

ing, at least
for small patrol launches and sub-
explained that RA wished at the earliest possible moment
to authorize Ambassador Wilson to notify the Panamanian
officials that this Government would be able to furnish
two small launches and approximately forty sub-machine
guns.
Mr. Wilson said that he would ascertain the atti-
tudes of the War and Navy Departments on this matter,
as well as the views of the higher officials of this
Department.

819.84/73

RA:MMW:iso:BJH

relations with the Arnulfo Arias Administration and relations with the new Ricardo de la Guardia Government which came into power on October 9, 1941.

The Arias Regime, October 1, 1940 to October 9, 1941

Ex-President Arias and his advisors showed a deliberate lack of understanding of the spirit of the relationship between Panama and the United States established by the 1936 Treaty of Friendship and Cooperation, in accordance with which the two countries reiterated their vital interest in the protection of the Panama Canal. The Arias Group alleged that the United States had never properly "compensated" Panama for the Canal. This led to a position involving, in effect, the contention that the Arias Administration was not bound by statements or commitments entered into by their predecessors in office. The present emergency was used by the Arias Administration

as

and implied that if this Government did not treat the Republic as it should, Panama could easily deal with another power. Arias and some of his closest officials exhibited pro-totalitarian leanings and repeatedly announced that the Government would take none other than an attitude of strict neutrality with respect to the present world crisis.

At its best, the administration in its relationship with the United States adopted a policy of pin pricks, and it became increasingly evident that the attitude of the Arias Government was one of ingratitude, coupled with an augmented desire for further hopes and magnanimous compensations.

The Present de la Guardia Administration

In President de la Guardia's message of November 1 to the Panamanian people there was a welcome and encouraging indication that the Governments of Panama and the United

States

and open atmosphere of democracy. ...
with Panamanian authorities on the Isthmus and in Washington
confirmed that this is the apparent attitude of the new
administration.

One of the first acts of President de la Guardia was
to rescind the order of the previous Administration which
forbade ships flying the Panamanian flag to be armed.

Recently, when the Congress of the United States modified
the Neutrality Act, editorials originating in Panamanian
newspapers applauded this Government's action.

As an indication of cooperation with other American
republics to curb totalitarian propaganda in this hemis-
phere, the Panamanian Government issued a decree on
November 22, which forbade the circulation through the
mails or transmission through the national telegraph,
telephone, or cable services of all foreign political
propaganda against democratic institutions and continental
security

ment, if similar action is taken in this country.

Other marks of a cooperative attitude are: an agreement with the Compañía de Fuerza y Luz for lowering electric light rates (the previous administration had unilaterally and arbitrarily attempted to enforce the American-owned utilities company to reduce drastically rates on electric, gas, and telephone services); an informal agreement, pending an exchange of notes, authorizing the Public Roads Administration to change the status of the access road P-8 into what really amounts to an extension of the Trans-Isthmian highway through Panamanian territory to the Pacific coast; an informal statement of willingness to turn over the responsibility for the completion of the Chorrera-Rio Hato highway to the Public Roads Administration, accepting their suggestions for the liquidation of present Panamanian financial interests in the project; and a voluntary statement that the policy

inaugurated

of the acceptance of FERNANDEZ's paper
tender.

Future Relations with the Present Administration

While it is still too early to determine accurately the future of our relations with the de la Guardia Administration, it is, at present, apparent that there is every good intention on the part of the President and his associates for full cooperation with this Government during the present emergency. No indication has, as yet, been received as to the new Government's attitude toward the draft contract for the lease of the defense sites, and on this Government's memorandum of July 8, 1941 on the twelve points which may be termed items of compensation to Panama. The Foreign Minister has given indications that his attitude toward the pending negotiations will be reasonable.

The greatest reason for this Government's concern
over

... influential members of the present administration, including the President himself, held office under ex-President Arnulfo Arias and there is always the danger of a conflict between the national and the international interests of the Panamanian Government.

