

set the timing for "before, during or after the elections" (May 11). Subsequently, Harmodio Arias and most of the other cognoscenti reduced the formula to simply "after", and so things stand.

"After" covers a period which approaches or even goes beyond infinity. Probably, though, the period between the elections and the inauguration (October 1) is what is in mind.

The consensus is that the electoral campaigns will not terminate on May 11; on the contrary, they will then be initiated. This paradox has to do with the vital electoral phase of counting the votes, juggling the electoral juries, making deals and manipulating the returns. We are told that this procedure may take weeks, perhaps longer; so, the results of the election will not be officially announced for some time. This could, of course, be an ideal period for the incubation of trouble.

Arnulfo Arias remains the inscrutable and unpredictable element in the situation. Both Remon and Chiari are clearly concerned over what he may do.

At the moment, Arnulfo has no candidate for the Presidency. His straw man, Herbruger, has withdrawn from the race. The story is that he declined to put up money in order to finance a hopeless, token campaign.

There has been

The Honorable
Edward G. Miller, Jr.,
Assistant Secretary of State,
Washington, D. C.

CONFIDENTIAL

He has had long, practical experience in politics, some of it the hard way. Of all the government, he is the closest to the people.

Gullien is most pessimistic. He foresees serious trouble and is almost desperately scheming to provide means for alleviating unemployment. He is at present working on a project for a ten percent cut in all governmental salaries, from the President down, in order to find money. This would be post-electoral, and, of course, very unpopular with jobholders.

Harmodio Arias is still striving to get Arnulfo to throw his strength to Chierri. The Remonistas, though, profess to be confident that Arnulfo could not, even if he wanted to, throw his votes as a bloc to the Civilistas. Tomás Gabriel Duque, owner of LA ESTRELLA, whose sole interest is to retain his contract for printing the lottery tickets, probably impossible with Remon as President, still believes that Chierri, in an honest election, would get the majority of the votes.

All I can say is that the Remon campaign is being conducted with great energy, while the Chierri candidacy seems almost lifeless.

The Communist Party line is to keep Remon out of the Presidency. Beyond this we know nothing. At the moment, intelligence reports are sterile. However, the Communists, alone among the political factions of Panama, have good leadership and a lush, mossy terrain in which to work. They are certainly planning and preparing something.

On the ability

bad.

What can we do?

In my opinion, we should at once revive the \$2,000,000 project on a very high priority basis. I have been told that the technical side of the project now has been worked out. Could you talk to Mr. John F. Melby, who, I think, is familiar with the subject.

For the economic rehabilitation of Panama, agriculture is the point of departure. In agriculture, the raising of cattle would seem to be the primary target. In consequence, I am deeply interested in the project for clearing the 1,000 hectares for a cattle experimental station. Dr. Sellers agrees that the advent of the rainy season would not impede the work. There would be merely a different approach. On the other projects, the rainy season would have little or no bearing. Panama does not hibernate when the rains come.

All the best.

Yours sincerely,


John C. Wiley.

Yesterday the presidential election took place in an orderly fashion. Each side confidently claims victory.

There will probably be serious trouble in Panama. We do not know its timing, neither do we know whether trouble will explode suddenly or develop slowly, evolving from students' strikes to civil disobedience. The latter seems more probable. Of course, when trouble comes, there will be little we can do about it except observe and report.

The situation in Panama revolves around a crackpot, a cop and a Communist conspiracy, with the "baleful man", Harmodio Arias, in the background.

Arnulfo Arias, the crackpot, remains unpredictable. The cop, Colonel Remon, has only two hurdles ahead of him; to get into the Palace and then to stay there. Harmodio Arias, very powerful, is definitely allied with the Communists against Remon. Strange bedfellows in Panama are no oddity.

According to my information, which, I think, can be rated at the moment as good, Harmodio professes to be entirely conscious of the Communist danger. He feels that because the Americans have not been alert enough to cope with it does not mean

/in any way

The Honorable
Edward G. Miller, Jr.,
Assistant Secretary of State,
Department of State,
Washington, D. C.

