

usually carries out the international and the national strategy of all the parties within and without the orbit are to a greater or lesser extent coordinated with the foreign and domestic needs of the USSR, the major central unit of strength within the orbit. A common doctrine binds the movement together and produces a sense of comradeship, which is itself a great social force.

Communist doctrine offers a full explanation of the historical evolution of society, a theory of action and organization through which Communism shall work its will upon that society, and an elaborate catalogue of tactical devices for the immediate accomplishment of local aims. Although unitary in its theoretical scope, in practice the doctrine conceals essentially strong centrifugal elements. For example, while doctrine originally laid down the principle that the Communist state would grow out of the most highly developed capitalist economy, in fact Communism has had its greatest successes in relatively backward areas. Complex adjustments in theory, not always thoroughly satisfactory, have therefore been necessary. Again, while the power and leadership of the Kremlin are undoubtedly elements of strength to international Communism, yet the various national parties, in their growth and development and in their striving for local influence and support, must constantly seek to relate their policies to local circumstances. This explains in part the divergent policies that Communists sometimes espouse in different localities. Moreover, there is always the possibility, realized in Yugoslavia, that local needs will be incompatible with the policies laid down by the

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tion may be attempted. As a step toward filling one gap, this report presents a pre-ashed in liminary consideration of the potentials of Communism outside the USSR. It deals with the USSR Communist strength and vulnerability apart from Soviet national power, and refers to conflict between the USSR only insofar as Soviet influence directly affects the assets and liabilities of the rest of the Communist world.

This Communist world is considered primarily in three main groupings. The first rising force is the Eastern orbit, comprising two main areas, the satellites in Europe and in Asia, as well as those which are contiguous to the USSR and under Communist control but differ from the USSR. The second group is each other in their stages of political and economic development. The second group is to be found in South Asia, a region of colonial and semi-colonial countries, where the Communist movement have, following World War II, markedly increased their strength by virtue of their socialistic championing of and participation in the movements for national independence and agrarian revolution of the dependent peoples. The third is the West, where Communism experiences essentially different conditions. In most Western States, the Communist Parties constitute an opposition to a highly developed social, economic, and political system. Under the Except in France and Italy, where they dominate the labor movement, the Communists have the "yet in the West function generally in a milieu where the labor movement, primarily under immediate Social Democratic leadership, has accepted the established system as the framework for and for

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...sman), attracting and holding millions of followers. One of the important...  
 ...that underlie present-day Communist operation is that this goal so obviously has not been  
 ...ached in the area that for 32 years has devoted itself to realizing the better world. The  
 ...the USSR has fulfilled few of the promises for eliminating the burdens of mankind. The  
 ...conflict between the professed goal and the incompatible means employed to achieve it  
 ...but one reflection of a deeper contrast -- that, against all original anticipations  
 ...of the founders of Communist theory, Communist Parties today held power in an area com-  
 ...rising formerly backward, pre-capitalist, and semi-colonial countries. This circumstance  
 ...has occasioned a complete transformation of the Communist movement.

According to the original Marxian concepts, the locus of the Socialist revolution  
 ...was to be in the highly industrialized countries of the Western world. There, the  
 ..."capitalist system" had "matured" and was ready for the next stage of world society --  
 ...socialism. Capitalism had developed the technological and productive forces to the  
 ...highest point possible within its framework and created a politically well-trained,  
 ..."class-conscious" proletariat embracing the great majority of the working population.  
 ...Under these circumstances (and only under these circumstances) the Socialist revolution  
 ...would mark the leap into a materially and culturally higher civilization. Freed from  
 ...the "fetters of the profit system" the productive forces could be fully utilized for an  
 ...immediate increase in the standard of living, for the elimination of poverty and want,  
 ...and for the abolition of repression and injustice. This free and rational Socialist

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the revolutionary overthrow of the established system. The Communist Parties aimed at the abolition of the "capitalist state and economy" through the revolutionary action of the working classes, the establishment of a "proletarian dictatorship," and the rapid transition to a socialist society. The indigenous social revolution was the primary objective, and the USSR was to support the national Communist Parties in the attainment of this objective, for in this way alone could the Soviet state survive.