It seems that future relations with Panama would be enhanced by a prompt termination of the pending negotiations on the defense sites and the twelve points. This would not only bring about more confidence in the relationships between the two Governments on the part of the American Press and the public in general, but would greatly improve the attitude of the War and Navy Departments toward the de la Guardia Government.

RA:WISB:RJS

strong position and that it is vulnerable on numerous points. He feels that so long as the police force is loyal, the present Government should be able to maintain itself in power.

President de la Guardia is described as an honest, straight-forward, hard-working man who desires sincerely to work for the well-being of his country. Some members of his Cabinet, such as Dr. Octavio Pábraga, Minister of Foreign Affairs, Sr. Goytia, Minister of Education, and Sr. Sosa, Minister of Finance, appear to be able and honest men, considerably above the level of the usual run of politicians holding office in Panama.

The new Government seems to have laid itself open to attack on the grounds of nepotism, and it is frequently heard that Panama is now being governed by the de la Guardias and the Pábragas. In reply to this many would say that

Panama

Agriculture, reportedly unreliable, dishonest, anti-American and closely connected with the gambling rackets, has been named Supreme Chief of the National Revolutionary Party in place of Arnulfo Arias. The party is organized along principles similar to those governing the Nazi Party in Germany. Many of the men retained in the party membership were closely connected with Arnulfo Arias and Ernesto Fábrega in the gambling concessions, and, through the new administration, have lost revenues ranging from \$150 to \$5,000 a month.

3. It is thought that most of the members of the National Assembly also shared the revenue from the gambling rackets and are now obviously discontent because of having to lower their standard of living.

4. The present head of the police force, Colonel Rogelio Fábrega is not considered a particularly strong figure, and was formerly looked upon as an Arnulfo Arias "man".

5. While

against the Government, and even join with Arnulfo Arias to overthrow the present administration.

7. Arnulfo Arias and his close associates, such as Galileo, Solis, Enrique Iñares, et cetera, are in a position today to control large sums of money in Panama and thereby attempt a movement against the Government.

8. The malcontents are seeking to make an issue of the 1941 Constitution, claiming it is dictatorial in character and ought to be abolished, with a return to the 1904 Constitution.

RA:WISK:RJS

...Panama Canal Zone. Panamanian authorities have expressed concern over the attitude of the Mexican Minister and at one time appeared desirous of declaring him persona non grata. Ambassador Wilson thinks that this may not be done directly but that the Panamanian Government may discreetly bring about his withdrawal from Panama.

The attached memorandum on the dubious attitude of General Breceda in relation to the change of Government in Panama tends to verify reports that he may be an Axis agent.

It is of interest to note that President de la Guardia's skeptical as to the willingness or the ability of the Mexican Government to keep Arnulfo Arias from using the press and the radio, or from engaging in any political activities. It seems that Dr. Arias and President Avila Comacho are personal friends.

RA:WISE:EJS

It may be that you have not yet seen all of the attached correspondence with Panama on the question under reference.

Telegram 275 of October 29 to Panama states in part "This Department and the War Department are gratified to learn that the Government of Panama is prepared to intern Japanese as soon as similar action has been taken by the United States."

Telegram 279 of November 2 to Panama states in part "By instruction of the President you are authorized to discuss an agreement with the Government of Panama in behalf of this Government..... Such agreement may contain the assurance of the Government of the United States that the expenses and costs involved will be currently paid."

Telegram 419 of November 7 from Panama states that
the

RA:WZSE:RJS

"The Department has been inoperative for some time concerning the movement of Spanish nationals in Central and South America and the Caribbean area. Accordingly, the Embassy is requested to inform the Immigration authorities that this Department does not view with favor the issuance of a Peruvian visa to _____."

Recently the foregoing paragraph has been altered to read as follows:

"Department does not desire to assume responsibility for the prevention of travel of Spanish nationals, lay or clerical, in the other American republics. Nevertheless, the Department recognizes the need for extreme caution in dealing with the cases of such persons traveling at this time, especially in the area of the former Canal zone and the _____ Government should be vigorously urged to exercise such caution."

