August 19, 1954

CONFIDENTIAL

Dear Mr. Ambassador:

There is enclosed a list of the properties under the control of the Panama Canal Company-Government which are included in the United States offer made with reference to Panamanian Document #, together with the valuations of lands and improvements.

The Canal Company office here states that the valuation of all improvements is based on replacement cost at today's price levels, less calculated depreciation from date in service. Land values are present-day market values, conservatively estimated at $26 per square meter in Panama City and $13 per square meter in Colon.

The total valuation placed on these lands and improvements is $17,849,[illegible]20.00

Not included in the above-mentioned list are lands acquired for military purposes but which are no longer needed for such purposes, notably, Paitilla Point, Battery Morgan, and Las Isletas and Santa Catalina Military Reservations on Taboga Island. No money valuation has been placed on these lands although it is worthy of note that Paitilla Point has an estimated current value of approximately $2 million.

I leave it to your judgment how best to make use of this data in connection with the delivery of the proposed letter from President Eisenhower to President Remón.

With best wishes,

Sincerely,

Henry F. Holland

Enclosure:

List of properties

The Honorable
Selden Chapin,
American Ambassador,
Panama.

ARA:HHDuppinger:ed 8/18/54 CONFIDENTIAL

Value of Panama Canal Company and Canal Zone Government Properties in Panama City and Colon and on Taboga Island, January 11, 1954

PANAMA CITY

		Estimated Value
Land		
Panama Yard Land	58,843 sq meters at $26.00	$1,529,918.00
Other Land	19,028 sq meters at $26.00	494,728.00
		$2,024,646.00

The valuation of the above land ($26.00 per square meter) is based on an estimate made in 1943. This estimate is considered conservative with respect to present day values.

Buildings & Improvements	
Concrete Driveway—Panama Yard	$ 4,200.00
Passenger Station—Panama Yard	392,000.00
Freight House—Panama Yard	235,000.00
	$ 631,200.00
Total, Panama City	$2,655,846.00

COLON

Land		
New Cristobal	380,403 sq meters	$4,945,239.00
Colon Beach	121,440 sq meters	1,578,720.00
DeLesseps	24,141 sq meters	313,833.00
Railroad Yard	26,435 sq meters	343,655.00
Shore lands adjacent to Railroad	28,851 sq meters	375,063.00
		$7,556,510.00

The above areas were determined by Planimeter based on Drawing 5093-4, Section 1 and 2. The estimated value of the above land is based on a current valuation of $13.00 per square meter, considered to be conservative.

Buildings & Improvements	
Passenger Station—Colon	$ 116,000.00
Freight House	24,878.00
Pier 3	113,686.00
Quarters—Colon Beach	505,000.00
DeLesseps	396,000.00
New Cristobal	1,218,000.00
Hotel Washington	1,450,000.00
High School—Colon Beach	1,410,000.00
Colon School—Colon Beach	158,000.00

August 17, 1954

TO: The Secretary

THROUGH: S/S

FROM: ARA - Mr. Holland

SUBJECT: Panamanian Discussions

Discussion:

I have now completed the review of the negotiations with the Panamanian Delegation and, subject to your clearance, I shall inform them of the few adjustments we have found it possible to make in the earlier replies to their proposals.

The suggested letter from President Eisenhower to President Remón was drawn up with the view of convincing Remón that it is a fair, just and equitable solution and that we are not subject to any further prodding or probing for additional concessions. I shall emphasize this also at today's meeting and I trust you will do likewise at the Wednesday luncheon.

There is, however, still some question as to the best tactics regarding annuity. We cleared with the Bureau of the Budget and the pertinent Congressional committees the concept of two million dollars for economic development in lieu of an increased annuity. In the light of further discussions with them, I think we may apply this amount either to annuity increase or to an economic aid program.

I feel the best all-round approach is to increase the annuity by one million dollars and offer the additional million for economic development aimed primarily at low-cost housing. Ambassador Chapin in his telegram of August 15 urges that the grant of the additional million dollars be lumped with the increased annuity, making the annuity in toto $2,430,000. This, he feels, would more likely convince the Panamanians of the finality of our offer and avert having the Panamanians come back, or raise public clamor or have them appeal to some international agency.

I feel that the $1,430,000 annuity, plus $1 million dollars for ten years for economic development, plus all the other concessions outlined in the letter from President Eisenhower to President Remón is in fact a magnanimous gesture to Panama and is fair and just to both countries.