Communists can be eliminated "one by one" and that all will be well.

To me, the Chiari setup looks a little like the pattern of Guatemala. But, alas, the cop and hisilly white band, likewise with some strange bedfellows, fail to reassure. Remon can at very best provide only a partial, probably temporary, answer to the situation.

We now clearly have a problem in Panama we must tackle. Our approach to this problem should, I think, be economic, social and practical. Effective action on our part in these fields could lead to greater stability in the Republic. This in turn could be conducive to political evolution. Since we cannot interfere politically, we are, presumably, obliged to make this other approach; or let Panama go by default.

For us, the Panama Canal has the attributes of a great internal waterway. At the same time, it is perhaps our greatest economic and military installation abroad. Clearly, the Department, faced with unforeseeable and unfavorable developments in the Republic of Panama, should keep the record clear. In it, there should be nothing neglected or overlooked.

So far, our activities are limited to propaganda and Point Four. In the former, we have difficulty in catching up with the Communists. Also, one cannot build with words alone. The latter, namely, Point Four, is still largely embryonic and only its small agricultural program

/touches

----- oversight. ----- would lack

Alleviation of all this should be easy and the cost relatively small. Projects could be easily perfected that would help solve urgent problems, both social and economic. Some projects could be self-liquidating. There should be a prompt on-the-spot study of all possibilities by really competent economic experts, well acquainted with what might be feasible in government programming. On a basis of their findings, policy decisions should promptly be reached and executed.

Certainly, the economy of Panama can be favorably reoriented. Panama, some 30,000 square miles, with only 800,000 population, ought to have prosperity, not poverty. Indeed, the economic disabilities of Panama are susceptible to being enormously relieved. This would be, of course, our best answer to Communism; particularly in Panama, where materialism dominates.

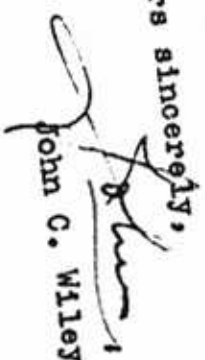
True, we do bear some responsibility, but the economic plight of Panama is, of course, the fault of the Panamanians. And there is no indication that this fault is being or ever will be corrected by the Panamanians themselves. No the Panamanians stew in their own juice might be the ideal punishment to fit the crime. Unfortunately, though, their juice happens to be our juice too. What I am proposing is merely that we leave nothing undone to safeguard our own interests. That in serving our own interests, the Panamanians should be involved, is purely coincidental.

/Panama,

therefore, and effective measures.

Panama may easily go the wrong way, but no suggestion should be permitted that it went there by default on our part. As stated above, policy decisions should be promptly reached and executed.

Yours sincerely,


John C. Willey.

Dear Ed:

There have been, as you know, a number of reports that trouble in the interior was being organized and planned -- presumably to synchronize with trouble in the two terminal cities. The Intelligence Services have not taken these reports too seriously, probably in the belief that the National Police could cope with any trouble in Panama, anywhere, at any time; an optimism which I am far from sharing.

Another Intelligence Report has now been received which states that some 500 Colombians have, at various times, penetrated Panama and are still here. Judging from what we hear, the situation in Colombia is so bad that the Government is at a loss to cope with it effectively. If even a small number of experienced Colombian "Hunks" were to be introduced into the interior of Panama, the results could be unpleasant. Tiny groups of trained men, with the jungle always at hand as a refuge, could cause disconcerting harassment.

Also, a recent Partido del Pueblo directive to the rank and file to train themselves in the use of small arms is somewhat ominous.

The immediate outlook for Panama hinges exclusively on the ability of Remon to get elected as President, and to stay elected. This is the best we can hope for and it is lamentably bad. Anything else would be very much worse.

