LABOR AND POLITICS IN PANAMA

The Torrijos Years

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Labor and Politics in Panama

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The story of the making and reversal of labor policy in Panama during the 1970s could not have been told without discussing the many different perspectives of those involved in this historical process. The persons I interviewed all provided invaluable information and deserve a special acknowledgment. They are listed in the appendix. There are many others not mentioned who in some way or another helped in the reconstruction of the period by providing details or insights, adding color to the picture. The missing view is that of the principal protagonist. Omar Torrijos died in a plane crash a few days before I was to interview him, so his side of the story has to be left untold.

An important insight afforded by this study is that of the fragility of Panamanian societal institutions, be they economic, political, or civic. The country's social structures are incipient or atrophied. The level of consciousness of Panamanian society regarding rights and duties is low. The research was also enlightening because it provided a glimpse of how Panamanian society really functions. When I was growing up, it was always puzzling to hear categorical explanations about why and how things happened in the country, always from the point of view of those I have called the "private sector" in these pages. Looking at Panamanian society at a time when that sector was not in control provided a rare opportunity to map the strategies of businessmen as they wove their way in and out of different positions. During an interview with a well-known member of the sector, he acknowledged that what hurt him the most about the Torrijos years was that Torrijos "had robbed him of his right" to a prominent political position. I asked what he would do with that position but was rebuffed and told that that was beside the point.

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Sharon Phillipps Collazos

ACRONYMS

AFL	American Federation of Labor
AIFELD	American Institute for Free Labor Development
APEDE	Asociación Panameña de Ejecutivos de Empresa (Panamanian Association of Business Executives)
BDA	Banco de Desarrollo Agropecuario (Agricultural Development Bank)
CADE	Conferencia Anual de Ejecutivos (Annual Conference of Business Executives)
CAPAC	Cámara Panameña de la Construcción (Panamanian Construction Chamber)
CATI	Central Auténtica de Trabajadores Independientes (Authentic Central of Independent Workers)
CIT	Central Istmeña de Trabajadores (Isthmian Workers Central)
CNTP	Central Nacional de Trabajadores de Panamá (National Central of Panamanian Workers)
CONATO	Consejo Nacional de Trabajadores Organizados (National Council of Organized Workers)
CONEP	Consejo Nacional de la Empresa Privada (National Council of Private Enterprise)
CPTT	Central Panameña de Trabajadores del Transporte (Panamanian Central of Transportation Workers)
CSS	Caja de Seguro Social (Social Security Bank)
CTRP	Confederación de Trabajadores de la República de Panamá (Confederation of Workers of the Republic of Panama)
CUT	Central Unica de Trabajadores (Singular Workers Central)
DIGEDECOM	Dirección General para el Desarrollo de la Comunidad (Agency for Community Development)
ESCANAP	Escuela Nacional de Capacitación Política (National School for Political Capacitation)
FENACOTA	Federación Nacional de Conductores de Taxi (National Federation of Taxi Drivers)
FEP	Federación de Estudiantes de Panamá

	(Federation of Panamanian Students)
FER	Federación de Estudiantes Revolucionarios (Federation of Revolutionary Students)
FITC	Federación Istmeña de Trabajadores Católicos (Isthmian Federation of Christian Workers)
FSTRP	Federación Sindical de Trabajadores de la República de Panamá (also known as Federación Sindical) (Trade Union Federation of the Republic of Panama)
IFARHU	Instituto para la Formación de Recursos Humanos (Institute for the Development of Human Resources)
IFE	Instituto de Fomento Económico (Institute for Economic Development)
ILO	International Labour Organization
IMA	Instituto de Mercadeo Agropecuario (Institute for Agricultural Marketing)
INDESA	Investigación y Desarrollo, S.A. (Research and Development Company)
IRHE	Instituto de Recursos Hidráulicos y Electrificación (Hydraulic Resources and Electricity Institute)
JCD	Juntas de Conciliación y Decisión (Decision and Conciliation Boards)
MICI	Ministerio de Comercio e Industrias (Commerce and Industry Ministry)
MIDA	Ministerio de Desarrollo Agropecuario (Ministry for Agricultural Development)
MIPPE	Ministerio de Planificación y Política Económica (Planning Ministry)
MITRAB	Ministerio de Trabajo y Bienestar Social (Labor Ministry)
PDC	Partido Demócrata Cristiano (Christian Democratic Party)
PP	Partido del Pueblo (Communist Party) (People's Party)
PRD	Partido Revolucionario Democrático (Democratic Revolutionary Party)
PREALC	Programa Regional del Empleo para América Latina y el Caribe (Regional Employment Program for Latin America and the Caribbean)
SIP	Sindicato de Industriales de Panamá (Panamanian Industrialists Union)
SITRACHILCO	Sindicato de Trabajadores de la Chiriquí Land Co. (Union of Workers of the Chiriqui Land Company)
SUNTRACS	Sindicato Unico de Trabajadores de la Construcción (Singular National Union of Construction Workers)
UEU	Unión de Estudiantes Universitarios (Union of University Students)

