which determines the ability of nations to realize their potential for development in every way.

The political issue in Panama is not the personalities of the late Omar Torrijos or Manuel Noriega, but rather the patriotic movement which they serve. Without that movement, which is the creation of the majority of the people of Panama, the likelihood of national economic development would be very poor.

So, in that respect, the geographic and human potentials of Panama are one and the same thing. So, this vision of our common interest in the successful future development of Panama must guide us today. All true statesmen base their decisions on the future, and treat the present as the indispensable pathway by which the happier choice of future is to be reached. At stake is not only the future of Panama, but, to a very significant degree, the future of the Americas and every nation within our hemisphere.

The pathway to the future, for Ibero-America immediately, but also the entire hemisphere, is progress along the pathway of economic integration of Ibero-America. More trade among those nations, more emphasis upon common interests of the states, and so forth, is the road upward. So, in the case of the Panama crisis, let clear view of the future guide our actions in the present.

The emergency measures to save Panama

When the United States government launched its assault on Panama, its Defense Forces, and Gen. Manuel Antonio Noriega in early 1988, they apparently believed their own propaganda: They were sure that the nation would quickly capitulate and that General Noriega would accept a deal and flee. Neither has occurred. Enraged that a tiny nation of 2 million would dare to assert its sovereignty in the face of the insane demands of the United States, the State Department moved to isolate Panama from the rest of Ibero-America. Despite the disgraceful behavior of the Ibero-American nations at the Group of 8 meeting in Cartagena, where they voted to exclude Panama from participating, and which almost led to an immediate U.S. invasion of Panama, subsequently Ibero-America has begun to awaken to what is at stake, and through the Latin American Economic System (SELA), has agreed to support Panama.

But the "Gods of Olympos" that rule in Washington and on Wall Street will not be defied. They are trying to annihilate Panama and teach it—and all of Ibero-America—a bloody lesson, unless Panama agrees to their demands: to be transformed into a new Hong Kong, a territory of limited sovereignty, where the banking emporia have free rein to launder their billions of dollars from the drug trade, and where the entire nation is transformed into one, gigantic free trade zone and financial center. In short, they are trying to forcefully implement a modern version of Teddy Roosevelt's neo-colonialist policies, which is the policy of the International Monetary Fund (IMF) and the World Bank today. They are deployed to impose this policy militarily, including the seizure of the Panama Canal by force. And they are attempting to destroy the Panamanian Defense Forces as an institution, in order to achieve these objectives.

Just as in the case of the Malvinas War of 1982, the imperial powers have launched an all-out war to crush an Ibero-American nation—only this time, it is a "Financial Malvinas," to economically dismember Panama. The only way to stop this is through the economic and political support of the rest of Ibero-America. Unity is the key to victory—for if Panama is allowed to fall, every nation of the continent will soon suffer the same fate. Therefore, Ibero-America cannot afford to lose this battle. Ibero-America must do what it failed to achieve in 1982—integration.

Panama is doing its part. It has refused to surrender. It has survived. And it has issued a call, through SELA, to the nations of Ibero-America to come to its help, to provide the financial, trade, and economic support it needs to survive. Those sister republics now have the ball in their court.

It is the purpose of this report to identify how an emergency economic program can save Panama, and what concrete steps the nations of Ibero-America must immediately take to achieve this. We present this not as the final blueprint, but in the way of general guidelines to urgent action, which require further elaboration. We will also identify the longer-term measures that will allow for the full industrial development of Panama and of an integrated Ibero-America. The emergency measures can be summarized as follows:

1) Panama needs to shift about two-thirds of its export markets from the United States to Europe and Asia.

2) Ibero-America must provide the imports that Panama can no longer get from the United States—over $500 million worth of additional goods per year, on top of what it already supplies.

3) Ibero-America will have to finance this tripling of exports to Panama with a trade credit line of about $850 million per year.

4) This credit line need not be in dollars. Ibero-America can either take Panamanian government IOUs; or a new Ibero-American currency can be established to finance such regional trade.

5) Ibero-America must help Panama establish its own, sovereign currency (the balboa), by placing about $150 million in dollar deposits in a newly chartered, state-owned Banco de la Nación, which would serve as a hard currency reserve to back up the balboa.

