

Dan Rather Reports

Episode Number: 713

Episode Title: A Panamanian Passageway

Description: As Panama's economy sizzles, the tiny country is being is threatened by the same lethal mix of guns, drugs and dirty money that has brought chaos elsewhere in Central America. And the U.S. government has taken notice

DAN RATHER (ON CAMERA)

GOOD EVENING. WE COME TO YOU TONIGHT FROM THE BANKS OF THE PANAMA CANAL. NOT LONG AGO, THIS SMALL COUNTRY WAS DISMISSED AS A BACKWATER, A BANANA REPUBLIC. BUT TODAY, BUSINESS IN PANAMA IS SIZZLING, MAKING IT A GOOD NEWS STORY IN A POOR AND VIOLENT PART OF THE WORLD.

RATHER (VOICE OVER)

PANAMA IS SURROUNDED BY COUNTRIES PUSHED TO THE BRINK OF ANARCHY BY DRUG VIOLENCE. WE ALL KNOW WHAT'S HAPPENING IN MEXICO...AND TO THE SOUTH, COLOMBIA HAS LONG BEEN THE WORLD'S TOP SUPPLIER OF COCAINE. IN BETWEEN ARE COUNTRIES LIKE GUATEMALA...EL SALVADOR...NICARAGUA, NOW BATTLEFIELDS FOR COMPETING DRUG CARTELS...AND HONDURAS --TODAY, THE DEADLIEST PLACE ON EARTH... AND THERE, SMACK DAB IN THE MIDDLE OF IT ALL, IS PANAMA. AND MORE IMPORTANTLY...THE PANAMA CANAL. THE CANAL WAS BUILT, GUARDED AND OPERATED BY THE UNITED STATES UNTIL IT WAS HANDED OVER TO PANAMA AT THE VERY END OF THE 20TH CENTURY.

TODAY THE CANAL RAKES IN A STAGGERING BILLION DOLLARS A YEAR, MONEY THAT HAS GONE DIRECTLY INTO BUILDING UP THIS ONCE-POOR NATION...AND REVENUES ARE EXPECTED TO DOUBLE IN 2014, WHEN A MAJOR CANAL WIDENING PROJECT, VIRTUALLY A SECOND PANAMA CANAL, IS FINISHED. FIVE PERCENT OF ALL GOODS TRADED AROUND THE GLOBE TRAVEL THIS 50-MILE STRETCH OF WATERWAY...THE WORLD ECONOMY DEPENDS ON ITS STABILITY. PANAMA IS BOOMING...THE CAPITAL, PANAMA CITY, HAS A GLEAMING NEW SKYLINE THAT RIVALS MIAMI'S...NOT TO MENTION A SURGING TOURISM INDUSTRY -- THE NEW YORK TIMES CALLED PANAMA THE PLACE TO VISIT IN 2012...THIS TINY COUNTRY HAS BECOME A MAGNET FOR FOREIGN INVESTMENT. SOME ARE EVEN CALLING THIS PLACE THE NEXT DUBAI... YET BENEATH THE SURFACE, A DARKER BUSINESS HAS ALSO BEEN BOOMING...

RATHER (ON CAMERA)

DRUG CARTELS ARE TRANSPORTING HUNDREDS OF TONS OF COCAINE THROUGH PANAMA, EN ROUTE TO THE UNITED STATES...BY LAND, SEA AND AIR... THE UNITED STATES IS MAKING PANAMA AN IMPORTANT FRONT LINE IN THE WAR AGAINST DRUGS.

PHYLLIS POWERS, U.S. AMBASSADOR TO PANAMA

Panama geographically is the neck of the funnel where the drugs are coming north from South America to the United States.

RATHER (VOICE OVER)

WE MET PHYLLIS POWERS IN PANAMA CITY, WHERE SHE WAS SERVING AS UNITED STATES AMBASSADOR...LAST WEEK SHE WAS TRANSFERRED TO NICARAGUA... AND SHE KNOWS THE LANDSCAPE OF THE LATIN AMERICAN DRUG TRADE WELL.

RATHER

Well, Madame Ambassador, you spent time overseeing Plan Colombia, which was the major U.S. counter-narcotics effort done in conjunction with the Colombian government. Where does Panama fit in on the chess board?

