in part to Rousseau and Jeremy Bentham.

It is therefore the historical and still imperative fundamental policy of the United States to base its domestic and foreign policy upon the principles of the American System. That is the viable continuing principle embedded in the Monroe Doctrine, and the proper basis for our policy toward Panama and other Latin American nations today.

The guiding principle at the basis of United States foreign policy is to foster sovereign republics committed to the fulfillment of the humanist principles of technological progress and the cultural development of their populations. We do not arrogate to ourselves as a nation the right to determine the internal political processes of those nations, but we do assume responsibility for the effects of our foreign policy in determining the climate in which nations pursue their internal development.

Thus, in the United States' treaty relations with Panama, it would be an abomination if such treaties promoted the circumstances under which the internal life of Panama favored atrocities of the sort symbolized by the Red Terror of Danton and Marat in 1792-94 France. It is the vital self interest of the United States that its neighboring countries be viable republics, which those nations cannot accomplish without the circumstances favorable to technological progress in the expansion of their industry and agriculture. It is our vital interest, insofar as our means and other relevant circumstances allow, to afford to the struggling weaker republics of this hemisphere the kinds of friend in ourselves our own new republic desired during the late 18th and early 19th century.

In this connection, some critics of the treaty signed between the governments of the United States and Panama have raised the most relevant criticism that this treaty does not adequately consider Panama's need for a climate of technological progress, of fruitful capital formation in the progress of its industry and agriculture and in the corresponding advancement of the employment and cultural opportunities of its people. This criticism is a valuable one.

If we do indeed condone in Panama and other Latin American nations the conditions of raging sansculottism and the political philosophy of the culturally backward, desperate sansculottist mob, we are thus permitting the kinds of internal developments out of which the ongoing succession of social-political chaos and dictatorship must tend to prevail. In the course of later events, we might lament and denounce such political transformations of these nations, although our errors in foreign policy might have been a major contributing cause behind such unfortunate developments.

A proper United States foreign policy does not mean an unending flow of charitable donations. The entirety of modern history, in particular, demonstrates that the proper combinations of productive capital and increasing of the productive powers of labor generally means a growth in both gross and net produced wealth in industry and agriculture in excess of the growth of debt service incurred by capital formation. We cannot arrogate to ourselves the prerogative of imposing such technological development policies upon sovereign nations, but we can shape our foreign policies toward nations to the effect of fostering the choice of a humanist, technological progress policy by those nations. In point of fact, most of the nations of the world would readily cooperate with such a United States policy.

We cannot, of course, take total responsibility for affording nations the external capital they require, but we are a powerful force in world affairs to the purpose of creating a general climate favorable to a humanist policy.

Other critics of the signed draft treaty between the governments of Panama and the United States, including governments friendly to the United States in this hemisphere, have expressed emphatic concern respecting elements of the treaty which appear, in their estimation, to undermine the principle of sovereignty.

There are two things to be done in response to that criticism.

We must, firstly, emphasize the included principle of the Monroe Doctrine, that the sovereignty of the republics of this hemisphere may be breached only by act of war. We must especially emphasize that point because the British Empire and its political co-thinkers down to the present day have never accepted

the principle of sovereignty for nations, especially not toward the nations of the southern portion of the globe. We must also emphasize that principle of the Monroe Doctrine because some influential voices within the United States itself have lately proposed that the United States participate in adoption of a doctrine of limited sovereignty.

We must, secondly, emphasize the nature of the problem giving rise to those features of the draft treaty which are the focal point of the complaints made.

The Panama Canal Zone was established as an integral part of the procedures by which the nation of Panama was established, through United States interests directly responsible for encouraging and generally making possible the separation of Panama from the nation of Colombia. At the outset, the nation of Panama was essentially a client state of the United States, and the Panama Canal Zone an integral arrangement for the very existence of that nation. To quote one influential United States figure, "We stole the Panama Canal fair and square."