Panamanians will always be Panamanians. The several Panamanians involved will each jockey for political credit. This tendency may disrupt orderly

CONFIDENTIAL

orderly negotiations. However, I think this danger is ever present and will not be minimized by the U.S. moving a bit further towards meeting Panama's aspirations.

The formal final meeting this afternoon with the Panamanian Delegation, the luncheon you are giving them tomorrow and the Presidential letter should convince the Panamanians that we are really giving them a very fair deal and that we are not open to further badgering.

Recommendation:

That you authorize annuity increase by $1,000,000 and grant of $1,000,000 for economic development.

Approve_____

Disapprove_____

[redacted]

[redacted]

TREASURY	Andrew N. Overby	Assistant Sec.	Cd. 172 x5635
ARMY	Peter Bensley	Special Consultant to Sec. of Army	Cd. 131 x52485
	Col. Harriot	Chief of the Politico Military Group, OUS	Cd. 131 x52377
	Col. Massello	Security Rep.	Cd. 131 x71079
CIVIL SERVICE COMMISSION	Philip Young	Chairman	Cd. 171 x 201
DEFENSE	(Not naming rep.: Col. Davis will clear)		Cd. 131 x76245
AIRFORCE	Col. Willis F. Lewis	Directorate of Plans	Cd. 131 x56114
	Alt. Lt. Col. Roderic D. O'Connor	Internat. Branch Policy Division	Cd. 131 x73803
NAVY	Capt. Joseph W. Leverton	Strategic Plans Div., CNO Office	Cd. 131 x55847
	Alt. Comdr. Schrats	Internat. Affairs Div., CNO Office	Cd. 131 x74551
BUDGET	Jefferson Burrus	Staff member	Cd. 189 x435
LABOR	Arnold Zempel	Exec. Dir., Office of Internat. Labor Affairs	Cd. 177 x78
GOV'S OFFICE	Paul A. Bentz	General Counsel, C.Z.	Cd. 131 x63570
	Alt. Merrill Whitman	Sec., Pan. Canal Co.	Cd. 131 x63570
STATE	John M. Cabot	Assistant Sec.	Cd. 191 x5625

TO: Secretary of State

NO: 243, March 30, 2 p.m.

Following casual conversation Governor Seybold and myself with President Remon at large reception last night Remon, in unprecedented move, asked Governor and me to go on to Presidency. We found Foreign Minister Guizado present.

Remon stated frankly he troubled at Zone move to quarter West Indian employees in settlement at new Cristobal recently abandoned by United States rate employees. This settlement is alongside wealthy Panamanian housing development and would make elaborate residences recently built there undesirable, easily causing 60 to 70 percent drop in real estate values. President said it was common talk, this decision taken by Zone as answer to Senors Remon's statement at Caracas on racial discrimination in Zone. Governor replied such talk groundless as project had long been under discussion and was part of plan to move United States rate employees to Margarita. Although Remon professed accept explanation, it clear to me he not satisfied as he returned to subject several times in course conversation, and implied on one occasion that even if his government could accept explanation, popular interpretation would be it was a retortion.

In course general conversation, Remon implied he was concerned at lack of progress in Washington negotiations. He said when United States negotiators answered last of 22 Panamanian proposals, he was seriously thinking of ordering Fabrega and Sucre, as well as Ambassador Heurtematte to return to Panama "temporarily for consultation" unless there were some developments markedly favorable to Panama.

Conversation extremely friendly throughout. President said he appreciated my interest in problems, felt I was friendly and would not (repeat not) hesitate call me when he had something more to discuss. I took occasion point out frankly that many of Panamanian requests were, in essence, an effort to assert some degree of sovereignty over Zone. Far from denying this, President and Guizado argued familiar Panamanian thesis that United States has only limited sovereignty and that Panamanian aspirations legitimate. I again reminded President it might be useful if he could indicate which demands he considered of greatest

greatest importance, but [illegible]

Only other point of interest was rather bitter reference by President to statements attributed to Capwell, published in LA NACION (my telegram [illegible], March [illegible]). I told President, Capwell, in making statements to Capehart committee, thought he was speaking in complete confidence, which Ramon appeared to accept.

It apparent President becoming more restive. Embassy had already received reports from several sources that other night at Union Club President, who had been drinking, roundly denounced United States and its negative attitude in negotiations. I am the more convinced that it must be made absolutely clear to Ramon from highest United States authority, preferably a signed personal letter from President Eisenhower, that we can not yield an iota on question of exercise of our sovereign rights in Zone, although we are happy to make all possible other concessions. These concessions, which already appear material, should be set forth complete in the letter. In this connection, a materially increased annuity would seem essential.

