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I have the honor to submit, in compliance with the Department's telegram No. 10 of January 31, the following discussion and analysis of the recommendations set forth in the Embassy's telegram No. 61 of February 2, 1949. Reference is made also to the Department's circular telegram of October 29, 1948 8:05 a.m. regarding information measures abroad designed to influence attitudes to achieve objective and counter anti-United States propaganda, to the Department's circular instructions of November 3 and 5, 1948 on related subjects, and to my despatch No. 35 of today's date on "Defense Sites." The purpose of this report is to propose a constructive program designed to clear up current misunderstandings, dispose of pending problems, and effect an improvement in the present unsatisfactory relations between the United States and Poland.

The need for combating anti-American influences in Poland is acute because of the success of subversive elements in achieving a position of real power and because of the vital political and strategic interests of the United States in this country. The disapproval of the proposed Defense Sites Agreement in December 1947 was effected by a combination of local and foreign political factors, but it is doubted whether the defeat of American interests would have been so decisive without long preparation through (1) the infiltration of intellectual circles (especially the National University) and labor organizations by Communist-influenced subversive elements, and (2) the development of an aggressive, nationalist philosophy under the leadership of Dr. Ricardo J. Alvarez, based on unilateral interpretations of treaty provisions and a policy of deliberate encroachment on the rights granted to the United States by existing treaties. The political enemies of the United States, particularly the Communists, now organized as the "Partido del Pueblo," quickly adopted the program of protecting the territory and sovereignty of the fatherland as a popular means of assuming leadership and preventing normally good relations with the United States. The result has been a generation who consider that the original relationship with the United States was disgraceful, that Panamerican interests were betrayed, that

the United States

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processes of this operation and appropriate of the market is represents for the future. The Embassy has frequently expressed the view, which is now reiterated, that there is little chance despite the willingness of the present Government of restoring normally good relations and settling outstanding problems unless and until the misconceptions which unfortunately have been permitted to become a part of the thinking of the public here are corrected and the leadership referred to above is discredited in the eyes of the people.

Many Panamanians of various political affiliations agree with this view and have become active in an endeavor to counteract the harmful subversive forces. As already indicated, all too frequently the cleavage comes along racial and class lines, a tendency that the subversive elements are at some pains to augment by constant propaganda designed not only to arouse race and class hatred, but also especially to associate in the minds of the people the United States Government with the now distorted and hated word, governing class in Panama.

Considerable progress has been made, however, by Panamanians of all classes who deplore the injury done to the relations with the United States to combat anti-American propaganda and stress their view that the United States is a nation they regard with friendliness as the most powerful representative of the American way of life and the best international friend of this Republic. The Embassy's efforts to gain public confidence and isolate the purely communist elements in their destructive opposition to the United States have been rewarded with some success, but it must be admitted nevertheless that comparatively little has been accomplished toward convincing the Government and the public that the Alfaro doctrine, on which the subversive propaganda is largely based, are fundamentally fallacious and instead of representing a means of improving the situation of Panama via a via the treaty structure are on the contrary seriously harmful to the best interests of both countries.

The Alfaro doctrine are based on the premise that (Husain-Forl) was a dishonest adventurer who made no effort to protect Panamanian interests and who negotiated a treaty, the Convention of November 19, 1903 which was grossly disadvantageous to Panama. According to his view, the relations with the United States have consisted largely of a succession of ungenerous and grasping actions on the part of the United States. With this background he has developed a series of strained

Treaty Interpretations

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removal protest from the United States have been ignored, and the influence of Alfaro and his followers has been such that officials of the Government who do not agree with his policies have been prevented from taking action. As above indicated Alfaro's doctrines have been popular with the strongly nationalist youth, who have copied his line of reasoning with fanatical zeal and are ready to brand as "traitors" and "entrepreneurs" any who oppose them.

It is believed that a coordinated, constructive plan to combat deliberate misrepresentation of the facts and encroachment on vital rights is needed to protect American interests and make possible a return to normal relations with this country. The first phase should be corrective, and as recommended in my telegram No. 61 of February 1, 1919, it should include a review and clarification of the defense cited negotiations in 1915 and 1917, followed by a discussion of the history of American relations with this country, the treaty structure, and particularly the significance of the concessions made by the United States in the General Treaty of March 8, 1935, which have been largely lost to view. It should be preceded by a general policy statement confirming the intention of the United States to carry out the several commitments following a cooperative program to be worked out with the Government of Panama to allow my points in dispute including claims. It should be pointed out however that the commitments are those both governments agree were understood and intended by the signature of the treaties and agreements concerned.

