PANAMA

DISCUSSIONS BETWEEN PANAMA AND THE UNITED STATES ON THE DEFENSE SITES

711F.1914/3-2546

The Ambassador in Panama (Hines) to the Secretary of State

[Extract]

No. 1168

Panamá, March 25, 1946.

[Received April 1.]

Sir: I have the honor to report that the former Naval Torpedo Boat Base located on the island of Taboga together with a degaussing station were formally returned to the Republic of Panamá March 21, 1946, in appropriate ceremonies, upon the recommendation of the Commanding General, Caribbean Defense Command, and the Commandant, Fifteenth Naval District.

These two sites were known as nos. 34 and 85 in the memorandum accompanying the Defense Sites Agreement May 18, 1942; they were acquired in May 1942, and had been actively used until the termination of the war in the Pacific in August 1945. Since that date they have been on a caretaker status with the large site being used as a recreation point for Fifteenth Naval District personnel. The former Torpedo Boat Base site comprised some 36 acres of land, and contains over 80 buildings, a pier, power plant, workshops, and other installations. The pier, the buildings, the water and electrical and other fixed installations were returned, along with the land, to the Republic of Panamá, and the power plant was sold to Panamá through the Foreign Liquidation Commission for a nominal sum.

Respectfully yours,

For the Ambassador:

V. Lansing Collins, Jr.,
Second Secretary of Embassy

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1 For previous documentation on defense problems, see Foreign Relations, 1945, vol. ix, pp. 1231 ff.
2 Department of State Executive Agreement Series No. 359.
The Ambassador in Panama (Hines) to the Secretary of State

No. 1451

Panamá, April 25, 1946.

[Received April 30.]

Sir: I have the honor to refer to the Department’s instruction No. 128 of April 16, 1946, transmitting to the Embassy a copy of secret communication dated March 21, 1946, from the War Department and the Department’s reply of April 6, 1946.3

In connection with the Department’s reply to the War Department, indicating the desirability of returning to Panamá defense sites no longer needed by the War Department, I desire to advise that this has been the policy followed by the Embassy for some time and, in connection therewith, I wish to call attention to so much of Article I of the Defense Sites Agreement reading as follows:

“. . . If within that period the two Governments believe that, in spite of the cessation of hostilities, a state of international insecurity continues to exist which makes vitally necessary the continuation of the use of any of the said defense bases or areas, the two Governments shall again enter into mutual consultation and shall conclude the new agreement which the circumstances require. . . .”

In view of the interpretation given before the constituted Assembly by the Minister of Foreign Affairs, and the previous Minister of Foreign Affairs,4 it is my best judgment that it would be very desirable to undertake negotiations for the sites which the War Department contemplates retaining as early as possible, and in any event prior to September 1, 1946.

It will also be my purpose to endeavor to have the Commanding General of the Caribbean Defense Command5 agree with me on the early return of certain sites presently not being used. I am sure that if the foregoing action is taken it will be most helpful later in connection with negotiations now pending between the two Governments.

Respectfully yours,

Frank T. Hines

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3 None printed.
4 Ricardo J. Alfaro and Roberto Jiménez, respectively.
5 Lt. Gen. Willis D. Crittenden.
Memorandum by Mr. Murray M. Wise of the Division of Caribbean and Central American Affairs

WASHINGTON, May 1, 1946.

President Jiménez⁶ has announced that Panama will at the forthcoming round-table discussions take up with the United States the question of the construction of a tunnel under the Panama Canal at Balboa.

This Government’s commitment of May 18, 1942 reads as follows:

“The Government of the United States is well aware of the importance to the Government and the people of Panama of constant and rapid communication across the Panama Canal at Balboa and is willing to agree to the construction of a tunnel under or a bridge over the Canal at that point, when the present emergency has ended. Pending the carrying out of this project, the Government of the United States will give urgent attention, consistent with the exigencies of the present emergency, to improving the present ferry service.”

As yet there is no final agreement among Army and Navy officers that additional transportation facilities at Balboa should be in the form of a tunnel rather than a bridge. However, with the coming of the atomic era the Army is inclining to go along with the Navy which has always opposed the bridge idea.

When I was in Panama in July 1945, Governor Mehaffey⁷ said that an estimate made in 1941 placed the cost of a tunnel at Balboa at approximately $15,500,000. The Governor said that $3,000,000 or more would have to be added to that now due to increased prices of construction materials, labor, etc., and that probably the total cost would run to $20,000,000.

It costs $500,000 a year to operate the present ferry service. The operating cost of a tunnel per annum is estimated at some $100,000. The Governor said preliminary plans for purposes of rough estimates only were drawn up in 1941.

I was very interested in the fact that preliminary considerations led Canal Zone officials to believe that the top of the tunnel at its greatest depth under the Canal would be some 100 feet below the water level and that a tunnel under the Canal at Balboa would probably turn out to be one of the world’s greatest tunnel engineering feats.

The emergency has not ended as of this date. Presumably, we would find it just as difficult now to carry out this commitment as we would have during actual hostilities abroad.

⁶Enrique A. Jiménez.
⁷Paragraph numbered 4 of the general relations agreement of May 18, 1942; for text, see Department of State Executive Agreement Series No. 452.
⁸Brig. Gen. J. C. Mehaffey, Governor of the Panama Canal.
711.19/5-1046: Telegram

The Ambassador in Panama (Hines) to the Secretary of State

_PANAMÁ, May 10, 1946._

[Received May 10—4:30 p. m.]

317. The following is an office translation of a FonOff memo delivered to Embassy:

"The Govt of Panama feels highest satisfaction over fact that relations between Republic and United States are on cordial, understanding and cooperative basis surpassed at no other time. War which has just been terminated has contributed greatly no doubt to strengthening of friendship between two countries because it served to strengthen bonds between them and to demonstrate that their destinies were irremissibly united.

However, between two countries having such multiple diverse and complicated relations as those created by construction of the Panama Canal in heart of Panamanian territory and by different public treaties and agreements celebrated between Panama and United States, it is natural that international and diplomatic problems and questions exist which should be settled in a mutually satisfactory manner and for which Govt of Panama desires find agreeable solution, above all by means of diplomatic negotiation, and if in some cases that is not feasible, by civilized means of arbitration or international justice.

Panama is hopeful and confident that in its relations with United States it will not be necessary to resort to arbitration or international justice. Panama would like on the contrary to solve by direct means all those questions and situations in which there is a difference of opinion between Govt of Panama and that of United States and for this reason proposes that in round table discussions and in a spirit of frankness and good will representatives of the Govt of Panama and United States discuss all matters of importance which are pending between two Govts or whose nature require action by one or the other or by both.

Govt of Republic has drawn up a list with 23 tentative questions which in its judgment require attention in proposed round table discussion. But among these matters there are some which require preferential treatment both because of their intrinsic importance and because of length of time they have been pending without a definite solution up to the present time.

Matters which in opinion of Govt of Panama deserve preferential treatment are those which are listed below

1. Financial or any other claims which have been made by either of the two Govts in favor of its nationals (Mariposa, Malambo, etc.).

2. Prejudicial differences which exist with respect to Panamanian citizens who work in Panama Canal.

"The claim of the Mariposa Development Company related to a disputed title to a tract of land, and the Malambo claim were made by Panama for damages resulting from alleged negligence of United States Government employees in connection with a fire."
(3) Widening and improvement of corridor which unites Transisthmian Highway with city of Colón in accordance with treaty of 193619 including question of overpass to maintain uninterrupted Panamanian jurisdiction over corridor.

(4) Collaboration and regulation of air traffic in view of proximity of existing airports in Canal Zone and those established or to be established in territory under jurisdiction of Republic of Panama.

(5) Reciprocity in issuance of visas to nationals desiring to visit respective countries and in general a broader and more equitable cooperation in immigration matters.

(6) Revision of stipulations of monetary conference of 1904 especially those relating to coinage limitations.

(7) Possibility of broadening of jurisdictional waters of Colón so that that natural port could fulfill its function.

(8) Cession to Panama of dominion or use of all or part of telegraph lines constructed by United States in territory under Panamanian jurisdiction.

(9) Temporary lease to Republic of Panama for a reasonable period of a suitable storage space in Canal Zone to transfer inflammable which Govt of Panama now maintains in a storehouse located in center of city.

(10) Transfer to Republic of Panama of territory of Punta Paitilla which is not now needed for protection of canal.

"Govt of Panama will immediately present a preliminary memorandum re each one of matters above mentioned and as soon as representatives of Govt of United States desire to discuss each one of matters submitted to its attention this Ministry will be glad to arrange the dates and time for preliminary conversation to permit two Govts to present their respective points of view and propose agreements and solutions.

"There is attached to this memo for the information of Embassy a report of matters which it is considered may be tentatively discussed in form mentioned.

"Govt of Panama is confident that this procedure will be agreeable to Govt of United States and that two Govts will be able to start the round table discussions in shortest possible time. Panama May 7, 1946.

(1) A crossing of Panama Canal by more rapid and easier means than those existing at present.

(2) Suspension of sales of luxury and tourist articles in Canal Zone in accordance with treaties (sic) of 1936.

(3) Maintenance of existing agreements re introduction and sale of liquor.

(4) Revision of conventions on extradition and agreements existing today re surrender of persons wanted or pursued by police, judges or prosecuting attorneys of Republic of Panama and of Panama Canal.

(5) Mutual assistance in administration of justice between Panama and Canal Zone.

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19 Treaty of friendship and cooperation, signed at Washington, March 2, 1936; for text, see Department of State Treaty Series No. 945.
(6) Arrangements for rapid transfer of railroad station to a more adequate site in city of Panamá.
(7) Repatriation of laborers imported to work in Canal Zone.
(8) Revision of existing policy re admission into hospitals and asylums of Republic of Panama of individuals who work in Canal Zone who are not Panamanians.
(9) Revision of agreements on use of hospitals and doctors in Canal Zone by persons residing in Republic of Panama.
(10) Agreements concerning aviation.
(11) Agreements re cooperation of military forces and police of Panama with corresponding organizations of United States especially with the Canal Zone.
(12) Agreements tending to avoid interference or difficulty of any nature between the broadcasting stations established in Canal Zone and Panamanian broadcasting stations.
(13) Construction by Marine Division of Canal Zone with adequate payment of a dock at Coiba Penal Colony.
(14) Cession to Panama of some of telegraph and subterranean telephone lines which Panama Canal appears to have along Transisthmian Highway from Panama to Colón or Madden Dam Highway in order to make installation by Govt of Panama of these services more economic.”

I am today informing FonOff that I am ready to proceed with discussing the items outlined in memo.

Should Dept have any further suggestions with regard to any of matters outlined in memo or any related matters it is requested I be promptly advised.

Delay in transmitting this message is due to fact that FonOff memorandum was not complete when first received.

HINES

711.19/5–1046 : Telegram
The Acting Secretary of State to the Ambassador in Panama (Hines)

RESTRICTED
WASHINGTON, May 17, 1946—2 p. m.

278. Embtel 317 May 10, 1946. You have proceeded correctly in indicating to ForMin that this Govt in preparation for round table discussions is quite ready to study preliminary memoranda on pending matters of importance to Panama. In the meantime we should begin drawing up a list of topics, such as defense areas, aviation agreement, Mariposa claims, etc., which this Govt will wish to submit to Panama. You might ask Canal Zone authorities whether they can present to Embassy at early date requests they may wish to make of Panama.

It is believed that round table discussions as well as negotiations themselves should take place in Panama. War Dept concurs. Accordingly, you are authorized when agreeable to all parties concerned
on the Isthmus to inaugurate informal preliminary exploratory discussions of Panamanian requests. Dept desires to be kept fully informed and consulted in advance of the making of definite commitments either by implication or otherwise.

Dept appreciates spirit of frankness with which ForMin has approached you on these problems. He should be so informed. At the same time, in your discretion, in the same spirit of frankness and in order that there be no misunderstanding, you should make clear that a specific commitment from Panama for a satisfactory settlement of the Mariposa claims will be expected before negotiations go beyond the stage of informal conversations.

Acheson

711F.1914/9-346: Telegram

The Ambassador in Panama (Hines) to the Secretary of State

US URGENT

PANAMÁ, August 3, 1946.

[Received August 3—9:52 a.m.]

555. According to Star and Herald, National Assembly unanimously resolved September 2, 1946 “to go on record categorically expressing the view that, in support of the close harmony, reciprocity and mutual consideration that exist between the Republic of Panama and the United States, and of the spirit of cooperation and confidence that has been attained among the nations of the continent, it is indispensible that the Government of the United States proceed to return the defense sites whose jurisdiction was granted to it through the agreement of May 18, 1942 and which it has not yet evacuated despite the fact that the term fixed therefor has expired.”

Hines

711F.1914/7-1046

The Assistant Secretary of State for American Republic Affairs (Braden) to the Secretary of War (Patterson)

WASHINGTON, August 5, 1946.

MY DEAR MR. SECRETARY: The receipt is acknowledged of a memorandum dated 10 July 1946 addressed to Mr. Ellis O. Briggs, Director of American Republic Affairs by Colonel J. E. Bostion, Jr., (GSC) concerning the return to Panama of La Chorrera, La Joya and Madden airfields. The Department of State was requested to render an opinion as to the effect, if any, that the return of the three airfields

\[\text{\textsuperscript{11}}\text{ Not printed.}\]
would have on future negotiations with the Republic of Panama for other military rights in that country.

In reply there is transmitted herewith a recent exchange of communications\(^2\) with the United States Ambassador at Panama relative to this matter. It will be noted that he recommends, with the concurrence of General Crittenberger, that there be returned promptly to Panama the sites under reference along with any others no longer required and which will not be requested of that Republic in connection with future military needs.

The Department fully supports the position taken by Ambassador Hines and is definitely of the opinion that the immediate relinquishment, in accordance with the spirit of the Defense Sites Agreement of May 18, 1942, of all areas now held but no longer required for military purposes would have a most salutary influence as regards future military and other requests of Panama by this Government. It is, therefore, urged as an act of good faith with the Government of Panama, and as a means of strengthening the position of the present Panamanian Administration as regards its ability to accede to future military needs which it is planned will be presented at one of the round table conferences currently being held between the Embassy and the Panamanian Foreign Office, that La Chorrera, La Joya and Madden airfields be returned to Panama immediately along with any other defense sites whose military purposes may be considered to have been fulfilled.

Sincerely yours,

Spruille Braden

819.76/8-2946

_The Ambassador in Panama (Hines) to the Secretary of State_

CONFIDENTIAL

PANAMÁ, August 29, 1946.

[Received September 5]

Sir: Referring to confidential instruction No. 303, August 13, 1946\(^2\) relative to control over "Commercial Airways Radio Communications in the Republic of Panamá and the Canal Zone, and the establishment of a radio station at David by the Civil Aeronautics Administration", I have the honor to submit the following observations for the consideration and possible use of the Department.

1. The main consideration that must be kept constantly in mind is the safety and protection of The Panama Canal, and with the protection of The Panama Canal and its defenses the safety and efficient control of commercial, as well as Army and Navy air navigation.

2. At the present time the responsibility for the defense of The Panama Canal rests with the Commanding General, Panama Canal

\(^{2}\) Not printed.
Department and Caribbean Defense Command, and in my judgment this responsibility is now properly placed, and should be continued in time of peace as well as in time of war.

3. The Republic of Panamá, in my judgment, is unable at the present time to efficiently handle with experienced personnel radio stations within the Republic and for that reason I feel that they will be glad to have such stations established and operated by the Civil Aeronautics authorities under the general supervision of the Commanding General. They, however, should be given an opportunity of developing competent personnel.

4. Because of the peculiar situation existing in the Republic of Panamá and the Canal Zone, no commercial company should be given authority to establish a transmitting station to handle commercial business having to do with air navigation. It would be far better for the established stations operating, as recommended under 3, to transact such company business for the several commercial airways companies at a reasonable charge, thus avoiding duplication of stations with the danger of possible interference, and without proper control of both military and commercial traffic.

Respectfully yours, 

FRANK T. HINES

711F.1014/9-146: Telegram

The Ambassador in Panama (Hines) to the Secretary of State

US URGENT

PANAMA, September 1, 1946.

[Received September 1—8:02 p. m.]

554. Following is rough translation of note delivered to me personally at 8 p. m., August 31, 1946.

"Mr. Ambassador: I have the honor of referring to Your Excellency's courteous communication No. 259 which you handed to me personally at noon yesterday and in which you make reference to the defense sites or areas, the use of which was temporarily ceded [cedió] to the Government of the United States of America in pursuance to the terms of the May 18, 1942 agreement between the two Governments.

"I begin by thanking Your Excellency for the terms of praise for the Republic of Panama with which reference is made to the cooperation it gave to the war effort of the United Nations during the last World War which cooperation the Government of Your Excellency considers to be of inestimable value and to have contributed in incalculable proportion to the happy termination of the war.

"Your Excellency invokes article 1 of the aforementioned agreement on defense sites and states that your Government regards as being to the common interest of both countries that the matter of the defense bases be discussed anew including it in the agenda for discussion in the round-table conference and that under present circumstances it is considered of vital importance that the use be continued of certain of the present defense sites as well that the need for a limited number of new sites be studied.

"In this regard, it is my duty to state to Your Excellency in behalf of my Government the following:
"Article 1 section 1 of the agreement on defense sites mentioned in the note to which I am replying states the following: 122

'The Republic of Panama cedes [grants] to the United States the temporary use for defense purposes of all the lands mentioned in the memorandum attached to this agreement and which is a part of same. These lands will be evacuated and their use will cease on the part of the United States of America 1 year after the date on which the definite covenant of peace that shall have ended the existing armed conflict becomes effective. If during this period, the two Governments deem that notwithstanding the cessation of hostilities there still exists a state of international insecurity which makes imperative the continuation of any of the said bases or defense areas the two Governments again will consult mutually and will negotiate the new agreement as required by circumstances.'

"Article 5 of the agreement strengthens this stipulation in the following terms:

'The Republic of Panama and the United States reiterate their understanding with regard to the temporary nature of the occupation of the defense sites referred to in this agreement. In consequence the United States acknowledging the importance of the cooperation rendered by Panama by making available these temporary defense sites and likewise acknowledging the burden which the occupation of these sites represents for the Republic of Panama expressly agrees to evacuate the lands referred to in this agreement and to cease completely the use thereof at the latest within a year following the date on which the definitive covenant of peace that shall have ended the existing armed conflict becomes effective. It is understood as set forth in clause 1 that if within this period the two Governments deem that notwithstanding the cessation of hostilities there still exists a state of international insecurity which makes imperative the continuation of any of the said bases or defense areas, the two Governments again will consult mutually and will negotiate the new agreement as required by circumstances.'

"The interpretation of this clause brought about three questions made to the undersigned in the Constituent Assembly during the session held November 6 of last year. The first of these questions were:

"(1) What is the interpretation given by the executive power to the following expression contained in the first paragraph of article 1 of the agreement on the rental of defense sites signed by Panama and the United States on May 12 [May 19], 1942? These lands will be evacuated and their use will cease 1 year after the date on which the definitive covenant of peace that shall have ended the existing armed conflict becomes effective'. In other words the Minister of Foreign Relations must report as to what the executive power holds to be the definitive covenant of peace that shall have ended the armed conflict'.

"To this question the undersigned replied as follows:

"The executive power is of the opinion that the expression "definitive covenant of peace that shall have ended the existing armed conflict" refers to any pact, agreement, act or instrument agreed upon among belligerent countries by virtue of which the hostilities inherent to the state of war shall have ceased definitively. Therefore, the Panamanian Government considers the following to be covenants which successively have ended the armed conflict: (1) The various instruments signed by the German military commanders and the Allied commanders in various parts of Europe by virtue of which they were surrendered unconditionally the land, naval and air forces in Germany and in some of the occupied countries; and (2) the instrument of unconditional surrender signed aboard the battleship Missouri in Tokyo Bay on Sept 1, 1945 by the representatives of the Emperor of Japan and the military and naval commanders of the United Nations.'