CHAPIN

ARL

CONFIDENTIAL

As you know, President Remon is coming to this country in conjunction with the negotiations on the Panama Canal and will be seeing you Monday afternoon. As I discussed with you last week, Remon has been behaving rather badly, and his people have raised a great number of complicated issues with us. I am sending you, as attachments hereto, material outlining these in some detail.

I think that the fundamental question here is the matter of the revision of the Treaty. I think we must continue to make it clear that we will not, under any circumstances, enter into discussions directed at a revision of the Treaty, but that we are willing to discuss interpretation and application of the Treaty as it now stands. I believe President Remon will undoubtedly require tactful handling but, if we remain firm in this regard, we should not have undue trouble with him.

JOHN FOSTER DULLES

John Foster Dulles

Attachments

S:RLO'Connor/sg

S/S

SEP 26 1953

SECRET - SECURITY INFORMATION

A true copy of the signed original

BACKGROUND INFORMATION FOR VISIT OF PRESIDENT ROBLES OF PANAMA

[illegible] Colonel José Antonio Remón C., President of Panama, will make an official visit to Washington at the invitation of this Government September 26 through September 30. President Remón desires to explore United States - Panama relations in general terms and present the Panamanian viewpoint regarding various problems in United States - Panama relations which are currently the subject of special talks in Washington. The National Assembly of Panama convenes on October 1 and President Remón hopes to inform the Assembly, upon his return, of the results of his visit to Washington.

President Remón formerly was head of the National Police Force, Panama's only armed force. He is 45 years old. Educated in Panama and at the Mexican Military Academy, he worked his way up through the ranks of the Police Force and in recent years has been a major influence in Panamanian politics. He used his position in 1949 and in 1951 to oust, through coup d'etat, the Governments then in power in Panama. In 1952 he was the Administration's candidate for the Presidency and, in spite of charges of being a "militarist" and too pro-American, he won the election by an impressive majority, assuming office in October 1952.

President Remón has always been considered friendly toward the United States and has been outspokenly anti-Communist. He has visited the United States, and attended the United States Cavalry School at Fort Riley, Kansas, for two months. During World War II, President Remón was decorated with the Legion of Merit by this Government for his close cooperation with Canal Zone authorities in rounding up enemy agents on Pearl Harbor Day (an appropriate reference to this fact would be advantageous). With this background of friendliness and cooperation with the United States, his election to the Presidency in 1952 was welcomed by this Government.

In the year that President Remón has been in office, his Administration has made a creditable record. Through reorganization he has improved the efficiency of the Government, introduced a new level of probity among Government officials, and has made considerable progress in improving the critical condition of the Panamanian economy and of the Government's finances. It would be appropriate to congratulate President Remón on the progress Panama has made under his Administration.

The

SECRET - SECURITY INFORMATION

the United States in the United Nations and in the Organization of American States. At the outbreak of the Korean crisis, Panama announced that, insofar as possible, it would cooperate with the United States in its efforts to maintain world peace and in the defense of the Panama Canal. The Government of Panama also has rigidly enforced a 1951 decree which prohibits vessels of Panama's Merchant Marine (world's fourth largest) to call at ports in Red China and North Korea. A major supplier to Red China before the issuance of this decree, the Panamanian flag has since been taken out of this trade. You may wish to express to President Remón this Government's gratification.

The Panamanians make a distinction between their relations with the United States, towards which they are basically friendly, and their relations with the Canal Zone. Relations between Panama and the Canal Zone have been in a somewhat unsatisfactory state since the end of World War II, although many of the problems which have created the situation date back to the earliest days of the Canal. In essence, the Panamanians have an obsession that Panama today is receiving very slight compensation for the enormous advantages granted to the United States by the 1903 Treaty. The economic prostration which has followed the wartime boom in Panama heightens this feeling.

The Panamanians believe, not without some justification, that, despite the promises of President Theodore Roosevelt and Secretary of War Taft that it was not the intention of this Government to set up an independent and competing community in the Canal Zone, such a situation does in fact exist today and that Panama's production, commerce, and industry have been handicapped by the treaty arrangements governing the Canal Zone. The fact that the Canal Zone, a corridor under United States jurisdiction, bisects the Republic, and a growing nationalism in Panama considerably complicate the problems arising from the non-integration of the Canal Zone and Panamanian economies. Panama, neglecting its own resources, has always lived off the canal. There also is dissatisfaction over the treatment of Panamanian labor in the Canal Zone and a conviction that the United States has not carried out certain of its treaty commitments to Panama.