The second phase, which could be carried out concurrently with the first, should involve a clear analysis of treaty provisions in dispute with a precise statement of what the United States considers it is committed to do, how it proposes to deal with the matter concerned, and when action should be initiated. The statements as to just what the commitments are according to the understanding of the United States Government are necessary because of the public confusion which has been created by exaggerated and at times completely false claims by agitators and other articles of the United States.

Points to be covered should include the following:

basis.

5. Re-appraisal of conduct of commercial operations in the Canal Zone, including commissaries, post exchanges, club houses, sales stores, quartermaster stores, theaters and hospitals, in order to deal with Panamanian complaints of unfair competition with local commerce.

6. Fulfillment of our obligation to build a bridge or tunnel at Balboa, perhaps by substitution of road-construction acceptable to Panama (Article IV, "12-Points Agreement"); and abrogation of Article XII of same agreement ("right-of-way for oil pipeline").

7. Removal of terminal facilities of the Panama Railroad, including the station in Panama City and disposition of the present station and lot (Article X, "12-Points Agreement").

8. Re-allocation of the realignment of the Colón Corridor and completion by U.S. of the remaining 1,000 yards of the Trans-Isthmian Highway.

9. Conclusion of a Radio Communications Agreement.

10. Rescind the Executive Order prohibiting the importation (except from Panama) of alcoholic liquors into the Canal Zone.

11. Seek Congressional action to remove present tax on passenger fares from U. S. to Panama.

12. Continue and possibly increase technical assistance to Panamanian agriculture, and if possible lower the existing price differential (now 25 per cent) applied by the Canal Zone administration to purchase of Panamanian products.

The Embassy will prepare special reports on such of the above points as necessary.

Respectfully yours,

Wenatch B. Davis.

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Rear Admiral/Commander/Naval/Naval/Naval

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With respect to Panama, it is recommended that the Secretary state ON THE RECORD;

"I fully endorse the statements made by Assistant Secretary Miller in his press conferences of Tuesday and Friday of last week regarding the deplorable disruption during the past ten days of constitutional and democratic processes of government in Panama.

"This Government does not have diplomatic relations with the régime of Arnulfo Arias. Views will be exchanged with the other American republics regarding the situation in Panama. These exchanges will commence when political developments in Panama are more fully clarified." End of ON THE RECORD.

CONFIDENTIAL BACKGROUND FOR THE SECRETARY

The past ten days in Panama have witnessed the forcible ouster of President Chanis by the National Police, a five-day rule by Vice President Chiari, and the ultimate delivery of the presidential office to Arnulfo Arias. This sequence of events resulted from an attempt by President Chanis, at the instigation of Harmodio Arias, a prominent politician and cattle raiser, to break up an illegal slaughtering monopoly in which Colonel Remón, Chief of Police, is a principal figure.

Arnulfo Arias' position appears to be increasingly secure. He has obtained a recount in his favor by the National Electoral Jury of the votes in the 1948 presidential election and on this ground bases the constitutional claim of his claim to power. He has been sworn in before the National Assembly and has appointed a

coalition

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appears inevitable. Ambassador Lamy's reply is possible but not probable.

2. Colombian Situation

If the Secretary should be asked regarding the Presidential election in Colombia last Sunday, he might state ON THE RECORD as follows:

"According to information reaching the Department, the Presidential election took place in Colombia last Sunday with adherents of the Liberal Party staying away from the polls, as planned. Apparently the day passed without serious incident."

If the Secretary is asked whether he considers the elections to have been fair and democratic, it is suggested that he make no comment.

~~If the Secretary is asked regarding the election, he may wish to state ON THE RECORD that:~~

~~"The question has not arisen."~~

CONFIDENTIAL BACKGROUND FOR THE SECRETARY

Stimulated by and under the cover of high political feelings, Colombia was engulfed in a wave of violence starting early in September. The press of both major political parties exaggerated the situation for partisan

ends

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COPIES TO:

ARA - Mr. Miller  
MID - Mr. Butler  
Mr. Sovash

American Embassy, Panama  
(Informally)

DCA  
ARA Board

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Mr. Wise telephoned at 8:45 p.m. with the following information on the Panama crisis:

Since last night the President has been entrenched at the Presidencia and Román at the Comandancia. A large and most impressive anti-Arias manifestation was staged before the Comandancia last night; purpose was to get Román to move against Arias. Román refused, supposedly to avoid strife and bloodshed, which it would produce. At about 8:30 or 8:00 a.m. the crowd thinned out and went home.