122 For the text of the agreement between the United States and Panama respecting the lease of defense sites, signed at Panama on May 18, 1942, see Department of State Executive Agreement Series No. 359, or 57 Stat. (pt. 2) 1232.
United States, Great Britain, China, France, Russia, Australia, Holland and New Zealand.

"Now then, since the capitulation aboard the Missouri was the last to be agreed upon and it was, therefore, the covenant that ended the hostilities existing between the Axis countries and the United Nations that capitulation must be correctly regarded as the definitive covenant of peace which ended the armed conflict."

"The second question referred to the naval base on Taboga Island which already has been returned and, therefore, there is no point in dealing with it.

"The third question was couched as follows: (3) When is the date of expiration for the authority granted to the United States to utilize the section of the national highway which traverses the Rio Hato region for aerial activities in connection with the base of the same name and to stop traffic over that section when required by such activities?

"With regard to this question, the answer given by the undersigned was as follows:

"The terms of the agreement contained in the exchange of notes are so clear that they required no additional comment. No reference is made to a period of 1 year following the cessation of hostilities as in the general agreement. Reference is made only to the period of the war emergency. The emergency has ceased and, therefore, so has the period for which authority was granted relative to traffic over the section of the highway which is traversed by the main runway of the Rio Hato landing field.

"Since this is a matter already settled there is no reason for my extending myself in this regard."

"The statements by the undersigned before the National Assembly have never been contradicted or objected to in any manner by the Government of the United States. On the contrary, that Government gave them tacit consent by expressing its willingness and disposition to comply with its obligation with Panama as reported by the Associated Press in despatch published in the local press on November 7, 1943 [1945] which reads as follows:

"Washington November 7 AP, Secretary of State James Byrnes at a press conference today signified the United States will fulfill its agreements with the Panamanian Government on the withdrawal of American forces from the defense installations there. The question arose when the Secretary was asked to comment on the statement by Panamanian Foreign Minister Ricardo J. Alfaro that the United States is bound to vacate 83 defense sites by September 1, 1946. Secretary Byrnes said there was a written agreement on the subject and that although he was not familiar with all the details, he could assure Panama that the United States would observe them."

It develops then that since the date of the capitulation aboard the Missouri until yesterday, the Government of Your Excellency has made no request or representation whatever to Panama with regard to the defense sites.

"The final portion of article 1 of the agreement on defense sites states the following:

"If during this period (that of 1 year aforementioned), the two Governments deem that notwithstanding the cessation of hostilities there still exists a state of international insecurity which makes imperative the continuation of any of the said bases or defense areas, the two Governments again will consult mutually and will negotiate the new agreement as required by circumstances."
"Now then, it was not until yesterday that the Government of Panama learned that Your Excellency's Government deems that in spite of the cessation of hostilities there still exists a state of international insecurity which makes imperative the continuation of some of the defense sites. Panama on its part is not charged with the direction of military operations or the formulation of strategic plans which may require the use by the Armed Forces of the United States of certain defense sites in its territory nor has it had a basis to arrive at the conclusion that there exists a situation of international insecurity which demands the continuation of certain of the defense sites; and up to the present time on the last day of the period of 1 year during which the Government of Panama has considered that the aforementioned defense sites should be returned there has been no development by virtue of which the Government of Panama has acquired through self perception the knowledge and the conviction that there is a need for negotiating a new agreement on defense sites. There has not arisen, therefore, the condition which is required by the second paragraph of article 1 of the agreement quoted below for the negotiation of the said agreement: If during this period, the two Governments deem that notwithstanding the cessation of hostilities there still exists a state of international insecurity the governments again will consult mutually. The Government of Panama which always follows closely the world events cannot help but feel grave apprehensions with regard to world peace. It considers likewise that we are in an era of uncertainty and, consequently, of international insecurity that allows no conscientious statesman to rest in the placid assurance that we have already reached the era of a true and effective peace based on law and justice. This means that the Republic of Panama is ready today as it was yesterday not only to defend its own soil but to cooperate with all the means at its disposal to the defense of the canal of the continent and of the democratic cause in the entire world. But at the same time, the Republic of Panama which is not a military power and which has no plans of its own of continental or world projection to develop in a future war cannot determine by itself that the functioning of certain defense sites in its territory is a military necessity. From this point of view, the Government of Panama is ready to listen to and to consider the representations of an international nature and the evidence of a technical nature which the Government of the United States may submit for the purpose of determining whether there has arisen the situation foreseen in the final portion of article I of the 1942 agreement; namely, the negotiation of a new agreement on defense sites as required by circumstances. In this connection, I wish to set forth that the Government of Panama would not consider negotiating a new agreement on defense sites under conditions which would be more onerous than those stipulated for defense sites which exist or have existed in some of the other sister republics and that any future agreement must take into account the principle of the fullest respect for the sovereignty and jurisdiction of Panama and for the principle of juridical equality of the States which the Republic has always warmly defended. But since the agreement of May 18, 1942 has virtually fulfilled its purposes and the period for the return of the existing defense sites expires tomorrow and there has been no development or
circumstances to prevent its execution, the Government of Panama fully mindful of its international responsibilities but acting to safeguard its sovereignty and its rights in compliance with the said agreement considers that the Government of the United States would [should] proceed as of tomorrow to return and deliver the defense sites which it still is using.

"I reiterate to Your Excellency the assurances of my most distinguished consideration Ricardo J. Alfaro, Minister of Foreign Relations."

HINES

711F.1914/9-346: Telegram

The Ambassador in Panama (Hines) to the Secretary of State

SECRET

PANAMÁ, September 3, 1946—noon.

[Received 7:30 p.m.]

555 B. Reference Embtel 554, September 1 giving text of note from Foreign Minister on defense sites. I handed following reply to Foreign Minister September 3.

"NR. 260, September 2; Excellency: I have the honor to acknowledge the receipt of Your Excellency's very comprehensive and courteous note NR D P 3235 of August 31, 1946,13 in reply to my note NR 259 of August 29, 1946 14 with reference to the vitally important question of the defense of the Panama Canal and defense sites made available temporarily to my Government under the Defense Sites Agreement entered into May 18, 1942.

I appreciate the completeness and frankness with which Your Excellency outlines the position of the Government of Panama with respect to the interpretation of article 1, section 1, as well as the bearing of article 5 of the same agreement, in regard to the terminating date of such agreement. In view of the fact that the Secretary of State, as indicated in your note, expressed himself with reference to the interpretation of the agreement, I feel that it is important that comment with reference to that phase be deferred until I have had an opportunity of presenting your views to the Dept of State.

I am very much gratified at the cooperative attitude expressed on the part of the Government of Panama by Your Excellency with reference to the further consideration of this vitally important matter—our joint responsibility for the defense of the Panama Canal and I note the willingness on the part of the Republic of Panama to enter into further consultations with reference to a new agreement between our governments in order that both countries may be fully assured of the protection of the Canal and its relationship to the defense of the hemisphere and its bearing upon the future maintenance of peace.

I note the desire on the part of the Government of Panama to have presented the reasons that causes my Government to feel the urgency of the discussions of this subject under the final part. I will be prepared to present to Your Excellency for the consideration of the

13 Quoted in telegram 554, September 1, 1946, from Panama, p. 1103.
14 Not printed.

798–815—69—71
Government of Panama the impelling reasons why we feel it necessary to ask for the continued use of certain sites and further consideration of the future defense of this particular area of article I of the Defense Sites Agreement. I am also glad to know that Your Excellency concurs in the views expressed in my note above referred to that existing international conditions are such as to justify further consultations between our Governments relative to the security of the Canal. I will also be prepared to give evidence of a technical nature which the Government of the United States believes will justify our concern relative to such defense.

With reference to Your Excellency's comment in regard to the lateness to which my Government has called to your attention the necessity for further consultations on the matter of the efficient protection of the Panama Canal, I feel I should call Your Excellency's attention to the fact that the development during World War II of new weapons of defense and new military technique regarding their use has resulted in a rather prolonged and exhaustive study of the defense needs as they relate to this particular area and it is with deep regret that I have not been in a position to present to Your Excellency's Government the results of this study in order that consultations could have taken place earlier. I am sure as this matter is presented to Your Excellency's Government, it will be fully realized that the importance of the most careful and painstaking study of the subject cannot be overemphasized.

Your Excellency is aware that for some time the military authorities have been returning defense sites as rapidly as the need therefore no longer existed and in pursuance of that policy some 65 sites have been returned and I am advised by the military authorities that some 34 more are in preparation for early return.

HINES

711F.1914/9-346: Telegram
The Acting Secretary of State to the Ambassador in Panama (Hines)

RESTRICTED     WASHINGTON, September 3, 1946—4 p.m.
US URGENT

465. Dept believes helpful present situation for you immediately issue press release as follows:

"Following the outbreak of the European conflagration which led to the recent war the Governments of the Republic of Panama and of the United States of America, conscious of their joint obligation, as expressed in the provisions of the 1936 Treaty of Friendship and Cooperation, to take all measures required for the effective protection of the Panama Canal in which they are jointly and vitally interested, consulted together and signed the Defense Sites Agreement of May 18, 1942. Therein it was agreed that the temporary use for defense purposes of lands granted to the United States by Panama would
terminate '1 year after the date on which the definitive treaty of peace which brings about the end of the present war shall have entered into effect'.

No definitive treaty of peace has been signed. Notwithstanding, the United States in recognition of the temporary character of the occupation of defense lands made available by Panama consistently has undertaken to evacuate defense areas whose use is no longer considered essential. Of about 85 areas which were actually fully developed and occupied for any period of time, 64 have already been returned to the Republic. Arrangements for the return of others no longer required are well under way.

Because of the strategic character of the Panama Canal and current advancement in the effectiveness of new weapons and methods of warfare, it has become imperative to arrange for the local defense of the Canal through the maintenance of defense installations not restricted to the Canal Zone. To that end the United States has now requested further consultations on the negotiation of a new agreement with Panama to provide for the continued use of certain defense areas already held and the acquisition of a limited number of new sites. In this new negotiation the United States will recognize the principle of fullest respect for the sovereignty of Panama over its national territory."

Dept would like release text press release simultaneously Washington. Should you consider inadvisable for any reason issue foregoing, or should you wish modify same, please telegraph soon as possible. You may find it necessary modify figures relative areas occupied and returned. Otherwise, telegraph exact hour you propose release in order simultaneous release may be made here.

CLAYTON

711F.1914/9-1046

The Chargé in Panama (Blocker) to the Secretary of State

SECRET

No. 2345

Panamá, September 10, 1946.
[Received September 21.]

Sir: In bringing up to date developments in the defense sites situation here in Panamá, I have the honor to report that in compliance with the Department's telegraphic instructions of September 6 (telegram No. 471 15), I called on Foreign Minister Alfaro at 11 a. m. on the morning of the 7th (Embassy's telegram No. 574, September 7 16), and after a very interesting and friendly conversation—which was realized by all concerned as serious—I left with him an informal copy of the Department's proposed press release on the defense sites problem.

15 Not printed.
During the course of our discussions I became convinced that Dr. Alfaro felt beyond a doubt that two mistakes had been made on the part of my Government:

First. That we had failed to challenge his interpretation of the termination of the Defense Sites Agreement in May last when he expressed his views to the Assembly.

Second. We waited until the last moment to present a note requesting the opening of negotiations for a new Agreement invoking Article I of the Agreement of May 18, 1942.

Dr. Alfaro explained in detail that in making these errors we had placed him personally and also the administration of President Jimenez in a very embarrassing position, because of the nationalistic feeling incident to political agitation over the presidential campaign that is now under discussion by the various political groups in the Republic. He said that it was not necessary to go into detail since the Embassy was well informed regarding the activities of the leftist groups, although in the minority as yet, and of the Arnulfo Arias following which was giving the Government considerable concern and obviously gaining strength throughout the country. These groups of political agitators always led in Panamá City by opportunists, Communists and anti-American rabble-rousers, were taking advantage of the opportunity to make a political foot ball out of the defense sites situation by belittling the Jiménez administration before the people, thus forcing the Government to fall in line with the nationalistic trend to control support of the masses, or else subject itself to mass criticism. He said the Government had to bear in mind, and he thought the United States should give serious consideration to a study of this possibility, that the reaction of any forced retention of the bases without some good reasonable cause acceptable to the other Latin American Republics would be detrimental to United States prestige in the Western Hemisphere. He went on to discuss the possibility that Panamá would be placed in the position of being accused of assuming the role of a dependency of the United States whose sovereignty would be looked upon as a sham in the eyes of her brother members of the Good Neighbor group. He said that he fully realized the need of bases and that Panamá was obligated not only under treaty but in the protection of her own national life to cooperate closely with the United States, but in view of the delicate situation existing the problem had to be handled with dignity and "amor propio" and he could not see how this could be done if Panamá acquiesced in accepting our interpretation of the dates of termination of the Defense Sites Agreement. I was extremely surprised when he looked at me

36 Former President of Panama.
very seriously and said without hesitation, calmly and frankly, that if we invoked Article I of the Agreement and notified the public of our interpretation thereof the present administration would collapse in twenty-four hours. During the course of the conference I repeatedly pointed out, as I mentioned in telegram No. 574 of September 7, that Panamá was responsible in the defense of the Canal not only under the treaty but as a protection of her own national life and for that matter would, if persistent in denying defense sites, place herself responsible in the protection of the entire Western Hemisphere, and that I was somewhat surprised that a more realistic view had not been taken by the Panamanian people on this very vital question. He thoroughly agreed with me but said that now since the situation had gotten so far out of hand and completely saturated with political intrigue we had to find a solution that would “save face” for the Jiménez administration, which was thoroughly pro-American and willing to cooperate in every way possible in meeting our needs, and he offered several suggestions, as set forth in my telegram No. 574 of September 7.

Little or no news appeared in the press this morning but on Saturday evening a demonstration was held obviously sponsored by the administration against the retention of the defense sites. The parade was led by the Bomberos Band and banners were carried calling for the return of the defense sites and the maintenance of Panamanian sovereignty. There appeared in the parade one Communist banner with the Soviet emblem appearing thereon. Apparently there were not over 1,000 people in the parade and not over two or three hundred who gathered in de Lesseps Park where the rabble-rousers made a few speeches. A segment of this crowd proceeded to the Star & Herald office where opportunist orators from leftist groups accused the Star & Herald of being a traitor to Panamá and demanding that it change its editorial policy on defense sites. A couple of rocks were thrown through the windows but otherwise no damage was done. The police although not making any arrests kept the rabble fairly under control until they dispersed after about half an hour of shouting “vivas” and hurling epithets against the Star & Herald as being the tool of the United States. This morning Mr. Jules du Bois, Editor of the English section of the Star & Herald called on me and stated the paper was more determined than ever to defend its position and that favorable editorials would continue as heretofore. He also stated that he had discovered in the morgue of the paper a very interesting statement made in 1939 by Harmodio Arias, publisher of The Panama American, when he interviewed a delegation of American newspaper men at Quarry Heights. Harmodio Arias, is quoted as saying that
he had been discussing with General Stone, then Commanding General, The Panama Canal Department, the possibility of building a large permanent air base at Rio Hato and that he was working hand in hand with several influential men in the Panamanian Government to find a way wherein the United States could acquire 17,000 acres for this base. He stressed at length upon the need of such a base in the protection of the Canal Zone and of Panamá. Colonel du Bois said that he had now made his mind up to publish this interview by Harmodio Arias on the front page of the Star & Herald and in La Estrella de Panamá as he felt it would soften the Latin American attitude toward the defense sites situation and also place Harmodio Arias on the defensive from that of aggressor. Colonel du Bois expressed the view that there was only a small clique of opportunists, Communists and anti-American agitators behind this movement but it had reached the point now, particularly since the admission of President Jiménez through Dr. Alfaro that they had stuck their necks out so far, that the matter had to be settled very diplomatically and with “face saving” to the present Government.

We were talking off the record and I stated that I had nothing I could say on the subject except that we hoped a very satisfactory solution to the best interests of all concerned would be reached as rapidly as possible.

Newspaper clippings are attached hereto on this subject of September 7, 8, 9 and 10.\textsuperscript{17}

The Department will be kept informed of developments as they occur.

Respectfully yours,

WILLIAM P. BLOCKER

\textsuperscript{17} None reprinted.
a definitive treaty of peace, in order to cooperate with Panama, it accepts the version of September 1946.

2. The United States should announce that it is in the process of returning the bases within so many days (not to exceed 60). A civilian official of Panama would take nominal charge of the bases which have not been returned and fly the Panamanian flag, but in the meantime the bases would continue to be maintained by the military authorities of the United States.

3. The United States should enter into immediate conversations (of a confidential nature) concerning the world situation and the necessity for the continued occupation of certain bases.

The Minister of Government and Justice last night informed Collins that the Government was fully aware that the United States needed bases in Panama but that some symbolic return of the bases would be necessary. Sucre was positive that the situation could be cleared up in a short time. At the same time former Minister of Foreign Affairs, Samuel Lewis, stated that the United States would have to consider Panama’s position with the other Latin American nations. All unofficial propositions so far seem to have emphasized the symbolic return without removal of troops or equipment merely as a means of face saving with special stress upon relations with other Latin American countries. The situation appears to me to be ripe now for some move on our part along these lines if Department is interested.

In view of current instructions, I wish to emphasize that neither Collins nor I have made any commitments whatsoever.

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711F1914/9-1246 : Telegram

The Acting Secretary of State to the Chargé in Panama (Blocker)

US URGENT	WASHINGTON, September 12, 1946—4 p. m.

Embassy commended its successful efforts last 24 hours obtaining agreement Panamanian authorities on joint press statement. Following text to be released this afternoon in Panamá and Washington for publication in Friday morning papers:

“Mindful of the objectives of the 1936 Treaty of Friendship and Cooperation and of the Defense Sites Agreement of May 18, 1942, and conscious of recent improvements in weapons and methods of warfare, the Governments of Panama and of the United States have agreed to consult on the most effective means for assuring the defense of the Panama Canal. Consistent with the aforementioned Agreement of 1942, the United States has already returned to Panama 71 defense sites and is preparing to return immediately 27 more.

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18 V. Lansing Collins, Second Secretary of Embassy in Panama.
19 Carlos Sucre, Acting Minister of Foreign Affairs.
It is the desire of both Governments to fulfill their joint responsibilities for the adequate protection of the Canal. The two Governments have reiterated their unqualified endorsement of the traditional friendship and sovereign respect existing between them and the vital role which the Panama Canal plays in the defense of this hemisphere.

CLAYTON

711F.1914/9-1346: Telegram
The Acting Secretary of State to the Ambassador in Panama (Hines)

SECRET US URGENT WASHINGTON, September 18, 1946—6 p. m.

490. Your discussions in Washington on defense sites, also Blocker’s in Panama as reported particularly in Embs despatches nos. 2845, 2355 and 2873 of Sept 10, 11 and 13. Dept is fully cognizant and sympathetically appreciative of “political difficulties” of President and For-Min, specifically of latter, but is impelled to point out that these apparently stem from ForMin’s “unilateral interpretation” of termination clause of 1942 Agreement, interpretation made by him without consultation with us and until Aug 31 without official communication to this Govt.

While Dept is by no means unmindful of present political complications facing Jiménez Administration we are desirous and thoroughly convinced of necessity for moving forward immediately toward peacetime arrangement for strategic defense of Canal whose adequate protection in turn assures the defense of Panama and neighboring republics. Our position may be summarized as follows:

(1) This Govt cannot accept ForMin’s thesis that present occupation of some 30 unreturned defense sites is “illegal”. Phraseology of Article I reading that use of areas terminates “1 year after the date on which the definitive treaty of peace which brings about the end of the present war shall have entered into effect” could not be clearer. As no definitive treaty of peace has been signed, our continued occupation of areas in Panama cannot be conceived as “illegal”. If Panamanian insistence on ForMin’s thesis continues to embarrass this Govt we may have no alternative but to make our position public and to make clear that termination clause means exactly what it says. In this connection Dept is forwarding draft reply to ForMin’s note of Aug 31. Proposed note will inform Panamanian Govt our interpretation termination clause.