President Remón, probably for local political reasons, has put his Administration at the head of the current agitation in Panama for new concessions from the United States in public statements demanding "not alms nor millions, but justice". This action has been widely acclaimed in Panama, even by the opposition. However, because President Remón has been pro-American and has made a good record as President, we wish to avoid open recriminations with him, if possible.

For

request for a review of United States - Panama relations arising from the construction and operation of the Panama Canal. In doing so, it made clear that our intention was not to consider revision of the 1903 and 1936 Treaties. It was agreed that this review should begin on September 10. In preparation therefor, an inter-departmental committee was established within this Government to prepare the United States position on the subjects which Panama was expected to raise. These conversations with Panama began as scheduled on September 10 and are continuing.

President Remón's visit, originally planned to take place at the culmination of these talks, now occurs at his request before any agreements can be expected from these conversations. There is attached a list of the subjects which the Panamanians propose to discuss (Attachment 1) and comments on the key issues (Attachment 2). Because of their [illegible] nature, you may wish to suggest to President Remón, in the event that he raises them, that they should be threshed out by the group which is currently considering them.

It is evident from the proposals made thus far by the Panamanians that they intend to press for treaty revision and it is likely that President Remón will stress this point with you. It is suggested that you assure President Remón that his Government's views will be sympathetically heard and that a genuine effort will be made to accommodate United States and Panamanian interests in the Canal Zone to their mutual benefit, but stress that this Government will not alter the existing treaties and will make no concessions affecting its basic jurisdictional rights and vital security interests in the Canal Zone.

President Remón, whom you met in Panama in 1946, is jovial, gregarious, and informal in manner. He is not a man of great independent thought, but is sensitive and proud. His English is adequate but his understanding of it is not as great as his speaking ability would suggest. He smokes and his preferred drink is champagne. He will be accompanied by his wife, Mrs. Cecilia Pinel de Remón. Mrs. Remón is deeply interested in social welfare work and greatly aided her husband in reaching the Presidency by carrying medical assistance to the underprivileged in the interior of Panama during the electoral campaign. She has continued this work.

After leaving Washington on the morning of October 1, President Remón and his party will go to New York for an unofficial stay of one week. An ardent baseball fan, he plans to attend some of the World Series games there. He also will visit Hyde Park, where he will lay a wreath at the tomb of President Roosevelt and decorate Mrs. Roosevelt.

President

SECRET - SECURITY INFORMATION

President Ramón is requesting that a joint communique be issued after his talks with you. A draft text is under urgent study and will be submitted to you with the Department's recommendations.

Attachments:

1. List of subjects proposed for discussion.
2. Discussion of major issues.
3. Schedule of visit.

SECRET - SECURITY INFORMATION

an employed on the [illegible] of that paper. Another reason that might lend more strength to this view of the situation there is his ~~[illegible]~~ affecting one of his most closest political and personal friends, Mr. Andreve, who is also political ambitions to become the next President of the Republic of Panama. To get rid of this man's presidential ambition, Porras has very recently designated him as Minister to Spain; also some of the active supporters of President Porras, including Secretary of Public Instruction, Mr. Japtha Duncan, have purchased a daily political paper known as "Tiempo" that ~~was~~ until the past [illegible] has been supported by Mr. Andreve and which was a staunch supporter of Porras and his followers even to the extreme limit, the most rabid anti-Americanism. The price that was paid for this paper was $10,000.00, a most exhorbitant price because it was not equipped with any modern newspaper machinery, in fact it has been rumored that some of the articles that were published in the paper were gotten upon the linotypes in the printing office of the Government of Panama. One of President Porras' sons, Camito, has also purchased the machine. One of President paper and is part owner. This seems to meet interest in this ~~[illegible]~~ support the rumor I heard in Panama that Porras is actually thinking of ~~[illegible]~~ himself along the lines that he previously followed.

The feeling amongst the business men in the City of Panama is one of extreme silence, they having a dread of prosecution against their business, if they show any independent opposition to President Porras' policies.

This statement has also been substantiated in talks I have had together with Major Cruse, Military Attache American Legation in Panama, in which he was seeking information along these lines.