If the Department does not wish to assume responsibility for preventing the movement of Spanish nationals in these areas of the Canal zone in cases where conclusive derogatory information does not exist and where only apprehension exists, it does not seem that it would be appropriate for us to ask the American-owned airlines to do so. Furthermore, it would seem that certain legal difficulties might be encountered by the

airlines

... of cooperative activities, the standards
should be given and at the same time the
intelligence should be provided to more
over their movements.

RA:MMW 19e:DTI

Between the Costa Rican and Colombian borders

Via the Pacific Coast including major indentations - 670 miles
 Via the Atlantic Coast including major indentations - 480 miles
 Via shortest air route - 550 miles
 Via route of the Inter-American Highway - 550 to 600 miles
 (Costa Rica to Canal - 367 miles
 Canal to Colombia - 224 miles)

Between Borders limiting the Canal zone

Shortest distance across the zone at Panama City - 0 1/4 miles
 Across the zone following Pacific Coast - 7 miles

Distance across the zone at Colon (including narrow extensions along coast to the west) - 18 miles
 Across the zone following Atlantic Coast - 11 1/2 miles

Panama has an area of 33,000 square miles, with a population of 600,000 people (1940 census), approximately 200,000 of whom live adjacent to the Canal zone.

The population of the Canal zone in 1940 was 51,000.

RA:MSW/se:UJI

RECORDED - 100-100000-100000

I gather that Mr. Bloom intends to bring the joint resolution, as passed by the Senate, before the House as soon as possible by seeking "unanimous consent". It may be difficult to get a quorum. Everything which can possibly be done to impress upon Mr. Bloom and his colleagues the importance of this matter should be done. I would welcome guidance and suggestions. Should the President be asked to use his influence? Would it be worthwhile for me or preferably for you or Mr. Long to talk the situation over with the Speaker?

Philip W. Bonsai

RA:PW:GMB

Panamantuan Colonel in Japan, a post which he held for seven years. While there he married a girl who had been reared in Japan and who allegedly is the daughter of a German father and a Portuguese mother. There are those who say Mrs. Briceño may be part Chinese. It is reported that Mrs. Briceño's mother and her stepfather engaged for some time in diamond-mining ventures in Japan. The mother had also been reported to be an axis agent. Upon his return from Japan, Briceño was appointed a member of the Panamantuan mission at Washington, a position he has held on four different occasions, serving during the ~~1941~~ 1941-1942 administration in the capacity of ~~consul~~ consul. Briceño was sent to Washington by Arias according to reports to keep an eye on ex-ambassador Brin, who was supposed to lack the confidence and trust of certain Panamantuan officials. From December 1940 to March 1941, Briceño was Commander-in-Chief of the Panamantuan National Police force.

Upon Briceño's departure for Panama in October 1941, he stated that he would endeavor to obtain a good position in the Canal zone if he were not given some worthwhile political post in Panama. He stated he has been working for G-2 and that he is a very close friend of the Intelligence officers.

On June 5, 1942, Briceño in partnership with one Miguel Amado purchased the Canal zone properties, 3 of

Aviation
needs

him speak disrespectfully of our government's pro-Nazi
inclinations. In my opinion, Briceño is an opportunist
who enjoys talking "great goals." He enjoys talking
about police, armies, revolutions, et cetera. Although
an intimate friend of Arnaldo Arias, he stood at the
time of the coup d'état in October 1940, but the Arias
administration had not beyond the public well. However,
in the next breath he indicated clearly that he stood
with Arias when he said he would resign from his position
in the Embassy here. His main interest of conversation
these days appears to be the ^{interest} ~~interest~~ of the National
Assembly next January when ~~there~~ will be determined
whether first, second or third decisions will be appointed.
He has referred to every sort of President de la Guardia
as unconstitutional.

During the many conferences I have had with Briceño
I have heard no remarks which led me to believe that he
was other than friendly or pro-American. I must admit, however,
that I was surprised to learn that he had been employed
by G-2. I think we should, at this time, ask Ambassador
Wilson for any additional information which he may have
concerning Briceño.