(2) This Govt is desirous, so soon as details can be arranged, of terminating 1942 Agreement and replacing it by new agreement based on provisions of General Treaty of 1936.

(3) In new agreement this Govt is fully desirous of meeting Panamanian position regarding national pride and sovereignty. In confidence at appropriate time with cooperation Gen Crittendenber this

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*Telegrams 2355 and 2873 not printed.
Govt will make available Panamanian authorities certain technical data (Embstels 554 and 574, Sept 1 and 7; 21 despatch 2373 Sept 13 22) justifying revision program defense Canal, particularly maintaining defense areas outside Canal Zone. Furthermore we are willing to consider advisability making in due course joint public statement emphasizing defense plan is in interest not only of Canal but also of Republic of Panama as well as Western Hemisphere. (We are confident President and ForMin will readily appreciate unwisdom in present state of world tension and negotiations for solution world problems of our making public statement specifically basing negotiations on “present state of international insecurity”. Furthermore we wish to reiterate in this connection new agreement will be on basis General Treaty and not 1942 Defense Sites Agreement.)

(4) In addition this Govt further desirous of meeting Panamanian views is willing to have new agreement for sites on lease basis of minimum duration compatible with actual military requirements. We would for instance consider 20-year leases with option to renew rather than 50 to 99-year leases originally suggested by War Dept. We would consider plan for flying flags of both nations on defense areas outside Zone, and are likewise prepared to explore with War Dept possibility establishment of joint commission under aegis of which sites would be operated, Panamanian members thereof having access to sites at all times. Finally, Panamanian liaison officers representing Panamanian section commission might be detailed to larger areas such as Rio Hato so that local questions which might arise could be ironed out directly with US officer in command of area involved.

In summary, short of sacrificing our interpretation termination clause 1942 Agreement and of agreeing to “symbolic return” which would be inconsistent with our position, this Govt is willing to consider every feasible way of cooperating with Panama in order to meet question of local susceptibility and to put new arrangement on genuinely “partnership basis”. Please discuss foregoing with Gen Crittenberger and subsequently on oral basis with Pres Jiménez and/or ForMin.

War Dept, Washington, is being kept informed.

CLAYTON

711F.1914/9-2046: Telegram
The Acting Secretary of State to the Ambassador in Panama (Hines)
SECRET
WASHINGTON, September 24, 1946—2 p. m.
499. In reply that part FonMin’s note Aug 31 re Panamanian interpretation termination clause 1942 Defense Sites Agreement,23 Dept proposes you deliver to Dr. Alfaro official communication reading as follows:

21 Telegram 574 not printed.
22 Not printed.
23 See telegram 554, September 1, from Panamá, p. 1108.
“Excellency: Pursuant to the provisions of the Defense Sites Agreement of May 18, 1942 the Republic of Panama granted to the US the use of certain lands for defense purposes. The temporary character of the occupation of these areas by the armed forces of the US and the arrangements for the termination of their use were set forth in Articles I and V of that Agreement. In accordance with the spirit of those articles my Govt through consistent continuing processes over a period of several months now has been evacuating and returning to Panama all defense sites the use of which is found to be no longer essential. As of today 71 of a total of approximately 134 areas occupied during the war have now been relinquished. Steps are under way to evacuate 27 more immediately.

With regard to the remaining sites, numbering about 36, there have arisen, as Your Excellency is aware, certain allegations that the continued occupation of these areas by the US after September 1, 1946 is not in accordance with the provisions of Article I of the 1942 Agreement, which in part reads as follows: ‘These lands shall be evacuated and the use thereof by the US of America shall terminate one year after the date on which the definitive treaty of peace which brings about the end of the present war shall have entered into effect.’ In this connection, Your Excellency in note D. P. no. 3235 of August 31, 1946 stated that the 1942 Agreement had virtually fulfilled its purposes and that the period for the return of the existing defense sites would expire as of the following day.

In support of this contention reference was made to Your Excellency’s appearance on November 6, 1945 before a session of the Constituent Assembly of Panama. There Your Excellency stated that the Executive Power was of the opinion that the expression ‘definitive treaty of peace which brings about the end of the present war’ refers to ‘any pact, agreement, act or instrument agreed upon among the belligerent countries by virtue of which the hostilities inherent to the state of war shall have ceased definitively.’ Your Excellency has therefore concluded that the document signed aboard the U.S. Missouri in Tokyo Bay on September 2, 1945 is the definitive treaty of peace which brought about the end of the war and that, accordingly, the right of the US to occupy defense areas in Panama under the provisions of the 1942 Agreement expired 1 year later.

This interpretation was publicly announced without prior consultation with the Govt of the US and was not officially communicated to my Govt until the receipt of Your Excellency’s note D. P. no. 3235 of August 31, which was in reply to my note no. 259 of August 30 24 requesting consultation on the continued need of defense areas in the Republic of Panama.

In my note no. 260 of September 2, 1946 25 I stated that comment on Your Excellency’s interpretation of the termination of the 1942 Agreement was being deferred until I had had an opportunity of presenting your views to the Dept of State.

I have now been instructed to inform Your Excellency that my Govt has given careful and sympathetic attention to your opinion

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24 Not printed.
25 See telegram 555B, September 3, noon, from Panamá, p. 1107.
with respect to the interpretation of the termination clause, but regrets that it is unable to share Your Excellency's view that the above quoted phrase can properly refer to the instrument signed aboard the U.S.S. Missouri. It is the opinion of my Govt that the intent and meaning of that portion of Article I of the 1942 Agreement could hardly be clearer. My Govt, therefore, is not able to accept the view relative to termination of the 1942 Agreement as communicated in Your Excellency's note no. 3235 of August 31, 1946. Accordingly, as no definitive treaty of peace has yet been signed, the continued occupation of certain defense areas of Panama cannot in my Govt's opinion be considered as a violation of the terms of the Agreement.

The foregoing is conveyed to Your Excellency in the same spirit of cooperation and friendship that has always governed the relations between our two Govts. I should like to state in conclusion, however, that my Govt is desirous of reaching an accord with Your Excellency for the termination of the 1942 Defense Sites arrangement so soon as mutually satisfactory details can be arranged, and of replacing it by a new defense sites agreement pursuant to the provisions of the General Treaty of 1936. As Your Excellency, from the important role played by you in the authorship of its provisions, is fully aware, the General Treaty sets forth the partnership interest of the Govts of Panama and the US in the effective operation and protection of the Panama Canal which is of vital importance not only to our two Governments but to all others of this hemisphere.

Finally I am instructed to inform Your Excellency that my Govt would hope to begin consultations with you looking toward the negotiation of a new agreement at the earliest possible date."

Provided Emb concurs with foregoing proposal it is assumed delivery will be made commensurate status local discussion (Depstel 490 Sept 18 and Embstel 614 Sept 20*). Position taken by Dept obviously precludes any symbolic return presently held defense sites. While Amb may find it advisable forewarn FonMin of your imminent submission of note, text itself should not be discussed with him prior to presentation.

CLATTON

711F.1914/9-2746: Telegram

The Ambassador in Panama (Hines) to the Secretary of State

SECRET

US URGENT

Panama, September 27, 1946—3 p. m. [Received 5:20 p. m.]

630. With reference my letter to Wise September 25* transmitting preliminary proposed draft of interim agreement looking toward solution defense sites situation, in an interview with the President this

* Latter not printed.
* Not printed.
morning at which Dr. Alfaro was present, I was informed that Panama would welcome some form of preliminary arrangement pending the negotiation of a new agreement along the lines suggested in draft submitted, which would not bring up for decision the two points of view as to termination date of May 18, 1942 agreement, but would follow the idea that a new defense sites agreement is necessary to conform with new modern weapons and warfare in hemispheric defense area and would carry joint policy and responsibility under general treaty of 1936.

The President mentioned the fact that radar stations were not only necessary for military purposes but for warning to commercial aircraft and sea navigation and that he could stress this point in press interviews in authorizing the US to retain such military installations as necessary pending the negotiation of a new agreement on a permanent basis. This settles 18 of 34 new positions.

He said also he could play up hemispheric defense on the part of Panama and instructed, in my presence, Foreign Minister Alfaro to prepare, jointly with me a detailed tentative agreement for submission Department's approval and to his Cabinet. I pointed out that, of course, there were two interpretations of the existing agreement and intimated strongly the possibility of being forced to submit our interpretation of the agreement in a note unless we could rapidly reach some form of agreement so there would be no misunderstanding as to question of our legally occupying bases under present agreement.

The President and the Foreign Minister were both most cordial and am sure are extremely anxious to bring about a satisfactory settlement of defense sites problem. The President stressed the hope that such defense sites as are not needed would be returned as rapidly as possible. I replied that we concurred with this view and suggested that it might be a good idea to return Chorrera base with an appropriate ceremony which obviously would be helpful to Government's position. In this he concurred and I am working out details with General Crittendenberger.

I took advantage of the opportunity to stress our high regard and respect for the sovereignty and national pride of Panama in the same manner as if we were negotiating with a powerful military nation, and left with the impression that if the Department will approve negotiations along the line as set forth in my tentative interim agreement, we can promptly and satisfactorily reach a full understanding with the Panamanian Government.

HINES
CONFIDENTIAL

WASHINGTON, October 3, 1946—7 p.m.

515. Embtel 630, Sept 27 and despatch 2501, Sept 28. Ceremony attending return Chorrera base publicized in New York Times Oct 2. Dept feels acts this character have most salutary overall effect and commends Emb for initiative taken in planning this cooperative program with high Canal and Panamanian authorities.

With respect Depstel 499 of Sept 24 proposing as reply to FonMin’s note Aug 31 a statement setting forth this Govt’s interpretation termination date 1942 Defense Sites Agreement, Amb’s views on advisability avoiding this action have been considered carefully. However, FonMin formally has presented an interpretation to which this Govt cannot subscribe and if Panamanian note remains on record Dept, as matter of principle, must reply. Furthermore, failure to answer may be interpreted by Panamanians or by legalists or historians as acquiescence to FonMin’s viewpoint. This in turn would leave this Govt in position, after Sept 1, 1946 and until new agreement is signed, by occupying defense sites in violation of 1942 accord.

Therefore, you are requested inform Dr. Alfaro that unless he recalls note of Aug 31, Dept will (Depstel 499) by formal communication set forth its views on termination clause. You should state that in so doing there is no intention making note public as he did Panamanian interpretation nor is there desire raise issue or debate difference of opinion. Main interest is set record straight and proceed negotiation new agreement. Should FonMin withdraw note, it will be unnecessary for you to deliver this Govt’s interpretation.

If after discussing foregoing with Dr. Alfaro he decides leave his note on record you will proceed immediately to present reply.

Proposed interim agreement (Emb tel 630 Sept 27) appears as inefficient and unnecessary step in progress toward final agreement. It is believed continued return defense sites with appropriate publicity should create sufficient favorable public opinion in Panama for two Govts go ahead simultaneously with negotiation of new accord, signing of which could be announced publicly, along with notice of termination of old arrangement. This publicity could come on or before date of return under 1942 agreement of last of sites which will not be required in new defense plan.

ACHESON

58 Latter not printed.
Memorandum of Telephone Conversation, by the Assistant Chief of the Division of Central America and Panama Affairs (Wise)

[WASHINGTON,] October 4, 1946.

CPA—Robert Newbegin
CPA—M. M. Wise

Upon the receipt this morning of the Department’s telegram 515 of October 3, Ambassador Hines telephoned to state that the instruction was very “upsetting”. He stated that in the light of his conversations in Washington and subsequent exchanges of communications he failed to understand the Department’s action in not giving him more freedom of procedure in the negotiation of the defense sites matter. He said that the Department would have to have confidence in his ability to handle this very delicate situation if progress is to be expected.

With respect to the presentation of our interpretation of the termination clause of the 1942 Defense Sites Agreement, Ambassador Hines said that to take action at this time in the sense of the Department’s telegram 515 would undoubtedly result in a change of administration. He said the problem really boiled down to whether we wanted to present the note or negotiate a new defense sites agreement. He said that if the Department insisted on delivery of the note he would not wish to be held responsible for the repercussions which could seriously jeopardize our efforts to reach an agreement for the continued use of defense sites in Panama. He felt the State Department might be allowing itself to be influenced too much by opinions from the War Department on the defense sites question.

The Ambassador was informed that instructions under reference were purely departmental decisions, not instigated by any pressure whatsoever from the War Department. He was told that the Department had in mind setting the record straight and in getting on with the negotiation of the new agreement. The Ambassador was asked if Dr. Alfaro would not be in a position to receive and understand the confidential delivery of a note, giving our interpretation of the 1942 accord, particularly in view of all that had gone before, if he were told that it was necessary to clarify the record. The Ambassador said that the Panamanian authorities would not be in a position to understand the note at this stage of the negotiations. The Ambassador stated that if it were left at his discretion he would get this Government’s interpre-
tation to the Foreign Minister at a propitious time and in appropriate language.

The Ambassador said that the Panamanian authorities had now met with the Army and had been given detailed technical explanations as regards the needs for a new defense sites agreement. He pointed out that in a recent conference the Panamanian authorities had indicated general approval of the principle that radar coverage is essential to the defense of the Panama Canal and, accordingly, recognized the necessity for this Government’s operating some 18 air warning stations in the Republic.

With respect to an interim agreement, the Ambassador expressed failure to understand the Department’s view that its negotiation would be an inefficient and unnecessary step in progress toward final agreement. He said the Panamanians needed some interim action for public consumption prior to the conclusion of the new defense sites agreement. He felt that in proposing the interim agreement he was acting within his instructions. The Ambassador said that in view of the Department’s instructions that it was desirable to proceed now “on a partnership basis” (telegram 490 of September 18) he had presented the draft proposed interim agreement to the Foreign Minister and the President and was now awaiting a memorandum of reply which had been promised him. He implied that it would be most embarrassing now for all parties concerned to disapprove an interim arrangement.

To summarize, the Ambassador felt that the presentation of our interpretation of the termination clause of the 1942 Agreement at this time would be unwise and that we should certainly proceed with the negotiation of the interim agreement. The Ambassador was told that this matter would be brought immediately to Mr. Braden’s attention and that until the Embassy heard further from the Department the Ambassador was authorized to delay delivery of the proposed “interpretation” note. In the meantime, the Ambassador was to receive the Panamanian reaction to the proposed interim agreement and report to the Department.

In concluding the conversation, reference was made to the Ambassador’s and General Crittenden’s recently submitted suggestions that the return of the Talara base at Peru 29 be delayed. The Ambassador was informed that a definite commitment had already been made to the Peruvian authorities and that it appeared too late to change the plans. It was explained that due to recent incidents at Talara, delay in turning over the base could produce serious repercussions in Peru.

29 For documentation, see pp. 1206 ff.
CONFIDENTIAL  

WASHINGTON, October 10, 1946—7 p. m.

530. On May 18, 1942 this Govt reached agreement with Panama for occupation and use of numerous defense areas in territory under jurisdiction of latter. That agreement is still in effect and will be until 1 year after the date on which the definitive treaty of peace ending World War II becomes effective. In accordance with spirit of 1942 Agreement this Govt through consistent continuing processes has been evacuating and returning to Panama all sites the use of which has been found to be no longer essential. In meantime development new methods and weapons of warfare have made necessary formulation of long-term strategic plan for adequate security Panama Canal. War Dept has presented such a plan and has requested that this Dept consult with Panamanian authorities and request cooperation in drafting and signing new accord.

Paramount interest this Govt in relations with Panama has therefore become expeditious negotiation of new agreement based on General Treaty of 1936, provisions of which establish genuine partnership interest in maintenance and defense of Canal. This negotiation should have been independent of the 1942 Agreement. Unfortunately, however, as Emb is aware, Dr. Alfaro’s unilateral interpretation of termination clause 1942 Agreement made before Constituent Assembly in Nov 1945 and officially communicated to this Govt by note on Aug 31, 1946, which was made public in Panama, gave rise to local political difficulties which have impeded desired progress in negotiation new agreement.

Inasmuch as Panamanian viewpoint termination clause 1942 Agreement is clearly erroneous it has, because of recent developments in Panama, become most evident that Dr. Alfaro’s interpretation should have been challenged immediately; i.e., last year. Although he is now aware this Govt’s position, Dept, after carefully considering Amb’s recent advice, has decided to reiterate its instruction contained in Deptstel 499 of Sept 24 and insist that that part FomMin’s note Aug 31 regarding Panamanian interpretation 1942 Agreement must be acknowledged formally and at once, unless Dr. Alfaro wishes withdraw his note. Accordingly, please refer Deptstel 515 Oct 3 and carry out instruction.

It is regretted that possible embarrassment may result from discussions already initiated with Panamanian officials with respect to
interim agreement but Dept did not consider its telegram no. 490 (see Embstel 638 Oct 5) as authorization for negotiation of interim agreement and certainly not as authority for presenting suggestion to Panamanian Govt without prior complete clearance with State and War Depts.

Emb will appreciate that War Dept must be consulted and concur in any proposed agreement prior to its submission Panamanian authorities. That Dept has now delivered to us copies Sept 25 letter addressed to Amb by Gen Crittendenber:a In future it is requested that copies such documents be forwarded promptly and directly to Dept in order to avoid embarrassment in relations with War Dept here.

In summary, please comply instruction contained in Deptstels 499 and 515 of Sept. 24 and Oct 3. Subsequently, make every effort enter into expeditious negotiation definitive defense sites accord without interim agreement.

ACHESON

711F.P1914/10-1246 : Telegram

*The Ambassador in Panama (Hines) to the Secretary of State*

CONFIDENTIAL

PANAMÁ, October 12, 1946—1 p. m.

[Received 1:50 p. m.]

656. Deptl No. 530, October 10, 7 p. m.; Embtel 640, October 11, 1 p. m. At noon today I presented to the Foreign Minister the note for purpose of completing record on defense sites issue. In presenting the note I indicated to the Foreign Minister that it was the desire of the Dept to complete the record and with no idea of controversy relative to the interpretation. I also stressed our desire to promptly and in a friendly and cooperative manner proceed immediately with the Panamanian Govt in drafting new defense sites agreement. The Foreign Minister accepted the note in a cordial manner and reiterated again that the only problem the Panamanian Govt had was one with the people in making clear that we were not forcibly holding defense sites, but he indicated fullest desire on the part of Panama to work out satisfactory solution.

HINES

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30a Telegram 490, September 18, is printed on p. 1114; telegram 638, October 5, not printed.

31a Not printed.

32a Latter not printed.
Memorandum by the Assistant Chief of the Division of Central America and Panama Affairs (Wise) 32

WASHINGTON, October 25, 1946.

Subject: Chronology (October 11–21) on Development Defense Sites Issue in Panama

A. October 11—Foreign office delivered memorandum 33 stating position Panamanian Government on current negotiations. President Jiménez informed the Embassy indirectly that if the memorandum was distasteful, Foreign Minister’s departure for UN should be awaited and discussions undertaken with Acting Foreign Minister Sucre (Minister of Government and Justice). Memorandum in substance stated:

(1) Panama cannot negotiate any agreement until the U. S. commences effecting its occupation [evacuation?] on all remaining sites.
(2) Panama would agree under joint control both Governments that radar, search light, and detector stations could continue functioning without interruption.
(3) Panama not convinced that air fields in Panama now absolutely indispensable but would listen to technical information from Army.
(4) New agreement could be reached on following basis:
   (a) Declaration that 1942 agreement is no longer in effect.
   (b) Remaining defense sites will be operated under joint control.
   (c) Terms of agreement will be temporarily renewable from year to year.
   (d) Rentals will not be less than those stipulated in 1942 agreement.
   (e) Two Governments jointly will maintain in good state of preservation for emergency use defense sites to be abandoned.
   (f) Panama will retain its sovereignty in defense areas and complete jurisdiction in civil matters with sole exception that U.S. will have jurisdiction over military personnel of U.S. within defense sites. Persons arrested outside areas would be turned over to Panama for trial and punishment. 34

B. October 12—Ambassador Hines presented note giving U.S. interpretation termination close 1942 agreement. 35

C. October 14—General Crittenden with Ambassador Hines present Panama president and cabinet with technical data showing need for defense areas.