I am here now myself on a mission supporting the candidacy of Dr. Cero Uriola before the American Government as a candidacy next president of the Republic of Panama. Dr. Uriola has been President of Panama for a period of four months, succeeding President Porras on his death. This occurred in the Fall of 1917. At that time Dr. Uriola reversed the anti-American attitude of President Porras.

Spanish priest, naturalized Panamanian. Reported October 1942 by Intendente of San Blas as disseminating Nazi propaganda among Indians.

April 1944 attended Falangist meeting and another June 21, 1944 Ones present at first meeting only.

Falange Panama A-5272 3-24-44 Panama Sc
811.111 Moran, Jose (Pan)

Father José Moran y Pau
arrived Panama 3-4-44 from Col. with
intention of proceeding thru C.A. to Mex. +
then to Spain.

[June 1941 espionage charges in Cuba]
Closely assoc. with Onõs de Plandolit while in
Pau.

request to local amer. transp. cos. to refrain
from carriage.

FBI report of 6-19-44 - 811.111 Moran, Jose (Pan)

— SPANISH DIPLOMATS

RE PANAMA-AMERICAN ARTICLES ON SPANISH NEUTRALITY

Prior to Feb 15, the date on which the EDITORIAL WAS PUBLISHED, THE SPANISH CHARGÉ d'AFFAIRS, MANUEL ONOS de PLANDOLIT delivered the ARTICLE, WHICH WAS PUBLISHED ON FEB 17, TO THE EDITOR OF THE SPANISH SECTION OF THE PANAMA-AMERICAN, ENRIQUE RUIZ VERNACCI, WITH THE REQUEST THAT IT BE PUBLISHED. THE ~~ARTICLE~~ TWO ARTICLES & THE CIRCUMSTANCES SURROUNDING THEIR PUBLICATION ARE BELIEVED BY MA OFFICE TO BE A GOOD EXAMPLE OF THE TYPE OF SPANISH PROPAGANDA WHICH IS BEING

USED BY THE SPANISH GOVT. TO SOLIDIFY ITS POSITION IN THE LATIN COUNTRIES.

THESE ARTICLES ALSO DEMONSTRATE THE INFLUENCE THE SPANISH CH. d'A. IN PANAMA HAS, OVER PAN-AMER., OWNED + PUBL. BY HARMODIO ARIAS, THRU THE EDITOR OF SPANISH SECTION, ENRIQUE RUIZ VERNACCI.

AIR MAIL

March 5, 1954

CONFIDENTIAL

Dear Jack:

Kupp and I have sat here the last couple of days doing a bit of "self-criticism". Result attached.

We have gone a substantial distance toward meeting Panamanian aspirations. Panama will never be contented. We can hope only to have them satisfied for the time being. I feel very definitely that if we can avoid being used by individual Panamanian politicians and can make progress in solving the pending main problems we will be able to bring these negotiations to a reasonably successful conclusion.

I hope to see Roderick and the Governor again soon, using this memorandum as a basis for further discussion of our remaining problems.

Sincerely yours,

all the best to you

John

John J. Muccio

Attachment:

Memorandum re "Review of Panamanian Negotiations" dated March 5, 1954.

The Honorable
John M. Cabot,
U.S. Delegation to the
Tenth Inter-American Conference,
American Embassy,
Caracas, Venezuela.

CONFIDENTIAL

Subject: Review of Panamanian Negotiations.

The basic approach to the consideration of the Panamanian proposals has been a firm stand against any derogation of our fundamental treaty position in the Zone. There is no disposition to give ground on that score although many of the Panamanian proposals are aimed at that goal.

The Department of State, however, feels strongly that it is in the national interest, in promoting the security of the Canal, to make such adjustments as can be made in Panama's favor as do not prejudice the U.S. position or discriminate against our personnel residing in the Zone.

Many of the positive steps we are considering taking vis-a-vis Panama should have been taken voluntarily by us over the years rather than to hold fast until Panamanian resentment reached a high emotional pitch. To do these things all at one time and at Panamanian urging has given rise to the superficial impression that we are making great concessions to Panama. Such action takes on another face, however, when it is considered that we are, in large part, discharging recognized obligations, rather belatedly in some instances.