However, history moves on. The nation of Panama, originally virtually a mere puppet-state of the United States, has evolved into a nation, and with the special circumstance that the ostensible prosperity of the Canal Zone abuts directly the Central American poverty of the majority of Panamanians. With the aid of certain busy bodies from outside Panama, that contrast between the modern standards of the Canal Zone and the poverty of most Panamanians has been for over a decade the specific obsession of a political ferment centered around "new Left"-type university and other students of Panama.

In this circumstance, two interests collide.

The Panama Canal remains a vital strategic economic and military interest of the United States. It is an important element of the United States internal commerce, and without it the United States would be obliged to augment its naval and related forces most considerably.

At the same time, despite the efforts of the Panamanian government of General Torrijos to maintain rational and friendly relations with the United States, he came into power in the sequel to student riots which destabilized and ended the lawful former government of that nation, and presides over a much-enlarged student-led ferment of the same impulses. This unstable feature of the present internal situation in Panama, combined with a general destabilization among the countries of Central America, prompts the United States government and leading forces of the United States population to be concerned with the possibility and consequences of an overthrow of General Torrijos's government by forces associated with the student "New Left."

Although we do not propose to intervene in the internal affairs of Panama, we have the right and obligation to take into account what effect internal forces such as those of the student-led ferment might have on the policies and practices of a future Panamanian government. It is our right and indeed our obligation to speak plainly on the subject of that student-centered ferment. It is essentially a sansculottist demagogues' movement in the tradition of the movements of Danton and Marat, a violent "New Left" formation of the philosophical-radical variety, of that variety which at one moment represents itself as "ultra-left" and at another proves to be a new variety of the fascist movements associated formerly with Adolf Hitler and Benito Mussolini, a movement essentially characterized by irrationalism.

If those forces were to succeed in coming into power, the identified vital strategic interests of the United States would be indeed threatened. Moreover, whereas with the case of governments with whom we have differences, but which are committed to a rational perception of vital national interests, satisfactory negotiations will usually solve problems, with a government of forces which are essentially irrational, no such avenues of negotiations exist as efficient remedies.

Consequently, the majority of United States citizens, to the extent their spokesmen inform them of such facts, will not accept a simple relinquishment of the United States' rights in the Panama Canal Zone.

As long as that problem persists, the United States has no practical alternative but to establish treaty rights which establish protection of vital United States' interests in the operation of the Canal.

For related reasons, some political currents in the United States may miss the valid kernel in the objections put forth by the government of Mexico.

It could rightly be observed that the proposed treaty increases the effective sovereignty of the government of Panama in respect to the Canal Zone, as against no treaty at all. The point is nonetheless made that the treaty implicitly sets forth a doctrine of limited sovereignty, reaffirms that as an acceptable principle at this present time. Worse, that feature of the treaty is asserted at the same time that a significant number of influential voices are proposing the promulgation of a doctrine of limited sovereignty, and that the International Monetary Fund and World Bank, among others, have gone to new extremes in arrogating a principle of external limitations on the sovereignty of debtor nations. It is not that the draft treaty lessens the sovereignty of Panama; it accomplishes the exact opposite. It is that the inclusion of specifications with the effect of limited sovereignty in a current treaty is deemed an offensive act of policy at this present time.

This is also an important point among Latin Americans because of current efforts in some influential quarters to foment what is sometimes termed a "Second War of the Pacific" among Chile, Peru, Bolivia, Ecuador, and other nations, and related matters in Central America, including the threatened outbreak of a Guatemalan-based adventure against Belize. The proposal for a Bolivian outlet to the Pacific and Ecuadorian access to the headwaters of the Amazon River are connected to the cited features of the Panama treaty in not only the minds of some leading Latin Americans.

How do we, then, resolve this matter?

First, at the moment, relinquishing the vital interests of the United States in the Canal is, at best, a difficult proposition. Furthermore, as long as the threat of student-led overturns of the present government of Panama persist, going further in concessions than the treaty proposes is probably unacceptable to the relevant institutions of the United States.