This morning a completely effective nation-wide strike was called. There is no movement in the streets and all traffic has stopped. The Trans-Isthmian Highway has been closed by the National Police. Panamanian stores and banks did not open this morning, although U.S. banks and stores did. They were shortly forced to close when their Panamanian employees walked out, threatening violence if they did not close. Water service has been off in most of the city and sporadic in other parts, and most of the telephone system is interrupted. There has been considerable violence

and

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Issue.

In case of very serious emergency, Remón has arranged for international flights to land at Albrook; up to now they are still using Tocumen. There are no reports of damage to U.S. property. U.S. citizens at Hotel El Panama reported to be much concerned. They have been visited by Embassy officers and Police and promised full protection.

Last night the Guard was removed from the U.S. Embassy, but Remón has promised to restore the Guard.

The Foreign Minister spoke to Wise before lunch. He said there would be an immediate Cabinet meeting to determine upon the election of a new Assembly and a plebiscite to determine which Constitution the people wanted. Tentative schedule is for both in August. The President says he wants to do what the people desire and determine according to the plebiscite.

Mr. Wise said that the tempo of rioting is increasing and it is probable that at the proper time they will move against the Presidency. If successful, the opposition will put up Arosemena to replace Arnulfo.

The Foreign Minister asked pointedly and specifically, as did a personal representative of the President a few minutes ago, if General Morris could appeal to Remón to restore order. Mr. Wise informed him that this would be improper, and that our position is completely neutral in this matter. He then asked if the Diplomatic Corps could intervene and appeal to Remón. Wise has not spoken to the Dean of the Corps, and states he will take no action unless he is so directed by the Department. I

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asked

over 1,000 people were repelled in the negative. 11  
Government. The Governor repelled in the negative. 11  
the situation worsens, trains will not enter Panama  
City but will stop in Balboa. There have been threats  
already to pull up the rails and destroy locomotives if  
they come in.

Mr. Wise said that he believes the situation will  
get more serious and that a decision will be forced  
this afternoon. The Foreign Minister, however, spoke  
with confidence about the plebiscite in August.

I then told Mr. Wise that the Foreign Minister had  
endeavored to contact Mr. Miller. Mr. Miller, I said,  
was unavailable. I asked Mr. Wise to call the Foreign  
Minister and tell him this, and say that the Department  
would be glad to receive any communications through  
Mr. Wise or through the Panamanian Embassy in Washington.  
I emphasized to Mr. Wise that this situation would  
prevail. He expressed full agreement and said he would  
comply.

Subsequently, President Arias endeavored to contact  
Mr. Miller and Ambassador Nuffer by telephone. At Mr.  
Miller's suggestion, I called Mr. Wise and told him  
to inform the President that Mr. Miller and Mr. Nuffer  
were unavailable, and that we would be pleased to receive  
any communications through our Embassy in Panama or the  
Panamanian Embassy here.

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intercession of ...  
doubtedly, the only thing which either would have to be  
wish to ask would be assistance which would be embarrassing to us,  
denied them. This would not only be established contact with  
but the fact that they had established directly, could be  
high officials of this Government forces and thus  
used as intimidation to opposition on the part of the  
have the flavor of intervention on the part of the  
United States.

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ANA: MR. DANIELSON: ...

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Dear Ed:

I very much hope that while you are in Panamá we shall all be able to sit down together and go over the basic problems of the Republic in order to determine what if any modifications or innovations there should be in our basic policy for this country. As you know, I am under the influence only of first impressions. They are, however, very vivid.

Panamá in relation to its population is large and is not without natural resources. There is adequate soil and water for agriculture, yet Panamá is far from self-sufficient in basic foodstuffs. Much of the land is badly or inadequately exploited or not exploited at all. In the countryside there is great poverty. And throughout the Republic there is the great distinction between the rich, few in numbers, and the poor who are many.

The major urban centers of Panama City and Colon have developed very well under American stimuli. Indeed, Panama City, for this area, has actually become a somewhat resplendent Capital. But the countryside has not kept pace with this development. This leaves, of course, a marked disequilibrium in the economic structure, with naturally repercussions on the political life of the nation.

There is, as you know, excessive Panamanian dependence on the Canal Zone. As activities in the Zone pick up so does the economic life of Panamá; as

/activities

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

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...of our planning, both short and long term, should have the economic problem well in mind. In Panama City and Colon unemployment has increased, according to local statistics, from 5,000 to 10,000 and finally to 15,000; all in three years. This trend is not good.