32 Addressed to the Acting Chief of the Division of Central America and Panama Affairs (Newbegin) and the Director of the Office of American Republic Affairs (Briggs).
33 Not printed.
34 For documentation on the question of jurisdiction over American service personnel in criminal cases, see pp. 1232 ff.
35 See telegram 530, October 10, 7 p. m., to Panama, p. 1122.
D. October 14—Foreign office replied to Ambassador's note on "interpretation" in substance as follows:

(1) Panama cannot accept U.S. interpretation and will not recede from its own.
(2) On basis U.S. interpretation, it will be impossible for Panama to enter into discussions and into agreements regarding joint defense of Canal.
(3) If by virtue U.S. interpretation occupation defense sites is continued, Panama will be forced, not being able to oppose materially such occupation, to protest publicly.
(4) Progress on new discussions and possible agreements can be attained only by the total return of sites still occupied.

E. October 15—Panamanian President publicly announced receipt U.S. "interpretation" note and stated his Government will not recede from its position.

F. October 16—Foreign Minister enplaned for UN saying he and President hoped for "symbolic" return all sites now occupied.

G. October 21—Acting Foreign Minister Sucre proposed joint statement by Governments explaining that technical studies show need for new defense sites agreement and that, accordingly, Panama requests U.S. to continue temporarily on all remaining sites for period not over three months during which new agreement will be drawn up.

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711F.1914/10-1546: Telegram

The Secretary of State to the Ambassador in Panama (Hines)

CONFIDENTIAL

WASHINGTON, October 28, 1946—7 p. m.

555. Urdesp. 2617 of Oct 12. We are favorably impressed neither by tone of Pan memo of Oct 8, by Pan note accompanying your desp 2635 Oct 15 nor by Alfaro's threat publicly to accuse U.S. of bad faith unless we accept his "interpretation" termination clause 42 agreement. If he insists on pushing matters along that line we may ultimately have no choice but to declare we stand on what 42 agreement clearly and incontrovertibly says, and occupy until 1 year after signature last definitive peace treaty remaining sites now occupied. We are however desirous of getting on with new agreement rather than engaging acrimonious debate. We are accordingly prepared consider possibility suggested urtel 673 Oct 21 of issuing joint statement which would set stage for successful negotiations provided question of interpretation is not aired therein and further provided no time limit for such negotiations is included.

Supra, supra

Not printed.
Foregoing is for confidential information yourself and Blocker.

Following statement would be acceptable to us:

“Govts of Panama and US on Sept 12, 1946 reiterated in joint statement recognition of traditional friendship uniting them, and declared their determination to fulfill their joint responsibilities in all matters pertaining to Panama Canal, defense of which plays vital role in security of both countries and of hemisphere.

In this spirit two Govts have now consulted on most effective means protecting Canal in the future. Discussions of technical military nature have been held between His Excellency President of Panama and his advisers, and Commanding General of Caribbean Defense Command. The two Govts are in agreement that revised agreement for defense, based on 1936 General Treaty, should be concluded.

Since termination hostilities last year US has evacuated approximately three quarters defense sites occupied under 1942 agreement. In light of their mutual interest in broad aspects of security and their conviction that such security can best be achieved by closest possible continued collaboration, the two Govts have also agreed that further use by US of remaining sites is desirable, pending conclusion new agreement. They have reached this accord without reference to their respective interpretations of 1942 agreement.”

Pls discuss proposed joint statement immediately with appropriate Pan officials and advise Dept reaction.

Byrnes

711F.1914/10-2846 : Telegram

The Secretary of State to the Ambassador in Panama (Hines)

SECRET

WASHINGTON, October 28, 1946—7 p. m.

556. Deptel today’s date re defense sites. In considering general situation of our relations with Panama we are impelled to note that in addition to behavior of that Govt re 1942 Defense Sites Agreement, Panama is giving other evidence of irresponsibility in matters of common concern, which if continued can only impair existing good will and lead to ultimate serious disadvantage to Panama itself as well as ultimately to endanger security of Canal. For example, far from settling important Encanto claim as promised 2 months ago (thus paving way for round table discussions) FonMin has raised (ur Desp 2632, Oct 15) totally unacceptable new issue in connection therewith, while simultaneously by threats of bad behavior internationally he is confusing other issues such as alleged zone employee discrimination and creating atmosphere of distrust even hostility on part of Panamanian people. These developments are profoundly disquieting.

555. supra.

El Encanto claims arose in 1915 by reason of injuries to American soldiers and property damage resulting from disturbances in the Coco Grove section of Panama.

41 Not printed.
We are eager to discuss with Panama frankly and in orderly manner any subject touching our special relationship resulting from operation of Canal across Panamanian territory. We have publicly so declared. We recognize Panama sovereign independent state and wish to support that country's legitimate national pride. The 1936 treaty sets this forth in both general and concrete terms and establishes joint responsibility as basis of our association. We earnestly desire excellent relations founded on mutual respect, but obviously can only maintain them if discharge of our respective responsibilities is genuinely two-way street proposition.

Please bear foregoing in mind as situation develops.

BYRNES

711F.1914/10-3146: Telegram

The Ambassador in Panama (Hines) to the Secretary of State

SECRET

PANAMA, October 31, 1946—3 p. m.
[Received 6:30 p. m.]

688. Deptel 555 of October 28, 7 p. m. forwarding draft joint release suggested regarding defense sites. I had lengthy discussion with Acting Foreign Minister yesterday when I presented Department's suggestion for joint release which would set stage for successful negotiations on new defense site agreement. See despatch 2765 October 31. At 2 p. m. today Foreign Office delivered counter proposal translation reading as follows:

"In conformity with the agreement of May 18, 1942 subscribed to between the Governments of Panama and the US, the Government of Panama made available to the Government of the US for defense purposes 184 sites within the Republic. 98 of these sites have been returned to Panama.

The Governments of the US and Panama declare extinguished the agreement of May 18, 1942 ignoring the opposing interpretations on the date said agreement terminates and consequently the Government of the US will return to Panama the defense sites which it continues occupying as soon as necessary arrangements can be made.

The Governments of Panama and the US reiterate their recognition of the traditional friendship which unites them and again manifest their determination to comply with their joint responsibilities in all matters pertaining to the Panama Canal, the defense of which plays a vital part in the security of both countries and of the hemisphere. In this spirit the two Governments have now consulted as to the most effective means to protect the canal in the future and have agreed that a revised [defense] convention must be reached based on the general treaty of 1936.

In view of their mutual interests in the complete aspect of security and in view of their conviction that greater security can be obtained

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*Not printed.*
through closest possible and continuous collaboration, the two Governments consider that it is necessary to establish certain defense sites within the Republic of Panama.

Consequently the Governments of Panama and US are agreed that until the delivery of the afore-mentioned defense sites is accomplished and a new agreement reached which should be celebrated within a period of not exceeding 90 days and which will cover the defense necessities of the Canal and will contemplate the safeguarding of the interests and the sovereignty of the Republic of Panama certain defense bases may continue to function under the joint control of the two Governments”.

HINES

711F.1914/10-3146: Telegram

The Secretary of State to the Ambassador in Panama (Hines)

CONFIDENTIAL

WASHINGTON, November 2, 1946—3 a. m.

US URGENT

563. Deptl 555 Oct 28. Dept expressed its willingness to consider issue joint statement provided question interpretation termination clause 1942 agreement not aired therein and provided no time limit set for new negotiations. By Deptl 515 Oct 3 and Deptl 530 Oct 10 Dept expressed objection to interim arrangements. Panamanian counter-proposal (ur tel 688 Oct 31) includes all three objectionable features (viz endorsement of Panamanian “interpretation”, 90 day stipulation, and proposal to establish interim arrangement). It accordingly represents no compromise whatsoever and we assume that you have already informed Pan authorities that in those respects it is completely unacceptable to your Govt.

The arguments supporting the military necessity of a new agreement, based on the commitments of Panama set forth in 1936 treaty are already familiar to you and have furthermore been explained by General Crittenden to Pres. of Pan.

Notwithstanding foregoing, in final effort to find formula within framework Pan so-called counter-proposal, we would consider issue of joint statement in revised form as follows:

“The Governments of Panama and the United States reiterate their recognition of traditional friendship which unites them and again manifest their determination to comply with their joint responsibilities in all matters pertaining to Panama Canal, defense of which plays vital part in security of both countries and of hemisphere, and at same time safeguards interests and sovereignty of Rep of Pan. In this spirit the two Govts have now consulted as to most effective means to protect Canal in the future.

In conformity with agreement of May 18, 1942, the Government of Panama made available to Government of United States for defense purposes 134 sites within the Republic. 98 of these sites have already
been returned to Panama. In view of their mutual interest in the broad aspects of security and in view of their conviction that such security can only be obtained through closest possible continued collaboration, the two Govts consider that it necessary to maintain certain defense sites within the Republic of Panama and have agreed that a revised defense sites agreement should be reached, based on the General Treaty of 1936.

Accordingly, the two Governments have agreed that, until a new accord is reached which will provide for the defense needs of the Canal, the provisions of the 1942 agreement will continue in effect irrespective of interpretations of the respective Governments as regards termination date thereof.

Negotiations to replace the 1942 agreement will begin at once and will be carried out as expeditiously as possible.”

BYRNE

711F.1914/11-246: Telegram

The Ambassador in Panama (Hines) to the Secretary of State

CONFIDENTIAL

US URGENT

PANAMÁ, November 2, 1946—3 a.m.

[Received 2:35 p.m.]

690. ReDept 568, November 2, 1946, 3 a.m. Proposed joint statement transmitted was taken up Foreign Minister this date. Joint statement in present form is not satisfactory to the Panamanian Govt for they do not feel it would be helpful in existing political conditions and feeling on part of the people to issue same. Foreign Minister urgently requests that I ask Dept to give further consideration to their proposed statement transmitted our telegram 688, October 31.

With reference to the limitation in proposed new statement they suggest adding as a last paragraph the following: “Both Govts accept that, upon request of only one of them, the period of 90 days which is established here for the joint control of the bases and for the celebration of a new agreement will be extended within another similar period of 90 days and both Governments accept also that this second period may be extended once again by mutual consent in the event that it prove insufficient.”

For Dept’s information, I desire to reiterate again that the proposed joint statement is felt necessary by the present administration to satisfy the people who are definitely of the opinion that existing 1942 agreement has expired. Every part mentioned in Dept’s instructions to me has been made known to the Panamanian Govt and discussed over and over again. It is my definite judgment that we will have to give some help to the present administration to enable them to overcome existing political difficulties. I believe this can be done without jeopardizing position under 1942 agreement. I therefore suggest that the main points made in Panamanian proposition last submitted be
carefully reviewed with a view of adopting as nearly as practicable the
language they feel is essential to satisfy their people. Present admin-
istration is cordial and friendly and anxious to get on with the negoti-
tiation of new agreement.

HINES

711F.1914/11-546

Memorandum by the Second Secretary of Embassy and Consul in
Panama (Collins)\(^{43}\) to the Assistant Chief of the Division of Cen-
tral America and Panama Affairs (Wise)

SECRET

[WASHINGTON,] November 5, 1946.

Attached is a very rough draft of a possible new defense sites agree-
ment between Panama and the United States.\(^{44}\) An attempt has been
made to incorporate in the new agreement the recommendations of
the SWNCC, especially as regards the establishment of two different
kinds of leases, long-term leases and short-term leases. In as much
as the Army and Navy have indicated that the general terms of the
present Defense Sites Agreement are entirely satisfactory to them,
there has been no effort to change the operative features of the agree-
ment. In the memorandum from SWNCC, it was suggested that the
clauses relating to payment for the leases and for the maintenance of
Panamanian highways be re-examined with a view to effecting further
economics. I do not think there is any possibility whatsoever of
obtaining these leases more economically than at present and have
therefore not made any changes in that regard. On the other hand,
I feel that the special provisions which have heretofore effected the
defense site at Rio Hato will have to be cancelled and accordingly
I have eliminated them from the new agreement. It will be recalled
that a total rental of only $10,000 is paid for the entire Rio Hato parcel
under the present agreement.

When the Defense Sites Agreement of May 18, 1942 was signed
the following in effect was the compensation which the United States
agreed to pay to Panama:

(a) Rental for the lands at $50.00 per hectare for private lands
and $1 per parcel for public lands. This has averaged $400,000 a year
since May 18, 1942.

(b) Payment of one-third of maintenance charges on Panama roads
used by the Army. This has averaged $300,000 a year since May 18,
1942.

(c) The agreement to finish certain roads in the Republic of Panama
and to cancel an obligation of the Government of Panama to the Ex-

\(^{43}\) Mr. Collins was temporarily in Washington.

\(^{44}\) Not printed.
port-Import Bank in the sum of $2,500,000. I don’t know how much it cost to build the two highways which we undertook to build but I imagine they cost several millions.

(d) Agreement to return to Panama the waterworks and sewers of Colón and Panama.

(e) Agreement to return to Panama all property owned by the Panama Railroad Company in the cities of Panama and Colón which was not needed for the operations of the railroad itself. This was assessed at several millions of dollars.

(f) A statement in the 12-point agreement of May 18, 1942 that “the United States is willing to agree to the construction of a tunnel under or a bridge over” the Canal at Balboa “when the present emergency has ended.” Although it is not expressly stated that the United States will pay for this tunnel or bridge, I have never heard this point questioned and I presume that it was understood that we would pay for it. Today a tunnel would cost probably $25,000,000, while a bridge, if the Navy would agree to the construction of a bridge, might be build for between $8,000,000 and $10,000,000.

(g) The agreement by the Government of the United States to move the railroad station from Panama City to a new site to be provided by the Republic of Panama. Although the language of the 12-point agreement does not specifically state who is to pay for the moving, there seems little doubt but that the United States would have to bear the cost. On the other hand, we can claim that we will own the land and the buildings where the station now is and possibly we could sell them for part of the cost of moving and building a new station. This provision, therefore, may not cost us more than $1,000,000 or $2,000,000.

(h) The 12-point agreement of May 18, 1942 also mentions the question of commissaries, post exchanges, a provision for the making available to Panama of electric current for the Madden Dam station, the desire of the Government of Panama for indemnity when traffic on the major highways is interrupted by United States troop movements, and lastly, the desire of the Government of Panama of three gasoline and oil tanks at Balboa.

From the above it may be seen that the consideration paid by the United States for the Defense Sites Agreement of May 18, 1942 was not limited to rent but may be estimated in the tens of millions.

Therefore any attempt to negotiate a new defense sites agreement with the Republic of Panama at the present time must be predicated upon the willingness on our part to pay again heavily for the concessions which we want. While any agreement covering consideration other than rent and road maintenance should be entirely separate and apart from the new defense sites agreement, the following are some of the things which we might be able to offer:

(a) We are committed to the tunnel or bridge and sooner or later will have to do something about it.

(b) We are committed to moving the railroad station and sooner or later will have to do something about it.
(c) The Panama Railroad Company has agreed to give up the 25% preferential freight rate which Canal Zone cargoes enjoy between the Isthmus and the United States and this concession can be used as a bargaining point as the merchants of Panama have for many years complained that this preferential freight rate caused unfair competition.

(d) Panama wants a dock built at the penal colony of Coiba. The Marine Division of the Panama Canal could build this dock for them.

(e) Panama wants to obtain the full control and use of a number of telegraph and telephone wires which connect Panama and the interior which were constructed by the Army. Possibly some of these trunk lines could be turned over to Panama.

(f) The military reservation at Paitilla Point which the United States obtained under the provisions of the 1903 Convention but which is no longer needed from a military point of view, could be returned to Panama. Pending the necessary congressional action, the area could be leased to Panama for $1.00 a year.

(g) Panama wants, as the Department is aware, to obtain a $25,000,000 loan from the United States and while there seems to be considerable question whether or not Panama is entitled to such a loan and lastly, whether or not the Export-Import Bank can make a loan of this nature and/or has the funds available, we might make some kind of a commitment for a $5 or $10 million loan. If Panama insists on the larger amount, we could offer as a consideration to build the Inter-American Highway in cement from Rio Hato to the city of David as a military measure. The part of the Inter-American Highway from Panama to Rio Hato is already cement and was built by the United States as a military road. Since Panama proposes to spend nearly all the $25,000,000 which they want to borrow on this project, possibly we could use the PRA 46 or the Military Engineers to build the road for them as consideration for the new defense sites agreement.

In the opening memorandum establishing the round table conferences, Panama asked to settle a number of other questions with the United States but I think I have listed all of the ones which are susceptible of quick settlement by us and which could serve as consideration. One other point which might serve as consideration is Panama’s desire that the Monetary Conference of 1904 be liberalized, especially as regards the coinage limitation. The prohibition of the sale in the Panama Canal Zone commissaries, the post exchanges of the Army or the Navy sales stores of “luxury and tourist articles” is a point desired by Panama, but I don’t see how this definition ever could be made to hold water and I feel this point should be avoided.

Respectfully submitted,

V. LANSING COLLINS, JR.

46 Public Roads Administration. A marginal note at this point reads: “Comment: When the US Govt agrees to use PRA—black is white; red is blue; and we’re all completely crazy!”
Memorandum by the Assistant Chief of the Division of Central America and Panama Affairs (Wise) 46

[WASHINGTON,] November 26, 1946.

The most recent despatch (no. 2882 of November 20) 47 from Panama drafted jointly by the Ambassador and Mr. Blocker emphasizes strongly that it would appear definitely impossible to negotiate a new defense sites agreement until some agreement has previously been reached for at least a technical return of the bases we now occupy. The Embassy believes that if we could indicate that the bases would be returned by some definite date we could begin immediately the negotiation of a new accord. President Jiménez appears very disturbed and embarrassed over our failure to agree to a symbolic return and feels that our delay is not consistent with the high principles the United States has always followed in dealing with weaker, but friendly Governments. Continued pressure on the president caused him last week to authorize Dr. Alfaro to present the Panamanian position before the United Nations. 48 The Panamanian press has played up to the fullest extent Dr. Alfaro’s statements in New York.

The present conduct of Panamanian authorities with regard to this question undoubtedly is fomented by these factors:

(a) Desire of Jiménez administration to maintain its political prestige before the Opposition and the public.
(b) Pride before neighboring Latin American countries in the fact that the Isthmus of Panama is a laboratory in which the Good Neighbor policy is tested.
(c) Fact that Panamanians consider their territory of “international” value because of the Panama Canal and Panama’s position as a so-called “crossroads” of the world.
(d) Fear that the recent Republican victory in the United States will mean a change in policy toward Latin America.

In view of the foregoing, Panamanians feel called upon to “bristle up” and represent what they feel are the best interests of countries south of the border. If Panama stands on its decision not to discuss or negotiate a new defense sites agreement until a satisfactory arrangement has been reached as regards bases now held we are faced with only two alternatives:

46 Addressed to the Acting Chief of the Division of Central America and Panama Affairs (Newbegin) and the Director of the Office of American Republic Affairs (Briggs).
47 Not printed.
(a) "Sit tight" and eventually (one year after the signing of the definitive treaty of peace) return the sites with no new agreement. In the meantime relations with Panama would become very strained, the effect of which would be felt in various other sectors of Latin America. This would mean that strong charges of imperialism would be directed at the United States under Republican leadership.

(b) Give the Panamanian administration some face-saving device and obtain a new agreement.