6) Only strict foreign exchange and capital controls will prevent the flight of these dollar reserves. Necessarily, this means the end of the Financial Center's speculative activities in Panama.

7) The suspension of debt service and personal and profit remittances from Panama for the duration of the crisis—or at least until the United States ends its illegal withholding of funds owed to Panama—is essential. This implies a full, political break with the austerity policies of the International Monetary Fund and the World Bank.

8) Panama can produce its way out of the crisis. Fifty thousand new jobs can be quickly created, mainly in the area of infrastructure and other construction work, in order to absorb those who lose their jobs due to the crisis. This will require an additional credit line from the nations of Ibero-America of about $200 million.

Trade and balance of payments

Panama's economy is highly dependent on international trade. It imported goods worth $1.275 billion in 1986, which was 25% of its GDP of $5.1 billion. By comparison, Argentine imports are only 6% of its GDP; Guatemala's imports are 9%; and Ibero-America as a whole 7%. Thus, if Panama's imports were to stop or be significantly reduced, the entire economy would suffer a major collapse. Under the worst-case scenario of a total U.S. trade embargo (which has not yet been applied, but may well be just around the corner), what will happen to Panama's imports and balance of payments? Can imports currently supplied by the United States be replaced by other countries, preferably in Ibero-America? And can Panama generate the resources to pay for them?

To answer these questions, we must look at Panama's imports and exports by source and destination. **Table 1** summarizes the picture.

TABLE 1
Panama's trade, 1986
(millions of dollars)

	Imports (CIF)	Exports
Ibero-America	319 (25%)	40 (12%)
Colón Free Zone*	179 (14%)	4 (1%)
United States	436 (34%)	224 (69%)
Other	341 (27%)	59 (18%)
TOTAL:	1,275 (100%)	327 (100%)

Source: *Panamá en cifras.*

*The Colón Free Zone functions like an enclave within Panama—and is not functionally part of the Panamanian economic or balance of payments picture. It imports $1.589 billion per year (more than Panama itself), and exports $1.800 billion per year, for a net surplus of $211 million. Interestingly, the U.S. is neither a major supplier to nor purchaser from the Colón Free Zone: the Zone mainly imports semi-manufactured goods from the Far East (South Korea, Taiwan, etc.), and produces in-bond manufactures which are then exported to Ibero-America (including Panama).

Thus, the United States today provides one-third of Panama's imports, and buys two-thirds of its exports. Ibero-America only accounts for 25% of the imports, and 12% of the export market, which shows how poorly Panama is integrated into the Ibero-American economy.

A detailed review of Panama's imports by category was conducted for this study. The first thing we did was to list which imports could be considered "luxuries" or non-essentials, and could therefore simply be cut without significantly hurting the Panamanian economy. This includes such items as jewelry, alcoholic beverages, and cosmetics, as well as a modest percentage of such consumer items as home appliances, cars, etc. Our estimate is that only $235 million of a total 1984 import bill of $1.411 billion could be dropped in this way, leaving a remaining bill for necessary imports of $1.176 billion.

The major import categories were then examined to determine which can be provided by Ibero-America and the rest of the world, instead of the United States The findings are encouraging, and are summarized in **Table 2.**

Ibero-America is estimated to be able to supply about $871 million, or 74%, of Panama's total necessary imports—up from $319 million today. This means a near tripling of existing trade levels! This is possible, because various nations of Ibero-America produce most of everything Panama imports, and in many cases already export some of these goods elsewhere. They thus have the capacity to satisfy Panama's (relatively small) import needs as well. For example, Panama's strategically crucial food and energy needs can be met fully by Ibero-America, as can between one-half and two-thirds of its requirements of imported machinery and manufactures.

Furthermore, there is no reason in the world why trade within Ibero-America has to be conducted in dollars. Panama could pay its sister republics either: a) through barter; b) with a new Ibero-American-wide currency (which could be called the "peso de oro"); or c) with Panamanian government bonds or IOUs, or perhaps with a new, sovereign Panamanian currency (the balboa). We will have more to say on these monetary matters below.