However, we can significantly mitigate the difficulties involved in two ways. First, we can avow, as a ruling doctrine of United States policy, that the practical features of the current draft treaty with Panama are in no sense a precedent for a doctrine of limited sovereignty, and specifically disavow any United States support for forcible adjustment of the borders of Ecuador and Bolivia.

Second, we can respond to the viable criticism of the treaty concerning the internal economic development of Panama. Those critics rightly point toward the fact that the recent draft treaty will not work. U.S. Senate ratification of the treaty will not avoid a threatened destabilization of the present government of Panama; a general destabilization of Panama and adjoining nations of Central America is already under way and will continue whether or not the treaty is ratified. We must therefore supplement the treaty with measures within our proper means to aid the government of Panama in isolating and otherwise neutralizing the anti-humanist, student-led irrationalist forces in Panama. We must aid Panama in neutralizing and isolating the irrationalist forces of destabilization by arranging economic development programs of the sort which inspire and sustain that quality of humanist outlook for which the American Revolution was fought and the establishment of our federal republic and constitution was effected.

The approach to the reassertion of the essential content of the Monroe Doctrine identified here is the appropriate road toward proper relations within the Americas, including further steps toward full solution of the problems interlinked with the Panama Canal.

Appendix II: Richard Falk's scenario

The following is excerpted from an article entitled, "Panama Treaty Trap," by Richard A. Falk, which appeared in the Carnegie Endowment for International Peace's Foreign Policy magazine, spring 1978 edition.

The new arrangements for the Panama Canal are regressive and unwise, if not utterly imperial. They make no genuine adjustment to changing international realities, and thus they are unlikely to remain acceptable to the Panamanian people for very long, nor should they. . . .

[T]he United States has forced the Panamanian government to accept a bad bargain. Panama's current leadership agreed to the 1977 treaties principally because it is faced with a deteriorating and desperate economic situation and badly needs the economic sweetener that was added to the treaties.

. . . The new agreements are not likely to quell Panamanian nationalist demands for long and will probably make the United States the target of a continuing worldwide anti-colonialist campaign. Indeed, the only way the new treaty regime can succeed is if the Panamanian government becomes even more repressive than it already is. The 30 per cent opposition to the treaty plebiscite in Panama, together with intense opposition to ratification among Panamanian nationalists across a wide political spectrum, indicates the degree to which the new arrangements are already unacceptable in that country.

. . . [T]he evidence is that Panamanian nationalists are neither satisfied nor appeased by the 1977 treaties. It is one thing to struggle against a colonial heritage that arose at the beginning of the century, but quite another to legitimate the colonial character of the relationship late in the twentieth century.

To dramatize his own protest, Leopoldo Aragon, a former political prisoner who was expelled from Panama by Torrijos, burned himself to death in Stockholm outside the American Embassy last September. One of the most widely known and respected Panamanian political figures, Miguel Antonio Bernal, also living abroad in exile, denounced the new treaties as "far from fulfilling the aspirations of the Panamanian people." Bernal argued that the new arrangements replace the "perpetuity imposed by force" in 1903 with a "legalized perpetuity." In an interview published by Intercontinental Press last September, he indicted the Torrijos regime for conferring such legality on the American presence and for creating a permanent American right of intervention: "We consider this as the most aberrant, disgraceful, and unacceptable type of perpetuity, as a stigma that this generation and future ones will be forced to bear, for it legalizes the American presence on our soil". Bernal reminded "the Panamanian and American governments, which have been working hand in glove, that the disappointment and dissatisfaction of a people can only be followed by hatred and rebellion"; the treaties, he argued, represent "one of the worst concessions in Panamanian history, because they fly in the face of the struggle and sacrifices made by our people for 73 years."

. . . Although these two interpretations are contradictory in spirit, the treaty text is ambiguous enough to make them both plausible.