POWERS

Panama, Central America, the region, is a key element. To the south, you have the countries that are cultivating and producing the cocaine. They have to-- it has to transit somehow to get north to our country, to our borders. And it's through Central America. And Panama is that narrowest portion of the route, the easiest portion, where we can have the biggest effect in disrupting the cocaine trafficking.

RATHER (VOICE OVER)

THE UNITED STATES HAS BEEN CONCERNED ABOUT THE DRUG TRADE IN PANAMA FOR DECADES. IN 1989 THE U.S. INVADED PANAMA TO OUST THE COUNTRY'S DICTATOR MANUEL NORIEGA. NORIEGA WAS WORKING CLOSELY WITH COLOMBIAN DRUG TRAFFICKERS AND THREATENED U.S. ACCESS TO THE CANAL.

BUT TODAY, MORE THAN 20 YEARS LATER, THE UNITED STATES IS AGAIN RAMPING UP ITS PRESENCE HERE -- ONLY THIS TIME IT'S BEING WELCOMED BY THE CURRENT FREELY-ELECTED PANAMANIAN GOVERNMENT...THAT'S BECAUSE THERE ARE SIGNS THAT MORE AND MORE COCAINE IS PASSING THROUGH PANAMA. AND LOOK AT THIS DATA COLLECTED BY U.S. MILITARY INTELLIGENCE SHOWING THE ACTUAL PATH OF DRUG BOATS COMING OUT OF COLOMBIA...EACH LINE REPRESENTS A DIFFERENT VESSEL...AND MOST CONVERGE ON PANAMA. HERE'S WHAT IT LOOKS LIKE IN REAL-TIME, COURTESY OF U.S. SURVEILLANCE VIDEO PROVIDED TO US. THIS IS FOOTAGE OF A U.S. COAST GUARD BOAT RAMMING A DRUG SMUGGLING LAUNCH PACKED WITH COCAINE.

BUT IT'S NOT JUST THE AMERICANS WHO ARE TAKING THE THREAT SERIOUSLY. AMBASSADOR POWERS SAYS THE CURRENT PANAMANIAN GOVERNMENT IS FINALLY CONFRONTING TRAFFICKERS.

POWERS

Over the last three years, Panama has seized more than 140 tons of cocaine. That's more than any other country in the region, in all of South America or the Central American countries. So that's a tremendous bit of disruption that has occurred. And that's 140 tons that hasn't reached our borders to our kids.

RATHER

Well, that being the case, why am I to think that Panama could become what Mexico has become, something close to a narco state?

POWERS

I don't think that will happen because Panama is very alert to their situation. They are actively working to preclude it. They're paying close attention. They have seen that violent crime follows drug traffickers.

RATHER (VOICE OVER)

BUT ON THE STREETS OF PANAMA CITY, JUST A FEW MILES FROM THE CANAL, THERE ARE SIGNS TRAFFICKERS ARE GAINING GROUND...IN THE PAST DECADE, HOMICIDES HAVE DOUBLED HERE. AND OF THE 700 MURDERS REPORTED IN 2011--ALMOST ALL WERE TIED TO DRUG GANGS. PANAMA IS STILL FAR LESS VIOLENT THAN THE WORST PARTS OF CENTRAL AMERICA...BUT IT HAS A MURDER RATE THAT'S SEVEN TIMES HIGHER THAN THE AVERAGE AMERICAN CITY.

ON A SATURDAY NIGHT, WE JOINED AN ANTI-GANG UNIT FROM PANAMA'S NATIONAL POLICE. BUT THIS IS NOT YOUR NORMAL POLICE PATROL...IN A NEW INITIATIVE, DOZENS OF COPS SWARM HIGH-CRIME PANAMA CITY NEIGHBORHOODS IN NIGHTLY OPERATIONS LIKE THIS. WE ARE IN ONE OF PANAMA'S ROUGHEST SLUMS – LOOKING FOR GANG MEMBERS UP TO NO GOOD. AT WELL KNOWN HOT SPOTS, THE POLICE FRISK AND QUESTION EVERY YOUNG MAN, AND HAUL OFF ANYONE WITHOUT AN I.D...THEN, IT'S OFF TO THE NEXT CORNER.