TABLE 2

Panama's imports, by origin

(millions of dollars and percentages)

	1984		Schiller Plan	
	$	%	$	%
FOOD: Total	128	100	128	100
Ibero-America	**22**	**17**	**126**	**98**
Colón Free Zone	2	2	2	2
United States	69	54	0	0
Other	35	27	0	0
FUEL: Total	367	100	367	100
Ibero-America	**343**	**93**	**367**	**100**
Colón Free Zone	—	—	—	—
United States	22	6	0	0
Other	2	1	0	0
CHEMICALS: Total	150	100	150	100
Ibero-America	**36**	**24**	**114**	**76**
Colón Free Zone	27	18	27	18
United States	45	30	0	—
Other	42	28	9	6
BASIC MANUFACTURES: Total	214	100	214	100
Ibero-America	**38**	**18**	**134**	**62**
Colón Free Zone	19	9	19	9
United States	68	32	0	0
Other	89	41	61	29
MACHINERY: Total	219	100	219	100
Ibero-America	**21**	**10**	**95**	**43**
Colón Free Zone	39	18	39	18
United States	47	21	0	0
Other	112	51	85	39
MISC. MANUFACTURES: Total	98	100	98	100
Ibero-America	**11**	**11**	**35**	**36**
Colón Free Zone	46	47	46	47
United States	7	7	0	0
Other	34	35	17	17
TOTAL:	1,176	100	1,176	100
Ibero-America	**471**	**40**	**871**	**74**
Colón Free Zone	133	11	133	11
United States	258	22	0	0
Other	314	27	172	15

The $133 million that Panama imports from the Colón Free Zone can be maintained at the same level under this plan, but will have to be paid for in dollars. The remaining imports, which neither Ibero-America nor the Colón Free Zone can supply (mainly machinery and certain manufactures), will have to be purchased with dollars from the rest of the world (excluding the United States)—which is quite feasible, as we show. Thus, Panama can survive without importing one dollar's worth from the United States.

This means that Panama will have a "shopping list" of imports that Ibero-America must help satisfy. **Table 3** lists the principal items and the amounts involved, as well as a preliminary idea of which Ibero-American nations are in a position to provide these items. This list is by no means intended to be either final or exclusive: The details of which nations provide exactly what quantities, must become the subject of immediate negotiations between Panama and its Ibero-American neighbors, using the SELA mechanism. It should be emphasized that this increase in exports to Panama will benefit the other nations of Ibero-America as well, and reactivate their economies, which are now being destroyed by IMF austerity measures.

So far, we have demonstrated that it is physically possible for Panama to eliminate its dependence on U.S. imports, by increasing its reliance on Ibero-America. We now turn to the question of how Panama can pay for these imports, and cover its other balance of payments requirements.

The first thing to look at is Panama's exports of goods, and to see if it is possible to shift them away from the United States and toward other Ibero-American nations, as we did with imports. But here it is not so easy. This is because the composition of Panama's exports is mainly the same primary products which most Ibero-American countries also produce and export, as **Table 4** shows.

It is therefore unlikely that Ibero-America will be able to increase its share of Panama's exports much beyond the level it now absorbs. Rather, Panama will have to find new markets in Europe and Asia for the 69% of its exports ($224 million) that is currently bought by the United States. This is not an impossible task: An aggressive marketing strategy, combined with international political pressure applied by a united Ibero-America, should be able to place perhaps $200 million of these $224 million in exports in the European and Asian markets. We can thus summarize the shift of Panama's export earnings under our proposed emergency program as shown in **Table 5.**

Under our proposed plan, Panama's exports to Ibero-America and the Colón Free Zone would be paid for in *pesos de oro* or balboas, or would be part of barter packages as described above. Only the $259 million in exports to the rest of the world would bring in hard currency, such as dollars.