Our relationships today with Panama would undoubtedly be better if we had taken steps on our own initiative long since to reduce the irritation arising from the competition with Panamanian commerce as results from the manufacture or processing

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Our relationships today with Panama would undoubtedly be better if we had taken steps on our own initiative long since to reduce the irritation arising from the competition with Panamanian commerce as results from the manufacture or

processing

CONFIDENTIAL

processing of consumer goods in the Zone; we should have endeavored to broaden our purchases in Panama; we should have given greater consideration to the commissary problem; we should have taken steps to implement more completely the commitment we made in 1936 with respect to Panamanian labor in the Canal Zone (this matter is still pending inter-agency agreement); and we should have fulfilled before now the bridge/tunnel commitment we assumed in 1942.

To do so even at this relatively late date will still serve to improve our relations but the favorable impact would have been much greater had we done these things voluntarily and more seasonably.

In addition, we are now prepared;

a) to accede to the Panamanian request concerning the levying of income tax on their nationals who are employed by Zone agencies. This provision of the 1903 Treaty is now an anachronism and equity clearly dictates its repeal.

b) to enter into an arrangement by which Panama can more effectively compete in the sale of certain ships' stores to ships transiting the Canal.

c) to turn over to Panama certain parcels of land to which the United States holds title in the Isthmus which are no longer essential for Canal purposes, together with improvements where they exist,

exist, all without cost to Panama. In some cases title to these lands was acquired by purchase and not by condemnation under the 1903 Treaty. Thus, this gesture takes on substantial proportions in view of the considerable value of the lands and improvements. The requests we are making in return are modest and involve very little cost to the Panamanian Government. On balance this gesture weights very heavily in Panama's favor, and the United States can properly assert that it has acted with generosity in this case.

d) to meet--indirectly--the request for an increased annuity by agreeing to seek Congressional approval for an economic aid program involving the expenditure for jointly-approved and financed projects of up to $20 million over a period of ten years in lieu of a direct increase in the annuity. It is generally agreed that the present annuity figure is inadequate; the principal question we have had to consider is what would be the most desirable way to handle the matter. Considerable sentiment has been expressed against a direct increase in this payment and the economic aid program was evolved as a desirable substitute. Panama, however, is very much dissatisfied with our proposal in this regard. To them the annuity is an

is an important symbol; it is something tangible in the way of benefits accruing to Panama from the Canal which is understood by everyone. It may well be the case that we shall have to review our thinking on this matter largely from the point of view of the political implications which are tied to this question.

Purchasing policies, limitations on commissaries, elimination of competitive manufacturing and processing in the Zone, sales of ships' stores, labor policy, income tax, transfer of lands and the annuity payment are tangible matters on which we have made, or hope to make, adjustments which will move toward meeting in varying degrees those of Panama's aspirations which we consider justified.

Less spectacular perhaps, but nonetheless important in that Panamanian sensibilities are involved, are the adjustments we are prepared to make in the field of intangibles. Income tax jurisdiction can be included in this category also since we will remove an impediment which has prevented Panama from exercising the normal tax powers of a sovereign nation with respect to non-U.S. employees of Zone agencies; also included in this category are our willingness to waive our monopoly rights with respect to the construction of trans-Isthmian railroads and highways; and our disposition to give up our treaty right to exercise jurisdiction over sanitary matters in the terminal cities.

We can

We can point to these actions as proof of our willingness to make adjustments in our relations where changing circumstances have altered the situations which originally gave rise to special grants of authority and where no question of our fundamental position in the Zone is concerned. While we can and should take full credit for displaying an enlightened outlook in this regard, we may also admit among ourselves that such action is no more than we feel it desirable to take in our long range national interest under the precepts which guide our international relations.

The Panamanian proposals, when originally received, gave rise to a considerable degree of puzzlement on our part since many were predicated on the Panamanian theory of limited jurisdiction on the part of the United States in the Zone with reserved jurisdiction remaining with Panama. As the Panamanians well know, we reject this theory completely and hold to the position that our status in the Zone is clearly set forth in Article III of the 1903 Convention which confers on the United States "all the rights, power and authority... (as) if it were the sovereign" to the entire exclusion of the exercise by Panama of such rights. The Panamanians who prepared their proposals were fully aware of this divergence of interpretation and, unless they thought they could catch us unawares, they must have known that acceptance by us of proposals predicated on their theory was completely out of the question.

question. Therefore, on a scoreboard basis they could have foreseen that the negotiations would end with Panama on the short end of the score, comparing proposals accepted against those rejected. Now it is also known that several persons closely identified with these negotiations on the Panamanian side have political ambitions which might be furthered if President Remon had to take the responsibility for failure to obtain significant success in attaining Panamanian aspirations. A complete failure of these negotiations could conceivably result in Remon vacating the presidential office--an event which might not be to our interest. A new president, if not particularly well-disposed toward the United States, coming to power on the wave of a tide of resentment toward the United States would inevitably result in strained relations between the United States and Panama--the very thing we are seeking to avoid.