/As a sidelight,

The Honorable
Edward G. Miller, Jr.
Assistant Secretary of State,
Department of State,
Washington, D. C.

John C. Wiley
John C. Wiley.

Dear John:

Thank you for your letter of April 3, 1952, regarding the alleged plan of Gavilista leaders to oust Ramon Fren power, if he is elected, by ousting off Panama City from its main source of food supply. The comment of the Intelligence Service has been noted and a summary of your observations thereon has been forwarded to the Department of Defense.

Sincerely yours,

Edward G. Miller, Jr.

The Honorable

John G. Riley,
American Ambassador,
Panama City, Panama.

SECRET - Security Information

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our first vice president) to gain control of the Interior by over-coming local detachments of the National Police, thus cutting off Panama City from its main sources of food supply.

This comment of the Intelligence Services with regard to the foregoing discounts the plan as "mere wishful thinking on the part of the armchair strategists of the Civil Alliance." The comment concludes "If such a plan was ever successfully carried out, it would never force the national government to capitulate as 'you cannot kill a snake by just cutting off its tail.'" The foregoing does not appear to take into consideration the fact that any such action in the Interior would undoubtedly be coordinated with serious disorders in the two terminal cities and probably the Trans-Isthmian highway too.

T The recent strike of students and teachers has demonstrated that subversive elements in Panama have very able leadership and in street fighting new and effective techniques have been introduced into Panama.

I am of the opinion that the comment in question is much too optimistic. If Remon reaches the Palace - by force or otherwise - there is a very good chance that he will not be able to remain there.....

Trouble in the Interior, coordinated with strikes and disorders in the two terminal cities, could result in the 2500 members of the National Police getting spread out very thin. Indeed, there could be such constant harassment, with the life of the country partially paralyzed, that Remon would be flared....."

Would you be good enough to transmit these comments or a summary thereof to the Department of Defense. Assistant Secretary Miller, to whom the letter is addressed, is Writing Ambassador Wiley that these comments have been so forwarded through appropriate channels.

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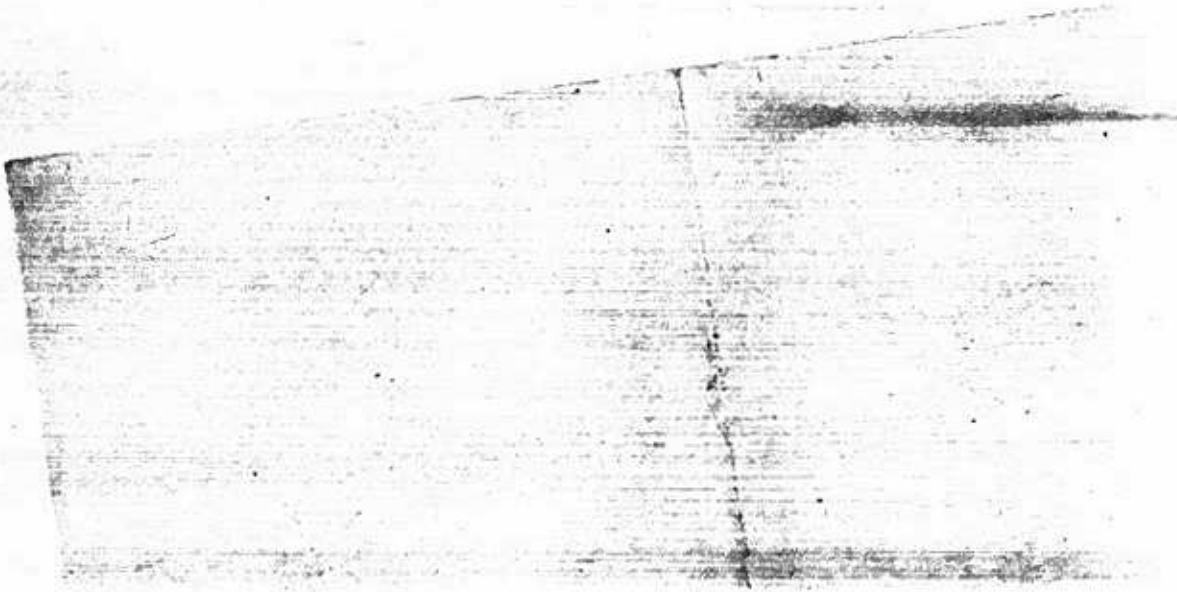
Navarro, Civilista candidate for First Vice President) to gain control of the Interior by overcoming local detachments of the National Police, thus cutting off Panama City from its main sources of food supply.