This, of course, is nowhere near enough foreign exchange to cover Panama's import bill. In fact, historically

Panama has covered its large balance of trade deficit in a half-dozen other ways, including: 1) the Colón Free Zone net surplus; 2) port services; 3) Canal payments; 4) U.S. military payments (including rent for the bases, wages, and pensions); 5) pipeline fees; 6) tourism; and 7) Financial Center net payments. The problem with these lines is that most of them have been unilaterally cut to virtually zero by the illegal financial warfare being waged against Panama by the United States. And there is no reason to expect this to change in the short run, or voluntarily. The Financial Center, for example, has been destroyed by the U.S. actions, and will never be rebuilt. Tourism is next to zero, and will stay there for some time to come. U.S. military pensions and salaries paid to Panamanians working on the U.S. bases are still being paid by the United States as of this writing, but fees for electricity, water, and other services to those bases are not. And perhaps Panama will be able to recover some revenue from the pipeline, but by and large it is safer to assume that these lines will all be at close to zero, until such time as Panama wins this battle for its sovereignty. This adds up to a net loss of foreign exchange of $1.811 billion per year, as indicated in **Table 6.**

The reader will notice that we have divided the balance of payments requirements under the Schiller Plan into two categories: those that must be paid with dollars, and those that can be paid in *pesos de oro* (or equivalent balboa IOUs). This is because Ibero-American trade—as mentioned above—need not be paid in dollars, and Panama's deficit on this account can be handled differently than its dollar deficit.

The reader should also note that, just as most of Panama's dollar income has dropped to zero in the current crisis, so too

TABLE 3

Ibero-America can satisfy Panama's import needs

(millions of dollars)

	1984	Schiller Plan		
	Imports from Ibero-America	Imports from Ibero-America	% Imports from rest of world	Potential provider
FOOD	22	128	100	
Meat and fish	6	20	100	Argentina, Peru, Costa Rica
Dairy	0	17	100	Argentina
Cereals	7	40	100	Argentina, Guatemala, Colombia
Fruit and other	6	35	100	Argentina, Brazil, Chile, Costa Rica
Edible oils	3	16	100	Argentina
FUEL	343	367	100	Aruba, Ecuador, Mexico, Venezuela
CHEMICALS	36	114	76	
Basic & fertilizers	12	50	83	Argentina, Brazil, Colombia, Costa Rica, Mexico
Pharmaceuticals	18	34	62	Argentina, Costa Rica, Guatemala, Mexico
Misc. plastics	6	30	91	Argentina, Brazil, Costa Rica, Mexico
BASIC MANUFACTURES	38	134	62	
Rubber	2	2	15	
Paper	7	10	18	Argentina, Brazil, Colombia, Costa Rica, Peru
Textiles	7	40	83	Brazil, Colombia, Costa Rica, Peru
Metals	11	47	100	Brazil, Costa Rica, Mexico, Venezuela
Other	11	35	71	Argentina, Brazil, Mexico
MACHINERY	21	95	43	
Non electric	8	35	41	Argentina, Brazil, Mexico
Electric	8	30	56	Argentina, Brazil, Mexico, Peru
Transportation	5	30	38	Argentina, Brazil, Mexico
MISC. MANUFACTURES	11	35	36	Argentina, Brazil, Colombia, Mexico, Peru, Venezuela
TOTAL	471	871	74	

TABLE 4
Composition of Panama's exports, 1986
(millions of dollars)

Bananas	70	(22%)
Shrimp	68	(21%)
Coffee	30	(9%)
Petroleum products*	20	(6%)
Sugar	20	(6%)
TOTAL	327	(100%)

*1985 figure
Source: *Panamá en Cifras.*

will its payments—for debt service, profit and personal remittances, and capital flight ("errors and omissions" in the offical tables). The conclusion from Table 6, which may surprise many readers, is that *Panama is perfectly capable of generating enough dollars from the Colón Free Zone and exports to Europe and Asia, to cover all required dollar payments for necessary imports—if the source of imports is shifted heavily toward Ibero-America,* and if the resulting balance of trade deficit with Ibero-America ($827 million) is covered with peso de oro credit lines to Panama in that amount.