BUT EVEN WITH THIS HEAVY HANDED POLICE PRESENCE, THE DRUG GANGS ARE GROWING MORE BRAZEN. IT'S SHORTLY AFTER MIDNIGHT...ABOUT FOUR HOURS INTO WHAT HAD STARTED AS A QUIET SHIFT. THEN, SUDDENLY, ACTION...SHOTS FIRED AT ONE OF THE POLICE VEHICLES IN OUR CARAVAN. COPS FAN OUT THROUGH A MAZE OF NARROW ALLEYWAYS AND DARK SIDE STREETS IN SEARCH OF THE SHOOTER...AFTER COMBING THE DARKNESS FOR NEARLY A HALF HOUR, THEY FINALLY EMERGE INTO THE BUSY STREET EMPTY HANDED. THE SHOOTER GOT AWAY.

POLICE SERGEANT (Translated from Spanish)

As we got closer, we started to hear explosions from an unidentified, suspicious individual. So we started combing the alleys, but unfortunately we were unable to make an arrest. Typically, we repeat operations like this every weekend, because in this area there are a number of different rival gangs.

RATHER (VOICE OVER)

AND THE DRUG GANGS HAVEN'T JUST SETTLED IN TO THE MEAN STREETS OF PANAMA'S CAPITAL. DESPITE NEW U.S. AND PANAMANIAN COUNTER-DRUG MEASURES, THERE ARE SIGNS THAT ORGANIZED CRIMINAL GROUPS ARE THRIVING ACROSS THE COUNTRY.

STEVEN DUDLEY, CO-FOUNDER, INSIGHT CRIME

The drug trafficking organizations come from all over the region.

RATHER (VOICE OVER)

FOR MORE THAN A DECADE, STEVEN DUDLEY HAS BEEN TRAVELLING TO SOME OF THE MOST DANGEROUS PARTS OF LATIN AMERICA TO RESEARCH AND REPORT ON ORGANIZED CRIME. HE'S CURRENTLY A RESEARCH FELLOW AT AMERICAN UNIVERSITY...AND CO-DIRECTOR OF INSIGHT CRIME, A THINK TANK

FOCUSING ON THE INTERNATIONAL DRUG TRADE.

DUDLEY

I think that Panama's role in organized criminal activity has become more sophisticated. They are moving money in new ways. They are moving and breaking apart large drug shipments in new and creative ways. And all of this makes it harder challenge for Panama.

RATHER (VOICE OVER)

HE SAYS ONE OF THE BIGGEST CHALLENGES HAS BEEN CLAMPING DOWN ON MONEY LAUNDERING...THE COUNTRY HAS BECOME A MECCA FOR HIDING DIRTY DOLLARS. THAT SKYLINE -- DESCRIBED AS A MONUMENT TO PANAMA'S SUCCESS IN THE 21ST CENTURY? IT ALSO HOLDS A CLUE TO ITS DARKER SIDE. ONE U.S. GOVERNMENT SOURCE TOLD US TO JUST WAIT UNTIL THE SUN GOES DOWN...THAT'S WHEN YOU SEE FLOOR AFTER FLOOR OF EMPTY APARTMENTS...DRUG CARTELS CAN'T RISK STASHING PROFITS IN LEGITIMATE BANKS...OR HOLDING ONTO MILLIONS IN CASH...SO INSTEAD, THEY LAUNDER MONEY BY BUYING REAL ESTATE.

DUDLEY

The empty buildings that you might see on the coastlines of Panama are indeed empty. They don't represent a sort of larger economic gain for the country. They represent is a means by which someone can hide their money.

RATHER (VOICE OVER)

AND SKYSCRAPERS AREN'T THE ONLY PLACE TRAFFICKERS ARE CONCEALING ILLGOTTEN CASH...PANAMA'S BANKS ARE NOTORIOUSLY OPAQUE AND UNREGULATED...HERE, IN THE CITY OF COLON, IS THE SECOND-LARGEST DUTY FREE MARKET IN THE WORLD, AND EXPERTS SAY IT'S A PERFECT PLACE FOR LAUNDERING DRUG MONEY. U.S. GOVERNMENT SOURCES ESTIMATE SOME \$14 BILLION CHANGES HANDS EACH YEAR...\$1 BILLION OF THAT IN CASH -- AND MOST WITHOUT OVERSIGHT.

LAST YEAR, THE U.S. TREASURY DEPARTMENT IDENTIFIED AND SANCTIONED MORE THAN A DOZENS OF BUSINESSES IN PANAMA THAT IT SAYS ARE FRONTS FOR COLOMBIAN AND MEXICAN DRUG CARTELS.

