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Panama in 1900

In the late 19th and early 20th century, Latin America was characterized by relatively new political leadership, social reform movements, and a growing presence in the world’s economy. As the nations of Latin America were developing stronger ties to world markets and increasingly participating in international affairs, they were still struggling with the legacy of colonialism, decades of turmoil and conflict, and stunted economic growth.[[1]](#footnote-1)

The obstacles to modernization and economic growth in Latin America during that era were numerous.  In 1900, Latin America still had an almost entirely goods based relationship with the rest of the modern world - from coffee to natural mineral resources[[2]](#footnote-2), and even its geographical location. [[3]](#footnote-3)

Panama is unique among Latin American nations because it most important resource is not coffee, gold or tobacco but its own geographic location. Both during the colonial period and after its independence from Spain in 1821, Panama was a coveted prize because of its strategic geographic position. The Isthmus of Panama is mostly a hot, humid jungle with some limited area of plains. Consequently, agricultural export and the cash crop economy that was typical of many other countries in the region never took hold in Panama. Because agriculture was not so important in Panama, there was never a large slave population. While there were some indigenous people, the majority of the population were mestizos, people of mixed European and Native American/indigenous ancestry. Creoles, Europeans who were born in Latin America, were at the top of the socio-economic hierarchy. [[4]](#footnote-4)

Panama became independent from Spain in 1821, but as a small nation with few resources, it remained under the influence of its larger neighbors.  Rather than becoming an independent nation in its own right, Panama with the addition of Ecuador, joined Colombia to become the nation of Gran Colombia. The relationship between Panama and Colombia was not one of equals. Colombia saw the Isthmus of Panama as a bargaining chip that could be used to further its own to economic and political ends.

This powerlessness felt by Panama served to fuel nationalist sentiment in the country throughout the 19th century. Particular interest was drawn to Panama during the gold rush in the United States. “Argonauts” or gold prospectors coming from the eastern part of the US would take boats to Panama and then cross the Isthmus by land and then take a boat from the Pacific coast north toward California. With the sudden influx of gold prospectors, attention was drawn to the need for better transportation across the Isthmus.[[5]](#footnote-5) Britain, France and the United States all expressed interest in building a railroad or canal across the Isthmus, but the contracting companies often times lost interest after realizing just how expensive it would be. In 1847, the US would negotiate transportation rights with the Colombian government in Bogotá over Panama. The Panamanian railroad would be completed in 1855 and it would be an extremely profitable investment despite the exorbitant construction costs. The success of the railroad would intensify the international interest for a Panamanian Canal.

In 1870, the United States attempted to once again negotiate with Colombia, but this time it was for the building of a canal in Panama. Bogota refused the offer because of certain stipulations from Washington, such as US priority during wartime. In 1878, a French company became interested in constructing a canal and offered a deal to Colombia that was accepted. The French company began constructing the canal in 1879 and ran into immediate problems. Yellow fever and malaria decimated the number of workers as well as French officials overlooking the construction and led the French to refer to Panama as, “the White man’s graveyard”. Over a ten year period it was estimated that 22,000 workers died. In 1889, the French company went bankrupt.[[6]](#footnote-6)

The Colombian government’s only hope was that the French company would be able to find a new buyer. During this point in time, the US was already moving forward with the construction of a canal in Nicaragua. Nicaragua had been the other strategic country that many powers had considered as an alternative to Isthmus of Panama. However, the US Company that was constructing the canal in Nicaragua also experiencing difficulties and that company would ultimately go bankrupt after digging only one kilometer.[[7]](#footnote-7) After the failure of the French in Panama and the failure of the US in Nicaragua, it was looking less likely that a canal would be built.

