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## The Helms Hearings

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# Terrorists, bankers testify vs. Panama

At Sen. Jesse Helms's initiative, terrorist-linked witnesses threatened violence against the Panama Canal, before official hearings of the Subcommittee on Western Hemisphere Affairs of the Senate Foreign Relations Committee. The March 10 hearings mark a day of infamy for the senator, who was once looked to as a bastion of patriotism in the Senate.

While Panamanian opposition witnesses promised violence, former U.S. special assistant on National Security Affairs, Norman Bailey, demanded that the U.S. government expend its efforts to return to power a man who dedicated his career to opening the doors of Panama to drug-money banks, Nicolás Ardito Barletta, a former vice-president of the World Bank. For 10 years, Barletta ran Panama's "off-shore" banking center, bragging that under his direction, Panama guaranteed "more secrecy laws than Switzerland."

Bailey seemed to have a grudge against Panamanian Defense Force Chief Gen. Manuel Noriega, for allegedly forcing Ardito Barletta to resign from the presidency last September. He departed from his prepared testimony to remark that it was not true that he was being paid to destabilize the government of Panama, as had been published in the Panamanian press. Although he did not say so, Bailey was referring to a story written by *EIR*, which reported that Barletta had hired Bailey's investment advisory company, Colby, Bailey, Werner & Associates, to represent him in the United States!

The testimonies which we excerpt here, from Bailey and other witnesses, all assume that Panama has no choice but to accept the dictates of the International Monetary Fund and World Bank, which demand that "foreign investors" be granted even more freedom from scrutiny than they now enjoy. Here Bailey made no claim that his testimony was disinterested; Colby, Bailey, Werner & Associates openly admit that they intend to become "the first true investment bank in Washington," and have former Wall Street bankers and IMF officials on their board.

*Statement by Sen. Jesse Helms to the U.S. Senate Committee on Foreign Relations Subcommittee on Western Hemisphere Affairs, March 10:*

... 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 to 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. Despite the many additional millions of dollars which the treaties have brought to Panama, the Republic faces an economic crisis. Unemployment has reached catastrophic proportions. And its political structure has almost ceased to operate effectively. 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. Panama's free press, with traditions stretching back to the founding of the Republic, feels increasing pressure and intimidation. . . .

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 believe that it marks the end of Panama's independence and signifies the hidden takeover of the country by illegitimate and anti-democratic 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.

Recent events in the Philippines illustrate graphically the instability that results for a society that is not open and dynamic. 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. . . .

*Testimony of Norman A. Bailey, former U.S. special assistant on National Security Affairs:*

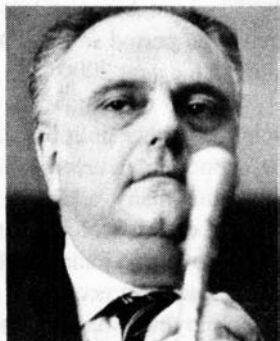
... On September 27, 1985, Panama suffered the first reversal of the process of democratization since President Reagan assumed the presidency. President Nicolás Ardito Barletta was forced out of office as a direct result of the new cycle of state-supported narco-terrorism the Panamanian Defense Forces (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, found earlier that month in a U.S. mailbox, de-



*Senator Helms*

capitated and showing particularly brutal torture marks on his body. He was last seen alive while under arrest by a member of the G-2, the PDF security forces. He was returning to Panama after vowing publicly to expose key PDF officers' involvement in the drug traffic. . . .

The reason given for Barletta's ouster was the country's economic and financial crisis and his inability to deal with it. Panama's crisis descended, ironically, on the eve of the international financial convocation in Seoul, where the U.S. unveiled the outline of a new program for dealing with Latin America's huge external debt—thus offering these countries a light at the end of the economic tunnel for the first time in three years. . . .



Norman Bailey

The overthrow of President Barletta's government is triply dangerous. In the first place, his downfall, as mentioned, is the first reversal of the recent process of democratization in Latin America. Second, the excuse used (and it is certainly nothing more than an excuse) crisis. There is not a country in Latin America where this pretext could not be used to justify a coup. Thus the worst fears of the pessimists may be coming true. Finally, [Gen. Manuel Antonio] Noreiga, widely suspected of drug dealings and the murder of an opposition figure shortly before the coup, has indicated that he staged the takeover to forestall a similar action by his second-in-command, Lt. Col. Roberto Díaz Herrera, a leftist with reported ties to the Sandinistas

and Castro, who was slated for retirement early this year, but did not.