We believe that even though some of the Panamanian proposals have been loaded--intentionally or not--with requests which are unacceptable to the United States, the result of the negotiations can be shown to be, on balance, favorable enough to Panama that fairly informed public opinion can be satisfied if, in addition to those tangible and intangible adjustments we are prepared to make, we can resolve the three important remaining problems: (a) the annuity payment, (b) treatment of Panamanian labor in the Zone, and (c) ease

Panamanian

Panamanian keen disappointment at the limited degree to which we are prepared to limit manufacturing and processing and sales practices in the Canal Zone, and especially at our reluctance to give any formal commitment in this regard.

The annuity matter could possibly be solved without too much difficulty by bringing the figure up to $2 million, the amount we had in mind for the economic aid program. In fact, by so doing, we may save $450,000 per year.

The labor problem, however, requires an alteration of attitude on the part of the Defense authorities. If they persist in their adamantly negative position on this question, the result of these negotiations will remain in jeopardy with attendant dangers insofar as our long range relations with Panama are concerned.

Seen by: ARA-Mr. Woodward
MID-Mr. Burrows
Mr. Swank

CONFIDENTIAL

On Christmas Day President de la Guardia in a long newspaper interview stated that his administration had done, under serious circumstances not encountered by any previous Panamanian administration, everything that could possibly be done for the welfare of the Republic. He declared that he was particularly pleased with all the evidences that the administration has brought about a unification of the nation, a status which he would endeavor to preserve.

The President referred in some detail to the following matters: progress which was being made in the reform of the Panamanian prison system; efficiency of the national police organization and proposals for bettering the secret service branch; repair and extension of telegraph lines throughout the Republic; inauguration of postal money orders, postal insurance and registered mail; proposals for building many new schools and for providing teachers salaries that would tend to relieve preoccupation over personal finances; proposals for improving the normal school in Veraguas, also proposal for expansion of the school of arts and crafts; building numerous roads providing approach to regions hitherto inaccessible; importance with which he viewed the public works program and the development of agricultural productivity of the country.

The President stated that although the internal debt had been completely cancelled Panamanians could anticipate new domestic loans which would be used for internal improvements such as those mentioned above. He assured the nation that the budget for the new biennium would, pursuant to constitutional provision, be presented to the National Assembly at an opportune time and that care would be taken to see that it is well balanced.

The

[illegible] to the nationalization of [illegible] President de la Guardia declared that it would continue in effect but without intimidation and injustice.

The President mentioned the growing need for warehouses as a result of the increased commercial activity in the Republic and stated his belief that the nation should not think alone in terms of present security but in warehouse needs for the future. He said that when the agreements between Panama and the United States had been consummated the Railroad yards in Panama City would be transferred to Panama thereby providing sufficient space for warehouses.

In referring to the recent agreements between Panama and the United States, the Panamanian President stated that his Government had faith in the spirit of equity and cooperation of the people and government of the United States. He emphasized the fact that his Government had not failed for a moment to cooperate whole-heartedly with the United States in the war effort and that full collaboration would continue until victory is achieved.

RA:MWWise:DJI

from this latest defeat in the near future. Since the strength of the Panamanian administrations as a rule pivots on the allegiance of the National Police, the opposition movement attempted to bribe and then kidnap those in command. It seems that the first plan was to have Colonel Briceño offer Major Francisco Aued, third in command of the National Police, both of whom were in Washington last fall, the sum of $15,000 if he would betray his superiors. When Aued refused to participate in the plot the opposition was enforced to plan the kidnapping of Colonel Fabrega and Lieutenant Colonel Remon, Chief of Police and second in command respectively. President de la Guardia was kept informed of all the details of this developing plot and at the propitious time forestalled the efforts of the opposition to achieve its goal by having incarcerated a number of the relatively politically unimportant individuals of the opposition. This forced the leaders of the opposition to take refuge in the Canal Zone. Those who could took up residence at the Tivoli Hotel but because of the crowded conditions there, some were forced to sleep in their cars. Under these circumstances the National Assembly by vote of 28 to 4 on January 4 adopted a resolution whereby the National Assembly would abstain from exercising its right of electing First, Second and Third Vice-President, thus leaving President de la Guardia in power at least until the next session of the Assembly in 1945.