RA:MMW:lee:DTI

Dr. Ricardo J. Alfaro, who has been President of Panama and long and favorably known to the Department. I would appreciate anything which can be done to expedite the consideration of these cases and would also like to be able to inform Dr. Alfaro of their status. Dr. Alfaro says that he can vouch for these people as being pro-Democratic and so forth.

Phillip W. Bonsal

Attachment:

1. Letter of August 22 from Joseph D. Stier to Dr. Alfaro.
2. Letter of August 21 from Luis Morales Herrera to Dr. Alfaro.
3. Flimsy of reply to Mr. Stier from Dr. Alfaro.

RA:PWB:GMB

GOVERNMENT WAS OBTAINING...
for the use of the National Police. Although Ambassador Wilson pointed out the obvious objection to building up too heavy armaments in the hands of the Panamanian police force, he believed that as a matter of good policy it would be advisable to comply to a reasonable extent with President de la Guardia's request. He suggested that we might endeavor to obtain for Panama some 40 or 50 machine guns. General Andrews concurred in the Ambassador's views. You will recall that he stated in various memoranda that they strongly felt that at least a token shipment of machine guns should be sent to Panama at the earliest possible date.

Upon taking this matter up with the War Department, we were informed that "in general no arms should be supplied to Panama, and specifically that to furnish sub-machine guns for use by the Panamanian National Police would be undesirable". (See Colonel Barber's memorandum of March 13, 1942). At a Wilson committee meeting on December 13, 1941, Mr. Welles had concurred in the War Department's views. On August 3 Major Hero of the War Department called to inquire whether this Department had received further requests from Panama for arms and ammunition and when I stated that I had seen no request of recent date, he volunteered the information that the War Department would look with disfavor upon the shipment of firearms to the Panamanians.

IN

819.24/73

RA:MM160:GH

the United States.

On a recent tour of inspection through the interior of the Republic, President de la Guardia made his first public utterance of his intention to remain in office. El Panama-América quotes the Chief Executive as having said: "If the people of Panama desire it, I shall heed their wishes and remain as Chief of State until 1947 for the remainder of the presidential term, since the will of the people, when it is freely and frankly expressed, should be respected." He is also quoted as having stated that "my policy has always been one of national unity. I may say that my government has no enemies. If there are any, they are the Panamanian Nazi sympathizers, the enemies of democracy. Political intrigue in my country came to an end upon my assumption of the Executive power."

Our Embassy continues to receive indications that Arnulfo Arias has been sedulously endeavoring to convince National Assemblymen that in January 1948, First, Second and Third Designates should be elected and that thereafter the First Designate should assume the Presidency. The Panama Canal has heard of a pollster plan instigated by Harwood's Arias to obtain the support of Alfariesta elements by offering to support Dr. Ricardo J. Alfaro as candidate for the First Designate. Galileo Solis, legal mentor of the Arias regime, supposedly is actively assisting Harwood's Arias with the plan. The Embassy feels that the Harwood's Arias intrigues will bear close watching.

(Based on despatches nos. 2493 and 2494, both of June 26, 1948).

819.00/2291

RA:RHM:GH

Commander of the Caribbean Area, states, "we must understand that the enemy expects us to smash this ring sooner or later and most likely has preconceived plans to place another echelon into operation. Our Intelligence agencies will leave no stone unturned in ferreting out evidence of any such action. We will destroy the enemy agencies before their activities can be used to their further advantage."

Recently I spoke to Mr. Toop and Mr. Alexander about my concern over the number of Spanish citizens requesting visas for the Republic of Panama. I have noted that many of these requests originated in the Dominican Republic. Furthermore, I believe the Archbishop of Panama has been making efforts to increase the clergy there. Some of the recent applications for this work have been Spanish citizens. Mr. Alexander called this morning to state his belief that the "echelon" referred to by General Andrews is already at work and is none other than the Falangistas. Attached is the Embassy's despatch no. 2451 of June 23, 1942 discussing the activities of Manuel Onos de Plandolit. Clever as he is, he may be the ringleader of a second spy element. If he is, he covers his activities so carefully that it seems that our officials in Panama lack conclusive supporting evidence to prove it. Mr. Muccio feels that it would be unwise to advise the Panamanian Government of our suspicions and that it would be inadvisable to think of asking that Government to declare him persona non grata until such a request can be based on a specific incident.