POWERS

Panama, like any country in the world, is at risk for money laundering. They are cognizant of that especially because of the trafficking in drugs.

RATHER

Well, as representative for the people of the United States and our government, how effective have they been, in your judgment?

POWERS

They have been effective. There's still more to be done.

RATHER

BUT EVEN PANAMANIAN OFFICIALS ACKNOWLEDGE THAT THE DRUG CARTELS ARE SOPHISTICATED. AND ARE OFTEN ONE STEP AHEAD OF THEM.

JOSE RAUL MULINO, PANAMA'S MINISTER OF SECURITY

Sometimes I must admit, this kind of organization have on the payroll, the very clever minds to-- to go the other way around, to-- not to-- to obey the laws.

RATHER (VOICE OVER)

JOSE RAUL MULINO IS PANAMA'S MINISTER OF SECURITY...HE OVERSEES ALL OF PANAMA'S LAW ENFORCEMENT FORCES...AND THE COUNTRY'S COUNTER NARCOTIC STRATEGY.

RATHER

Some people-- say, "Yes, Panama has-- done well. It's stabilized the situation. It has a good economy." But these same people have called Panama, and I quote here, "A haven for money laundering both for drug traffickers and suspected terrorist groups." Now some U.S. officials we spoke to s-- who like Panama, who admire what you've done, say "Well, this is a blind spot."

MULINO

It is not fair with-- with a country, whether Panama or any other country, to say there is a blank spot. No, no. Tell me where and we fight immediately to control it.

RATHER (VOICE OVER)

WE CHECKED MINISTER MULINO ON THIS, AND VISITED SEVERAL BUSINESSES THAT HAD BEEN SANCTIONED BY THE TREASURY DEPARTMENT JUST WEEKS BEFORE, FOR ALLEGEDLY BEING FRONTS FOR DRUG TRAFFICKERS ...SOME HAD SINCE BEEN SHUT DOWN. BUT WE FOUND TWO BUSINESSES, INCLUDING THIS MONEY CHANGER IN PANAMA CITY, THAT WERE STILL OPEN. THE ALLEGED OWNER: THE KINGPIN OF A MAJOR INTERNATIONAL MONEY LAUNDERING ORGANIZATION TIED TO THE DEADLY MEXICAN DRUG CARTEL, LAS ZETAS. DUDLEY SAYS THE UNITED STATES HAS AN INCENTIVE TO DOWNPLAY PANAMA'S PROBLEMS.

DUDLEY

I think in the case of searching for cooperation from these countries, the United States is faced with a constant dilemma and this also applies to Panama. These countries, they have something rotten at their core.

RATHER (VOICE OVER)

THE DIFFERENCE BETWEEN WHAT THE AMERICAN GOVERNMENT HAS BEEN SAYING PUBLICLY AND PRIVATELY WAS THERE FOR ALL TO SEE IN 2011. THAT'S WHEN WIKILEAKS PUBLISHED A 2010 SECRET CABLE BETWEEN THE U.S. EMBASSY IN PANAMA AND WASHINGTON THAT SAID - "NARCO-TRAFFICKING, GROWING GANGS AND A RISING MURDER RATE BEGAN TO SERIOUSLY DAMAGE PANAMA'S REPUTATION AS A SAFE PLACE TO INVEST, AND EVENTUALLY ITS STABILITY ITSELF."

AND THEN THERE'S THE ISSUE OF PANAMANIAN PRESIDENT RICARDO MARTINELLI, CONSIDERED A KEY PARTNER IN AMERICA'S COUNTER-NARCOTICS STRATEGY. ACCORDING TO ANOTHER WIKILEAKS CABLE, PRESIDENT MARTINELLI THREATENED TO REDUCE COUNTER-NARCOTICS COOPERATION UNLESS THE UNITED STATES HELPED HIM WIRETAP HIS POLITICAL RIVALS. PRESIDENT MARTINELLI HAS DENIED THIS ALLEGATION.

DUDLEY

The United States will never turn its back on Panama, largely because the Panama Canal. The Panama Canal is simply too important an economic operation for the region for the largest regional and military power to turn its back on it. So for that reason alone, the United States will never turn its back on Panama and it will be very difficult for any Panamanian administration to break away from the United States influence.

RATHER (VOICE OVER)

WHEN OUR PROGRAM COMES BACK: THE UNITED STATES ESCALATES ITS WAR ON DRUGS IN PANAMA... SOME EFFORTS YOU CAN SEE...AND SOME ARE TAKING PLACE IN THE SHADOWS. THAT PART OF THE STORY IS NEXT.