If there is any delay in the establishment of the peso de oro, Panama could just as readily pay the sister nations of Ibero-America with Panamanian government bonds. These new "Sovereignty Bonds" would be redeemable in dollars by the Panamanian government, at the point that the United States ceases its illegal blockade of the Panamanian economy, and thereby frees up the nearly $2 billion per year in payments now being withheld. Thus, Ibero-America would essentially be giving Panama an emergency trade line of credit of about $850 million per year, until such time as victory is achieved. In this way, the fate of Panama and of Ibero-America are properly linked together, both economically and politically.

It should also be noted that an $850 million per year Ibero-American credit line to Panama is a truly minuscule amount of money. It is less than 3% of the total annual debt service payments of $35 billion which Ibero-America makes to its usurious creditors every single year. Surely, Ibero-America can afford to lend Panama 3% of the amount it obediently pays to the banks every year!

Monetary and currency reform

Since its birth in the first decade of this century, Panama has had two, equally significant limits placed on its national sovereignty. First, the Panama Canal and Canal Zone—now scheduled to revert to exclusive Panamanian sovereignty in the year 2000. Second, the lack of a national currency—Panama has instead used the U.S. dollar.

Throughout history, it has been the case that no nation can be fully sovereign if it does not control its own money supply and credit policy. If some foreign nation or international institution controls your credit, in a time of crisis they can control your entire economy and national livelihood and dictate terms to you—as Panama has painfully learned during the current crisis.

To reassert sovereign control over its own monetary affairs, Panama can immediately re-charter the Banco Nacional de Panama into a fully state-owned Banco de la Nación (BN)—as distinct from an "independent" central bank of the sort the IMF always demands. The BN's first mission would be to issue some sort of negotiable instrument for transactions in the domestic economy, i.e., a new Panamanian paper currency, the balboa.

The model for these actions is what was done by the United States itself as it was establishing itself as a nation. Even before the Declaration of Independence of 1776, the Massachusetts Bay Colóny was issuing its own paper currency to facilitate economic growth in the colonies. And then, in the 1789-91 period, Alexander Hamilton established the First National Bank of the United States, which channeled credit preferentially toward areas of industrial and agricultural growth, and away from speculation. Thus, what Panama would do today is no more nor less that what the United States itself did over 200 years ago.

Panama's new balboa would be backed up the same way any currency of Ibero-America now is, with hard currency reserves in the BN (dollars, deutschemarks, yen, gold, etc.) Detailed calculations should be done to establish more precise proportions, but it is our preliminary estimate that an economy as small as Panama's could get by with about $150 million in hard-currency reserves, which corresponds to about six months of Panama's projected hard-currency expenditures on imports.

Panama does not have this amount of reserves at this time, and so Ibero-America must again come to the rescue. They must either lend Panama $150 million in dollars, on favorable terms, or else make long-term deposits of that amount in the BN. To defend these dollar reserves, Panama will have to

TABLE 5
Destination of Panama's exports
(millions of dollars)

	1986	Schiller Plan
Ibero-America	40 (12%)	40 (13%)
Colón Free Zone	4 (1%)	4 (1%)
United States	224 (69%)	0 (0%)
Other	59 (18%)	259 (86%)
TOTAL	327	303 (100%)

Source: *Panamá en Cifras.*

prohibit the free convertibility of balboas into dollars, and do something that no nation of Ibero-America has dared to do in the recent past, with the exception of Mexico under José López Portillo in 1982: Slap on tight exchange and capital controls. This is the only way to prevent the flight of these dollar reserves, especially in the face of the kind of extreme economic warfare Panama is suffering. It is also the only way to maintain the parity of the balboa, and prevent its forced devaluation through international monetary speculation, as has occurred with so many other Ibero-American nations.

This has drastic implications for the functioning of the Panamanian economy—but none as drastic as its outright destruction, which will otherwise occur if measures such as these are not adopted. The Financial Center banks, for example, will no longer be able to freely transfer funds in and out of the country. Banking secrecy will end. And the Ibero-American drug mafia will no longer be able to launder their funds through Panamanian accounts and will have to take their business elsewhere—a loss which will surely benefit Panama. In short, the Financial Center, as we now know it, is finished, thanks to U.S. economic warfare. The private banks now operating in Panama can be encouraged to convert from offshore activities to the servicing of the domestic economy, under government guidelines.