I have every reason to believe that the Army Intelligence Officers and our Embassy are more fully informed in these matters than are we here in the Department, but it certainly is out duty to be on the lookout for "specs" of information

coming

701.8219/57

RA:MMV:GH 7/3/42

Minister and our communications with the Secretary of War.

Colonel Hote informed me that all the civilian equipment requested including respirators, anti-gas masks, anti-gas gloves, anti-gas curtains, eye shields, etc., were shipped from the factory on May 15 and reached the port of departure on June 1st. Allocation for the shipping space was made by General Andrews himself, and the equipment was to have reached its destination on June 7. 85,000 gas masks were included as part of the equipment shipped and will be held in the Canal Zone to be made available for the use of the civilian population in the cities of Panama and Colon, if and when it becomes apparent that there may be serious threats of gas attacks.

RAIMUNVALSICH

019.20/

Department with his
comments and recommendations of each of the
five points."

The attitude shown by Ambassador Wilson in his reply to Items 1 and 4 is evidence of his feeling that Washington has not done its utmost to meet Panamanian requirements for export commodities. As you are well aware, the difficulties which have been experienced with the BEW and the WPB in getting agricultural machinery to Panama have been largely administrative.

The Department gave the Ambassador a reasonable answer concerning sub-machine guns and motor launches and recently succeeded in getting 2000 revolvers of the type ordered (Colts) and a commitment from the Smith-Barson people to supply the remainder. The Department spared no effort to answer Panama's request

for

million orders "urgent" and use in several cases made unreversed recommendations for prompt and favorable action, irrespective of the vital importance of the commodities. The best examples of this are the Embassy's recommendations that orders for an ornamental park fountain and \$20,000 worth of Almond rings be filled and that the Department use its utmost influence with the appropriate agencies.

It is suggested that AE may wish to make available to an appropriate officer in the BEW a copy of Mr. Gill's memorandum (copy attached), a copy of the Department's instruction no. 778 of May 13, 1942 to Panama and a copy of the recent despatch from Panama on this subject calling particular attention to Item 4.

It is

• 001100 •

who were of Panamanian descent. The United States
numbers took on a more serious tone. The United States
melee took on a more serious tone. The United States
American police officers were actively engaged in
to for the persons very active in the United States
from the Fifth Columnists. It appears on duty in
by possibly the Panamanian police particular
or fomenting the disturbance on that particular
In large number of the disturbance on that particular
place of the reported that some treatment of the arrests.
force were brutal in their effecting the arrests.
and used violent methods. In effecting the arrests.

The Ambassador reports that thanks to the use
of the higher police force and the
agitation and tact of the higher police
the newly created "Panama Security Command" between
relations seem to have been restored to the
Panama police and the United States military force
Panama police services are now being put into
of both services as follows: (1) That the
went essentially as follows: (1) That the
will request the military police for assistance
disorderly American soldiers for assistance
to the Panamanian military police; (2) That
the absence of (3) That methods; and (4) That
the arrests; (3) That methods; and (4) That
refrain from violent methods; and (4) That
armed forces who have been sentenced by the
police will be sentenced.

RAIMUNDA:GH

Government, I support the War Department's position. Expedite the introduction of the Joint Resolution.

I am informed by the Legislative Liaison Office of the War Department that the draft Joint Resolution and the message to Congress have been prepared in final form but as yet not presented to the Bureau of the Budget, since at the last minute it was found necessary to prepare for the Bureau a detailed statement of the financial considerations involved; namely, the value of the railroad lots and the water and sewerage systems and the annual income and expenditures which will be curtailed as a result of these transfers. I am sending a copy of the attached dispatch to the War Department and will follow up with a telephone call, again stressing the importance of getting this matter before Congress.

