**The Panama Canal: The Strategic Importance of A Waterway**

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In a blistering manifesto, Panama's military last week demanded that the United States Southern Command be expelled from its headquarters here. The White House responded by declaring that American troops would remain until full control of the canal is handed over to Panama in the year 2000. The exchange underscored the extent to which Gen. Manuel Antonio Noriega, Panama's military leader, is now seeking to make the canal - and American strategic interests -pawns in the country's deepening political crisis.

Ostensibly, the reason for the presence of the 10,000 American troops and the existence of Panama's military is to defend the canal from external attack. But over the years, both forces have assumed other functions that have begun to overshadow the original mission. For Panama, what began as a ragtag police force of 700 men has been transformed, with American assistance, into the 15,000-member Panamanian Defense Forces, the most powerful institution in this country of 2.2 million people. For the United States, priorities have shifted in the last decade toward a preoccupation with civil wars in Central America. Panama has become useful to Washington as an intelligence monitoring post and as a base for clandestine operations. Some of those activities were detailed last week by Jose I. Blandon, a former adviser to General Noriega, in testimony to the Senate Foreign Relations Committee. Mr. Blandon also gave a detailed account of how General Noriega and his associates used Panama's institutions for drug trafficking. United States grand juries have indicted the general on charges of drug trafficking and other crimes.

Washington's pressure on the Panamanian leader and his determination to dig in his heels have provoked a new round in the emotional debate over the canal. Some argue that it is of diminishing value to the United States. “The canal is a nice thing to have, but it's not essential the way it used to be,'” said an American businessman who has worked here for more than 40 years. “There are more ships than ever that are too big to go through the canal, and alternatives to the canal, such as containers, are increasing as the tolls and costs of operation here go up.” Many shippers find it more convenient to unload their cargo in Los Angeles, for example, and transport it across the United States in containers that are carried by train or trucks. But officials of the Panama Canal Commission, while acknowledging that the waterway is no longer critical to the United States and that its relative importance is declining in world trade, say that it is still “extremely useful.”

The canal's business peaked in fiscal year 1982. It dropped sharply in October 1982 after a trans-Panama oil pipeline opened that took over the shipments of Alaskan oil. Over the next three years, according to United States Embassy statistics, total cargo declined before recovering somewhat in 1986. Business has been rising since. Some have said that the canal, completed in 1914, is too narrow and shallow to accommodate bulk-cargo carriers and supertankers. Ships are limited to 65,000 tons, and it usually takes them at least 20 hours to make the crossing. But an official of the canal commission argued that since the mid-1970's the huge ships have been “going the way of the dinosaur” and that the trend is toward smaller ships.

During World War II, when shipping faced a threat of Japanese attack, as many as 68,000 American troops were stationed in Panama. Later, United States forces were here to deter attacks by Panamanian saboteurs. But the Panama Canal treaties signed in 1977 set the timetable for ending the American role in overseeing and guarding the canal. In the 1980's, Gen. Fred F. Woerner, head of the United States Southern Command, which is responsible for American military operations in Latin America, has supervised the “realignment” of the main Army force here “from a heavy combat unit to a light infantry unit better equipped to carry out support functions and civic action programs,” according to an Army publication.

In a recent article in a defense publication, General Woerner said that the United States faces “some important decisions about the location of the U.S. Southern Command and its components” as the year 2000 approaches. Some American officials here argue that there are acceptable alternatives to Panama as a base for the Southern Command's operations. The School of the Americas, which trains military officers from all over Latin America in counterinsurgency, moved from Panama to Fort Benning, Ga., in 1984.

Any Panamanian action now against the canal would probably hurt Panama even more than the United States, officials from both countries say. More than 13,000 Panamanians work for the binational Panama Canal Commission, and the United States military employs an additional 5,500. The canal and American military presence here add more than $530 million to Panama's economy each year, providing the Government with its largest single source of revenue and a guaranteed financial cushion - whose importance grows as other sectors, such as banking and construction, decline because of the uncertainty over the country's political future.

For that reason, General Noriega's attempts to link the canal and the Southern Command to his efforts to remain in power have aroused deep concern. Ruben Paredes, who preceded General Noriega as commander of the military and who is now calling for his ouster, is one of many here who condemned last week's manifesto. “This is a dangerous and imprudent act of blackmail on the part of Noriega,” General Paredes said. “The treaty gives the Americans the right to be here, and if we Panamanians begin a process of disrespect of the treaty, we are telling the Americans they, too, can violate the treaty when they feel like it.”

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