On matters of trade, a kind of "foreign exchange budget" could be established and allocated by the government, in order to guarantee that the most strategically necessary imports are purchased, and luxuries are not.

And in terms of the domestic economy, the BN can play the same dirigistic role Hamilton's bank did: It can encourage productive economic activities that are in the national interest, through low interest rates and other favorable terms, and penalize speculative and unproductive uses of credit with onerous interest charges. This would create a business climate highly favorable to profitable business activity, and lay the basis for mutually beneficial cooperation between the government and the private sector.

Economic reactivation

What are the immediate tasks of economic reactivation? The first and most immediate, is to provide new, productive employment for those workers dislocated by the current crisis. Although precise numbers are not available, some useful estimates can be made of the number of jobs involved.

Panamanian economists estimate that unemployment in August 1987 stood at almost 90,000, or 12% of the economically active population. On top of that, the immediate effects of the crisis have thrown another 10%, or 75,000 people, out of their jobs. Much of this is hopefully short term, and will be reversed immediately once the credit and monetary system is functioning normally. This is the case, for example, with workers at factories that can't open because there is no banking activity available. Perhaps 50,000 of the 75,000 newly unemployed are in this category; but the remaining 25,000 will have to find new jobs.

TABLE 6

Panama's balance of payments

(millions of dollars)

	1985		Schiller Plan	
			Dollars	'Pesos de oro'*
Debits	**2,182**		**305**	**871**
Import of goods (CIF)	1,444		305	871
Debt service	316		0	0
Profit remittances	113		0	0
Personal remittances	56		0	0
Capital flight	253		0	0
Credits	**2,449**		**577**	**44**
Exports of goods	320		259	44
Colón Free Zone surplus	211		211	0
Port services, etc.	107		107	0
Canal payments (net)	301		0	0
U.S. military payments	227		0	0
Pipline	228	1,811	0	0
Tourism (net)	135		0	0
Financial center (net)	560		0	0
Other (net)	315		0	0
BALANCE	**+267**		**+272**	**−827**

*The gold-backed reserve currency proposed for the use of the Ibero-American Common Market by Lyndon LaRouche, Jr.

Source: *Situación Económica, Balanza de Pagos*. Statistics and Census Administration, Panama.

There is a second kind of unemployment created by the crisis. For example, it is likely that of the 9,000 banking sector jobs, as many as 6,000 will disappear as a result of the elimination of the Financial Center. Hotels and restaurants will also suffer both from the elimination of the Center and from the contraction of tourism, which may eliminate another 9,000 jobs in that sector. There will certainly be some ripple effects of these firings in other areas, so it may be estimated that another 10,000 jobs may be lost for this reason. Thus, we are talking about another 25,000 newly-unemployed workers that will need jobs. So, in total, it will be necessary to create at least 50,000 new jobs immediately.

In the medium term, jobs must also be created for the 90,000 now officially unemployed, as well as for the 20,000 or so new workers who enter the labor force each year.

To determine how and where these jobs can be created, it is necessary to examine the current employment picture in Panama more closely, and to look at the overall strengths and weaknesses of the economy.

Figure 1 shows the historical evolution of Panama's labor force since 1950, in comparison with the rest of Ibero-America and South Korea. As with most other countries, the percentage of the labor force in the agricultural sector has fallen from between 50-60% in 1950 to the 20-30% range now. This development in itself is positive, but in Panama, as in much of the rest of the region, it has had two drawbacks: Agriculture is still quite backward, and the new non-agricultural jobs have not been primarily in industry, but in services. The result is underproduction of the real wealth required for development, and a stunting of the industrial structure in favor of export-oriented assembly plants and the maintaining of a colonial pattern of primary product exportation.

This has led to the current employment picture, which we present in more detail in **Table 7.**

The most glaring weakness of Panama's economy is its skewed employment pattern. Less than 10% of its workforce is in manufacturing, the lowest figure for any Ibero-American country outside of Haiti. And within manufacturing, almost the entirety of the output is light consumer goods, with food products alone accounting for almost one-third of total output. There is no heavy industry to speak of, and very little output of machinery items of any sort. The only relative bright spot is the Colón Free Zone, which processes $1.5 billion in imports into $1.7 billion of exports, and involves a much wider range of products than are otherwise produced. But this Zone is managed separately from the rest of the economy, and is a virtual enclave.