It has been suggested that perhaps the Army adequately could provide for the defense of the Canal with no bases in Panama. If this could be done it undoubtedly would cause the Panamanians to "sit up and take notice" and perhaps even ask for the reestablishment of bases in the national territory (both because of embarrassment and for economic reasons). It would not seem, however, that the Army could get along without using Panamanian territory for even though sites for gun emplacements and air warning stations in Panama might be dispensed with there is always the need for practice and maneuvering areas and, of course, Rio Hato is a very important and, in effect, permanent base.

I understand that with the exception of Rio Hato the bases we now occupy are being held primarily on a "care-taker status". Could we arrange with the Panamanians

(a) to fly both flags over the remaining sites?
(b) to ask them to station a liaison officer on each site or to name one liaison officer for all sites (avoiding completely the use of any reference to joint control)?
(c) to agree that this status would continue indefinitely during which time a new agreement is to be negotiated?

In conclusion, I am inclined to feel now that with the position taken by the Panamanian administration at home and before the United Nations it will not negotiate a new defense sites agreement, no matter how palatable its terms may be, until we have given the administration some way to save face with the Panamanian public, with the other American Republics, and with the United Nations on the matter of our continued occupation of sites obtained under the 1942 Agreement. No matter how badly we may hate to do this it might be to our best interests to do so.

If the question of an interpretation of the 1942 Agreement is submitted to arbitration very likely we would win the case in point; however, our victory would in no way facilitate the negotiation of a new agreement or continued friendly relations with Panama.

I think the new agreement should be drawn up and taken to Panama personally by someone in the Department. If it is definitely seen that Panama will not negotiate that person should then proceed (naturally in complete conjunction with the Ambassador) to work out with the Panamanians face saving device as regards the remaining sites.
Memorandum to the Secretary of State by the Assistant Secretary of State for American Republic Affairs (Braden)

SECRET

[WASHINGTON,] December 17, 1946.

Article I of the 1942 Defense Sites Agreement with Panama reads in part as follows:

“These lands shall be evacuated and the use thereof by the United States of America shall terminate one year after the date on which the definitive treaty of peace which brings about the end of the present war shall have entered into effect.”

The meaning of this text is clear. Dr. Alfaro, nevertheless, claims that its spirit and intention was that we should have turned back all sites in Panama one year after the surrender of Japan. Mr. Sumner Welles, under whose supervision the agreement was drafted, stated to the Panamanian representative during the negotiations that a state of emergency and general unsettled conditions might well continue after the cessation of hostilities and that a period of from five to ten years might elapse before the final treaty of peace would be drawn up. He said that during this time it obviously would be unwise to leave the Canal undefended. It was on this basis that the word “definitive” was inserted in the text.

Without prior consultation with this Government concerning the termination of the 1942 Agreement, Dr. Alfaro in November 1945 stated his position before the National Assembly of Panama. On November 7, when asked by a correspondent about Dr. Alfaro’s statement, you answered that our withdrawal from Panama was covered by an agreement in writing and that we would abide by whatever was in it. On November 17 the Panamanian Foreign Office forwarded to our Embassy, which in turn transmitted it to us, a copy of the interpretation made by Dr. Alfaro before the National Assembly. Dr. Alfaro’s interpretation was not challenged by us officially until August 1946, for it was felt then, during a political tempest in Panama, that a challenge would evoke an open controversy which might be avoided if we made no reply. Subsequent events made it necessary for us to declare our position.

During the war we obtained 134 defense sites in Panama. In accordance with the spirit of the 1942 Agreement (temporary use only) the Army through continuing processes over a period of many months, 49 Former Under Secretary of State.

50 In the minutes of a meeting of the Secretaries of State, War, and Navy, December 18, 1946, Mr. Byrnes is recorded as saying: “... he thought that there was a lot more to Alfaro's complaints than the State Department had led him to believe ... It may be one year or it may be five years before we reach any final peace settlement ... The intent really was that we should get out of Panama before that.” (811.002/1-2446)
beginning even before the surrender of Japan, as of October 1 had returned 98 of these sites. Of the 36 remaining about 18 are radar stations. The others consist of the large air base at Rio Hato and smaller airfields, gun emplacements and the like, considered essential for the current security of the Canal.

We are willing to terminate the 1942 Agreement simultaneously with the signing of a new defense accord. Dr. Alfaro has expressed his objection to negotiating a new agreement while we remain on the bases. It is hoped that this objection may be overcome, however, since to withdraw now and reoccupy under a new arrangement would be laborious, expensive and from the standpoint of protection, impractical. To stay on without a covering agreement would expose us to criticism and leave us without legal rights in the sites.

We are ready to negotiate a new defense sites agreement immediately. A new document which can be used as the basis for beginning negotiations has been drafted jointly by State, War and Navy. The War Department has given General Crittenden full authority to represent its interests in Panama. We are likewise prepared to negotiate in Panama. The sooner we get over the present impasse the better.

To meet Panamanian sensitiveness on the sovereignty issue we are prepared to offer the following:

(1) to reroute the Inter-American Highway around the Rio Hato base at an expense which has been estimated at some $150,000;
(2) to agree that on all military sites in Panama the flags of both countries will fly side by side on individual poles of equal height.
(3) to agree to name all sites outside the Zone in accordance with the desires of Panama and to print all signs in Spanish and English, the former taking precedence;
(4) to welcome, if Panama so desires, the assignment of a Panamanian liaison office to the Headquarters, Panama Canal Department, for the purpose of facilitating the operation of the new agreement; and
(5) to agree, should we withdraw at any time from any airdrome, and should Panama desire to operate them with Panamanian personnel, to provide on-the-job training at bases and, furthermore, to conduct training of individuals in technical specialties either in the United States or in the Pan-American School of the Caribbean Defense Command.

In view of possible Panamanian objections to the desired duration of the leases it is considered advisable, if possible, to avoid discussion of this point now. However, should Dr. Alfaro raise this question, the War Department has indicated that it would require a minimum period of thirty years. This is a reduction from the War Department’s original proposal of 99-year leases.

Spruille Braden
Memorandum to the Secretary of State by the Assistant Secretary of State for American Republic Affairs (Braden)

SECRET

WASHINGTON, December 17, 1946.

Subject: Pending Matters, U.S.-Panama; Action U.S. Prepared to Take

For your secret information—not to be communicated to Dr. Alfaro.

We are prepared, in agreement with the War Department, to take important action with respect to other matters of interest to Panama, viz:

(1) to negotiate the realignment of the Colón Corridor;
(2) to authorize the Public Roads Administration to rent equipment and lend technical personnel to Panama for the paving of the runways at the new international airport;
(3) to negotiate an agreement to cover the transfer of international air traffic from Albrook Field, in the Canal Zone, to Panama’s new airport.
(4) to assist Panama in drawing up a civil aviation code;
(5) to abolish the 25% ocean and railway freight differential charged Panama by the Panama Railroad Company;
(6) to intensify our investigations of alleged racial labor discrimination in the Canal Zone;
(7) to return Paitilla Point to Panama;
(8) to settle the Malambo Fire Claim;
(9) to construct at cost for Panama a dock at the Coiba penal colony; and
(10) to consider a revision of the so-called Monetary Agreements.

Spruille Braden

The Secretary of State to the Ambassador in Panama (Hines)

CONFIDENTIAL

WASHINGTON, December 21, 1946—4 p.m.

621. In discussing defense sites issue with Dr. Alfaro Dept found that he apparently has not changed his position that some “symbolic return” of bases now held or some form of joint trusteeship will be necessary before new definitive agreement can be negotiated. While no definite commitment was made to Alfaro it was suggested that perhaps Panamanian Minister Govt and Justice 51 might serve with Gen Crittenden as trustees on operation bases retained under an interim agreement whereby rights of 1942 accord wd be continued although 1942 agreement itself wd be terminated. Interim agreement wd remain in effect until new definitive agreement based on 1936 treaty entered into operation.

51 Carlos Sucre.
It is assumed that Alfaro will have communicated the above to Pres Jiménez by this time. Dept informed that he will not return to Panama for approximately another week.

However, the proposal set forth in your 761 Dec 20 seems preferable from every point of view. Dept therefore believes it desirable to present draft base agreement to Pres Jiménez now. While Dept has not yet received draft D (urtel 755 Dec 17) you are authorized to present it as basis of discussion provided it contains no substantial changes from draft C. Dept does not believe it desirable to discuss possible credit to Panama nor is it clear just what other assistance Panama wishes in connection with completion of connecting strip of inter-American highway between Panama and Costa Rica. You may however if Gen Crittenden concurs discuss possibility of returning Paitilla Point and rerouting of road around Rio Hato base.

In view of Vallarino's conversation with you it would not appear desirable for you to broach proposal of interim agreement. Nevertheless should Pres Jiménez do so, you may tell him that this Govt will be glad to consider such an arrangement. You should however refrain from making any further suggestions in connection therewith and limit yourself to ascertaining what he has in mind for reference to Dept.

BYRNES

711F.1914/12-2346: Telegram

The Ambassador in Panama (Hines) to the Secretary of State

SECRET

PANAMÁ, December 23, 1946—11 p. m.

US URGENT

[Received December 24—3 a. m.]

770. Reference Department's telegram 621, December 21. General Crittenden and I met with Acting Foreign Minister Sucre and Minister of Public Works Vallarino from four to six this afternoon. General Mathewson Chief of Staff for the Commanding General, Mario de Diego First Secretary of Foreign Office and Collins were present at the conference.

In compliance with Department's instruction I informed Sucre that I was handing him a draft of a proposed defense sites agreement, that the United States hoped for an early solution of the question and that the United States wished to know what formula was to be followed to arrive at an early settlement satisfactory to both Governments. Sucre and Vallarino both mentioned the Panamanian position but both were careful to stress that no material abandonment, not even for five
minutes, of the sites now held by the United States was desired by Panama. After considerable discussion on this point it was finally agreed that negotiations based upon the draft presented would proceed on the understanding that once an agreement was reached then the question of the termination of the 1942 agreement, possible with the announcement that presently occupied sites were to be returned but immediately reoccupied, would be discussed and settled. Some plan whereby an announcement of return of sites after the new agreement has been settled will be made effective as of the very moment that the new agreement comes into force can in my opinion be worked out. General Crittendenberger concurs in this opinion. This question is no longer an important one, provided the Panamanians stick to the position taken this afternoon. It appears now that no interim agreement will be needed and Sucre and Vallarino fully realize army cannot be put in position of illegally occupying sites.

Next point discussed involved Annex A of the list of actual sites wanted. Sucre wanted to know exactly what the United States needed and General Crittendenberger after pointing out that the requirements for defense purposes had been carefully outlined to the Cabinet and President Jiménez several months ago at a conference in the Presidencia, agreed to present Annex A tomorrow to the Panamanians on the understanding that it be treated top secret.

Minister Vallarino then asked what was going to be done about the “needs of Panama”. I thereupon informed the Panamanians that I had come to the conference prepared to hand them a draft of a proposed defense sites agreement. Sucre insisted, however, that I agree to make note of the following “needs” for immediate consideration: (1) the return of Paitilla Point; (2) guarantee to Panama of a permanent market for Panamanian agricultural goods in the Canal Zone; (3) construction of a concrete highway to the Costa Rican border; (4) construction of concrete highway from Colón to Porto Bello 20 miles; (5) construction of a concrete highway from Campana to Puerto Cruces 10 miles; (6) granting of a $25 million loan; and (7) turning over to Panama of the naval hospital near Cativa. Points (4) and (5) are new but point (7) was discussed and abandoned about 10 months ago. Both Sucre and Vallarino made it very clear that they were prepared to bargain for the defense sites agreement and they intimated that if United States showed herself ready to meet Panama’s terms even part way the defense sites agreement would be soon signed. General Crittendenberger and I made no comments, but I said that I would transmit their views to Department.

General Crittendenberger pointed out after the conference that at no time had the Panamanians mentioned the joint trusteeship scheme or an interim agreement thus indicating little or no liaison between
Alfaro and Sucre. Vallarino was present at conference as President Jiménez's personal representative and I am convinced that every effort will be made to make some progress before Alfaro returns. Although no time was set for a new conference it was agreed that the Panamanians would call next conference when they had studied the draft and annex but Sucre and Vallarino both stressed that they would welcome hearing our early reaction to their "needs".

HINES

711F.1914/12–2846 : Telegram

The Ambassador in Panama (Hines) to the Secretary of State

CONFIDENTIAL

US URGENT

PANAMÁ, December 28, 1946—10 a. m. [Received 3:40 p. m.]

776. Following a luncheon yesterday given to the Guatemalan Minister prior to his departure from Panama, I had an opportunity of talking with the Acting Foreign Minister. I opened the conversation by saying that I had contemplated asking for an appointment to again discuss the subject of defense sites with him in view of the fact that he had now had an opportunity of going over the draft of the agreement together with the memorandum giving details in regard to the individual sites, and I was anxious to get his reaction on the defense sites draft. The Acting Foreign Minister said that he understood that Dr. Alfaro would arrive tomorrow, Saturday morning, but why not discuss the matter right there. I agreed with him and after going over some of the same ground covered in the initial discussion the Acting Foreign Minister indicated that after reading the detail of the amount of acreage required as outlined in annex A, he found that the amount of acreage asked for was a great deal more than he had understood would be required. He said so far as he was concerned he was prepared to recommend the acceptance of the defense sites agreement as presented to him if the US would agree with Panama on carrying out the following program:

1. Assurance of a permanent market in the Canal Zone for articles produced in the Republic of Panama at the prices and conditions prevailing in a typical city in the US like New Orleans.

2. Gratuitous return to the Republic of Panama of Paitilla Point and other areas in Taboga which will be subsequently determined.

3. Construction within a fixed time, at the exclusive expense of the US of a concrete highway on a route which will be determined by Panama from a point on the (present) highway to Rio Hato to the Costa Rican border.

4. Gratuitous transfer to the Republic of Panama of one of the docks of Cristobal suited for international navigation.
5. Payment of the sum of Balboa’s 50 per year per hectare for all the lands occupied as defense sites though they be private property or national lands.

6. Gratuitous transfer to Panama of the Cativa Hospital with jurisdiction over the land on which it is located.

7. Permanent right to Panama to sell, free of all tax, customs duties or import duties, 30 million litres of Panamanian liquors per year in the US.

With reference to Point 1, I indicated that at a conference Friday morning we had made considerable progress in setting up a permanent market in the Canal Zone for produce of the Republic of Panama; that the first step in such a program, as I understood it, required an organization to be set up by Panama with which small producers could deal in order that the central agency established could offer produce in sufficient quantities to justify the handling by the Canal Zone authority. The Foreign Minister agreed that such steps were necessary.

With reference to point 2, I indicated that I thought there was a good opportunity of arranging for the return of Paitilla Point, the Aspinwall site on Taboga which undoubtedly the Minister has in mind, if we could first finally reach an agreement on the defense sites agreement.

With reference to point 3, I indicated that the construction of a concrete highway as against a macadam highway would greatly increase the costs. As a matter of fact it would increase it approximately $25,000 per mile. I stated that while the US was committed to pay two-thirds of the cost of the inter-American highway, it would seem to me that it would be much more reasonable to discuss the building of a macadam highway as originally contemplated and applying the amount that it will cost the US to correct the difficulties in regard to the present highway at Rio Hato by building a new road around it.

It is my hope that in connection with this item desired by Panama that we endeavor to delay whatever we do in making any commitment on building the highway to eliminate our agreement to build the tunnel under the Canal.

Request of Panama for a lock at Cristobal, Point 4, is related to their establishment of a free port as recommended by Dr. Lyons 25 in his survey of the possibilities down here. It is also in lieu of two roads requested at the initial conference with the Panamanians, one of 20 miles in length and the other approximately 10 miles (reEmbtel 770 December 23).

With reference to point 5, this rate was expected to be proposed by Panama because of their discussion at the recent conference in regard to some remuneration being given for national lands. I believe it will

25 Thomas E. Lyons, technical expert on free zones of the Department of Commerce.
be possible in certain localities to reduce the cost per hectare but undoubtedly the Panamanians will hold out for such a rate at the main air fields at David and Rio Hato, possibly the army will consider reduction in acreage.

Item 6 is the same as previously reported to Department.

Item 7 is a new request and one that I am not fully familiar with as to our ability to undertake such a commitment. At the present time it would mean very little so far as the tax receipts to the US are concerned, but it is undoubtedly based on the Panamanian desire to build up the manufacture of liquors and beer, probably also the production of alcohol.

I have just received secret telegram 627\[56\] which I will take up with the Acting Foreign Minister this morning. I will do all possible to hold them on discussion of the defense sites agreement.

The reaction of the Dept to the foregoing is requested at the earliest practical date.

HINES

RELATIONS OF THE UNITED STATES AND PANAMA WITH REGARD TO COMMERCE, COINAGE, AND CONSULAR SERVICES

811.512319 Double/1-1546

Memorandum by Mr. Murray M. Wise of the Division of Caribbean and Central American Affairs

[WASHINGTON,] January 15, 1946.

Recently the Ministry of Finance and Treasury in Panama endeavored to impose taxation on employees of business firms in the Canal Zone which are branches of firms located in Panama. The Embassy lost no time in pointing out that it could not accept the viewpoint that Panama had fiscal jurisdiction in the Canal Zone, because Article III of the Treaty of 1903\[57\] granted to the United States all the rights, power and authority in the Canal Zone which the United States would possess and exercise if it were the sovereign of the territory, “to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power or authority”.

This subject is also one which the Panamanians bring up periodically. However, it is a satisfaction to note that on December 31, 1945 the Foreign Office instructed the Internal Revenue Section of the Ministry of Finance and Treasury to cease immediately sending let-

\[56\] Dated December 27, 1946, 6 p.m.; in this telegram the Department cautioned against discussions simultaneously, of the defense sites problems and other questions (711P.1914/2–2346).

\[57\] For text, see Department of State Treaty Series No. 431, or 33 Stat. (pt. 2) 2294.
ters to American firms established in the Canal Zone requesting information as to their financial operations. Recently a question arose with Pan American Airways regarding the right of the Panamanian Government to tax laborers working for that organization in the Canal Zone. The Embassy pointed out that Panama has no type of residual jurisdiction in the Canal Zone.

819.5034/2-2846

The Ambassador in Panama (Hines) to the Secretary of State

No. 932   PANAMÁ, February 23, 1946. [Received March 6.]

Subject: Assembly Passes on Nationalization of Commerce Law.

Sr: I have the honor to transmit clippings from the English and Spanish sections of the Panamá Star and Herald of February 23, 1946, which lists the qualifications under which retail commerce may be exercised in the Republic of Panama. These are as follows:

1. Native Panamanians.
2. Naturalized Panamanians, five years after obtaining their final papers.
3. Naturalized Panamanians who, on the date the constitution takes effect, are married to a Panamanian or have Panamanian children even though they have not completed five years of naturalization.
4. Any individual who is already engaged in trade when the constitution is promulgated.
5. Citizens of nations which maintain on the Isthmus activities in which Panamanians can obtain permanent employment provided that such citizens reside under Panamanian jurisdiction.
6. Corporations which are formed by Panamanians or by foreigners allowed to engage in commerce individually under the foregoing provisions.
7. Corporations which are engaged in commerce when the constitution becomes effective, regardless of their membership.
8. Corporations engaged in the sale of products manufactured by them in the country, regardless of their membership.

It will be noted that the change from the original proposal, reported in the Embassy’s despatch No. 2919 dated October 9, 1945, is that in paragraph 5 it is stipulated that “citizens of nations which maintain on the Isthmus activities in which Panamanians can obtain permanent employment provided that such citizens reside under Panamanian jurisdiction”. No requirement as to International

Not printed.
Treaty is included and of course the only ones who can qualify under this ruling are American citizens on account of The Panama Canal installations.