ACT 2: A PANAMANIAN PASSAGEWAY

RATHER (VOICE OVER)

WE'RE HEADING TO SOUTHERN PANAMA, THE MAIN GATEWAY FOR MOST OF THE WORLD'S COCAINE AS IT HEADS NORTH FROM COLOMBIA TO THE MASSIVE U.S. MARKET.

THIS REMOTE AREA IS KNOWN AS THE DARIEN GAP, BECAUSE IT'S THE ONLY BREAK IN THE PAN-AMERICAN HIGHWAY, A NETWORK OF ROADS THAT STRETCHES FROM THE SOUTHERN TIP OF ARGENTINA ALL THE WAY TO ALASKA. WHERE THERE IS NO ROAD, THERE'S A TANGLE OF RIVERS SLICING THROUGH THICK JUNGLE...WE'VE TAGGED ALONG WITH ELITE TROOPS FROM PANAMA'S BORDER PATROL, KNOWN AS SENAFRONT. IN THE LAST FEW YEARS, SENAFRONT'S RANKS HAVE GROWN AND BECOME AN AGGRESSIVE MILITARY-STYLE FORCE...AND THEIR MAIN MISSION IS TO HUNT, CAPTURE...AND WHEN NEEDED, KILL, DRUG SMUGGLERS.

BUT FINDING DRUG SMUGGLERS ISN'T EASY. IN NEAR SILENCE, WE WOULD SPEND THE NEXT TWO DAYS TREKKING WITH THIS SMALL, BUT HEAVILY ARMED DETACHMENT THROUGH DENSE...AND DIFFICULT TERRAIN. COMMANDO GUILLERMO RODRIGUEZ HAS PATROLLED THESE FORESTS FOR SIX YEARS NOW, AND HE'S IN CHARGE OF THIS UNIT.

COMMANDO GUILLERMO RODRIGUEZ, SENAFRONT (Translated from Spanish)

This tense area, which as you can see is densely forested, is ideal for individuals who want to commit criminal acts.

RATHER (VOICE OVER)

THE SEARCH FOR DRUG TRAFFICKERS IS A 24-HOUR BUSINESS, BUT THE PANAMANIANIS ARE NOT DOING IT ON THEIR OWN. U.S. LAW PREVENTS AMERICAN TROOPS FROM FIGHTING ON THE GROUND HERE, BUT AMERICAN TAXPAYERS HAVE ARMED AND EQUIPPED THESE MEN...AND THAT'S NOT ALL...U.S. SPECIAL FORCES HAVE BEEN QUIETLY TRAINING SENAFRONT TROOPS DEPLOYED HERE FOR ABOUT THREE YEARS NOW.

WITHOUT ALL THIS TRAINING AND EQUIPMENT -- INCLUDING THESE NIGHT VISION GOGGLES --SENAFRONT WOULD BE IN THE DARK. FOR YEARS, THE PANAMANIAN GOVERNMENT HAD LEFT THE SOUTHERN PROVINCE OF DARIEN TO DRUG TRAFFICKERS. BUT THIS NEW U.S. LED EFFORT IS DESIGNED TO

HELP PANAMA BRING ORDER TO THIS ONCE-LAWLESS TERRITORY. BOTH U.S. AND PANAMANIAN OFFICIALS SAY IT'S WORKING-- AND WE SAW EVIDENCE OF THIS SUCCESS FIRST HAND, JUST A FEW HOURS AFTER ENTERING THE DARIEN.

A TIP FROM A LOCAL INFORMANT LED THE TROOPS TO AN ABANDONED FARM JUST ABOUT A MILE FROM SENAFRONT HEADQUARTERS. BEFORE LONG, A DRUG-SNIFFING DOG FOUND A CLEARING IN A GROVE OF TOWERING PLANTAIN TREES...AND A PILE OF LOOSE SOIL CONCEALING A SURPRISING STASH. POLICE WERE SOON UNEARTHING BUNDLE AFTER BUNDLE OF COCAINE...NEARLY 500 POUNDS -- AWAITING PICKUP BY SMUGGLERS FOR THE NEXT LEG NORTH. THE HAUL WOULD HAVE BEEN WORTH SOME \$5 MILLION ON U.S. STREETS.