The comment of the Intelligence Services with regard to the foregoing discounts the plan as "mere wishful thinking on the part of the armchair strategists of the Civil Alliance." The comment concludes, "If such a plan was ever successfully carried out, it would never force the national government to capitulate as 'you cannot kill a snake by just cutting off its tail.'" The foregoing does not appear to take into consideration the fact that any such action in the Interior would undoubtedly be coordinated with serious disorders in the two terminal cities and probably the Trans-Isthmian highway too.

The recent strike of students and teachers has demonstrated that subversive elements in Panama have very able leadership; and in street fighting new and effective techniques have been introduced into Panama.

/I am

The Honorable
Edward G. Miller, Jr.,
Assistant Secretary of State,
Department of State,
Washington, D.C.



fact that now to optim...

Very sincerely yours,

John C. Wiley
John C. Wiley

My dear Mr. Secretary:

The Department of State has been advised that the authority of the Armed Forces in the Canal Zone to purchase from the Republic of Panama certain perishable subsistence items, such as cement, clay products, and certain forest products, will expire on June 30, 1952. It is understood that the Caribbean Command is requesting renewal of this authority for fiscal year 1953.

The purchase by United States activities in the Canal Zone of increased amounts of Panamanian products allows Panama to take advantage of the commercial opportunities inherent in its geographic location and strengthens the economy of the country. From the United States point of view, this can have favorable and important political implications. The Department of State, therefore, strongly endorses the reported request of the Caribbean Command.

Sincerely yours,

For the Secretary of State

Edward G. Miller, Jr.
Assistant Secretary

The Secretary
Frank Pace, Jr.,
Secretary of the Army.

UNCLASSIFIED - Security Information

ARMYDISTRIBUTION
4/2/52

I regret to divert the necessary funds it has been decided to defer, authorization to divert the necessary funds, final decision concerning the proposed emergency projects in Panama.

As you know, some days ago the Secretary, on the recommendation of ARA and S/MSA, recommended to Mr. Harriman's office that funds be made available. The initial reaction of Mr. Harriman's office was that, since the transaction would involve a transfer of funds to another title of the Act, the decision would have to be made by the President. At this point, the Institute of Inter-American Affairs was consulted again about the possibility of using Latin American Point IV funds for the project and the Institute replied that its funds were already committed for other projects. Subsequently, Mr. Harriman's staff was of the opinion that it might be legally possible for Mr. Harriman to take the necessary action by taking funds from the multilateral programs, before submitting the problem to Mr. Harriman for decision however, ARA was requested to reaffirm its recommendation in view of the time which had elapsed since the memoranda were signed. Thereupon reluctantly decided to request that a decision be postponed for these reasons:

1. The program as recommended by the Embassy was designed to ease the unemployment problem in Panama in the pre-election period and particularly for the period which would be required to get the larger housing program in the Canal Zone under way. It was a "stop-gap" program. The regrettable loss of so much time in getting the necessary authorization, the approach of election day and the progress which has been made in the

larger

The Honorable
John G. Witley,
American Ambassador,
Panama City, Panama.

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this deadline since we would have to negotiate an agreement with Panama, etc.