The events of the early 1920's brought about a fundamental change in the position of World Communism. The European revolutions were defeated -- including Austria and Hungary in 1919, Germany finally in 1923. The desired extension of the Russian Revolution did not occur. The Russian Communists had succeeded in effecting the revolution only in a country whose level of development was far lower than that achieved in the capitalist countries of the West. The promised millennium of the socialist society was far away. A new Stalinist leadership emerged that sought to attain the future goal in a new way.

The "socialist revolution" had succeeded in a country where few of the prerequisites for Socialism existed. Therefore, the prerequisites had to be created after the fact. In a region with a low degree of technology and industrialization, with a small industrial proletariat, with a large backward and hostile peasantry forming the majority of the

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were in a situation in which they had damned as the worst features of the capitalist system in order to attain in a short time the level of industrial power that capitalism had gradually attained over centuries.

The complete subordination of the national Communist Parties to the foreign and domestic interests of the USSR was the external concomitant of this internal evolution in the Soviet pattern during the period between the two World Wars. This tendency was also reinforced by the failure of the Communist Parties themselves to develop as successful revolutionary instruments. The "great crisis of the capitalist system" terminated not in successful socialist revolution but in the establishment of the Nazi regime in Germany, which put an end to all Communist action, absorbed Austria and Czechoslovakia, and buttressed Italian Fascism. The Spanish civil war ended with the triumph of Franco. The French Popular Front Government, which had stirred Communist hopes, failed. The only intact bulwark of Communism was the USSR.

The continued survival of the USSR from external threat was considered to be a function of its ability to maneuver in a world of hostile "imperialist-capitalist" states. The primary Communist aim was to avoid the development of a combined capitalist "attack" on the "socialist fatherland." The Communist Parties were used as pawns in the diplomatic game of creating governmental policy favorable to the USSR. This was most clearly seen at the time of the Franco-Soviet pact of 1935, when the French Communists gave up their opposition to the French military budget. Such use of Communist

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movements. The Communist Parties, motivated principally by the desire to ensure the defeat of the Nazis and the victory of the USSR, provided active participants and leadership in the resistance movements.

In the underground movements, the Communists had the advantage over their political rivals. They had perfected illegal organization in many areas long before the outbreak of the war. The victories of the Russian Army testified to the enormous progress that the Communists had achieved in creating a strong state and military machine in the USSR, and enhanced the prestige of Communists elsewhere. At the war's end, Communists were in positions of power in many regions.

Communist-controlled coalition regimes were established in the Eastern European states in the wake of the Soviet armies and within the reach of Soviet military power. The military division of Europe and Asia marked the outermost limits of this expanded Communist orbit. The political and economic consolidation of this Eastern orbit became the principal Communist goal.

The Communist movement had acquired new characteristics. Emphasis now was laid on the utilization of the existing state machinery through holding key posts, characteristically the Ministries of Interior, National Defense, and Propaganda, in "national union" governments to achieve ultimate Communist control.

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not to warrant a revolutionary effort to seize power. The Communists were deterred  
only by the presence of the Allied armies but also by Soviet interest in avoiding  
open break in the wartime alliance. Under such circumstances, they may have decided  
The rapid expansion and consolidation of Communist power had an enormous effect  
the non-Communist world, which correspondingly changed its policies. The great power  
the United States began to be exerted to contain Communist expansion outside the  
the USSR  
system orbit and to aid in the stabilization of the non-Communist governments of Western  
Europe. The Communists were forced to adopt new strategy and tactics to meet the changed  
star situation.  
This sketch of the evolution of the Communist movement since its inception in-  
icates that the main focus has shifted from the highly advanced countries of the West  
the relatively backward area of the Eastern orbit. From an indigenous social move-  
nt, deriving its basic dynamism and force from the revolutionary efforts of the work-  
g class to reorganize its own society from within, Communism in the Eastern orbit has  
come primarily a vast political, economic, and military system outside the capitalist  
orld, with central power and direction located in the USSR. The national Communist  
rticles are used primarily in the interest of this system, and their policies and  
bjectives are adjusted to it.