RAIMW1a:egH

... of issues on the twelve points and some in referring to the defense sites agreement as a "treaty" or "pact" stated that ratification by the Senate of the United States would be necessary. Reactions of American newspapers were congratulatory to both Governments and placed emphasis on the fact that the Panamanian Government long ago, prior to the formal conclusion, agreed to the occupation of the areas by the armed forces of this Government. The Panamanian press was interested primarily in the benefits gained by Panama, while North American papers placed emphasis on the military phases of the agreement.

The official Panamanian communiqué issued by the President and signed by the Foreign Minister emphasized that the course of the negotiations between the two countries had been marked by a spirit of friendship and cooperation, and that the agreement reached was excellent proof of the accord which exists between Panama and the United States in the present struggle for the defense of hemorrdy. It stressed the fact that the national Government had in no way compromised Panama's sovereignty or territorial integrity and pointed out that Panama refused to accept the proposal of this Government that the sites be occupied until both Governments were agreed that the causes that motivated the occupation had been removed and explained that the phraseology finally adopted was that proposed by Panama. In several instances the statements in the official communiqué appeared to be addressed directly to opponents of the de la Guardia regime. Each

Item

of friendship and mutual respect. It referred to the negotiations as "detailed and minutely probed". La Estrella de Panama hailed the agreement as proof that vital problems concerning the two countries could be satisfactorily solved in a spirit of harmony and cooperation. It stated that Panamanian sovereignty had in no way been jeopardized and that important aspirations on the part of Panama had been completely satisfied. It considered the defense sites agreement as proof of the new and growing spirit of Inter-American confidence and respect.

One news syndicate in the United States felt that Berlin was probably puzzled by the agreement which permitted armed forces of the United States to use Panamanian territory and stated: "Unquestionably we have the military strength to overwhelm Panama and take the bases by force, but we signed a treaty with Panama in 1938 which removes that country from the puppet state class. The treaty, a part of President Roosevelt's Good Neighbor Policy, renounced our rights to send troops into Panama. (We know what Hitler has done to similar treaties with weak nations in the name of security.) This is a sound example of hemisphere cooperation, not domination...it is an example to our weaker nations of the kind of treatment they would not get in an axis dominated world."

One Berlin newspaper, by stating that President Roosevelt had allowed the armed forces of this country to enter Panama before the actual signing of the defense sites agreement, implied that the United States had again invaded one of the other American republics. The Diario de

Costa Rica

occupy part of its territory and in general failed to
refer to the agreement as "historic" and gave immediate
importance to the government's agreement to complete a num-
ber of military highways in the Panamanian Republic.

Professor Fadel Ford, Fletcher School of Law and Diplo-
macy, who has always shown a great deal of interest in our
relations with Panama wrote that it is gratifying to learn
that the Department got this far along with the process en-
visaged by articles I and X of the General Treaty in the
matter of agreeing on the utilization of additional lands
for the maintenance and protection of the Canal....The terms
of the agreement seem to be fair and just to both parties.
...I am a bit surprised that the Department has announced
this agreement before it has been approved by the National
Executive Power and the National Assembly of Panama. I hope
this does not indicate inferentially that some difficulty of
securing an approval there is anticipated."

Mr. Wise.

This is a deeply disturbing report. The Ambassador is very much worried about enemy activities, but feels that the American intelligence authorities in Panama are not meeting the situation entirely realistically. Mr. Wilson says that "the intelligence picture has become exceedingly obscure, and American intelligence agencies have not succeeded in throwing much light on it. Some feel, including some of the latter agencies, that this obscurity indicates that there is no subversive enemy activity now in Panama." Mr. Wilson is not so optimistic, but feels that the American counter-intelligence "have simply been unable to cope with the enemy's present under-cover technique."