THIS WAS THE BIGGEST INTERDICTION IN QUITE A WHILE. BUT LARGE-SCALE SEIZURES ARE BECOMING MORE COMMON. IN THE PAST THREE YEARS, PANAMA, WITH AMERICAN HELP, HAS SEIZED AND DESTROYED MORE COCAINE THAN ANY OTHER COUNTRY IN LATIN AMERICA. THIS BUST WAS IN THE NORTHERN REACHES OF THE DARIEN...TO GET THIS FAR FROM COLOMBIA, SMUGGLERS HAD TO SLOG THROUGH MILE AFTER MILE OF MUDDY TRAILS IN THE THICK, DARK FOREST...ROUTES THAT PANAMANIAN OFFICIALS SAY WOULD BE IMPOSSIBLE TO NAVIGATE WITHOUT SOME LOCAL HELP.

AFTER SIX HOURS OF HIKING, WE ARRIVED AT THE VILLAGE OF BAJO LEPE...FOR CENTURIES, INDIGENOUS COMMUNITIES LIKE THIS LIVED WITHOUT MUCH CONTACT FROM THE OUTSIDE WORLD. JAVIER CASAMA IS CHIEF OF THE VILLAGE...AND HE SAYS TODAY, IT'S A DIFFERENT STORY.

JAVIER CASAMA, CHIEF OF BAJO LEPE (translated from Spanish)

No, before we never heard of terrorism. But starting in 2006 or 2008 onwards, those people started passing through, asking us to collaborate. But as indigenous people we didn't need nor want this kind of violence in this country.

RATHER (VOICE OVER)

BUT THEY'RE OFTEN NOT GIVEN MUCH OF A CHOICE. INDIGENOUS LEADERS TOLD US SOME DRUG TRAFFICKERS FORCE VILLAGERS TO HELP THEM AT GUNPOINT...OR IN SOME CASES, TRY TO PLY THEM WITH PAYMENTS OF CASH, COCAINE OR GUNS.

U.S. GOVERNMENT SOURCES TOLD US THAT AMERICAN SPECIAL FORCES HAVE TRAINED AND ENCOURAGED PANAMANIAN TROOPS TO TAKE BACK THESE VILLAGES...AND WIN HEARTS AND MINDS. STILL, TRAFFICKERS CONTINUE TO LURK NEARBY...I SPOKE TO SENAFRONT DIRECTOR FRANK ABREGO ABOUT AN ENCOUNTER SHORTLY AFTER OUR VISIT TO BAJO LEPE.

RATHER

There was some action, what two days ago? In the Darien? Can you tell us about that?

FRANK ABREGO, DIRECTOR OF SENAFRONT (translated from Spanish)

As the patrol continued through the jungle they encountered about nine armed individuals. When the two groups made contact, there was an exchange of gunfire between us and the narco-terrorist group.

RATHER

What kind of help do you need from the United States and what kind of help do you not want from the United States?

ABREGO (Translated from Spanish)

That's an interesting question. I have to say, we've always received help from the United States, especially from the Defense Department. We've also received information and intelligence from the CIA. I think it's been a team effort to develop strategies to fight the narco-terrorist organizations.

RATHER (VOICE OVER)

BUT WHILE PANAMA TODAY IS BETTER ABLE TO ROOT OUT TRAFFICKERS ON LAND, IT HAS LARGELY FAILED TO STOP THEM FROM USING ITS WATERS. SMUGGLERS HAVE BEEN ABLE TO USE SOUPED UP FISHING BOATS LIKE THIS, KNOWN AS GO-FASTS, THAT CAN OUTFRAN PANAMANIAN POLICE BOATS...OR RUN ASHORE, ALLOWING THE SMUGGLERS AN EASY ESCAPE INTO THE DENSE JUNGLE. NOW THE UNITED STATES HAS LAUNCHED A NEW MILITARY OPERATION TRYING TO CHOKE-OFF MARITIME SMUGGLING ROUTES.

RATHER

You're confident the taxpayers are getting value for dollar here?

GENERAL DOUGLAS FRASER, COMMANDER, SOUTHCOM

I'm confident they're getting great value.

RATHER (VOICE OVER)

FOUR STAR AIR FORCE GENERAL DOUGLAS FRASER IS RESPONSIBLE FOR OVERSEEING ALL U.S. MILITARY OPERATIONS IN CENTRAL AND SOUTH AMERICA. HE'S COMMANDER OF THE UNITED STATES SOUTHERN COMMAND, OR, SOUTHCOM, WHICH IS BASED IN MIAMI, FLORIDA.