3. In the current hearings before the Senate Foreign Affairs Committee concerning the Point IV program for the next fiscal year it was the strongly expressed consensus of the Senators, including Senators Fulbright and Sparkman who are disposed to be extremely friendly to Point IV, that it should be considered as a long-term, grass roots, technical assistance type of operation. They emphasized that for this reason administration of Point IV funds was entrusted to the State Department instead of a temporary agency and took exception to the use last year of the term "impact" which implied an ECA type of spending on a large scale to accomplish an immediate economic or political objective. Emphasis was also laid on the wisdom of a gradual expansion of operations on a business-like basis and with due regard for the time required to recruit competent technicians. While I would not undertake to predict the reaction of the Committee to the proposed projects for Panama, it is, I think, clear that the immediate political advantages to the United States from the expenditure should at least be clear and compelling and that the programs have a sound economic base. The new elements mentioned in the two preceding paragraphs are, I think, relevant to this question which, as you know, was initially raised by Mr. Bingham.

Needless to say, I regret that it was not possible to get the programs under way immediately in accordance with your recommendation. I will, however, be prepared to re-examine the problem after elections if you believe that I should.

With best wishes,

Sincerely,

Edward G. Miller, Jr.

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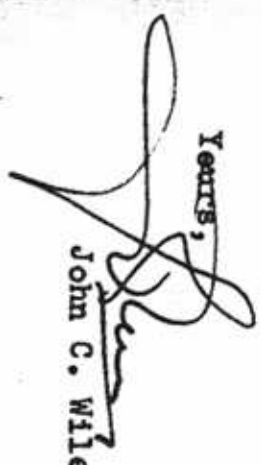
I expressed my...
did not check in the slightest with what...
firsthand, explaining that I had always had admirable support
in every respect from you and ARA. He seemed satisfied; at
least he did not press the point further. I mentioned
the foregoing quite briefly to Tom Mann whom I saw shortly
after the conversation with Tomlinson. He seemed to be
equally surprised and could think of nothing that might
support Tomlinson's statements. I would have spoken to
you about it if I had thought of it. However, I did not
attach importance to the matter since I was under the
impression that I had dealt pretty effectively with it in
my brief conversation with Tomlinson.

*I have not
recalled it
gives*

Irena seems to be over her relapses but is, of course,
washed out. I think she will be all right in a week or two.

Everybody and even his most remote contacts are de-
scending upon Panama in hordes. El Panama is as busy as
a bargain sale.

All the best.

Yours,

John C. Wiley

The Honorable
Edward G. Miller, Jr.
Assistant Secretary of State,
Department of State,
Washington, D. C.

able to me since the whole purpose of the lunch was precisely to discuss communist infiltration in Latin America. I am sorry I did not have an opportunity to discuss this with you directly.

I have discussed this with Ed Tomlinson and with other newspapermen who were also present. After talking to Tommy about it I am still not enlightened about how he could have drawn his conclusion. He referred me to the enclosed clipping from the Washington News as evidence of concurrence in his point of view of my speech on the part of the writer of this editorial, but all that I can see in it is a fairly accurate re-write of some of the things that I said. Incidentally, I hope that it will not be immodest on my part to mention that, partly as the result of my Overseas Writers speech, the State Department Correspondents Association has sent a special message of commendation to the Secretary regarding my frankness in dealing with the press.

As to my estimate of the situation regarding communism in Panama, I think in the first place, giving myself credit for possessing a reasonable amount of the old instinct of self-preservation in the current atmosphere in Washington, I would not by any stretch of the imagination be so foolish as to minimize

publicly

The Honorable

John C. Wiley,

American Ambassador,

Panama.

SECRET - SECURITY INFORMATION

that I conscientiously can, and I hope that in discussing Panama with the press and others on the outside you and I can both proceed on the assumption that our approach to the problem is the same. This is the best way, it seems to me, to ensure that we are on the same team.

Sincerely yours,

Edward G. Miller, Jr.

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SECRET SECURITY INFORMATION

... could be up and away after an almost perfect flight.
We arrived in Panama after a relapse.
Unfortunatly, Irena has had a relapse.