. . . One can easily imagine the rationale for a future intervention in Panama: "We are certainly not seeking to intervene in Panama's internal affairs, but only to uphold the neutrality of the canal, a responsibility enshrined in a treaty and beneficial for all states."

The interventionary right is further endorsed in the Carter-Torrijos "understanding," which confers upon the United States an unrestricted right to defend the "neutrality" of the canal without securing the prior assent of the Panamanian government. Yet, the understanding also retains an element of ambiguity, by expressly stating that the neutrality treaty shall not be "interpreted as a right of intervention in the internal affairs of Panama."

Given potential developments in Panama, including the prospect of a turn to the left in Panamanian politics, this ambiguity might place future American leaders in a difficult, dangerous situation. It is worth recalling that the ambiguity in the Geneva accords of 1954 encouraged Hanoi and Washington to proceed,

each on reasonable grounds, in contradictory directions that culminated in the Vietnam war. The North Vietnamese regarded the Geneva accords as settling the future of all of Vietnam after a two-year interval enabling an honorable French withdrawal. The Americans, on the other hand, construed the agreements as partitioning Vietnam into two states, thereby giving South Vietnam full sovereign rights to make whatever arrangements it saw fit to defend itself against internal and external enemies.

The Vietnam analogy is instructive in another respect. The United States converted the ambiguity into a commitment (to the Saigon regime) that soon took on a life of its own. It was widely argued that any refusal to uphold this commitment, however foolish the commitment might be, would damage the reputation of the United States as an ally and an alliance leader. In Panama, the commitment to defend the “neutrality” of the canal is also likely to assume a symbolic significance that could induce American leaders to honor it even when they realize it is foolish and costly to do so.

The ambiguity of the canal treaties is vital to the bargain. If it is resolved in Panama’s favor, then the arrangements become unacceptable to the United States. This is easy to understand, because the main threat to American interests in the canal comes from the possibility of internal developments in Panama. The prospect of an external invasion by some other power seems remote to the point of irrelevance: and besides, in that eventuality, Panama would almost certainly welcome any U.S. help it could get.

. . . The situation in Panama is very unstable: rapid population growth, a highly inequitable distribution of wealth, growing unemployment, heavy foreign indebtedness, an adverse trade balance, and a long tradition of militant opposition politics. . . .

Appendix III: Panama responds to the destabilization

A military declaration

The following is the “Military Declaration” issued by the lieutenants of the Panama Defense Forces’ 15th Training Seminar, dated April 24, 1986, read by Lt. Nino Baprio, and reprinted in the Foreign Broadcast Information Service from Panama City Circuito RPC Television, April 25, 1986.

We, representatives of the lieutenants of the Panamanian Defense Forces, in the face of our historic commitment to our homeland and its armed institution, considering that well-known political groups have attempted to increase their treacherous attacks and their anti-Panamanian campaigns, domestically as well as abroad, in an attempt to destroy the basis of the institution which we proudly represent, and that, for the first time in our republican history, political groups, even though they may consider themselves very democratic and idealistic, have adopted the principle of constant submissiveness [entreguismo oficioso] and shameful incitement to possible foreign interventions, reincarnating themselves in the thoughts of [Philippe] Bunau-Varilla, thereby shaming their fellow countrymen; that those groups, with coarse malice, attempt to ignore the unbreakable umbilical cord which exists among the officers and troops of our forces, and try to forget that today’s officers were those who yesterday restrained the antipopular abuses of political and economic power and unhealthy submissiveness; that those groups, prompted from abroad and with a foreign mentality, want to corrupt the real and traditional democratic behavior and brotherhood that characterize the Panamanian people, with their ideas that reflect a fascist tendency, their medieval retrograde philosophy, their attempt to disturb our republic’s independent and nonaligned international policy, and their oligarchic desires for economic and political power:

We declare that we renew our oath as patriotic soldiers to reject in a straightforward manner all anti-Panamanian attacks and campaigns, from wherever they may come. As the generation responsible to take over command on the morning of 31 December 1999, we promise before the nation that we will not permit the conspiracy of local political groups, with foreign allies, aimed at attempting to prevent Panama from recovering its main natural resource in 1999, to be carried out by traitors to the homeland. We will not allow any national or external group to take from us the historic legacy that Commander Torrijos, together with his civilian and military people, obtained for the homeland through the current canal treaties that are today defended by the current high command, led by Commander Noriega with the General Staff of our forces. The officers who participated in this seminar are, together with our comrades in arms, guardians of the constitutional order and national integrity, and we shall not go down in history as men who turned their backs on their people, using the absurd pretext that because we were soldiers we were indolent in the face of the national anguish and vicissitudes, as the aforementioned groups would want.

We solemnly reiterate to all our worthy fellow countrymen that this canal will not be surrendered, subjected, co-administered, or compromised by our military generation and that we will safeguard the very Panamanian and nationalist legacy that Torrijos gave us yesterday and Noriega today.

[Signed] Panama, April 24, 1986

Gen. Noriega’s statement

Statement by Gen. Manuel Antonio Noriega, commander in chief of the Defense Forces, at the Presidential Palace in Panama City on April 24, 1986.

Mr. President of the Republic, ministers of state, honorable members of the local and foreign news media:

Mr. President, on my return tonight to the country, from a mission you know about, I received the conclusions reached by the lieutenants of the institution during their 15th Seminar. During the seminar they worked on matters that concern the nation.

As the democratic leader of the nation, the Defense Forces will give you their support according to the Constitution and the law. Therefore, we will not keep secret the decisions reached by the replacement forces, which we will release to the public.

The generation programmed to take over in 1999 considers that the insults being issued are a precedent to a plot. Therefore, the institution, on behalf of the people it represents, of the entire country, from Bocas del Toro to Darien, is telling you about the plot, and it will deliver to you the resolution, the details of the plot being organized, the names of the plotters, and the plans, so that you may know what decisions the government should make to defend some of the nation's organizations; also so that every Panamanian, the Panamanians who struggled for the Torrijos-Carter treaties, may realize that we are facing enemies who are locally and internationally using money and lobbying efforts to prevent the canal from fulfilling its mission, which is to be Panamanian.

Mr President, tonight I will give you all the documents that the intelligence service and the lieutenants gave me. Thank you.

President Delvalle's statement

Statement by President Eric Arturo Delvalle at the Presidential Palace in Panama City, April 24, 1986.

Fellow citizens: Upon meeting today with the Defense Forces General Staff, which came to present the results of the latest professional seminar, I wish to share with all Panamanians a series of concerns and reflections on our current national situation.

I wish to send my sincere congratulations to the distinguished group of lieutenants, in the Defense Forces who have successfully concluded a seminar to analyze and evaluate the political, social, and economic situation in Panama. This will help them to fulfill better their responsibilities concerning the protection and security of our homeland.

Upon concluding these evaluations, they have proven their capacity and readiness to serve the Panamanian community. The ideals they pursue are an element of the men in the armed forces; they are the most noble ideals because they entail complete dedication to the homeland's highest interests. When preparing—through studies—to safeguard Panama even better, they are readily assuming the grave responsibility of our generation in the year 2000. Thus, Panama will begin the 21st century free of conflicts and wars and completely at peace.

Our homeland is being threatened today, we have to admit this, by enemies who are working abroad. However, there are others who work within our homeland, availing themselves of our democracy, freedoms, and tolerance. They want to undermine the peaceful and harmonious political coexistence which must prevail among all Panamanians. As President of the republic, I have the responsibility to safeguard the integrity of our homeland and respect for our institutions. I reassure my pledge and decision to fulfill this vow. I am deeply concerned and angered by the campaign of slander, half-truths, and falsehoods spread by a minority of evil Panamanians who—supported by their economic means and unmentionable complicities—continue to encourage and incite national and international public opinion to create a climate of uncertainty and a vortex of destabilization that will have fatal consequences for our homeland.