The counterpart of this low figure, is the very high employment figure in services. One major chunk of services is the result of the policy forced on Panama in the 1970s, to make its income from its offshore banking operations and other "Hong Kong-style" activities. Another significant component is domestic servants, who outnumber those employed in all other non-government services, and who account for two-thirds as many workers as the entirety of the manufacturing sector. The third area of services, the government sector, largely corresponds to the buildup of needed government services for the population.

On the other hand, Panama also has some notable strengths, especially in terms of the quality of its labor force. Relative to the size of its population, Panama has more students in the secondary and university levels than almost every other country in Ibero-America. Thus, 17.8% of its non-agricultural employed labor force has completed high school and attended university for some period of time; another 25.7% have completed between 3 and 6 years of secondary education; and 18.4% have completed 1-3 years of secondary education, for a total of 62% who have gone beyond a primary education. The average number of years of schooling completed is 9, only 2% have no schooling, and 6% have less than 3 years. The average wage level is among the highest in Ibero-America.

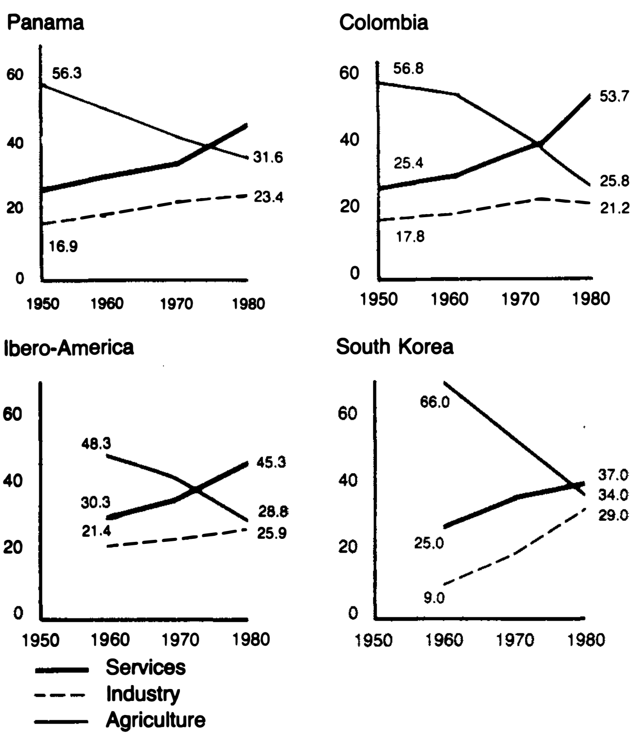
Also on the plus side are advances in infrastructure. In 1984, Panama completed a major expansion of its hydropower system, and presently produces more electric power per capita than Mexico and Colombia, and almost as much as electricity-rich Brazil. Furthermore, it has a margin of 20% of reserve capacity of thermal power which would be tapped if there were industrial customers for it. So, the country would have no trouble accommodating a large number of new factories without straining its existing power network.

As for availability of construction materials, Panama produced 565,000 tons of cement in 1981, which is 250 kilograms per capita—a higher level than that for any of the major countries of Ibero-America.

Taking all of these factors into account, the most efficient way to create most of the required new jobs is in the area of construction and infrastructure, both because of the relatively low level of capital required per new job, and the speed with which new projects can be begun. This requires identifying the projects, and coming up with the capital investment required.

Panama badly needs to overhaul the railroad that services the Canal. Panama inherited it in dilapidated condition, and has not heretofore been able to restore it. A second project is improving the road system, in which only 8% of its 10,000 kilometers of roads are well paved, and two-thirds are not

FIGURE 1
Composition of the workforce: 1950–80
(percentages of total)



Sources: ECLA and World Bank.