Undoubtedly this constitution will be unsatisfactory to other nations which cannot qualify under the clause referring to the employment of Panamanians. The Embassy wishes to emphasize that in all its conversations with Panamanian Government officials and businessmen during the period of discussion of the new constitution it has repeatedly and consistently maintained the position that it is the policy of the United States to encourage equal opportunities for all nations in matters of international trade and has promoted the idea that the Government of Panamá should eliminate trade barriers and restrictions in accordance with the principles outlined in the Chapultepec Conference and at the United Nations Conference in San Francisco. It has made every attempt to discourage discrimination as between Panamanians and all foreign nationals in the practice of internal commerce in Panamá.

The exclusion of Americans from all restrictions to the operation of retail business is undoubtedly the result of the Embassy's insistence that the same treatment be accorded to American citizens in Panamá as that accorded Panamanian citizens in the United States. The Embassy believes that the exclusion of all other foreign nationals from retail trade in Panamá may not prove to be in the best interests of the Republic itself, but I do not feel that we can do any more than has been done, that is, to discourage all discriminations.

The action of the Constituent Assembly on the question of wholesale trade in the Republic is being reported in a separate despatch.

Respectfully yours,

FRANK T. HINES

819.5034/2-2946

The Ambassador in Panama (Hines) to the Secretary of State

No. 951

PANAMÁ, February 26, 1946.

[Received March 4.]

Sir: I have the honor to refer to the Embassy's despatch No. 952, February 23, 1946, Subject: "Constitutional Assembly Passes Nationalization of Commerce Law," reporting the final action of the

*For the resolutions of the Conference, see Pan American Union, Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945, (Washington, 1945).

*See Department of State Treaty Series No. 992, or 59 Stat. (pt. 2) 1031.

For documentation on Panamanian charges of discriminatory labor practices, see pp. 40 ff. and pp. 1149 ff.

*Infra.
Constitutional Assembly regarding the nationalization of retail trade. and to report that in its session of February 25 the National Assembly took up the question of the control of wholesale trade and decided to place no restrictions whatsoever on wholesale business.

Respectfully yours,

FRANK T. HINES

619.00228/5-2846

The Ambassador in Panama (Hines) to the Secretary of State

No. 1646

PANAMÁ, May 28, 1946.

[Received June 3.]

SIR: I have the honor to refer to the Department’s instruction No. 171 of May 21, 1946 replying to this Embassy’s despatch No. 3055 of October 22, 1945, airgram No. A–1909 of December 4, 1945, despatch No. 969 of February 28, 1946, and despatch No. 1243 of April 1, 1946, concerning the collection by American consular officers of fees for consular services performed by them for the Panamanian Government.

The Department’s instructions No. 171 of May 21, 1946 and No. 704 of April 17, 1942 have been considered in the light of whether the refusal of collecting fees for consular services performed for the Panamanian Government, which after all are not an appreciable amount, would cause that Government embarrassment sufficient to look to some other government to perform Panamanian consular services in places where Panamá does not have consular representation. After careful thought, I am constrained to express the view that since Panamá is so close in its relations with the United States we should deviate, if possible, from the policy as set forth in the Department’s instruction No. 171 of May 21, 1946, particularly if the Foreign Office should, and I believe that it would do so, modify the Decree Law No. 28 of February 9, 1942 by inserting therein a clause specifically referring to American consular officers as not being honorary consular officers of Panamá but who perform services for Panamá as a courtesy of the United States Government in places where Panamá has no representation and such fees collected by American consular officers be accounted for through their government to Panamá.

While the above suggestion is not in line with the Department’s present policy I feel that special consideration should be given to consular representation for Panamá because it is a small country, not financially able to maintain a worldwide consular service, but at the same time so geographically situated here at the “Crossroads of the

*6 None printed.
*6 Neither printed.
Western Hemisphere" where its relations are so closely entwined with those of the United States as a result of the Panama Canal and the junction point of American-owned air lines plying between South America and the United States. It is, in reality, a junction point for all classes of traffic. In view of this situation we are placed in an entirely different position from that which exists with other countries desiring our consular services. Then, too, Panamá is overwhelmingly pro-American and looks upon us as a big brother, thus forming binding ties that naturally makes us a protector and thus obviously the rightful representative of their country when direct representation is lacking.

I therefore earnestly request reconsideration of the Department's policy concerning the collection of consular fees in so far as it applies to Panamá, and respectfully request authority to discuss informally with the Foreign Office a means of modifying Panamanian Decree Law No. 28 to meet with our regulations in such a manner as to permit us to collect and remit fees for consular services performed for Panamá in places where Panamá does not have a consular representative. I may add in conclusion that in a personal and very informal conversation with a member of the Foreign Office it has been intimated that the Panamanian Decree referred to above would be changed to meet whatever requirements are necessary to comply with United States Foreign Service Regulations if we would agree to collect and remit fees for services performed for Panamá by our consular officers.

The Department's early consideration and final decision would be appreciated.

Respectfully yours,

FRANK T. HINES

810.515/6-1746

The Acting Secretary of State to the Panamanian Ambassador
(Vallarino)

WASHINGTON, June 17, 1946.

EXCELLENCY: I have the honor to refer to your Excellency's note of September 21, 1945, regarding the desire of the Government of Panamá to have minted in the United States the sum of one million silver balboas (B/1,000,000), in coin of the following denominations.

\[
\begin{align*}
B/500,000 & \text{ in } B/1.00 \text{ pieces} \\
225,000 & \text{ in } 0.50 \text{ pieces} \\
175,000 & \text{ in } 0.25 \text{ pieces} \\
100,000 & \text{ in } 0.10 \text{ pieces}
\end{align*}
\]

*Not printed.*
In the pertinent decree issued by your Government September 19, 1943, the contemplated issue is motivated by the consideration that an investigation carried out by the Comptroller General's office has shown that there is a scarcity of Panamanian silver money and that a new issue is therefore necessary.

Having regard to the known scarcity of Panamanian silver currency in circulation, the Government of the United States will agree to the contemplated issue in the amount of one million balboas on the understanding that this does not prejudice or modify the conditions and limitations attaching to the issuance of silver currency under the Monetary Agreement of 1904, as modified, although it may be in derogation therefrom to an extent which cannot be determined with accuracy since it is not known what volume of Panamanian silver currency may be in circulation in Panama on completion of the new issue. It is understood that should it at anytime appear that the amount of Panamanian silver currency in circulation is in excess of $1,300,000 and that the parity of the coinage with the dollar may be impaired or other inconvenience is thereby caused in the fiscal operations of the Panama Canal, the Government of Panama agrees, when requested by the United States, to reduce the outstanding amount of its silver currency by the amount by which it may be found to be excessive.

Upon receipt of a note confirming this understanding on behalf of the Government of Panama the Department of State will be pleased to arrange for the Embassy to consult directly with the appropriate officials of the Department of the Treasury with a view to working out the details for having the coinage undertaken at the Philadelphia Mint.

Accept [etc.]

DEAN ACHESON

619.00228/3-2846

Memorandum of Conversation, by the Chief of the Special Projects Division (Clattenburg)

WASHINGTON, September 11, 1946.

Ambassador Hines requested a conference which was held in his office in order to discuss his despatches regarding the desire of the Panamanian Government that we collect consular fees on its behalf. Ambassador Hines stated that the value of the representation of Panama by the United States for strategic reasons clearly exceeded the intrinsic cost of any services which can be performed for Panama and that it was important for the United States to keep on the friendliest

67 A note of June 17, 1946, from the Panamanian Ambassador indicated that the Panamanian Government agreed to this understanding (819.515/6-1946).

68 The Ambassador departed for Washington on September 3 and returned to Panama on September 18, 1946.
possible footing with Panama. He stated that the present refusal of the United States Government to collect consular fees for Panama caused concern to the Panamanian Government because of the loss of fees which the Panamanians were apparently unable to collect from the interested persons. He went on to point out that Panama would increase in importance with the opening of the national airport next year, and that the increase of trade and travel through Panama would make the Panamanians even more conscious of the loss of revenue arising from our policy. In the circumstances he wondered whether some other government such as Great Britain or Sweden might not be more than anxious to take over the representation of Panamanian interests on Panama's terms.

Mr. Clattenburg pointed out that the United States Government now performs services of one kind or another for some twenty-six to thirty foreign governments, that this function will be most extensive for the Philippine Government and that it is expecting too much to ask the American Foreign Service to familiarize itself with and apply the tariffs and fees, laws and regulations, of so many foreign governments. He pointed out that there are alternative means which the Panamanian Government can apply to insure the collection of its fees, that the Panamanians stood to gain by the new practice if they could devise an effective collection procedure since they would no longer have to pay back fifty percent of all fees collected to the American officers concerned and that the action of the Department in collecting fees for Panama during the period 1903 to 1942 had obviously been based on incomplete information as to the status of the procedure under Panamanian law and lack of knowledge of Panamanian theory that officers performing services for Panama are Panamanian officers.

At the request of the Ambassador, Mr. Clattenburg promised to provide the Embassy with suggestions as to effective collection procedures to be followed by the Panamanian Government and also with a presentation copy for the Panamanian Foreign Office of the book on the representation of foreign interests, written by Mr. Franklin in SPD, as soon as it is published.

*William M. Franklin of the Special Projects Division.*
THE PANAMANIAN ACCUSATIONS OF DISCRIMINATORY LABOR PRACTICES BY UNITED STATES GOVERNMENT AGENCIES

711.19/1-2345

Memorandum of Conversation, by Mr. Murray M. Wise of the Division of Caribbean and Central American Affairs

[Extract]

SECRET

[WASHINGTON,] January 23, 1946.

Participants: General Crittendenber, Commanding Officer, Caribbean Defense Command
General Walsh, War Department.
General Hertford.
W. J. Donnelly, Counselor of Embassy, Panama
A-Br—Mr. Braden, Assistant Secretary of State
ARA—Mr. Briggs
RL—Mr. Dreier
CCA—Mr. Cochrane
CCA—Mr. Wise

5. Race Discrimination

Mr. Braden called attention to the old complaint from the Panamanians that Canal Zone authorities discriminate in the treatment of “gold” and “silver” employees. He said that recently Charles W. Taussig, Chairman, United States Section of the Anglo-American Caribbean Commission, had discussed the race problem in the whole Caribbean area with President Truman, who had expressed an interest in having a memorandum prepared on the subject. Mr. Braden said that Mr. Taussig was endeavoring to determine what influence Moscow was wielding on important labor leaders in the Caribbean area. He believed that if there were no objection, Mr. Taussig might be given an opportunity to explain his apprehensions to those present.

Mr. Taussig briefly outlined some of the activities of organized labor in the Caribbean area referring particularly to the Caribbean Labor Conference which had been held in Barbados in October 1945. He

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For related documentation, see section entitled “Problems Concerning Argentina and Panama Considered at the International Labor Conferences held at Mexico City and Montreal” pp. 40 ff.


An advisory body representative of the United Kingdom, the United States, France, and the Netherlands. It sponsored a conference, held in February and March, 1946, of representatives of 15 territories of these four powers to make recommendations on problems of education, public health, agriculture, nutrition, handcrafts, and local manufacturing.
mentioned that the Anglo-American Caribbean Commission had a fairly complete file on the conference. He saw significance in several occurrences there: (1) the singing of the "International" and the display of hammer and sickle insignia; (2) the speeches that were made in opposition to the United States remaining in the 99-year leased bases. He called attention to the fact that although the conference was not sponsored by the colonial governments or Great Britain, the Acting Governor of Barbados made the opening speech and other governmental officials attended, including the British Co-Chairman of the Anglo-American Caribbean Commission, Sir John Macpherson. References were made at the Conference to the fact that one objection to the United States retaining possession of the bases was the fact that Americans brought with them racial discrimination.

Mr. Taussig called attention to the fact that the United States had ratified the Charter of the United Nations, and that it was the United States which took a prominent part in drafting Chapter XI of the Charter which is the Declaration regarding non-self governing territories. Mr. Taussig felt that the United States should assume a moral leadership in relation to dependent peoples, and that the racial problem was of prime importance in this field. Mr. Taussig further stated that it was his opinion that the attitude and action of the United States in these matters particularly in the Caribbean area would have considerable repercussions in Latin America. Mr. Taussig, again referring to racial tension, stated that although the evidence was not complete, there appeared to be a definite link between Moscow and Caribbean labor groups. He was interested in hearing any comments which General Crittenden barber and Mr. Donnelly might have to make.

General Crittenden berger said that since his Command covered the whole Caribbean area he was very much interested in the labor situation which was a vital factor in any of his plans. He said his officers had been following labor tendencies with the greatest of care and that the successful dealing with laborers in the program for the defense of the Caribbean area would require the sympathetic consideration and cooperation of all parties concerned, such as the Army, the State Department and the Anglo-Caribbean Commission. General Crittenden berger supported the contention of Mr. Taussig that the Communists were taking considerable interest in the area. He said that recently there was an occurrence in the Canal Zone which he felt was of Communist origin. During the agitation of the troops under his command to be sent home after VJ Day, posters appealing to the troops to protest were posted in various parts of the Reservation. The troops were addressed in these posters as “comrades”. Mr. Braden asked Mr. Donnelly to express his views with respect to the race question in Panama.
Mr. Donnelly said that the Embassy has always taken the position that the most dangerous issues in Panama are

(a) the landlord-tenant relationship, and 
(b) the West Indian negro problem,

and that the agitation of either at this time could result in

(a) complete disruption of the present work of the Panamanian Constitution Assembly in its preparation of the new constitution. (He explained that the Assembly had left its discussion of Panama’s immigration policy until the last), and

(b) bloodshed and revolution such as occurred in the early days of the Panama Canal.

Mr. Donnelly said that the Embassy believed, and he was convinced General Crittenberger and Governor Mehaffey \(^7\) would agree with it, that the appointment at this time of any outside committee, commission or group, no matter what it is called, would be detrimental to the interests of the Republic of Panama, as well as the United States Government. Mr. Donnelly said there were certain factors in the Canal Zone labor situation vis-à-vis the Republic of Panama which needed correction, but expressed his firm conviction that the study and recommendations should be made by the Embassy and the appropriate Canal Zone authorities.

The meeting was adjourned with the understanding that General Crittenberger would discuss with officers of the North and West Coast Republics problems of particular interest in that area of the General’s Command. Detailed discussions of the Panamanian problems mentioned above, as well as others which should be taken up, were to be continued between Mr. Donnelly and officers of CCA.

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\(^7\) Maj. Gen. Joseph C. Mehaffey, Governor of the Panama Canal.
especially United States citizens. These allegations have from time to time been presented in writing to the highest authorities of the United States Government, including the President.

As recently as January 8, 1946 the treatment of negro laborers in the Canal Zone was the subject of a conversation between President Truman and Charles W. Taussig, Chairman of the United States Section of the Anglo-American Caribbean Commission. The President asked Mr. Taussig for a memorandum on the subject with a suggestion for action. On January 9, 1946 Mr. Taussig addressed a letter to the President in which he stated that “The racial problem of the Canal Zone is closely tied in with our relations to the Republic of Panama as well as to the entire Caribbean area. For this reason I have asked Mr. Braden to send the memorandum to you.”

Subsequent to this recent evidence of interest by the President in the Canal Zone race problem, the procedures for obtaining the most accurate facts for him and suggestions for whatever appropriate action might be indicated have been the subject of consultation in the Department. As a result it has been decided that a fact-finding commission to be composed of the Ambassador of the United States in Panama, the Commanding General of the Caribbean Defense Command, the Governor of the Panama Canal and the Commandant of the Fifteenth Naval District, or their representatives, would be the most logical body to undertake this important study. Accordingly, a brief memorandum, a copy of which is enclosed, has been sent to the President informing him of the steps which are being taken to obtain the information desired.

You are requested to discuss this question at an early date with the Commanding General, the Governor and the Commandant and work out with them procedures for beginning this study as soon as possible. You are requested to have this survey made under most confidential auspices and to refrain from disclosing the plan, its intent or scope to the Panamanian Government, labor organizations in the Zone or others. Existing unsettled labor conditions throughout the world and, more specifically, the delicacy of the racial problem as a political issue among elements of the Panamanian Government make it most advisable at this time, as you fully realize, that nothing be done to agitate the labor question on the Isthmus.

It is suggested that this study should include all important labor issues such as wages, leave privileges, commissary rights, housing, etc., in fact all matters which have been the subject of complaints of either organized or unorganized labor. As soon as the investigation has been

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55 Not printed.
56 In telegram 232, April 23, 1946, 7 p. m., the Secretary urged the completion of the study at the earliest possible date (811F:504/4-2346).
completed and recommendations drawn up for any improvements in
the situation which seem advisable and which would tend to discourage
further allegations of discrimination by United States agencies in
the Canal Zone in their treatment of the negro laborers, it is requested
that your report be forwarded to the Department. In the meantime
the receipt of occasional progress statements will be appreciated.

Very truly yours,

For the Secretary of State:

SPRUILLE BRADEN

811F.504/4-2446

Memorandum of Conversation, by Mr. Murray M. Wise of the Division
of Caribbean and Central American Affairs

CONFIDENTIAL

[WASHINGTON,] April 24, 1946.

Participants: General Meahaffey
Mr. Braden—Assistant Secretary of State
Mr. Cochran—CCA
Mr. Wise—CCA

Governor Meahaffey visited the Department today to discuss prob-
lems of mutual interest in the Canal Zone. Conversations were begun
in Mr. Cochran’s office, continued with Mr. Braden, and terminated
with Mr. Wise.

Labor Discrimination. Labor is one of the greatest problems with
which the Canal Zone authorities have to deal and the Governor
referred in particular to recent allegations from various sources that
there were practices of discrimination on the basis of race and color
by Canal Zone authorities in the employment and treatment of their
employees. He said that pressure to eliminate the grouping of labor
into “gold” and “silver” categories had increased. The Governor
believed a change in terminology would at first have a helpful psy-
chological effect, which might become adverse when it was realized
that the change was purely one of name rather than substance.

He pointed out that differentials in salaries and leave privileges
were based on the ability of laborers, not on color or race, and that
the terms “gold” and “silver” actually distinguished between skilled
and unskilled laborers, respectively. He admitted, however, that in
actual practice the majority of skilled laborers are United States
citizens and, therefore, formed the “gold” roll, while West Indian,
negro and Panamanian laborers are unskilled and form the “silver”
roll. The Governor pointed out that in opportunity for employment,
in pay and in leave privileges there was no differentiation based on

For a general statement of the living and working conditions of laborers in
the Canal Zone, addressed to the Ambassador by the Governor of the Canal Zone,
see p. 54.
color or race line, but said there existed a certain amount of segregation of laborers because of differences of habits of personal hygiene and sanitation. He added that this segregation was practical and necessary and could not be avoided.

Mr. Braden told General Mehaffey that he was aware of the full significance of these problems confronting Canal Zone authorities, but deemed it most necessary that the factual study, recommended by the State Department through the Embassy, of labor conditions be given serious attention and completed without delay. Mr. Braden added that he was very anxious to get a memorandum of facts into the hands of the President. He said that, as the Governor knew, the labor question was a very live one these days and that it was necessary to be in a position to meet all kinds of allegations of labor pressure groups. The Governor said that the Embassy, in accordance with the Department’s instructions, had initiated activities leading toward a thorough study of labor conditions in the Canal Zone, but that little progress had been made to date because of Admiral Beardall’s illness and subsequent absence from the Zone. The Governor intimated that the study dealt with a most delicate problem and that it was hard to foresee what helpful recommendations could result from the investigation.

The Governor referred to the recommendation which had been proposed by Mr. Charles Taussig of the Anglo-American Caribbean Commission that a study of labor in the Canal Zone should be made by a joint commission of high-ranking officials appointed by the President. He was pleased that the Department and Mr. Taussig had finally agreed to the plan of having the study made by officials of organizations on the Isthmus for he was certain that the activities of an outside joint commission would have had the unfortunate effect of unnecessarily agitating the whole labor problem in Panama.