The international situation is worrisome, and the increased tensions and conflicts might reach our coasts, if we do not act quickly and decisively, and plunge us into far worse misfortunes. No Panamanian

of patriotic will and courage will ever want this for our country or his family. We have evidence of the seditious and destabilizing efforts exerted by those evil Panamanians. . . .

Given the information, I want to urge our fellow citizens to disregard the falsehoods issued by the merchants of hate and those who plot to destroy our democratic institutions, and the Panamanian family's harmony, and eventually, our country as a sovereign and independent nation.

The blood of our martyrs is the energy which nourishes our national spirit. Our Defense Forces have inherited our martyrs' legacy and represent a vanguard bulwark which protects our citizens, families, security, institutions, and homeland. The government which I am honored to preside over is formally united and has the loyalty of its armed corps, which rises and acts like a monolithic force, as one man, under the command of Gen. Manuel Antonio Noriega and his General Staff.

I urge all my fellow citizens to reflect and reject the falsehoods and rumors that Panama's enemies want to sow in your minds and hearts. Our minds and hearts harbor only the purest love for our homeland and the belief that peace and freedom are part of our nature, and those shall always prevail. Now, when most Panamanians live in a climate of peace and calm, is the time to engage in constructive work so that all, united, embark on the road toward progress and build the new homeland, the Panama of the year 2000. Thank you.

'The revenge of George Shultz'

The following are excerpts from "The Revenge of George Shultz," by Luis Manuel Martinez, published in La Estrella de Panama, on Feb. 16, 1986.

The Reagan administration's policy toward Latin America is based on two erroneous premises. The first is that U.S. democracy is exportable, and that when Presidents are elected by popular vote, the battle against Cuban-Soviet penetration will be won. The second premise is that the military are villains, fathers of utter disaster, and that, therefore, their eradication is a panacea which will overcome all the social, political, and economic obstacles which arise along the journey toward stability and collective well-being for our peoples.

Secretary of State George Shultz, who has demonstrated a capacity for backroom maneuver as notable as his intellectual and ideological deficiency, has been the implementor of both policies. . . .

The President [Reagan] is not only far from containing the expansion of Marxism on our continent, but, on the contrary, has stimulated it, with the conditions which the International Monetary Fund imposes on debtor nations. . . .

Mortified by the failure of his University of Chicago disciple, Nicolas Ardito Barletta, since September, Shultz has implemented a campaign of journalistic slander and economic pressure against the government of Panama. . . .

Shultz's economic pressures are progressively increasing. . . . This is the signal to U.S. lackeys and disciples to conspire, agitate, and further weaken the social structures of Panama, for the sake of an absurd and destructive anti-militarism. . . . Because Shultz was irritated by the fall of his disciple, his arrogant reaction has been to undermine Panamanian stability, assaulting the country, government, and Panama's traditional friendship with the United States. . . .

Suddenly, they want to put Panama on the list of dictatorships in Latin America. That is, President Delvalle, arm in arm with Jean Claude Duvalier, Alfredo Stroessner, Fidel Castro, Daniel Ortega, and Augusto Pinochet. If we had not seen 40 years of whopping absurdities, from the Yalta agreement to the present day, if we had not witnessed, stunned, the decision to support Great Britain in its colonial domination of the Malvinas, against the legitimate right of the Argentine people to recover the islands, it would be impossible for us to believe this is happening.

But it's true, Secretary of State Shultz is extending, step by step, Central American violence to the Panama Canal. . . . Shultz's revenge will fan the flames, and bring revolutionary violence to the Darien

border. . . . Communism continues its offensive in Latin America, and to our great misfortune, Secretary of State Shultz persists in giving the Kremlin the chaotic explosion of Panama.