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on the American imperialists politically and economically." Conversely, the "peace-loving anti-imperialist democratic camp" follows the lead of the Soviet Union. It comprises the "new democracies" in Eastern Europe, the "liberated areas" of China, the Communist Parties, the "laboring class and people's democratic movement in various countries, and the national emancipation movement in various colonies and vassal states would resort

Striped of its propagandistic overtones, the Communist characterization of the Western Powers as "aggressive" indicates recognition of the fact that the initiative and strength in Europe today lies in the hands of the West.

B. The Present Communist Plan

The principal components of the Communist plan today are:

1. To direct the greatest effort toward matching the power of the West by transforming the Eastern orbit industrially into a highly integrated economic unit. This requires the avoidance of a world military conflict that would jeopardize the existence of the Eastern orbit.
2. To expand Communist power in Asia insofar as this does not involve the danger of an immediate major war.
3. To insure that Western Communism shall operate as an internal opposition force devoted to a program of hampering capitalist economic and political stabilization.

The Communist Parties in the Eastern orbit, in the colonial and semi-colonial countries of Asia, and in the advanced Western states are implementing this program

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prohibit are concentrating on this task. The stability of these regimes depends upon the military and police power they possess, on the "neutrality" (as a minimum) and on the active support (as an optimum) of all classes of the working population during the period of technological development of the national economies.

The peasantry, which still forms the great majority of the population in all satellite countries except Czechoslovakia, cannot be antagonized to the extent that it would resort to large-scale sabotage necessitating violent suppression by the authorities. Therefore, collectivization of agriculture, which Communist doctrine regards as indispensable for "socialism," is slowed down until the hostility of the property holders can be overcome by "education" and a tangible increase in their living standards.

In the field of industry, the transition to mechanized and rationalized mass production requires the regimentation and disciplining of the labor force accompanied by improvement of efficiency and speed-up techniques. Toward this end, the trade unions are integrated into the state apparatus and lose their function as instruments for the satisfaction of labor's demands vis-a-vis management and the government. The leading representatives of the trade unions are absorbed into the ruling strata. The prevailing scarcity and the forcible adjustment of the national economies to the requirements of the USSR and the orbit make for further and continued police controls.

Since the economic program of the Communist regimes would be greatly facilitated by the large-scale resumption of East-West trade, the Communists are in favor of

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foreign imperialists." The Communists softened radical agrarian reform, encourage private capital in selected sectors of the economy, and try to broaden the political basis of the regime. They consider trade relations with the "imperialist powers" desirable, and to attain this goal they may give economic concessions as long as they entail no political concessions that would jeopardize Communist control.

This program reflects the fact that the Communists have achieved leadership and won their victories in China on the basis of the promise of agrarian revolution, although their objective is the creation of a "Socialist state," following the model set by the USSR. Their problem is to prevent the development of a series of conflicts that would undermine their control. They seek to reconcile the as yet indispensable bourgeois elements to the requirements of state direction of economic development; to contain the agrarian revolution within limits and by taxation provide for the costs of the administrative machinery; and to restrain the military and subordinate it to the emergent civilian regime. The Communists hope to overcome their difficulties through the building of a national reconstruction front that includes representatives of all classes. At the same time, they emphasize the "urban" and "proletarian" basis of the revolution in order to prepare for the earliest possible transition to the form of "people's democracy" as it exists in the rest of the Eastern orbit. They aim to

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Communists identify the interests of the emergent national states  
anti-imperialist democratic camp" and seek to promote good relations between these states  
d the Eastern orbit through local participation in the various international front  
ganizations. The Communists seek support among all groups and strata of the popula-  
on in an effort to set the peoples of these areas against the West, and, in particular,  
ainst the United States.