The man who changed that was Frenchman Phillippe Bunau-Varilla.  Bunua\_Varilla was the chief engineer in the French company that had failed in its effort to build the canal in Panama. He had spent much the 1890s looking for a new potential buyer for the company. In 1899 Varilla went to Washington to lobby for the Panamanian canal option over the Nicaraguan. He ultimately succeeded by convincing the Senate that Nicaragua would be a worse option because of the volcanic activity there, using a postage stamp as evidence. [[8]](#footnote-8)

His argument convinced the U.S. lawmakers and it was decided that the French company would be purchased for 40 million USD. The US made the offer of 10 million USD to the Colombian government with an annual payment of $250,000. However, the Colombian government thought they could sell it more and thus stalled for almost a year considering the offer. But during that year the political climate was changing in Panama and the Panamanian quest for independence from Colombia began.

In 1898 a new Colombian president was elected, Manuel Antonio Sanclemente. It was a time of economic difficulty in Colombia and Sanclemente's negotiations with the US and French governments over the issue of the canal was going nowhere. The opposition liberal party took the opportunity to seize the government thus leading to the “Thousand Days” war.  The unrest in Colombia gave Bunau -Varilla the opportunity to meet with leading Panamanian secessionists in New York where he promised them US support in their endeavor for independence.[[9]](#footnote-9)

In 1903 Panama became independent with the assistance of US warships that prevented Colombian troops from getting to Panama and stopping the rebels. Colombia would plead with European countries for the next several years before finally accepting the loss of Panama in 1921. Bunau-Varilla had negotiated with the Panamanian reformers that should Panama achieve its independence, he would be instated as Panama’s foreign diplomat. After independence, Varilla was instructed by the Panamanians not to sign any documents from the US without further discussion and consideration by the Panamanian government. Despite this directive, Bunau-Varilla focused his attentions upon the construction of the canal and he took it upon himself to offer a canal contract to Secretary of State John Hay who eagerly signed the treaty. The completion of the construction of the Panama Canal in 1914 would make Panama increasingly economically dependent upon the United States.[[10]](#footnote-10)

The story of Panama in 1900 is rife with contradictions, of which, Eric Hobawms says was typical for that time period.[[11]](#footnote-11) From a political viewpoint, the country searched for independence from Gran Colombia in hopes for gaining more autonomy over its own internal affairs. Although Panama did finally gain independence from Colombia nearly 80 years after gaining independence from Spain, it was unable to maintain autonomy over its most important natural resource. While the US had previously expressed anti-imperialist sentiments prior to 1900, they became increasingly interested in obtaining foreign assets in Latin America after the Spanish American War.

The biggest contradiction in the story of Panama is an existential dilemma.  Panama’s independence could only be achieved by leveraging its natural resource through the building of a canal, but the cost of that technological development was the country’s independence.  Latin American countries that have agriculture or minerals as their principal economic products might be able to develop those sectors using cheap local or imported labor, and thereby maintain control over its economy. But while many workers who immigrated to Panama during the building of the railroad in the 1850s and the construction of the Panama Canal in 1903 were unskilled, it was the engineers with their technical know-how and the superpower capitalists who made the building of the canal possible. Control of the canal and its economic benefits remained in the hands of US interests until 1976. So can a country truly be independent if its economy is in the hand of another nation? Was Panamanian independence just words on a piece of paper? Perhaps that is something only the Panamanians can answer.

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2. Robert Tignor et al, Worlds Together Worlds Apart, 636 [↑](#footnote-ref-2)
3. David Castellano, Causes of the Panamanian Revolution of 1903 [↑](#footnote-ref-3)
4. Robert C. Harding, The History of Panama, 6 [↑](#footnote-ref-4)
5. Harding, 18 [↑](#footnote-ref-5)
6. Harding, 23 [↑](#footnote-ref-6)
7. Harding, 28 [↑](#footnote-ref-7)
8. Castellano [↑](#footnote-ref-8)
9. Harding, 29 [↑](#footnote-ref-9)
10. Harding, 31 [↑](#footnote-ref-10)
11. Eric Hobsbawm, The Age of Empire, 9 [↑](#footnote-ref-11)