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INTRODUCTION

In 1968, the National Guard of Panama deposed the newly elected president and took control of the country. That was not the first time that the Guard had acted beyond its constitutionally established bounds. But contrary to other such incidents, it was the first time that the National Guard did not return power to civilian hands once it had things under control. In former incidents of National Guard takeovers, the Guard had acted primarily as a broker among the factions of the ruling elite and restored power to the faction that offered them the best deal.

Another first was that the regime that emerged, under the leadership of Omar Torrijos, perceived its mission as a reformist one and aimed at restructuring society by incorporating new sectors, introducing redistributive measures, and changing the balance of power in Panamanian society.

This was the first time since Panama's independence from Colombia in 1903 that power was not in the hands of a small group of entrepreneurs, who were part of and represented primarily the interests of the private business community. This group was politically dispossessed from 1968 until 1989, when Noriega was deposed by U.S. invading forces. But it was during the first part of the Torrijos regime, roughly from 1970 to 1975, that the regime enjoyed autonomy to enact policy quite contrary to these former rulers' interests. During that period, an agricultural reform was instituted, a new constitution and a new labor code enacted as well as laws regarding housing and social services, and negotiations started for a new canal treaty with the United States. In some ways, the negotiations regarding the Panama Canal and the Labor Code became the two most important issues for the regime.

A new treaty favorable to Panama would settle once and for all the thorny issue of a foreign power having sovereign rights over part of the country's territory. And the Labor Code was a means of incorporating a large sector into society and symbolically clipping the wings of the business community, or former rulers.

What ensued after the enactment of the Labor Code and other progressive measures of the period provides a glimpse of the capacity and

limitations of authoritarian states in politically underdeveloped societies and of the resources and tactics that the various interested actors can and do employ to protect their turf. All this unfolded under the constraints of a situation in which external forces, totally outside the control of the actors, had an overriding influence on the internal situation. In this case, the changes in the world economy severely affected Panama's situation and presented the first limitations to the autonomy of the Torrijos regime. Subsequently, during the Canal Treaty negotiations, the ability of the Panamanian business community to influence U.S. policy-makers to take a stand against the Torrijos regime presented another limitation to the regime and brought Torrijos to his knees regarding the Labor Code.

This is a study of the relationship between regime type, policy enactment, and policy implementation. It is also a study of the impact of policy on social sectors and on the changes in the relationship among the affected sectors. The regime type studied is one characterized as inclusionary authoritarian, and the specific case is the one of Omar Torrijos, in power from 1968 to 1981 in the Republic of Panama. The policies analyzed are the three main labor laws enacted by the Torrijos regime: the 1972 Labor Code, its amendment through Ley 95 in 1976 and Ley 8a in 1981 (that, while failing to restore the Labor Code to its original form, eliminated the harshest aspects of Ley 95). Apart from the regime itself, the significant actors affected by the policies under study are the private business sector and the labor force. A significant aspect of this study is that the three policy changes were enacted by the same regime.

The Torrijos regime came into power after the Panamanian ruling elite suffered a loss of hegemony and lost control of the political system. During its first years in power, the regime enjoyed enough autonomy to enact policies contrary to the interests of the former ruling group. Among the new policies, the 1972 Labor Code had a special significance for the regime, both symbolically and in real terms. The Labor Code was a clear statement that the regime represented a break with the past and that it was reformist and wished to single out new groups for preferential treatment. But the Labor Code was also the most direct and effective way to incorporate a sector formerly excluded, a sector that would give the regime support and lend it a measure of legitimacy.