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3. The Western Countries. The main Communist objectives in the Western World  
present are: to slow down and sabotage the European Recovery Program and the North  
lantic Pact; to mobilize "anti-war" sentiment through the galaxy of international  
out organizations; to weaken and possibly replace the present "anti-Soviet" and "anti-  
bor" governments by more "progressive" and "pro-Soviet" governments; and to defeat  
e Social Democratic Party and anti-Communist trade-union leaderships, which the Com-  
mists regard as their most dangerous enemies.

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This program is designed for the present period during which "capitalism" is  
latively stable in the West. The persisting high standard of living in the Western  
orld -- as compared with the Eastern orbit -- results in continued support of the  
established system by the working classes. The "socialist" orbit does not have the  
traction and appeal necessary to give to the home-grown Communists of Western  
ountries the necessary prestige as leaders who will usher in a higher type of society.  
e Communists bank heavily on a crisis in the Western economic system to provide them

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IV. ASSETS AND LIABILITIES OF WORLD COMMUNISM

A. General

The major appeal of Communism stems from the paradoxical situation of the co-existence of immense social wealth, technological mastery of the productive forces, and widespread want, toil, and injustice. Communism offers both a doctrine and instrumentality through which the structure of world society can allegedly be altered to solve this paradox. Communism's relatively rapid expansion together with the status of the orbit as a great regional world power, lends weight to the claims of the Communists and infuses their followers with dogmatic faith in the inevitability of their success. This Communist asset is further reinforced by the quality of the Communist leadership and the hierarchic military character of the movement itself, which gives a machine-like air of efficiency to its operations.

In evaluating the strength and weakness of Communism in the Eastern orbit, it is necessary to distinguish between overt Communist power, as expressed in control over the administration, the police, and military and para-military organizations, and Communist popular support. Today in the Eastern orbit, there is a marked disproportion between overt power and popular support. While in many of the regions where Communist are now in control the Communist regime followed a long period of semi-dictatorial rule

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the orbit are given an opportunity to have an enormous impact on these peoples and on the dependent and semi-dependent areas of the world outside of the orbit.

This impact has been particularly great in vast regions of Asia where the Communists have succeeded in linking their program with the satisfaction of the material wants of the underprivileged mass. In China, the Communists are leading a combined movement of national reconstruction and agrarian revolution. In Indochina and throughout South Asia, Communism benefits from a similar union of national and social desires. The authoritarian character of the Communist movement finds reinforcement in the structure of native society itself. Communists are regarded as effective leaders who will show the way to an industrial system with all its attendant benefits.

By the same token, the dependent and semi-dependent areas of the Near East would offer favorable prospects for Communist development, but here the potentialities of the Communists are limited by Western influence, by conflicting loyalties of racial, religious, and national groups, by a relative lack of political consciousness and organization, and by effective methods of governmental domination. Latin America is politically and economically an integral part of the Western system and therefore can be expected to offer adequate resistance to Communist progress.

There are also effects attendant upon the regional concentration of Communist power in the Eastern orbit that condition the Communist "wave of the future." In its

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jurisdiction, taxation, etc. A related problem now under consideration is the Panama Canal Zone. Panama has requested permission to maintain in the Canal Zone Panamanian Merchant Marine. Panama also wishes to have Panamanian inspectors for the Panamanian Merchant Marine.

2. There is growing agitation in Panama, in part Government inspired, for revision of existing treaties with the U.S. Panama would like, among other things, an increased annuity (now \$130,000), greater restrictions on commissary and other commercial operations in the Canal Zone, and more favorable treatment for Panamanian labor. President Remon wishes to come to Washington in April to initiate negotiations. The Department is discouraging this approach but is stressing its willingness to discuss all pending problems through normal diplomatic channels. As a measure to avoid new concessions and to strengthen the economy of Panama in our own interest, Ambassador Wiley has proposed a \$50 million aid program which is under consideration in the Departments of State and Defense.

3. The United States has certain unfulfilled commitments to Panama, including removal of the railroad station in Panama City and building of a bridge or tunnel at the Pacific end of the Canal.