The arrest of political prisoners caused slight resentment in Panama but the President used sufficient foresight in sanctioning the arrest of only minor and less known politicians.

Foreign Minister Fabrega presented the Administrations' case before the National Assembly but it is thought by some that the outspoken support of the Administration may have been

a subterfuge

Arias, Samuega, and [illegible]
Department has information to the effect that Briceno was sent to Washington to bribe Aued by Dr. Harmodio Arias. As the Department now knows the District Engineer has discharged Briceño. It is reported that other than Briceño at least one other present employee of the District Engineer's office and one former employee participated in the opposition plot.)

ONI Report. Serial 4-43, Fifteenth Naval District
January 8, 1943.

RA:MMWise:DJI

IN PANAMA

Recent information from the Embassy at Panama ~~advises~~ discloses that intelligence agencies have of late taken added interest in the activities of Oños de Plandolit as a result of (1) the suspicious circumstances surrounding an alleged suicide which took place in the basement of the Legation in February, (2) the frequent conversations and exchanges of money between Oños and one Juan de Carlo and (3) alleged close friendship between Oños and the Archbishop of Panama.

Juan Pons Oliver, Spaniard, who arrived in Panama in April 1941 from Colombia, prior to his death, lived in the basement of the Spanish Legation where he was found dead in February. Pons allegedly had not been treated like a servant or chauffeur and appeared to be a higher type man than the usual domestic servant and to have been taken into the confidence of Legation officials. Oños attributed Pons death to suicide as a result of despondency over business failure. However, certain facts tend to indicate that death may not have been suicide, but rather murder.

The frequent private conversations between Juan de Carlo and the alleged receipt of money by him (reported to have been as much as $3000 on one occasion) from Oños has also aroused considerable suspicion. Some of the funds turned over by Oños were reportedly German funds for which Oños required no receipt.

It has been reported for some time that Oños was a close friend of the Archbishop of Panama. It is further reported that after a conference with the Archbishop, Oños sent a communication to the foreign office in Spain requesting that retaliatory measures be taken against Americans traveling in Spain, since the Chargé was certain that the action by the Panamanian Government in refusing visas to certain Spaniards had been rhe result of pressure by American authorities.

RA:MWISE:NAL

plinary organizations (semi-military groups) [illegible] Panama last year have brought dangers to the political stability of the administration. He states that the national police has become jealous and suspicious of these groups and has remarked that one can not always be certain that the control of such organizations will remain in hands friendly to the government. Accordingly, he has decided to dissolve the organizations quietly and by progressive steps.

The moving spirit behind the formation of these groups last year was the Minister of Education who had the full support of the President. United States military forces had assisted in training the young Panamanians who in the event of an emergency were to be placed at the disposition of our army.

The disciplinary organizations turned out to be somewhat of a headache for the army which, according to Ambassador Wilson, is now very happy to be relieved of the function of training the Panamanian cadets and military battalions.

The dissolution of the organizations may cause some criticism and unpopularity for the administration since their formation last year seemed to have met with the enthusiastic approval and support of the Panamanian citizenry.

RA:MMWise:OB

RA - Mr. Cabot
Mr. Bonsal

PANAMANIAN NATIONAL POLICE

With a view to securing members of the National Police suitable for transfer to the Seccion de Carceles which was established by a recent decree, and who will have custody of all penal institutions and local jails, an examination similar to that used by the Army for classification purposes was given to 500 members of the National Police on duty in Panamá and Colón. The results of this examination, converted to equivalent Army scores, show the highest grade made as 82. Less than 50 men made a grade of 20 or better, and about 100, apparently illiterate, made no effort to answer the questions. (For this reason, appointments in the Seccion de Carceles will be made from civilian sources rather than from the National Police.) It is (Captain Dame's) believed (opinion) that the 500 men who took this examination represent the upper one-third of the National Police from the standpoint of intelligence and training.

RA:NWW:HSS

PR - Mrs. Buford:

The new Panamanian Ambassador to Washington, Enrique A. Jiménez, will arrive by air at Miami on Sunday, April 18, with his wife, Beatriz G. de Jiménez, and a servant, Teresa Lopez.

The Embassy of Panama in the attached copy of its note of April 12, requests that the usual customs courtesies be extended this party. It would seem advisable to advise Mr. Burdett, the Department's representative at Miami, of the arrival of these people and ask him to meet the plane and extend whatever courtesies may seem desirable.

RA:MMW:MAL