The Embassy is worried:

because it believes in the existence of a better-hidden enemy intelligence and subversive systems; which system was left behind when the more obvious agents and organizations were dealt with;

about reports from Colombia and from Costa Rica and about activities in the frontier regions and interior of the Republic of Panama (certainly the Department has received sufficient warning from missions and consulates to share in this uneasiness; nevertheless, the Ambassador states that "American intelligence agencies in Panama maintain almost no investigative agents in Panama Interior"; also that "military intelligence

authorities

above the activities of supporters of Arnulfo Arias, although it inclines to agree with the President of Panama that the present government has matters well in hand;

about propaganda brought in from Martinique under diplomatic seal;

about enemy race-propaganda, among negroes and East-Indian groups (the Department is in possession of strong evidence that this particularly dangerous kind of propaganda is spread throughout the Caribbean area);

about other clandestine radio operations in Panama (radio monitoring equipment and personnel were brought to the Canal Zone only about April 1; moreover, they have just begun to get to work, having all had the measles;

because it believes the enemy has left behind negro agents;

above all, because of what it takes to be unwarranted complacency in the face of an entirely dangerous situation (if such complacency does, in fact, exist, it is cause for perturbation.

RA:JRP:VLA

Considerable discrepancy exists between figures of Panamanian and Army Comptrollers. Ambassador Wilson would allow as much as 15% for error.

Evaluations: Value of all lands placed at \$60 downward by army survey in early 1941 and \$18,661 was estimated as liberal compensation for all sites, including Rio Hato. Under present Rio Hato contract (signed between Army and a Mr. Kierulff in January, 1935) Army has paid \$2400 (31 cents per hectare) annual rental with an option to purchase at \$18 per hectare.

Panama

Will accept---annual rental of \$1.00 for all public lands.

Proposes---annual rental of \$100 per hectare for private lands.

Willing---to treat Rio Hato on separate rental basis.

Proposes---annual rental fee for Rio Hato be established by two experts, one appointed by each Government; in case of disagreement final decision in hands of arbitrator.

Proposes---annual rental for Rio Hato to be paid as from January 31, 1935, deducting sums which have been paid annually to owner.

Ambassador Wilson suggests that Department propose fixed sum of \$300,000 or \$400,000 annual rental for all the private lands including Rio Hato (leaving Panama to pay costs of expropriation, indemnities for improvements at cost).

Financial benefits to be received by Panama under W-ive Point agreement

Highway A-3 (12 miles of Macadam, 10 ft. wide) 7

Extension of Trans-Isthmian Highway (I-9) \$3,500,000

Road Maintenance--Post construction and one third annual total maintenance 100,000

Rio Hato Highway 2,500,000

Railroad Lots (annual rental revenues\$370,000) 8,000,000

Water and Beverage System 2,700,000
(approximate original value)

Total benefits somewhere between \$17,000,000 and \$20,000,000.

RA:MMW:GH

AVAILABLE
was being confirmed in writing to Mr.
this confirmation reaches Mr. Eaton, Ambassador Wilson
will be advised in order that he can inform the
Panamanian officials of what the War Department has
been able to do as respects their request.

RA:Wise:GH

was lost her official position when her brother, Arnulfo Arlue, was deposed as President of Panama.

Informants have learned that she is now living in an apartment at 630 Park Avenue, New York City, where she intends to offer private Spanish lessons. Informants say she is now without funds and without her official status is regarded as not being particularly capable of doing anything especially detrimental to the best interest of the United States, even though she might possess anti-American or pro-German sentiments.

MM/100

Article II of the Treaty of 1903 and the provisions of the same, I understand that it is our contention that under that Article we can continue to occupy defense sites even though the "international conflagration" or the "existence of any threat of aggression" mentioned in Article X of the Treaty does not exist.

I am sympathetic with the political plight of the current Panamanian Administration. It finds itself unable to yield on a point of which Arnulfo Arias made such an issue. On the other hand, we are being asked under the Twelve Points to give up permanently to Panama a number of items and, therefore, to weaken permanently our bargaining power without obtaining a definitive understanding on the proper interpretation of Article II, to which I believe both the Department and the War Department rightly attach great importance.

The current Panamanian proposal governing this point is as follows:

*The

"The national authorities of the Republic of Panama shall have access at all times to the defense sites mentioned herein."