#### B. Economic Problems

Continuing problems in this field include contraband trade between the Canal Zone and the Republic, commercial activities in the Canal alleged to be detrimental to the Panamanian economy, Panamanian desire for a greater share of the Canal Zone market, alleged racial discrimination in the Zone, pledge of equal opportunity and treatment for local-rate (Panamanian) and U.S.-rate workers in Canal Zone, cargo handling monopoly of the Panama Railroad Company, and removal of 15% transportation tax on travel to Panama.

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this visit, but he is nevertheless prepared to undertake it if it appears necessary in our relations with Panama.

Mr. Simmons would like to know as soon as possible (1) whether the visit will take place, and (2) whether President Remon will wish to travel to any parts of the United States other than Washington. He said that these questions are not so urgent, however, but that the entire question can be discussed in ARA on Monday, August 17, with Mr. Cabot before we send a telegram to Panama. The most time-consuming part of the preparation is evidently the work of the 'civic committee' in obtaining adequate numbers of Panamanian flags for decorating the city and having them put up.

I told Mr. Simmons tentatively that (1) I thought the visit would take place, and (2) that I believed that the only other part of the United States that President Remon would like to visit would be New York in order particularly to see a baseball game since he is an enthusiastic baseball player.

cc: Mr. Neal, MID  
Mr. Sowash, MID  
Mr. Muccio.

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after such a dinner, I send in a copy of the report to my shocked horror, my detail an intimate conversation with Remón. To my shocked horror, my report appeared in accurate substance and considerable detail in Drew Pearson's column. It was an upsetting incident that could have greatly impaired relations of confidence between us. Later, I had occasion to discuss this breach of security with Tom Kahn, who shared my concern. He made the suggestion, which I think wise, that such matters be handled in future by private letter. Hence the present communication.

President and Mrs. Remón dined with us last night. An account of the protracted conversation is given in the enclosed memorandum. As you will note, many of the President's remarks are suitable only for the very private ear of the Department.

At the end of the dinner, where the atmosphere was, as usual, most friendly, the President and Mrs. Remón invited us to the Palace for dinner, en famille, next Friday. They made a great point that we would be the first guests in the Presidential residence since the inauguration last October.

All the best,

Yours sincerely,

  
John C. Wiley

Enclosure:  
Memorandum of Conversation  
of August 7 between President Remón  
and Ambassador Wiley

Robert F. Woodward, Esquire,  
Department of State,  
Washington, D. C.

cc: *Out Muesel*  
*5 to MID.*

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cerity and patriotic zeal. He took particular satisfaction in the improved fiscal condition of the Government, in the close-knit political organization he has created, and in the public confidence, tranquillity and order which now reign in the Republic. He felt that much had been achieved in curbing Communist activity. The Communists, he was convinced, had greatly abated their efforts. Matters having to do with Communism were, he said, in the charge of his secretary, Olmedo FABREGA, whom he described as fanatically anti-Communist.

I agreed that the Communists in Panamá were lying very low for the moment but expressed the fear that they were continuing to make organizational progress quietly, efficiently and dangerously. As for the anti-Communist steps taken by the Government, I pointed out that some of them seemed to be half measures that might not prove to be very effective. I cited as an example the case of César DE LEÓN, who had been expelled from his post as professor of the University but had been permitted to retain his post as professor in the National Institute. This had seemed to me to be a non sequitur, since he had not been removed from the educational system of the Republic.

The President did not deny that there were difficulties with the University but pointed out that he had been obliged to proceed cautiously. However, he was planning in due course, which he indicated would not be long, to conduct a thorough house cleaning. He remarked, "I can tell you in two words what's wrong with the educational system in Panamá: 'Méndez Pereira.'" \* De León would be eased out; so would the others.

President Remón expressed some concern over political unrest in the Caribbean area and the danger of Communist success elsewhere. In particular, he thought BATISTA was handling matters very badly and that the position of his régime was precarious. He made it clear that he was unhappy over developments in Costa Rica. President ULAKE was most dissatisfied over the outcome of the elections because of evidence that FIGUEROA had been rigging the voting. President Remón added

\* Rector of the National University

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and Panama wanted was "justice."