Conditions in the country are very unsatisfactory except for the favored few; and these are very few indeed. That the normal magnetic attraction of the urban centers should be considerably accelerated by this is, of course, not surprising.

Our Point IV program is excellent and indispensable. It is, however, small and its benefits will not be felt for quite some time. I think we should consider other initiatives and if possible devise projects with greater scope and a more immediate appeal to Panamanian imagination and aspirations. That this would be desirable is, I think, emphasized by the fact that there is nothing in view here that promises any really effective remedy or alleviation of the situation in the foreseeable future. Certainly, the Free Zone at Colon will for a long time to come give at best nothing more than a mild shot in the arm.

Since our interest in Panamá is unique, and since the Canal converts Panamá into a show case for the United States in Latin America, I feel convinced that we should leave nothing within reason undone to assist this country out of its economic and political weaknesses. I do not have in mind any eleemosynary program but I do feel that there is a great deal that can be done here within the framework of a purely practical approach.

/s/ To anything

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there are in Panamá the traditional vested interests, presumably quite as selfish and quite as short-sighted as such interests generally are. Many of the business community are dedicated to the maintenance of things as they are. The land-owners for the most part are entirely satisfied with their backward economy. Then the mass of the population lack most of the qualities necessary for the building of a sound national structure. United Fruit, I am told, is obliged to import large numbers of farm labor from Central America to work their holdings in Panamá. Attempts to recruit from the unemployed in Panamá have been fruitless. Convoys of workers locally engaged arrived, viewed the scene and returned promptly to their urban unemployment.

Communists and radical influences are active and well organized. The effectiveness of their efforts will certainly increase and be much favored by a continuation of existing trends.

Apparently at present some 30 percent of the population of Panama City and Colon is employed in the Zone and somewhere between 8 and 12 percent of the population is employed either by the National or the two Municipal Governments. This demonstrates sharply the great dependence of the two economic centers of the country on the Canal Zone and governmental payrolls. How to change the unwholesome course of things in Panamá is a question for which I as yet have no answer save that the matter should be studied without delay with prompt measures in view. As a preliminary step I


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in all of the Americas depression and unemployment  
position in  
should be highlighted here.

We are looking forward to your arrival with  
the greatest anticipation.

Yours sincerely,

  
John C. Wiley

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There was immediate marching and counter-marching and the consensus was that Henrique Obarrío, the Comptroller General, would receive the nomination. Now, however, Obarrío's chances seem pretty slim.

The political situation as I see it is about as follows: a weak and ineffectual government is confronted by an equally weak and ineffectual opposition. The struggle between them is intense and bitter. This picture is strangely lighted by the paradox that there are no issues. The single, dominant factor in the political turmoil is to gain office for the satisfaction of personal ambitions.

The constantly changing political scene revolves kaleidoscopically; but always around one central person, Colonel "Chi Chi" Rémon.

Colonel Rémon's position is extremely strong and, within the orbit of his operations, he is almost all-powerful. He dominates the police force and, by constantly doing small things for many people, he is not without some personal following. However, his position is secure only so long as he exercises effective control over the police and so long as there is not a President hostile to him.

/According

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Assistant Secretary of State,  
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If he had to match his strength against such a President, the repercussions would be damaging even if he won the contest. His position certainly would not be strengthened. His real desire probably is to have someone else elected President who could be counted upon not to interfere with his Imperium in Imperio.

His brother-in-law, Obarrio, would seem to be an ideal choice from his point of view. Obarrio has a good reputation for integrity and, in the present economic crisis, he would enjoy prestige as an economist and successful businessman; well-liked abroad, particularly in the United States.

However, the group around the President responsible for the President's appeal for a single national candidate, did not have Obarrio in mind. The Arosemena candidate, in fact, was no less a person than Ricardo J. Alfaro.

At the moment everything is as was, namely, Rémon, Chitari, and Navarro are the principal party candidates. Chitari, whose political position in the country is to some extent inherited, is not a particularly strong candidate. As a person, he is supposed to be on the weak side. However, in an honest election he probably would be elected. Navarro does not have the votes to be a serious contender. But, Rémon, under present conditions, has the police, and the police would have the ballot boxes. Presumably, Rémon would be elected. However, as President, he would encounter a very strong opposition. This is not without threatening significance in a country which is notorious for its political turbulence.

/The imprisoned

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