Remon
Remon
Batista

I lunched today with Bobbie Hurtematte. He seems rather unhappy over the situation in the Republic. He explained that when he returned to Panama he became quite convinced by those around Remon that the Colonel really intended to abide by the results of the election. If the voting went against him, he would accept the decision of the people. More recently, Hurtematte has come to the conclusion that this is eyewash; that Remon intends to get into the Palace -- no matter how! That this is the case has been told me by Ofilio Hasera, Secretary General to the President, who is close to Remon. Moreover, on March 13, Zappl, a very dubious columnist who has recently been recruited by Remon, announced in LA NACION in large red headlines, that Batista was seeking the support of the working masses. He praised Batista, applauded the coup and argued that conditions in Panama were similar to those which led to present conditions in Cuba. Zappl declared that something had to be done to end "libertinaje" in Panama, asserting that Remon was the only one who could save the Republic. This would seem to be what the French call avls au lecteur.

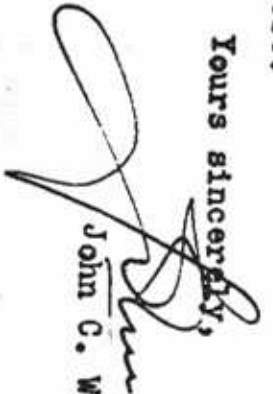
Hurtematte went somewhat further, expressing doubt whether Remon, if he reached the Palace through the support of the Police, could remain in the Palace bulwarked only by this same support. He wondered whether

/the Police

The Honorable
Edward G. Miller, Jr.
Assistant Secretary of State,
Department of State,
Washington, D. C.

ALL THE BEST.

Yours sincerely,



John C. Wiley

The Department of State is informed that the Commanding General, Caribbean Command, has requested an exemption from the Buy American Act to permit the purchase of Panamanian beef for troop issue. It is understood that Panamanian beef is considered by the Caribbean Command to be fully acceptable for this purpose and that its purchase would result savings to the United States Government of approximately one-half million dollars annually, conserve shipping space, and lessen present heavy demands upon the domestic meat supply in the United States.

In addition to the above cogent considerations which recommend the requested exemption, the Department of State believes that the stimulus of these purchases would have a beneficial effect upon the economy of Panama. The proposal of the Caribbean Command is, therefore, most timely in affording an effective means of assisting to alleviate the present economic crisis in Panama, which is subject to exploitation by elements unfriendly to the United States.

For these reasons the Department of State welcomes and supports this initiative on the part of the Caribbean Command which it believes to be in accord with the national interest provision of the Buy American Act.

Sincerely yours,

For the Secretary of State:

Edward O. Miller, Jr.
Assistant Secretary

The Honorable
Frank Pace, Jr.,
Secretary of the Army.

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be used for the purpose of... designed to alleviate the existing critical unemployment situation in Panama.

The projects would be undertaken immediately so as to provide employment during the presidential electoral period which culminates on May 11, 1952. They would initiate a rising curve of employment which would be supplemented and extended for the next 3 - 4 years by an \$80,000,000 housing program of the Department of the Army. Employment under this program will commence in March 1952 but will not reach its highest level until sometime after the elections.

These projects have been discussed in detail with FGA which is prepared to undertake them on the most urgent basis if recommended by the Department for political reasons if funds are made available. The projects will make a permanent contribution to Panamanian development in line with the Point 4 concept.

POLITICAL JUSTIFICATION:

The political reasons are compelling. Panama is in the depth of an economic and fiscal crisis and at the moment is in an extremely critical political situation. The small, well-organized, and admirably master-minded Communist organization is availing itself of every vulnerability of the Republic in order to weaken Panama and to impair the position of the United States. We therefore consider it eminently and urgently desirable to attack the serious unemployment now existing in the

two

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1,000 unskilled workers for 4 months at a cost of \$625,000 for labor and \$100,000 for materials.