After the Labor Code's enactment, the private sector attributed to it most of the economic woes it experienced during the decade. Arguments against the code centered around the cost increases due to higher wages and benefits as well as to strikes, labor litigations, absenteeism, and to loss of productivity. Also attributed to the Labor Code was the deteriorated employment situation as well as the alarming number of closures of small businesses. Once Ley 95 was passed, employers asserted that productivity went up, the economic situation stabilized, and loss of revenues due to union activities such as strikes and labor litigations were considerably reduced.

The findings of this study do not support those claims. Wages as a percentage of value added for the manufacturing sector did not increase with the enactment of the 1972 Labor Code; also, wages could not keep up with inflation, and measures outside the control of the labor and business sectors had to be used by the government to guarantee workers their livelihood. Cost increases due to union activities such as participation in seminars and protection through the *fuero sindical* (union privilege), strikes, and labor litigations also proved to be negligible. And although no direct correlation could be detected between the level of productivity and the labor laws in question, productivity went down in the period after the Ley 95 amendment to the Labor Code, which invalidated the claims of the positive effect of Ley 95 on productivity and on the economy as a whole.

The argument that the stability clause prevented the efficient running of businesses, because it made it impossible to reduce the work force, also did not prove true. During the recessionary period of 1974-1976, the work force in Panama was reduced by 8 percent. Neither could any correlation be found between the labor laws and the well-being of small enterprises. Their performance was found to conform to the macro-economic trends affecting the country, so that between 1975-1977, when the rate of increase of GDP was lowest, requests for licenses for new businesses were lowest, and closures were at their highest. As for employment, factors such as the slow growth of GDP and the lack of coherence of governmental policy regarding economic development had a far greater effect than the Labor Code. The International Labour Organization's PREALC (Programa Regional de Empleo para América Latina y el Caribe) concluded that the Labor Code forced Panamanian employers to treat their workers in an institutionalized and rational manner—they were used to dealing with them in a paternalistic, non-systematic way—and that this was the underlying factor that prompted the vehement campaign against the Labor Code.

The enactment of the 1972 Labor Code acted as a catalyst for the private sector by providing them with a reason to coalesce and act as a united force against the regime. The coming together of the private sector—and their manipulation of their considerable economic assets at the same time they maintained a fierce anti-government campaign both in Panama and abroad—was aided by the economic recession of the mid-1970s and by the efforts of the regime to conclude treaty negotiations with the United States regarding the Panama Canal.

Ley 95 had an effect on labor similar to that the 1972 Labor Code had had on the private sector. Ley 95 provided the rallying point around which labor would unite and fight for its rights and also provided an opportunity for labor to grow in strength and class consciousness. The enactment of Ley 8a in 1981 was a compromise by the Torrijos regime with both labor and the private sector. That law signaled the loss of autonomy of the regime vis-à-vis labor, just as five years before Ley 95 had signaled the loss of autonomy of the regime vis-à-vis the private sector. Ley 8a marked the completion of

a cycle for labor from excluded sector to an actor with power to play in the political game of demand-making. It also marked the end of a phase for the Torrijos regime from complete autonomy at the outset of its tenure to loss of autonomy to both the former dominant class and the subordinate labor sector.

PREOCCUPATIONS IN THE LITERATURE ON LATIN AMERICAN REGIME TYPE AND POLICIES

In their seminal work that inspired the study of dependent development, Cardoso and Faletto posited that the manner in which a country is inserted into the world market produces specific class configurations and political arrangements.[1] Beginning with O'Donnell, theoretical attention has shifted from the broad outlines of dependency itself to a more specific concern with regime types in general and authoritarian regimes in particular, with specific reference to the "projects" or policies implemented by such regimes.[2]

O'Donnell defined bureaucratic-authoritarian regimes as "excluding" and non-democratic, with a dominant coalition of high-level technocrats (military and civilian) working in close association with foreign capital.[3] O'Donnell argued that bureaucratic-authoritarian regimes are a typical response to popular mobilization and that they are characterized by policies designed to demobilize popular sectors and to favor private enterprise. Through such measures, bureaucratic-authoritarian regimes attempted fundamental restructuring of society.