Governor Mehaffey also referred to the recent activities of the Panamanian delegation at the ILO conference in Mexico City and said that he was most grateful that the United States representatives acting under the guidance of the State and Labor Departments had been influential in seeing that the resolution which was finally adopted did not specifically refer to discrimination in the Canal Zone and did not propose the appointment of a joint commission to investigate discrimination there.

In referring to the treatment accorded United States laborers (“gold” employees) in the Canal Zone as compared to that practiced in the case of laborers from other sources, the Governor said three basic thoughts must always be kept in mind:

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19 Rear Adm. John R. Beardall, Commander of the 15th Naval District.
(1) A 25% pay differential is given United States citizens as an inducement to persuade them to depart from the United States to accept work in the Canal Zone and to help defray expenses of periodic returns to the United States on vacations.

(2) Longer leave periods must be given employees from the United States because they are farther from home. Many of the permanent West Indian, Panamanian and other employees are hired locally, live near their homes and, accordingly, need less money and leave for vacation purposes.

(3) An employee of the Panama Canal upon retirement is not permitted to live in the Zone. Retirement for local employees, therefore, does not create the same problem as it does for the United States citizens, hence, an additional reason for differentiation in pay.

The Governor said that the working week for "silver" employees recently had been cut from 48 to 40 hours. Simultaneously, pay was increased approximately 20% in order to avoid any loss in salary for the laborers because of shorter hours. He said this meant no additional take home pay and added that consideration was being given to an increase in the salary of "silver" roll employees which now averages about $60 a month. He thought this might soften some of the charges of discrimination in salaries.

War Department Civil Functions Appropriation Act. The Governor said he had come to the United States twice for hearings on that part of the Civil Functions Appropriation Bill which relates to Canal Zone employment. Canal Zone authorities oppose the McCarran amendment which has appeared in this bill since 1940. Through special proviso and by Executive Order compliance with the McCarran amendment has been suspended during the national emergency and has, therefore, never been in effect. The amendment provides that no negroes or laborers from other countries (citizens of Panama excepted because of treaty agreements) can be employed by the Canal Zone until all United States and Panamanian applicants have been satisfied. This year Labor Representative Hushing added a provision to the McCarran amendment which authorizes the President, if he finds it necessary because of a shortage of housing, to suspend for the fiscal year 1947 the application of the McCarran amendment, which requires the employment of citizens of Panama and of the United States in skilled, technical, clerical, administrative, executive or supervisory positions. The Governor explained that the Hushing provision will guarantee the suspension of the McCarran amendment through the fiscal year 1947 even though the national emergency is declared terminated in the meantime. This, of course, is what the Canal Zone authorities want pending a complete elimination of the McCarran amendment which it is hoped can be effected when the

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W. C. Hushing, official of the American Federation of Labor.
Civil Functions Appropriation Bill is presented for the fiscal year 1948. Canal Zone authorities state that the McCarran amendment forces them to employ United States laborers in positions that can be filled by less skilled workers, thus increasing considerably and unnecessarily employment expenses.

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811F.504/5-1646

The Ambassador in Panama (Hines) to the Secretary of State

SECRET

No. 1596

PANAMA, May 16, 1946. [Received May 21.]

SIR: I have the honor to submit the following progress report in connection with the Department's instruction No. 71 of February 21, 1946, concerning racial discrimination in the Canal Zone.

On May 6 representatives of The Panama Canal, the Army and the Navy assembled in my office and presented draft of a joint statement, copy enclosed herewith, to be signed by Major General J. C. Mehaffey, Governor of The Panama Canal, setting forth the rules and regulations and conditions under which the government agencies referred to are operating in the Canal Zone, and defending, in a measure, existing conditions with reference to the "gold" and "silver" rolls.

The report itself did not meet with my approval and I so indicated. Due to Governor Mehaffey being absent, I felt that no definite action should be taken until he had had an opportunity of reviewing the report and meeting with the other members of the committee. Yesterday, at my invitation, the Governor spent well over an hour with me discussing the matter and agreed that the report drafted was not satisfactory to him. I suggested to the Governor that he give consideration to the following changes, pointing out definitely that from January 1910 up to March 2, 1936, we had committed our Government to the public policy and principle of equality of opportunity and treatment of the Panamanians employed by the Canal or the Railroad and that it appeared to me that it would be necessary that facts be presented to show that we were fully carrying out our commitments. I made the following suggestions to the Governor:

1. That the "gold" and "silver" rolls and the signs wherever they appear be entirely eliminated;
2. That in the employment of labor in the Canal Zone by the Panama Canal, Panama Railroad, Army or the Navy be on the basis of (a) skilled; (b) semi-skilled; (c) unskilled, and that no other designations be used.
3. In order that he might be assured that the foregoing classifications were being fairly made, that a board be appointed by him made up of representatives from The Panama Canal, the Panama Railroad,

81 Not printed.
the Army, the Navy and a representative from the Republic of Panamá (preferably one employed by some one of the agencies); that this board be charged with two definite responsibilities:

(a) The proper classification of an employee being hired.

(b) To consider and act upon all complaints made relative to discrimination in any respect.

4. That in lieu of the present classification of commissaries, club houses, etc., under “gold” and “silver”, that a system of permits be issued to the various groups giving the number of the sales store to be patronized, without any other designation. That determination be made at the time the permit was issued as to what commissary or club house would be the proper one for the employee to use under the circumstances and that in issuing such permits the type of employee, the location of the commissary with reference to where employed, or location of his home, be given consideration. That the club houses of the unskilled employees be made attractive and as near on a par as those assigned to the skilled employees as would be reasonable and practicable.

5. In the case of schools, it seems to me that the present classification—if the schools are made equal between white and colored without the designation of “silver” or “gold”—should be continued but that every effort should be made to make sure that the facilities in the several classes of schools are comparable.

The Governor agreed to take these suggestions under consideration and asked that he be given an opportunity of a few days in order to submit additional information to me on the matter. When this has been done I contemplate calling the members of the committee together again in order to see if we can reach a definite understanding, or at least see how far apart we are.

For the confidential information of the Department, I should say that the disparity between the percentage of “gold” employees engaged by the Army who are not American citizens, which is approximately at the present time 80 per cent, as against the percentage of gold employees in the Panama Canal who are not American citizens, which is two per cent, cannot in my judgment be explained or defended.

Respectfully yours,

FRANK T. HINES

Memorandum by Mr. Murray M. Wise of the Division of Caribbean and Central American Affairs

WASHINGTON, June 12, 1946.

Attached are paragraphs on labor discrimination taken from the memoranda of conversation covering the first two round table conferences in Panama; also a memorandum received from the Panamanian Foreign Office, listing examples of discrimination against Panamanians in the Canal Zone.

Addressed to ARA: Mr. Butler and Mr. Briggs, and to A–Br: Mr. Braden.

None printed.
In the first round table conference Dr. Alfaro \textsuperscript{84} said that the theory of the 1936 Treaty regarding labor practices was good, but that in practice it was not effective.

Ambassador Hines told Dr. Alfaro confidentially that a study of the entire question was being made. He explained that the Army had been careful about non-discrimination of employees, that the Panama Canal had not been too careful and that the Navy had the fewest gold roll employees.

During the second round table discussion Ambassador Hines told Dr. Alfaro that he had sent a proposal to Governor Mehaffey in which he had suggested the complete elimination of “gold” and “silver” classifications and that he had suggested instead that laborers be grouped as skilled, semiskilled and unskilled employees. The Ambassador said that one of the main difficulties in all discussions was the bringing into the picture of other than Americans and Panamanians. Other nationalities are not covered by the 1936 Treaty \textsuperscript{85} commitments to Panama.

Ambassador Hines has suggested to Governor Mehaffey that he should have a board whose responsibility would be (1) to classify employees, and (2) to handle all complaints relative to classification or treatment of laborers. The Ambassador suggested that on this Board there must be Panamanians and Americans. This idea pleased Dr. Alfaro very much.

The Ambassador raised the question of how much trade unions in the Canal Zone influenced methods of employment. Dr. Alfaro said that the unions had been very active and that they have a powerful lobby in Washington working for discriminative legislation. Dr. Alfaro in his list of complaints that the United States is not living up to its treaty commitments toward Panamanian labor mentions such matters as salary, annual leave, sick leave, exclusion of white Panamanians from white North American lunchrooms, vacation pay, reduction in pay without adequate notice or just reason, etc.

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811F.504/7-846

The Ambassador in Panama (Hines) to the Secretary of State

**RESTRICTED**

No. 1921

[Received July 12.]

Sir: As of possible interest to the Department, I have the honor to report that Governor J. C. Mehaffey of the Canal Zone announced on Saturday, July 6, 1946, an increase in rates of pay for virtually all

\textsuperscript{84} Panamanian Minister for Foreign Affairs, Ricardo J. Alfaro.

\textsuperscript{85} Department of State Treaty Series No. 945; 53 Stat. (pt. 3) 1807.
silver employees of The Panama Canal and Panama Railroad Company, to be effective July 1, 1946. Some 20,000 Canal and Railroad employees will benefit from the pay increase which will add approximately $1,500,000 annually to the Canal payrolls.

There is attached herewith a copy of the press report given to The Panama American for publication on Saturday, July 6, 1946. In a conversation with Governor Mehaffey on Sunday evening, July 7, I was informed that in substance the statement as published in The Panama American is correct.

In this connection I am pleased to express the view that the action of the Governor, coming as it does on the eve of discussions with the Panamanian Government in connection with discrimination in the Canal Zone as alleged by the Panamanian Government and the Panamanian labor representatives at a recent labor conference held in Mexico City, may be of some assistance to the Embassy in attempting to show that the Canal Zone government has in mind the improvement of wage conditions of those on the so-called silver roll.

Respectfully yours,

FRANK T. HINES

811F.504/7-2246

The Ambassador in Panama (Hines) to the Secretary of State

CONFIDENTIAL

No. 2004

PANAMÁ, July 22, 1946.

[Received July 25.]

Sir: I have the honor to refer to the Embassy’s despatch No. 1891, July 2, 1946, Subject: “The Canal Zone Workers Union”, and to report that Leonard Goldsmith, Director of the United Public Workers of America of the CIO, in a press interview several days ago stated that the Canal Zone Workers Union now had a membership of 10,800 and that he estimated that it would soon exceed 13,000.

He said that the Union, which would have the backing of Philip Murray and six million CIO workers in the United States, would be open to both “gold” and “silver” workers in the Canal Zone and that its program will consist of the following six points:

1. Elimination of the “gold” and “silver” rolls.
2. Establishment of classifications of skilled and unskilled labor such as those existing in the United States.
3. Establishment of a decent minimum wage, the figure to be determined later.
4. Improved housing.
5. Greater job security.
6. Establishment of a retirement plan to eliminate cash relief.

65 Not reprinted.
67 Not printed.
He promised the Union that it would receive the support of the CIO's Political Action Committee in achieving these aims by Congressional action.

Goldsmith referred to the "intolerable conditions" and "intolerable discrimination" he had found in the Canal Zone and to the "disunity" that existed among the workers in the Canal Zone between the "gold" and "silver" personnel and between the West Indians and the Panamanians. He said that he plans to assign a permanent CIO member from the United States to the Canal Zone.

Goldsmith said that the entire question of discrimination must be ended and that he was confident he would receive the cooperation of the Governor and the Executive Secretary of The Panama Canal in the elimination of the economic inequalities that exist at the present time. He stated that he would cooperate with organizations established in the Canal Zone which are affiliated with the American Federation of Labor (the powerful Metal Trades Council open only to American citizens) and he stressed the no-strike policy of the CIO.

Meetings of the Canal Zone Workers Union took place in Colón in July when reportedly 4,000 workers voted that they would join the CIO and on July 18 in Panamá at which time 7,000 "silver" roll workers voted for affiliation with the CIO. Goldsmith announced at the meeting in Panamá that the officers of the Panama Canal West Indian Employees Association (see Embassy's despatch under reference) had voted unanimously to become affiliated with the CIO. References by various speakers at this meeting were made to the exploitation of the "silver" workers in the Canal Zone and to "Yankee Imperialism".

It is interesting to note that, although the new Constitution of the Canal Zone Workers Union indicates that its headquarters are in Panamá City and that it will form an integral part of the Federación Sindical de Trabajadores de Panamá (Panamá branch of the CTAL), at a secret meeting held several days ago Goldsmith told the Union heads that the Canal Zone Workers Union would be open only to persons working in the Canal Zone.

The Embassy will continue to keep the Department informed of any new developments of the Union and of the activities of Goldsmith.

Respectfully yours,

For the Ambassador:

V. Lansing Collins, Jr.
Second Secretary of Embassy
The Governor of the Panama Canal (Mehaffey) to the Ambassador in Panama (Hines)

CONFIDENTIAL

BALBOA HEIGHTS, September 18, 1946.

My Dear Mr. Ambassador: Your letter of September 11th was received on the 13th. I was sorry to have to ask for clarification of the message which Mr. Blocker \(^{58}\) read to me over the telephone but it was not clear to me just what changes you had in mind in writing it.

Development of the grievance procedure which I outlined to you during our conversation on September 2d has been practically completed, but I do not wish to publish it without first giving the unions (both gold and silver, because the procedure applies equally to all employees) an opportunity to comment on it, which I hope to do this week. I do not anticipate any serious objections to the procedure, since it follows States practice quite closely; and it should be possible, therefore, to publish it in the near future. As I informed you, it provides for the handling of grievances in four stages, the first being consideration by the immediate supervisor of the complainant, and the last consideration by the Executive Office. The procedure does not materially change the practice that has been followed in the past, but it will regularize and publicize that practice and will, I think, have a good effect.

With respect to substituting other terms, such as graded and ungraded, for silver and gold, I have informed both the CIO Union and Dr. Alfaro that I am willing to consider making the change only if I am assured by all concerned that they thoroughly understand that the change will not (at least for the time being) affect anything but the names, and that they nevertheless desire to have it made. I have not yet received such assurances from either source, and I am therefore not in a position to make the change at this time.

In this connection, I should like to reiterate my conviction that a change of the present names of the two employment categories, without any material changes in the things which have been associated with them, will have no permanently beneficial effect. The same is true, in my opinion, with respect to measures designed to bring about an increase in the number of Panamanian citizens on the gold roll, which could not be large unless the past standards of qualification are abandoned. Based on public statements made by representatives of the Government of Panama and of the CIO union, it is safe to say that the mass of the silver employees will not be completely satisfied with anything less than an increase in their wages and privileges sufficient

\(^{58}\) William P. Blocker, Counselor of Embassy in Panamá.
to make them substantially equal to those of the gold employees, and the complete abolition of any segregation in the Canal Zone. The first of these objectives is unattainable unless the United States Government is willing to pay out to silver employees annually some $30,000,000 more than it is now paying, the increase being in effect a gift, since neither the skill nor the industry of the great majority of the silver employees is such as to justify such high wages. The second objective could not be granted immediately or in the near future without wrecking the Panama Canal and Panama Railroad organizations, as most thoughtful observers, including many on the silver roll, will agree.

I trust that the United States delegates to the forthcoming ILO meeting in Montreal will not permit untrue and insulting statements by Panamanian delegates to go unchallenged, as similar statements apparently were at the last meeting. And I particularly hope that if the allegation is repeated which forms the basis for nearly all Panamanian complaints of discrimination, i.e., that the so-called gold roll is composed exclusively of United States citizens, while all Panamanian citizens are relegated to the silver roll, it will be promptly and energetically refuted. As I pointed out in my letter to you dated August 20, 1946, commenting on the allegations made by the Panamanian delegates to the ILO conference in Mexico City, those citizens of Panama who have a sufficiently high degree of skill are employed on the gold roll, and when so employed receive exactly the same rates of pay and leave privileges as the citizens of the United States. Only those Panamanians whose skill does not qualify them for gold roll positions are forced to seek employment either on the silver roll or in the Republic of Panama. The large number of Panamanians who are now employed on the silver roll and the continuing volume of applications for such employment would seem to indicate that the wages and working conditions are equal to or better than those which prevail in the Republic of Panama.

If any ILO investigation on the Isthmus is proposed, it should include the investigation of certain conditions affecting workingmen in the Republic of Panama, such as the squalid and insanitary housing in which thousands of United States employees are forced to live, at exorbitant rentals, and also the discrimination against the citizens of other countries except the United States resulting from the nationalization of retail commerce. It is inconceivable to me, however, that the United States would permit the ILO to investigate the treatment of Panamanian employees in the Canal Zone, any more than it would permit that organization to investigate the treatment of Mexi-

90 For text of this letter, see p. 54.
can or Jamaican laborers in the continental United States. If such a precedent should be established, it seems to me that the gates would be open for a flood of similar investigations, not only in the United States but in other member states, and that the ILO would be transformed from an advisory body into an inquisitorial super-state. I believe, therefore, that the United States delegation should firmly and definitely reject any proposal for such an investigation.

I am [etc.] 

J. C. MEH Affey

819F.504/11-146: Telegram

The Acting Secretary of State to the Ambassador in Panama (Hines)

WASHINGTON, November 5, 1946—7 p.m.

566. Re third paragraph urtet 684 Oct 30.\(^1\) For Emb’s strictly confidential info recent conferences in Wash between State, War and Labor Dept officials and Gov Mehaffey have led to probable temporary assignment to Governor’s staff of labor relations officer who will be instructed to make during first 3 or 4 months of 1947 survey to determine (1) whether Governor should have permanent labor relations officer on his staff; (2) whether, if any discriminations against Canal Zone labor groups exist, steps can immediately be taken to correct them, and (3) whether facts can be assembled to answer any allegations of discrimination at June 1947 ILO Conf at Geneva. Memoranda of conversations being forwarded.

Until this plan has been discussed fully with Governor upon his return to Isthmus and until further instructions are received from Dept matter should not be discussed with Panamanian officials.

ACHESON

819F.504/10-2846

Memorandum by the Second Secretary of Embassy and Consul in Panama (Collins)\(^2\) to the Assistant Chief of the Division of Central America and Panama Affairs (Wise)

[WASHINGTON,] November 6, 1946.

Embassy’s despatch No. 2686 of October 21, 1946\(^3\) reports on an Associated Press despatch from Chicago, dated October 20, 1946, to the effect that the American Federation of Labor adopted a resolution during its Chicago convention demanding preference for United States citizens in employment in the Canal Zone. It is believed that the resolution actually called for “preference to United States citizens

\(^{1}\) Not printed.

\(^{2}\) Mr. Collins was temporarily in Washington.
in office positions and work for laborers, skilled and semiskilled workers in the Canal Zone” and that the resolution also recommended that in the future all positions in the Canal Zone be given only to citizens of the United States. A question as to whether such legislation would contravene the treaty of 1936 is raised.

In a press conference of October 23, 1946 President Jiménez of Panama attacked the American Federation of Labor declaration. He stated that it was absurd that Panamanians are considered foreigners in their own country, referring to the Panamanian claim that the Canal Zone is after all Panamanian territory. President Jiménez told the press that the resolution was completely contrary to the treaty of 1936 and that it was unquestionably inspired by the Metal Trades Council of the Canal Zone, an affiliate of the A.F. of L., which President Jiménez said “has always wished us ill.”

The Embassy recommended in despatch No. 2702 of October 23, 1946 that if the press release was accurate, the attention of the Department of Labor be called to the fact that the action contemplated would unquestionably contravene the 1936 treaty. Ambassador Hines felt that prompt steps should be taken to reassure Panama on this point.

As might be expected, there was considerable newspaper publicity to this resolution in Panama. One of the deputies to the National Assembly made a public statement and the Star & Herald of October 22 and 23, 1946 carried editorials on this subject. On October 29, 1946 La Nación, however, carried a report from Washington to the effect that W. C. Hushin of the A.F. of L. declared that the A.F. of L. did not mean to place Panamanians at any disadvantage in the Canal Zone.