FRASER

We're adapting our strategy-- to see if we can impact the trafficking operations.

RATHER

Does this have-- a name? Is it Operation Something?

FRASER

Yeah. We call it Operation Martillo.

RATHER (VOICE OVER)

MARTILLO IS THE SPANISH WORD FOR HAMMER...IN THIS CASE, THE HAMMER IS AN IMPOSING DEPLOYMENT OF AMERICAN MIGHT: 10 U.S. WARSHIPS PATROLLING PANAMA'S COASTAL WATERS... AND SURVEILLANCE FLIGHTS HOVERING OVERHEAD... REMEMBER THAT MILITARY INTELLIGENCE MAP SHOWING ALL THE DRUG TRAFFICKING BOATS? THIS OPERATION IS MEANT TO CUT OFF THOSE SMUGGLING CORRIDORS.

RATHER

Is this operation going now, or is this--

FRASER

Yeah. It's ongoing.

RATHER

It's ongoing.

FRASER

We started it in January.

RATHER

Any early results you can talk about?

FRASER

We're having impact, how-- can I quantify it, yet? No. I-- I don't have enough data-- that I can quantify it yet.

RATHER (VOICE OVER)

OPERATION MARTILLO WAS ONLY MADE PUBLIC IN FEBRUARY, BUT WE WERE GIVEN AN EXCLUSIVE LOOK AS IT WAS BEING ROLLED OUT. WE JOINED A U.S. CUSTOMS AND BORDER PROTECTION TEAM ABOARD THIS P-3 ORION AIRCRAFT FOR ONE OF ITS ROUTINE SURVEILLANCE MISSIONS...THE FLIGHT DEPARTED JUST AFTER DAWN FROM PANAMA CITY, AND ITS CREW WOULD SPEND THE NEXT SEVERAL HOURS SCANNING HUNDREDS OF MILES OF PANAMANIAN COASTLINE FOR BOATS CARRYING COCAINE.

TODAY, THEY HAVE A LEAD ON A SUSPICIOUS BOAT THAT HAD RECENTLY PUSHED OFF FROM A BEACH IN COLOMBIA AND WAS HEADED NORTH.

U.S. CUSTOMS AND BORDER PROTECTION OFFICIAL

So our job is to look and compare, and if we come up with things that don't quite fit into that commercial fishery, coastal fishery, shipping lane, then we'll go ahead and we'll tag it on the radar with the computer, and then based on where we're at we'll actually follow-up on it to see if we can confirm anything that might be suspicious or not.

RATHER (VOICE OVER)

AND WHEN A POTENTIAL DRUG TRAFFICKER IS IDENTIFIED -- THAT'S WHEN SHIPS LIKE THE U.S.S. INGRAHAM COME IN...ON BOARD, TACTICAL TEAMS ARE READY TO CONFRONT TRAFFICKERS ON THE OPEN SEA... LIKE IN THIS CASE, WHICH HAPPENED BEFORE WE ARRIVED, WHEN AN AIRBORNE SNIPER TOOK OUT THE ENGINE OF A FLEEING GO FAST.

AND U.S. AUTHORITIES ARE ALSO IN CONSTANT CONTACT WITH LOCAL AUTHORITIES...IF SMUGGLERS ABANDON SHIP AND MAKE IT TO SHORE, LOCAL FORCES TAKE OVER. BUT ENCOUNTERS LIKE THESE ARE FEW AND FAR BETWEEN. WITH AN AREA TWICE THE SIZE OF THE CONTINENTAL UNITED STATES TO PATROL, FINDING SMUGGLERS IS LIKE FINDING THE PROVERBIAL NEEDLE IN THE HAYSTACK.

RATHER

We became airborne about 8:30 this morning. It's now after 2. So far? Nothing. This is slow, methodical, tedious, and let us not forget, costly work.

U.S. CUSTOMS AND BORDER PROTECTION PILOT

And this will be our primary search area. We had a little bit of luck in this area yesterday so hopefully we'll have some luck today.

RATHER

And most of what you're looking for are fast-moving boats?

U.S. CUSTOMS AND BORDER PROTECTION PILOT

Ah, yes, sir. Although if we get lucky, we may find a semi-submersible. They've been known to transit this area as well.