I countered that while his speech may have been excellent for domestic consumption, I was not sure that it had made a particularly good impression in the United States. His use of the word "justice" implied that Panamá had been the victim of injustice. This we would never concede. The President denied categorically that there was any implication in his speech of any injustice on the part of the United States. He vehemently announced, however, that neither he nor any other Panamanian could ever accept the treaty of 1903. It had been the work of a man (Bunau-Varilla) who in his own books had made it more than clear that he was an adventurer, a scoundrel, a thief and a liar. The President repeated that no Panamanian could ever accept a treaty imposed upon the Republic by a foreigner. Mrs. Remón nodded her head vigorously in assent.

We then got into a discussion regarding Bunau Varilla in which I presented our side of the picture, ending with the statement that if Bunau Varilla had engaged in any skulduggery of importance in the matter it was in bringing it about that the American Congress accepted the Panamá route, rather than that of Nicaragua. There had, I said, been much sentiment in Congress favoring Nicaragua over Panamá. President Remón was not convinced. I then inquired whether President Remón intended to denounce the treaty of 1903. This question took the President very much aback. He explained that our conversation was purely personal and that for his part he did not have to report to anyone. He then hastened to assure me, presumably for the benefit of the Department, that what he had said did not mean in any way that the treaty of 1903 would be denounced. Indeed, during the negotiations Panamá would not raise any question as to the validity of the treaty. For example, the question of the clause granting the United States rights in perpetuity would not be mentioned. Panamá, however, must receive "justice," and if Panamá did not receive "justice" there would undoubtedly be a popular reaction.

I replied that during World War II the American Government had, by force of circumstances, grown to great dimensions. I had no idea how the negotiations would proceed. I was, of course, optimistic. I feared, though, that they would take time. Therefore, there could be a danger that, as a result of inevitable delays and the vicissitudes

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fits from being on the dollar standard. Panamá, of course, could not be on a dollar basis without a monetary agreement. As for the question of new coinage, no one on the American side, so far as I knew, had the slightest objection to the minting of new coins. It was Panamá that had created difficulties by proceeding needlessly and without prior consultation to breach the terms of the agreement. I added that it was very difficult for either the Department of State or the Embassy to give as full collaboration as they desired when they were faced with facts accomplis.

During the conversation President Remón referred frequently and convincingly to his friendly attitude toward American interests. He mentioned specifically his policy toward the United Fruit Company, his effective intervention in the case of the SUIR CRIST and the recent law which restricts shrimping to Panamanians and Americans only. He thought that the pending merger of the shrimp industry would be mutually very advantageous and pointed out that the controlling interest in the merger would be American. (The President, his brother, Alejandro REMON, and his brother-in-law, Henrique DE OBARRIO, the Comptroller General, are all financially interested in the merger.)

COMMENTS:

I was favorably impressed by President Remón. Since assuming the Presidency he has undoubtedly grown in stature, shows qualities of strong leadership and has displayed great ability in composing differences with the opposition and in keeping a firm hold on his heterogeneous following. In a troubled period and in a disturbed area, it is an asset to have a strong, stable, democratic government in Panamá. We are now faced by a very difficult and challenging problem, how to prevent the situation in Panamá, which is currently most favorable and desirable, from going askew as a result of the forthcoming negotiations.

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As for the treaty of 1903, the President's statement was phatic in branding it as completely "unacceptable." Nevertheless, he denied categorically any thought of its denunciation. This may be reassuring, but it would appear, on analysis, to leave relations between the two countries in a dangerous and uncertain twilight zone, even assuming, as I think we can, that the President is entirely sincere in stating that he will not denounce the aforesaid treaty. Indeed, I fear that there may be a very real possibility that if matters are not handled most adroitly relations between Panama, the Canal Zone and the United States may assume an uneasy and disquieting character.