In view of the fact that nothing official has been received from the Government of Panama on this point, it is not believed that any further Departmental action is indicated.

811E.504/11-2146

The Ambassador in Panama (Hines) to the Secretary of State

CONFIDENTIAL

No. 2897

PANAMA, November 21, 1946.

[Received November 26.]

SIR: I have the honor to refer to the Embassy’s despatch No. 2993, September 16, 1946, Subject: “Alleged Discrimination in the Canal Zone," and to report that Acción, October 30, 1946, the weekly official organ of the UPW-CIO Local 718 with a reported circulation of 10,000, published a table of the average wages paid by The Panama

* Not printed.
Canal based on budget estimates for the 1947 fiscal year. According to this chart, the total number of “silver” employees of The Panama Canal is 16,252, while the total annual wage is given as $11,166,108.

Acción points out that on the basis of this table the average weekly wage earned by “silver” workers is $13.00, or 30 cents an hour, which is lower than the 40 cents an hour which is called for by the Federal Fair Labor Standards Act.

The Executive Office of The Panama Canal has informed the Embassy that during the month of October 1946 there were 20,943 “silver” employees on The Panama Canal and Panama Railroad pay rolls (including intermittent and temporary employees); while there were 6,039 “gold” employees with The Panama Canal and the Panama Railroad. These figures are lower than for the month of August 1946 as indicated on Page 47 of the report entitled “The Community Movement in Panama” prepared by Mr. V. Lansing Collins, Jr., Second Secretary of Embassy, and represent a difference of 1,880 employees on the combined Panama Canal and Panama Railroad “gold” and “silver” pay rolls, which figure will give the Department some idea of the amount of people affected by the reduction of force program in effect in Panama Canal organizations. The Executive Office also informed the Embassy that there were approximately 750-1,000 “silver” contract laborers presently employed in the Canal Zone and that at the peak there were approximately 5,000. It is believed that the above difference between the months of August and October is greatly due to the reduction in force and subsequent repatriation of contract laborers.

The total pay roll for “silver” employees during the month of October 1946 for The Panama Canal and Panama Railroad Company was $1,402,726 as compared to $1,794,341 on the Panama Canal and Panama Railroad pay rolls for “gold” employees.

It is interesting to note that Acción fails to mention any of the advantages accruing to the “silver” employees of Panama Canal organizations, such as housing, commissary privileges, hospitalization, etc.

The Executive Office of The Panama Canal has also informed the Embassy that the “silver” roll of The Panama Canal and Panama Railroad Company will be increased considerably when the dry season begins.

I feel that it is regrettable that publicity is not given to the information furnished the Embassy by the Executive Office as it would certainly counter-balance the dangerous propaganda which has been disseminated among the “silver” employees by such CIO organizers as Len Goldsmith, Jack Strobel and Robert Weinstein.

Respectfully yours,

FRANK T. HINES
The Special Assistant to the Secretary of War (Ohly) to the Assistant Secretary of State for American Republic Affairs (Braden)

WASHINGTON, November 25, 1946.

DEAR MR. SECRETARY: Since our conference of several weeks ago with Assistant Secretary of Labor Morse, the Governor of the Panama Canal and General McSherry,\(^*\) negotiations have been going on with the latter to secure his services as a special advisor to the Governor on labor relations. You will be glad to know that satisfactory arrangements have now been worked out and that General McSherry will leave for the Canal Zone shortly after the first of the year.

As I see it, his mission will be of a threefold character. In the first place, he will serve as a special advisor to the Governor for the purpose of (1) making recommendations to the latter concerning changes in policies, programs and other matters affecting labor in the Canal Zone, (2) assisting the latter in effecting such changes to the extent that this can be done during the period of his visit to the Zone, and (3) recommending to the latter a long-range program for the handling of labor matters in the Zone, including suggestions with respect to the kind of permanent labor relations office, if any, which the Governor might have in his organization.

In the second place, he would be available on a loan basis, at least to the extent the Governor could make him available, to render somewhat similar assistance to the military and naval organizations in Panama which, together with the Panama Canal itself, constitute the principal employers in the Zone. In such a small area the problems of the three should be approached in a uniform fashion, and I think General McSherry can do a great deal to assist in bringing this about. The Governor is eager for this type of coordination since the Panama Canal is by far the largest employer of the three and has a more permanent responsibility.

In the third place, General McSherry would obtain basic information as to the labor problems of the Panama Canal and their significance in order (1) that he himself will be in a position to serve as one of the representatives of the United States Government in the meetings of the International Labor Organization at Geneva next summer, and (2) that the War, State and Labor Departments may have available those facts on this subject which will assist them in shaping their policies in Panama and Latin America generally.

\(^*\) Gen. Frank McSherry, Special Adviser to the Governor of the Panama Canal.
General McSherry plans, before his departure, to gather from the
government agencies involved as much information as possible con-
cerning the labor problem in the Canal Zone, and related issues, and
I have told him that I was sure that he could obtain any necessary
information and assistance from the State Department through you
and your representatives.

I believe that General McSherry’s trip can be of great benefit to
all three Departments concerned, and we are grateful for the part
you played in helping the Governor to secure McSherry’s services.

Sincerely yours,

John H. Ohly

PARTICIPATION BY THE UNITED STATES IN THE DEVELOPMENT OF
PANAMANIAN PUBLIC WORKS AND FACILITIES

S19.154/4-346

Memorandum of Conversation, by Mr. Murray M. Wise of the Division
of Caribbean and Central American Affairs

WASHINGTON, April 3, 1946.

Subject: Activities of Public Roads Administration in Panama.

Participants: Mr. Wilson—PRA
Mr. Cochran—CCA
Mr. Wise—CCA

For some time the Department has endeavored to clarify the activi-
ties of PRA in Panama and the status, authority and duties of its
representative there. The Department has maintained the attitude
that it is not a part of PRA’s functions to contract for foreign gov-
ernment road building abroad.

The Department’s concern in the above sense has recently been
renewed by Panama’s requests,

1) that PRA extend the road from the Trans-Isthmian Highway
to the proposed site of the new international airport by a distance of
2.3 miles;
2) that PRA prepare the airport site for the laying of the run-
ways.

Recently when Major General Fleming, Mr. MacDonald and
Mr. James were in Panama, informal agreement was reached with

99 Thomas MacDonald, Public Roads Commissioner.
1 E. W. James, Chief of the Inter-American Regional Office, Public Roads
Administration.
the Embassy and the Panamanian Government that PRA would do the work requested. The Washington office of the PRA has now received for approval documents designed to authorize PRA to extend the highway by 2.3 miles. That office will be receiving in a few days for approval documents covering the preparation of the airport site for the runways.

At the Department’s request Mr. Wilson came in to discuss the whole field of PRA’s activities in Panama and it was decided:

1. that the PRA representative in Panama be authorized to proceed with the extension of the highway;
2. that before the representative be authorized to comply with the Panamanian request to put the airport site in shape for the runways the Washington office of the PRA and this Department should be given opportunity to study in detail the proposal (This decision was made because of the lack of details concerning how much work the Panamanians want PRA to do on the airport. The Department had understood that PRA was only going to do some grading and leveling off, but Mr. Wilson believes that Panama is interested in doing practically a complete job on the preparation of the airport site, including grading, leveling, drainage, access roads, arrangements of the bed for the concrete runways and possibly even the pouring of the cement for the roads and runways.); and
3. that upon their return from India it would be well to discuss PRA activities in Panama with General Fleming and Mr. MacDonald for the purpose of deciding as to whether PRA should do any further work for the Panamanian Government.

Upon leaving, Mr. Wilson admitted that PRA was probably stretching its authority by agreeing to do some of the work it has been doing for Panama, that PRA was becoming more and more involved in Panama; namely, that of contracting with a foreign Government for construction work abroad, and that he personally felt the sooner PRA left Panama the better it would be.

Mr. Wilson was shown the Department’s draft letter to Major General Fleming in which concern was expressed over PRA activities in Panama. He said that while he agreed with the principle expressed he felt the draft was not entirely accurate and put the onus on PRA when, in fact, it had done some of its jobs in Panama with the complete approval of the Embassy and the Department. It was, therefore, decided to hold the letter with the hope that the whole matter could satisfactorily be solved through discussions with General Fleming and Mr. MacDonald upon their return from abroad.
Memorandum of Conversation, by Mr. Murray M. Wise and Mr. Fred G. Heins of the Division of Caribbean and Central American Affairs

[WASHINGTON,] May 27, 1946.

Participants: Mr. MacDonald, Public Roads Administration  
Mr. James, Public Roads Administration  
Mr. Wilson, Public Roads Administration  
Mr. Braden, Assistant Secretary of State  
Mr. Briggs—ARA  
Mr. Heins—CCA  
Mr. Cochran—CCA  
Mr. Wise—CCA

PRA officials called at the request of the Department to discuss activities in Panama and the $25,000,000 Inter-American Highway Appropriation Bill now in Congress.

Airport

There was a discussion of the situation in Panama which led to the signing by Mr. Humbard, PRA representative in Panama, and the Panamanian Minister of Public Works, of an agreement which provides that:

1. Panama will rent from PRA equipment necessary for the airport construction;

2. PRA will lend the necessary technical personnel for the execution of the work which will be subject to the direction and approval of Panama;

3. Panama will have an option to buy this equipment, deducting rentals paid; and

4. Panama will make available for use on the Inter-American Highway any equipment thus purchased.

The agreement had been made in Panama subject to the approval of Mr. MacDonald and the question before the meeting was whether the Department would approve of the arrangement as the best possible solution to the situation which had arisen in Panama.

Ambassador Hines had given his full support to the request of the Panamanian Government that the Department assist in securing Mr. MacDonald’s approval of this agreement.² PRA officials were advised that the Department went along with this arrangement although it was in principle opposed to United States Government agencies operating abroad in competition with local enterprises.

Mr. MacDonald felt that PRA had been unjustly accused of pushing itself into a position of assisting the Panamanians on the con-

² In a memorandum of May 8, 1946, by Murray Wise, which indicates the terms of this agreement, a marginal comment appears as follows: “I'm not convinced of wisdom of this. S. B[raden].” (819.154/5-846)
struction of the airport beyond that which was generally agreed to during a meeting in Panama at the time of the visit of General Fleming and Mr. MacDonald.

Later, upon leaving Mr. Braden’s office, Mr. Wise remarked that he assumed Mr. MacDonald would approve the agreement entered into between Mr. Hubbard and the Panamanian Minister of Public Works. Mr. MacDonald replied “maybe” with somewhat of a doubtful tone in his voice and added that the work was going on at the airport without any agreement. He said that he was “fed up” with the whole situation in Panama and wondered if it might not be well to pull out.

**Corridor Road**

Mr. MacDonald said the main reason for proposing, in the agreement for the work at the airport, that Panama make available for use on the Inter-American Highway any equipment purchased was to provide a legal basis for making the transfer to Panama. He indicated that the Bureau of the Budget would probably approve such a transaction only if it were in some way related to the Inter-American Highway Project. Mr. MacDonald went on to say that some of this equipment could be used in realigning the Corridor Road, if an agreement were reached on this project.

It came out in the meeting that both Panamanian and Canal Zone authorities were interested in changing the route of the Corridor Road and that while Panama would probably ask this Government to provide some $200,000 of the total cost this would presumably be borne by the War Department. It was agreed that this was a matter for Panama to work out with the Canal Zone authorities and that the State Department would come into the picture when the question arose as to whether the proposed realignment of the Corridor Road deviated so much from the 1936 Treaty stipulations that a new political convention would be required. PRA officials felt that such a convention would not be necessary. The Department’s Legal Section had informally expressed an opinion that a new convention would be required.

With respect to the question of the future of PRA activities in Panama Mr. Braden was emphatic in his statement that he was opposed to any agreements between PRA and the Panamanian Government for road building or construction work which could be undertaken by local firms. Mr. Briggs had emphasized this same point with respect to the airport, stating that once the provisions of the proposed agreement, if it should become effective, had been complied

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*Department of State Treaty Series No. 945; 53 Stat. (pt. 3) 1807.*
with any completion work beyond the stipulations of the arrangement should be contracted for by the Panamanian Government on the basis of bids.

819.154/6-2446: Airgram

The Acting Secretary of State to the Ambassador in Panama (Hines)

CONFIDENTIAL

WASHINGTON, July 12, 1946.

A-739. Authorization is given for an exchange of notes (your despatch 1852, June 24, 1946 *) outlining the changes which have already been made in modification of Article VIII of the General Treaty of 1936 and the further modifications desired relative to the proposed Colon Corridor. No objection is perceived to taking advantage of the presence of equipment and labor already in the vicinity of the Corridor in order that the necessary work looking to the final completion of the Corridor will go forward pending the final approval of a new convention which the Department considers necessary.

It would seem advisable that any new convention with Panama authorizing changes in the Corridor should also include the additional related items which are of concern to Governor Mehaffey (your despatch 2910, October 8, 1945 *). Thus all desired and appropriate changes in boundary between the Canal Zone and the Republic of Panama can be authorized by one Congressional act.

The Embassy is requested to consider carefully with Canal Zone authorities all paragraphs of Article VIII, particularly the last four, and advise whether in making the contemplated Corridor changes this Government will be called upon to assume any commitments different or additional to those already in effect or authorized, and if so, to what extent. Drafts of proposed exchange of notes, when prepared to satisfaction of all local authorities should be submitted to Department for approval before final negotiation.

Department would like confirmation of its understanding that all expenses of the Corridor changes will be borne by the Government of Panama except those between the Escondido River and Randolph Road, a section of the Boyd–Roosevelt Highway, for which money presumably is at hand in the accounts of the Public Roads Administration. In other words, the Department is interested in knowing whether the exchange of notes and the eventual negotiation of a new convention will all be effected without this Government’s being called upon for any appropriation or designation of funds not already made.

ACHESON

* Not printed.

798-815-69—75
Memorandum of Conversation, by the Ambassador in Panama (Hines)

[WASHINGTON,] September 11, 1946.

At the suggestion of the Acting Secretary, Mr. Clayton, at 4:45 p.m. I called to see Mr. Ness and discuss with him and his two assistants the matter of an application for a loan which it is expected the Republic of Panama will make in the near future.

We went over the economic situation in Panama and I explained to Mr. Ness what in my judgment the important factors were in relation to the necessity of the loan and the advisability of our giving most careful consideration to Panama's request. I indicated that the President had requested authority of the Assembly to make two loans; one for $5,000,000 locally and one for $25,000,000 from the Export-Import Bank or other agency approved by the State Department.

The purpose of the loan is to complete Panama's portion of the Inter-American Highway, materials needed for the completion of the International Airport, the building of roads within the Republic and materials used in the construction of additional schools which Panama considers badly needed. Mr. Ness advised me that when the Comptroller General of the Republic of Panama was in Washington approximately a month ago that he indicated to Mr. Obarrio the detail necessary to properly present an application to the bank. Mr. Ness also made certain suggestions relative to the application which I will make available to the Comptroller General at the proper time.

No commitments relative to making the loan were made by either Mr. Ness or his assistants and I advised him that my conversation with him relative to the loan was solely to be in a better position to give advice to the President of Panama or members of his cabinet when the subject comes up.

FRANK T. HINES

Memorandum by the Assistant Chief of the Division of Central America and Panama Affairs (Wise)

[WASHINGTON,] October 24, 1946.

Attached are various despatches from Panamá dealing with a proposed change in alignment of the Colón Corridor, and certain changes in small sections of the Canal Zone-Panamanian Boundary. The Department has taken the position (see A-739 of July 12, 1946) that the proposed changes are so significant as to require a new con-

5 Norman L. Ness, chief economist of the Export-Import Bank.
6 Addressed to LE/T: Mr. Barron and LE: Mr. Fahy.
7 Not printed.
vention with Panama. Canal Zone authorities agreed. Accordingly,
the Embassy has, in cooperation with local U.S. and Panamanian of-
officials, prepared a proposed exchange of notes on the matter under re-
ference and in despatch no. 2625 of October 14 has requested the De-
partment’s approval.

Would LE/T and LE go into a careful study of the proposal, han-
dling as expeditiously as possible, and advise as to whether on technical
and legal grounds the proposed exchange of notes may be approved.

Also, please advise whether it is believed clearance will be neces-
sary in Washington with the Public Roads Administration and the
Secretary of War.

M. Wise

[The proposed notes referred to in the memorandum printed supra
were exchanged on May 26, 1947; for text, see Department of State
Treaties and other International Acts Series No. 2029.]

819.51/12-346

Memorandum by the Assistant Chief of the Division of Central
America and Panama Affairs (Wise)8

[WASHINGTON,] December 3, 1946.

Before the National Assembly of Panama adjourned several weeks
ago it authorized the President to negotiate a loan of $25,000,000. In
a subsequent press statement the President said the authorization did
not necessarily apply to an external loan, however, he had previously
sent his Comptroller General to the United States to see what the
possibilities might be here. The Comptroller General was pretty much
discouraged, as a result of his interviews in Washington.

The attached recent newspaper clippings indicate that Panama still
has hopes of getting a $25,000,000 loan from the United States, but
feels that because of the issue which has arisen over our continued
occupation of defense sites in Panama under the 1942 Agreement,
the moment is not opportune to apply for the loan.

Ambassador Hines, following his visit to Washington in Septem-
ber, I believe, encouraged the President of Panama to presume that a
loan could probably be obtained from the United States provided the
El Encanto claim were settled and provided the loan could be dis-
tributed over a period of years and made available in payments not to

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8 Not printed.
9 Addressed to CPA: Mr. Newbegin; ARA: Mr. Briggs; FN: Mr. Corliss; ED:
Mr. Stenger; A-Br.: Mr. Smith.
10 For documentation on this subject see pp. 1095 ff.
11 For reference to this claim, see telegram 556, October 28, 1946, to Panamá,
p. 1126.
exceed $8,000,000 or $10,000,000 at any one time. If a loan is obtained, I understand it would be used primarily in the construction of roads and school buildings. It is natural that the Export-Import Bank cannot give serious consideration to Panamanian desires in the above respect until it has received formal application which specifies the conditions under which Panama wishes to obtain the money. Furthermore, Panama is making no move at present to pay the El Encanto claim.

819.7962/11-2946: Telegram

The Secretary of State to the Ambassador in Panama (Hines)

CONFIDENTIAL

WASHINGTON, December 16, 1946—2 p. m.

612. Deps A–699 July 8\(^{32}\) and previous. As in case May 1 agreement between PRA and Panama for preparatory work on airport including clearing, grubbing, grading, etc., Dept does not, on principle, favor current suggested agreement (Emb desp 2943 Nov 29 and urtel 750 Dec 12\(^{33}\)) for paving runways on grounds U.S. Govt agencies should not operate abroad in suggested capacity due to possible criticism for alleged competition with local enterprises.

However, in view urgency of beginning paving,\(^{14}\) in interest assisting Panama complete airport as soon as possible and with Emb’s assurances that no local contractor is prepared to handle work, Dept interposes no objection PRA effecting agreement with Panama provided: (1) Agreement is identical in principle to May 1 arrangement under which supervision is under Ministry of Public Works with necessary equipment rented from PRA and necessary technical personnel lent by PRA on reimbursable basis and (2) provided written assurances are received from Panamanian Govt to effect it assumes all responsibility and saves U.S. Govt harmless with respect to any complaints which may be made by local contractors.

Dept has not seen copy proposed agreement and requests Emb make sure arrangements meet foregoing conditions.\(^{15}\)

BYRNEs

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\(^{32}\) Not printed.

\(^{33}\) Neither printed.

\(^{14}\) In telegram 750, December 12, 1946, 11 a. m., the Ambassador urged that agreement be reached speedily with the Public Roads Administration to avoid a loss of a year in completing the airport (819.7962/12-1246).

\(^{15}\) In telegram 754, December 17, 1946, 1 p. m., the Ambassador indicated that the Panamanian Government agreed to the conditions (819.7962/12-1746).