2. A project for the construction, renovation, repairs and development of grounds of Panamanian schools. This project would employ 2,500 skilled, semi-skilled and unskilled laborers for 6 months at a cost of \$910,000 for labor, \$285,000 for materials.

3. Project involving preliminary work for the construction of sewers, sewage treatment stations and water distribution system proposed for the suburban area of Panama City. This project would employ about 200 unskilled workers at a cost in labor and materials of about \$80,000.

SECRET SECURITY INFORMATION

of the Budget.

In calendar year 1951, \$2.3 million in bids were let, as part of this program for work in Silver City and in Margarita. The plan for 1952 calls for an additional \$9,950,000 worth of contracts.

The Governor has already requested bids on \$8.8 million of this 1952 program. These bids cover work to be done at Margarita, Gatun, Cardenas, and Suamit. It involves construction of approximately 141 buildings, grading of additional sites, the construction of sewerage disposal plants, water tanks, and other facilities and the construction of access roads. In addition, the Canal Zone materials and supply division has asked for bids on \$2.5 million worth of lumber. This lumber is to be used in the housing program but the amount is in addition to the projected \$9 million of work for 1952.

According to figures received from Colonel Basley and confirmed by the Bureau of the Budget, employment under this program will begin almost immediately. It will reach the following levels on the dates indicated:

1. March 15, 1952. . . . 1,030 - 1,260
2. April 15, 1952. . . . 1,810 - 2,040
3. May 15, 1952. . . . 2,110 - 2,340

The curve of employment thereafter cannot now be predicted. However, it is certain to rise significantly depending

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I emphasize we are presently serious pre-election crisis of the Republic, the exploitation of its vulnerabilities by the Communists and the possibility that Panama might go the way of Guatemala. My special plea was that nothing be left undone to increase employment, the only prompt means we have of reaching the disaffected - the fertile field for Communist inroads.

Naturally, I approached the problem with anything but unbridled optimism.

With things as stand now, Mr. Bendetsen has received the whole picture of the moment. The Governor has been effectively acquainted with considerations which hitherto the Zone has excluded from intrusion into the formulation of policy.

I did not go into certain long range economic and social problems as discussed, for example, in the McSherry report. We have time for that later. My wish at the moment was not to overload the line and blow a fuse, since, to mix a metaphor, I was on thin ice.

I have borrowed an additional stenographer from friends in the Zone and I hope to get a report out within three or four days. You are, I know, terribly busy and I hate to bother you with papers, but I would be deeply grateful if you could find it possible to read through the actual minutes

The Honorable Edward G. Miller, Jr.,
Assistant Secretary of State,
Washington, D. C.

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As I know this is the first initiative of this kind in 46 years.

As for the tuition question, it was discussed at some length. Mr. Bendetsen, I fear, is entirely influenced by Mr. Lawton's letter. In other words he will favor putting the item in the State Department budget. This would brand the project as propaganda instead of the mere continuation of a long-established practice. I think we ought to persist in our present efforts. Perhaps an oral exposition of the problem to Mr. Lawton might help.

One salient feature of the discussion was the clarity with which it was brought out that the setting up of the Canal Zone as a straight-jacketed corporation was done without any consideration being given to the Canal's international position or to its relations with the Republic. The Zone could easily have been the State of Delaware.

The attitude of Mr. Bendetsen and Mr. Robinson during our talks was alert and certainly not unfriendly. Mr. Beasley, too, had a very pleasant attitude. The Governor was, I fear, unhappy and irritated. I don't think he likes to have outsiders, including the Department of the Army, show interest in the affairs of his bailiwick. His position, however, should not be misinterpreted. He is a man of integrity, trained as an engineer to build well and cheaply and, as an officer, to interpret regulations strictly and narrowly. His loyalty is to his job in accordance with his mandate.

His mandate is fin de siècle.

Yours sincerely,



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