More recent work has drawn attention to other authoritarian regimes that engage in pre-emptive mobilization and the channeling of popular support for the regime in conjunction with redistributive measures. Peru in 1968 is a case in point, with Mexico under Cardenas, Brazil under Vargas, and Argentina under Peron viewed as precursors. Because of the mobilization of a mass base through the enactment of policy and other measures, these regimes have come to be labeled "inclusionary authoritarian regimes." Work on Peru in particular but also on the other cases, has suggested that these inclusionary authoritarian regimes have drastically altered the political landscape in countries where they have been in power.[4]

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[1] Fernando Henrique Cardoso and Enzo Faletto, *Dependencia y desarrollo en América Latina*. Mexico: Siglo Veintiuno, 1969.

[2] Guillermo O'Donnell, *Modernization and Bureaucratic Authoritarianism: Studies in South American Politics*. Berkeley: University of California, Institute of International Studies, 1973.

[3] David Collier, "Overview of the Bureaucratic-Authoritarian Model," in *The New Authoritarianism in Latin America*, edited by David Collier. Princeton: Princeton University Press, 1979, p. 24.

[4] Evelyne Huber Stephens, "The Peruvian Military Government, Labor Mobilization, and the Political Strength of the Left," *Latin American Research Review*, 18:2:(1983) 57-93; and

In both exclusionary and inclusionary regimes, labor policy is critical in defining the regime's goals and in achieving its ends. In all the inclusionary regimes mentioned above, reform of labor legislation has been an important element of the regime's effort to mobilize the support of popular sectors and to control and channel that support. Labor policy is therefore a key to analyzing regime dynamics, particularly in the case of inclusionary regimes, and may be important for understanding both the long-run failure of past inclusionary regimes and the long-term impact that they have had on political landscapes.

The Significance of the Panamanian Case

The interaction between regime type and dependency on the one hand and regime type and policy on the other are of particular theoretical interest in the case of the Torrijos regime in Panama because of the extreme dependency that characterizes Panamanian economy and society. In addition, the Torrijos regime (along with Peru's) is one of the few recent cases of an inclusionary authoritarian regime. Labor policies are of special interest in this case because they were the focus of much of the regime's attention, generated much controversy, and were the subject of some major reverses in policy.

Panama as a Case of Extreme Dependency

Within the world system of nations, Panama is a country with a peculiar history and a very particular role determined by its geographical location and configuration and by the need of the United States to control the waterway it constructed to link the Atlantic and Pacific oceans. These two factors have shaped Panama's history and substantially determined its role in the international economic system. It is not by accident that Panama is probably one of the most dependent countries in the world, with an extremely open economy, no currency of its own, and no control over external factors that affect its internal situation.[5] It is also not by accident that Panama owes its existence to the United States and as such is widely considered an appendage of that country.[6]

The country's economy has been based on a service-providing infrastructure that arose out of the needs and opportunities offered by the canal and the transit area. Thus, a large percentage of Panama's foreign exchange

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Evelyne Huber Stephens, *The Politics of Workers Participation*. New York: Academic Press, 1980.

[5] Herbet de Souza, "Notas acerca de la situación socio-política de Panamá," *Tareas*, no. 35 (1976): 7-42.

[6] Goran Therborn, "The Travail of Latin American Democracy," *New Left Review*, nos. 113-114 (1979): 85.

comes from the services and labor provided to the Canal Zone as well as from the assemblage and resale of goods through the Colon Free Zone and the processing and selling of goods to passing ships. An index constructed by Richardson to measure dependence in Latin America based on the amount of foreign trade, investment, and aid for the period between 1950 and 1973 ranked Panama highest in dependency. According to Richardson, this is the result of the "extraordinary and continuous quantities of new private investment capital pumped into operations associated with the Canal Zone."[7]

From Dependency to Hegemony

Panama became independent from Colombia in 1903, with the aid of the United States. The United States wanted to build a canal, and the Panamanian elite saw independence and alliance with the United States as their opportunity to enhance the emporium-like development they envisioned for Panama, which would also enhance their private fortunes. That elite, which remained in control of the political apparatus until the 1968 National Guard takeover, controlled and governed the country primarily in terms of their particular private interests.