TABLE 7

Panama's employment, by area, 1984

	Employed	% of total employed	Unemployed	% of employed*
Total population	2,245,400			
Economically Active Population (EAP)	682,700			
Never worked			29,572	
Employed	613,937	100.0		
AGRICULTURE	174,982	28.5	2,801	1.6
MANUFACTURING/ MINING	60,763	9.9	6,062	9.1
Non-durables	44,309			
Durables	15,658			
UTILITIES	8,403	1.4	205	2.4
CONSTRUCTION	31,576	5.1	5,278	14.3
TRANSPORTATION	35,793	5.8	2,977	7.7
TRADE	89,951	14.7	8,634	8.8
Retail	56,106			
Wholesale	16,106			
Restaurants, hotels	17,080			
FINANCE, BANKING, REAL ESTATE	22,956	3.7	1,170	4.8
Banking	9,000			
Real estate, etc.	13,956			
SERVICES	174,919	28.5	10,801	5.8
Government	102,887			
Public admin. & defense	42,173			
Other	60,714			
Domestic	39,960			
OTHER	32,072			
CANAL AREA	14,594	2.4	1,295	8.2

*Percentage of unemployed in each category

Source: *Situación Económico, Estadísticas del Trabajo: Año 1984.* Statistics and Census Administration, Panama.

paved with all-weather surfacing. The entire network needs to be expanded; the 2,500 km of dirt roads upgraded to semi-paved, and the 4,000 km of semi-paved should be fully paved. In particular, adequate roads need to reach every farm in the country, to guarantee every cultivator access to market, fertilizer, and tractors. Also, an improved network will facilitate constructing and operating the new factories to be built over the next several years.

There are exciting possibilities involving the development of the former Canal Zone, as well as further port and fishing development. Construction work is also required for new hydropower projects to come on line in coming years, to keep ahead of rapidly growing demands for power. And construction of new factories will shortly also be required. These projects are all in addition to the normal requirement to construct new housing and commercial structures as population and the economy expand.

We estimate that perhaps up to 25,000 new workers could be quickly absorbed into the construction sector, and more later as projects get under way, virtually doubling the size of the sector's labor force. It is quite feasible that an equivalent number of jobs will thereby be created in ancillary industries—the construction materials industries (cement, bricks, lumber, gravel), additional transport, and other jobs. So, the emergency 50,000 jobs can be entirely provided for, if an aggressive infrastructure construction program is launched.

Some of these jobs will cost little more to create than the cost of the added wages. For others, some equipment will need to be provided, and for still others, some import of machinery or building materials. Nonetheless, it can be roughly estimated that the cost per new job should be well under the average cost for new manufacturing jobs. If, hypothetically, each new job required $10,000 of investment, including wages, a total of $500 million would be needed, of which the majority could be covered by new credit issued through the Banco de la Nación, and no more than $200 million would need to be provided, in the form of credits, from the rest of the Ibero-America.

The second major area to be worked on in the short term is agriculture. Official figures for yields establish conclusively that where adequate fertilizer and tractors are employed, yields are double or triple the national average. Panama's has 4,150 tractors in operation, a level which has stagnated since 1978, and several thousand more tractors need to be imported immediately, most likely from Argentina, which once had a capacity for building 30,000 tractors a year. Total fertilizer consumption has been stagnant since 1975, and needs to be immediately doubled from its present range of 23,000 tons. Within 1-2 years, total output of maize and rice can easily be doubled. This would permit Panama to cease importing $8 million of maize and $12 million in animal feed grains, and might even permit substitution of maize flour and rice for some portion of the $12 million of wheat imported annually. But it would also begin to transform the countryside and raise the rural income level, stimulating creation of ancillary jobs in this sector.

In the short-term, such efforts in the areas of infrastructure and the technological improvement of agriculture will solve Panama's immediate crisis, and lay the basis for the greatest development task which awaits it: the construction of a second, sea-level canal.

But more importantly, what will be demonstrated is an even more fundamental point. If the smallest, most dependent, and vulnerable nation of Ibero-America can survive an all-out economic assault by the United States and the international banks—and we have demonstrated that it can—let no Ibero-American political leader ever again justify his own cowardice in the face of the IMF, the State Department, or the creditor banks with the argument that his nation could not withstand the economic embargo that would result from fighting the looting of the IMF and the banks. If Panama can do it, so can every nation of Ibero-America.