RATHER (VOICE OVER)

SEMI-SUBMERSIBLES ARE THE LATEST WAY DRUG SMUGGLERS ARE EVADING DETECTION.

FRASER

100-foot long. Crew of four. Very low water-line, so they're very, very hard to see. Can carry seven to ten tons of cocaine, built in the jungles of Colombia-- and Ecuador. And then they can travel 1,500 miles. One step further, they're-- they've now developed what we call fully-submersible vessels, submarines, that can submerge for some amount of time. So the real difference in why they're using these, \$1 million for a - \$4 million dollars to build a semi-submersible. Return on that investment, if you get that cocaine to the United States is \$70 - \$100 million, for one trip.

RATHER (VOICE OVER)

AND IF THEY'RE EVER CAUGHT? SMUGGLERS HAVE AN EASY WAY TO HIDE THE EVIDENCE - THEY PULL THE PLUG, AND THE SUB, AND EVERYTHING INSIDE, SINKS TO THE BOTTOM OF THE OCEAN IN SECONDS. IT'S A CHALLENGE. BUT BOTH U.S. AND PANAMANIAN OFFICIALS, INCLUDING U.S. AMBASSADOR PHYLLIS POWERS, SAY OPERATION MARTILLO AND OTHER NEW U.S. COUNTERNARCOTICS EFFORTS IN PANAMA ARE PAYING OFF.

RATHER

Well, help us understand. Seizures are way up-- tremendously, up in both 2010 and 2011, I think. But does this mean the problem is getting worse in Panama? You see what I mean? More seizures of drugs, does that mean the problem is getting worse?

POWERS

No. The problem is not getting worse. What's happening in Panama is that they've gotten more effective at interdicting. And this is again-- I believe, a product of their political will and a product of the capacity building that we've been doing with them over the last several years.

DUDLEY

It's not clear that any of the efforts, or the effort put forward by the United States and to some degree Panamanians are having the impact that they would like it to have.

RATHER (VOICE OVER)

STEPHEN DUDLEY BELIEVES CLAIMS OF U.S. AND PANAMANIAN SUCCESSES HAVE BEEN GREATLY OVERSTATED.

DUDLEY

The fact that they are moving things in such large quantities shows that they have a certain amount of confidence that they will not be intercepted so that in and of itself is disturbing.

RATHER (VOICE OVER)

THE U.S. EFFORTS IN PANAMA ARE THE LATEST EXAMPLE OF A 40-YEAR-OLD COUNTERNARCOTICS STRATEGY -- THE SO-CALLED WAR ON DRUGS: DEPLOY U.S. LAW ENFORCEMENT AND MILITARY TO TAKE DOWN DRUG PRODUCERS AND SMUGGLERS... AND THEN SUPPORT FOREIGN GOVERNMENTS THAT ARE WILLING TO HELP OUT.

BUT ACROSS LATIN AMERICA'S BLOOD SOAKED STREETS, PEOPLE ARE GETTING FED UP. THIS PAST WEEKEND, PRESIDENT OBAMA ATTENDED A HEMISPHERIC SUMMIT IN COLOMBIA AND SEVERAL LATIN AMERICAN LEADERS HAD A MESSAGE FOR HIM, LOUD AND CLEAR: THE WAR ON DRUGS IS FAILING...AND IT'S TIME TO CONSIDER RADICAL NEW IDEAS...INCLUDING THE DECRIMINALIZATION OF SOME DRUGS. PRESIDENT OBAMA REFUSED TO ENTERTAIN ANY KIND OF LEGALIZATION.

PRESIDENT BARACK OBAMA (From a speech)

Personally, and my administration's position, is that legalization is not the answer.

RATHER (VOICE OVER)

DESPITE THE CALLS FROM WORLD LEADERS FOR A POLICY RESET, PRESIDENT OBAMA HAS MADE IT CLEAR HE HAS NO INTENTION OF CHANGING COURSE IN THE U.S. WAR ON DRUGS...AND PANAMA WILL CONTINUE TO BE A KEY BATTLEFIELD... WITH A BOOMING ECONOMY...A RISING STATURE AS A CENTER OF WORLD TRADE -- AND A MUCH ENLARGED CANAL THAT'S KEY TO A HEALTHY WORLD ECONOMY-- PANAMA'S SECURITY AND STABILITY IS NOW MORE IMPORTANT THAN EVER.