The traditional ruling elite was highly dependent on foreign capital and foreign interests.[8] Although it held political power, its economic sustenance came from external sources. Because its interests veered toward external conditions and alliances rather than toward internal ones, the ruling elite saw no need to build the nation from within. Consequently, the ruling class never bothered to build up a political machinery or to institutionalize political values and practices that would lead to the development of a strong polity and a politically capable citizenry.

The alliance of the national bourgeoisie and foreign capital provided the local elite with enough security to maintain the status quo without a felt need to change or find solutions to problems caused by a rapidly changing society and an increasingly complex social and economic situation. One outcome of this is that Panama, with one of the highest per capita incomes in Latin America as well as the highest ratio of foreign investment, also had one of the most skewed income distributions of the continent.[9]

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[7] Neil R. Richardson, *Foreign Policy and Economic Dependence*. Austin: University of Texas, 1978, pp. 103-106.

[8] The traditional ruling elite in Panama is made up of a small group of families that also control the economy of the country. Although there are factions, it is a rather homogeneous group in terms of interests and goals. Because of its size and homogeneity, I refer to it indistinctly as the ruling elite, the national bourgeoisie, or the private sector. A detailed analysis of this sector is given in Chapter 2.

[9] Gian Sahota, "Public Expenditure and Income Distribution in Panama," Report prepared for MIPPE, Panama, 1972.

The country's internal situation during the 1960s deteriorated so thoroughly due to the weakness and division among the traditional political forces that it reached a point of stagnation, which peaked during the Robles administration (1964-1968). The Panamanian governing elite reached what Poulantzas has termed a "representational crisis," which resulted in its loss of hegemony.[10] This loss of hegemony provided the grounds for the National Guard takeover.

The notion of hegemony as set forth by Gramsci implies a consolidation of the bourgeois rule in regimes in which force is not necessary to maintain the social organization because the values of that group are accepted by the lower strata.[11] A "representational crisis" occurs when there is disorganization or a rupture in the dominant class that will lead to the loss of hegemony of that class. A representational crisis can result in an exceptional form of state, which can take three forms: a fascist state, a bonapartist state, or a military dictatorship. In the case of Panama, the regime that emerged under Torrijos had the characteristics of a bonapartist state, and arose at a moment of stagnation of the political factions.

Bonapartism has been described as a semi-competitive system characterized by a strong executive, the lapse of control by the ruling classes, and the painless demobilization of the subordinate and the dominant social strata. In such systems, the repressive level is moderate and the reforms set forth do not threaten the dominant property system. A bonapartist state is unified by an ideology of "exalted nationalism." This type of regime exhibits a high degree of centralism maintained by the state bureaucracy.[12]

The characteristics of bonapartist states correspond to those of inclusionary authoritarian regimes as defined by pluralist political analysts. Both pluralist and marxist analyses agree on the conditions that allow the emergence of these regimes and the role played by the leaders of such regimes, usually populist or reformist leaders not constrained by the status quo. But while marxist analysts dwell more on the class alliances and the social conditions that precede bonapartist states, pluralist analysts have placed more emphasis on the types of policies enacted by the regimes under study and on the consequences to the political landscape of those policies.

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[10] Nicos Poulantzas, *Fascism and Dictatorship*. London: Verso Editions, 1979, pp. 313-319.
[11] Antonio Gramsci, *Selections from the Prison Notebooks*. New York: International Publishers, 1980, pp. 57-61.
[12] Alain Rouquie, "L'Hypothèse 'bonapartiste' et l'émergence des systèmes politiques semi-compétitifs," *Revue Française de Science Politique*, 25:5(1975): 1099-1109. The classic bonapartist model, analyzed by Marx in *The Eighteenth Brumaire*, represented a situation in which social order needed to be restored in France and the bourgeoisie were incapable of accomplishing this. They gave up their control of the state apparatus and allowed Louis Bonaparte to create a strong executive and restore the order needed to regain economic domination and social power. Karl Marx, *The Eighteenth Brumaire of Louis Bonaparte*. New York: International Publishers, 1963.