The difficulties confronting the Department in the matter seem considerable. To increase the annuity would involve, disadvantageously, a matter of basic principle, i. e., that of readjusting American commitments on the basis of the depreciated purchasing power of the dollar, which would imply, as far as Panama is concerned, further readjustments whenever the purchasing power of the dollar might further depreciate. Also, if the Remón administration were successful in obtaining an increase in the annuity, it would be a challenge to every succeeding administration to strive for an additional increase. Moreover, to accept under pressure a limitation on the internal administration and activities of the Canal Zone would be a direct encroachment upon the rights enjoyed therein by the United States under the treaty of 1903. Encroachment, if permitted, might prove to be an entering wedge which could, in time, adversely and seriously affect the American position in the Canal Zone.

There are certain steps that might be taken helpfully at this moment. It would be valuable if discreet means could be found for helpful publicity clarifying the realities of the situation. The course of events leading to the signing and ratification of the treaty of 1903 should be presented from the American point of view. For example, a series of editorials in the New York Times would be an excellent means of obtaining an echo in the press of Panama. Indeed, no news should be neglected to get our point of view before the Panamanian public, which has been exposed to only one side of the story.

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of pecuniary benefits, even though substantially reduced, and to accept an annual commitment for increased payments that would run into perpetuity and very possibly be subject to periodic increases in the future.

Finally, I would like to add that I think I have been successful in remedying the time element in President Remón's thinking. At a previous dinner, quite a few months ago, President Remón was determined that he should be in a position to announce a "gesture" from the United States to the National Assembly when it convenes on October 1st. "There must be a gesture from the United States," he insisted in no uncertain terms. Now, I think he is reconciled to slow progress. At least so he told me last night. If true, this may be a helpful development.

Now, Panamá attaches tremendous importance to the commemoration of its 50th anniversary. Later in November, the Queen of England will visit the Republic. That too has importance in local eyes. I deeply hope that the negotiations on questions of major importance will not emerge from the official cocoon of study and consideration until these events have become a part of recorded history. "Hereafter, I recommend an adroit by-passing of the absolute negative until we have resolved the question of timing and technique; and perhaps an alternative policy."

I do not think an alternative policy would satisfy President Remón. (I am pretty sure he knows what he wants and is determined to get it.) However, it might save him face and could afford us the protection of a bulwark of public opinion, something we do not as yet enjoy in Panamá. Probably Panamanians are not apt to go far in "popular reactions" against Santa Claus, even if he is moved by self-interest.

JCWiley/ed

*J. C. Wiley*  
J. C. Wiley

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1. The Panamanian negotiators have now... U.S. position on all points in the negotiations with one exception: question of greater equality of treatment of Panamanians employed by U.S. agencies in the Canal Zone. We do not see any fundamental reason why the dual wage system cannot be abolished, although considerable administrative work would be entailed to change and coordinate the detailed practices and retirement provisions applied by the three Armed Services and the Panama Canal Company Government. The Under Secretary of Defense appears to have the impression, which he revealed to General Smith, that President Eisenhower had conceded at your conversation should attempt to reorganise its February 27 that the Defense Department all over the world at the same time the systems for treatment of employees in the Canal Zone. We believe the sweeping world-wide it remedies the situation in the Canal Zone. A letter of January 18 to the Canal Zone should be equalised without waiting for such sweeping world-wide reorganization. The State Department in this matter, and President Eisenhower sent a request for action on February 26 to the Defense Department at your request. We have received no response to either.

2. After the Panamanians have considered our position en toto, we will probably have to make greater concessions on two of the important points in the negotiations on which the Panamanians have already been informed of a U.S. position:

(a) we have given an oral expression of intent: gradually to diminish unnecessary manufacturing and commercial enterprises appear Zone by U.S. agencies in cases in which Panamanian enterprises only qualified to fulfill commercial needs. It will probably be necessary, but to make the further concession of expressing this 'intent' in writing, the Defense Department objects to a written commitment.

(b) We have offered to give \$1 million per annum (we are prepared to go to \$2 million) for Panama for economic development, retaining some U.S. control over its use, in lieu of amending upwards the treaty provision for

\$1,30,000

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