Nicolás Barletta claims that he is still constitutional President of Panama. . . . Since the coup d'état, Panama has been steadily moving farther into the narco-terrorist orbit, the military openly taking over key civilian institutions, one by one, such as the ports, airports, railroad, customs and immigration services. The ingredients are there for Panama to become the first country to institutionalize the drug traffic and laundering of narcodollars under the auspices of a government run by the PDF. . . .

The present voice of Panama in the Contadora process is the voice of a government controlled by military officers who regularly visit Managua and Havana . . . given the dangers of the lethal formula of drugs plus guns in strife-ridden Latin America, is it too much to ask the countries of the Hemisphere to meet in the council of the Organization of American States, put aside their habitual hypocrisy for once and demand that the constitutional president of Panama be restored to the exercise of his office? . . .

*Statement of Laura Spadafora Justice, sister of terrorist Hugo, read to the Subcommittee by Adelaida Eisenmann, head of the Panamanian Human Rights Committee:*

. . . 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. Panama's dictatorship has received almost the highest per capita U.S. aid support in the world. There is visible multi-million dollar ostentation by

## Qaddafi, Spadafora, and a plot against Guatemala

Former Panamanian terrorist turned "Contra," Hugo Spadafora, hailed by Sen. Jesse Helms (R-N.C.) floor of the Senate on March 10 as an "insistent critic" of the Panamanian military, in 1980 received \$4 million and an unspecified amount of arms and military equipment from Libya's Col. Muammar Qaddafi, in order to build a new insurrection against the government of Guatemala.

According to information uncovered by this news service, Qaddafi financed the creation of Spadafora's International Brigades, whose mission was to establish a "beachhead" for their insurrection in Belize, with weapons transhipped through Surinam, and from Belize to launch a bid to overthrow the Guatemalan government.

Spadafora suggested that the plan would also give crucial support to the Salvadoran "revolutionary movement."

This is the same Hugo Spadafora whom Senator Helms now cites as a model of courage, in his ongoing campaign to destabilize the Panamanian government and replace it with avowed Nazi Arnulfo Arias. Spadafora was killed in September 1985, by unknown persons, and since then a campaign has been launched to pin his murder on the Panamanian Defense Forces and its commander, Gen. Manuel Noriega.

EIR uncovered Spadafora's Guatemalan plot while researching the Nazi background of the leader of Panama's Democratic Opposition Alliance, Arnulfo Arias Madrid, whom aides to Senator Helms have stated they will help to return to power in Panama. Arias and Spadafora are first known to have worked together in 1969, when Spadafora joined the terrorist resistance organization established by Arias, to combat the new Torrijos government.

officers in the military and their cronies, who travel to Paris and Switzerland on almost a weekly basis. There was a grossly fraudulent U.S.-inspired election in which the loser was declared the winner. . . .

The major differences with the Philippines situation is that Panama does not yet have a violent insurgency movement, and the fact that the Panama military governs through a figurehead civilian President who is assigned and "resigned at will". . . .

The Panamanian Defense Forces functions more like a gang of thugs than a military institution. Corruption is rampant. . . . Frustration is reaching the boiling point when the Panamanian people are no longer prepared to accept fraudulent elections, and human rights abuses. . . .

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. . . .

*Testimony of Ambler H. Moss, Jr., dean of the Graduate School of International Studies, University of Miami:*

The ouster of President Ardito Barletta, the first elected president after 16 years of military and quasi-military rule, 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, with the Panamanian private sector in strong agreement. . . .

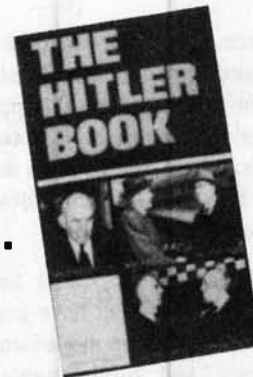
Panama could become a very successful economy by the proper application of the private-sector strategy of the Caribbean Basin Initiative. . . .

The negative factor most often cited by foreign investors in Panama as standing in the way of these desired ends is the country's labor law, which the government is committed to change. . . .

*Testimony of Dr. Richard L. Millett, senior policy adviser for Latin America for Frost and Sullivan lawfirm:*

. . . There have been signs of growing turmoil within Panama. Part of this has centered around the current economic crisis and resultant labor unrest, but it has also involved such shocking events as the killing of a prominent political figure, Dr. Hugo Spadafora, and the kidnaping of businessman Sam Kardonski. [Kardonski's kidnappers were rumored to be Colombia's M-19 terrorists, angry that he refused to release \$10 million they had deposited in his Tower Bank!—ed.]

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