The Panamanian note presenting this formula states that it is "impossible for the Government of Panama to accept any Article which, in referring to the period of occupancy of the lands destined to defense sites permits or even leaves in doubt the fact that those lands can remain occupied for an indefinite period even after the present war emergency has ceased to exist. This is such a vital point ... that the formula ... which my Government now proposes represents the maximum of our concessions as far as the duration of the said occupancy is concerned and is, therefore, our definitive proposal."

The question which now arises is this: Would we be justified in turning over permanently to Panama the railroad

lots

I believe that it would be desirable for you to give Mr. Daniels, Mr. Wise and myself an opportunity of talking this matter over with you. A possibility which suggests itself is to accept the Panamanian proposal without any mention whatever of Articles II or X of the Treaty and in return to give Panama for the duration of this emergency the returns from the lots. In addition, I think we might go ahead with the two and one-half million dollars on the Rio Hato Highway. With regard to the water works, I would be willing to endorse a reduction in water rates corresponding to a recognition that amortization of the installations had been completed but the question of turning the properties over to Panama could be postponed. In this way and in view of the apparent impossibility of a definitive settlement of this whole question along lines favored by us, we would retain title both to the railroad lots and to the water works, to be used in working out the final definitive agreement. Furthermore

the

PHILIP W. BONSAI

RAIPB:DNB

with Article 1 read as follows:

"The Republic of Panamá grants to the United States the temporary use for defense purposes of the lands referred to in the Memorandum attached to this Agreement and forming an integral part thereof. These lands shall be evacuated and the use thereof by the United States of America shall cease one year after the date on which the treaty of peace which brings about the cessation of the present war shall have entered into effect. If within that period the two Governments believe that, in spite of the cessation of hostilities, a state of emergency continues to exist which makes vitally necessary the continuation of any of the said defense bases or areas, the two Governments shall again enter into mutual consultation and shall conclude the new agreement within the circumstances herein.

"The national authorities of the Republic of Panamá shall have access at all times to the defense sites mentioned herein."

The Panamanian note presenting this formula states that it is "impossible for the Government of Panamá to accept any Article which, in referring to the period of
occupancy

concerned and is, therefore, our definitive proposal."

In effect this proposal means that the right to occupy permanently after the present emergency any of the defense sites is contingent on the acquiescence of the Panamanian Government. The Department's proposals to date have provided for the evacuation of the defense areas as soon as both governments agree that conditions no longer warrant their continued use; i.e. permanent occupation was to be contingent upon the desires and needs of this Government.

The question now arises as to whether it is advisable to turn over permanently to Panama the railroad lots and the water and sewerage systems, when at the same time this Government would receive the right to occupy the defense sites only on a temporary basis. In other words, if Panama proposes to conclude a contract for the temporary lease of the defense sites (assuming that the question of the annual rental can be worked out satisfactorily)

should

dition that the Administration has relinquished or
intends to relinquish indefinitely any of the sovereign
rights of Panama.

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and the liquidation of the Rio Hato Highway credit and have no agreement for the defense sites, than to approve the Department's revised draft agreement containing Article I in its present form.

The portion of Article I to which Dr. Fabrega objects is that which reads:

"These lands shall be evacuated by the United States and shall revert to Panama as soon as both Governments agree that conditions no longer warrant their continued use".

Dr. Fabrega stated that this phraseology is totally unacceptable. He states that it is absolutely essential that there be some exact definition in the agreement when these lands will revert to Panama and that the arrangement cannot be left on the basis of a vague formula. He went so far as to say that he himself would never sign an agreement which contained the

phraseology

tion of the sovereignty and independence of a
Latin American Republic.

With respect to our reply on the question of rental for the defense sites the Foreign Minister said that he was deeply disappointed and felt that his Government was making a sincere effort to reach a reasonable agreement by reducing the rental price from 4000 per hectare asked by the ARIAS administration to \$100. He explained that the present administration is under attack by its political opponents for "giving the country away to the United States for nothing."

The Panamanian Government has amended its proposal of February 5 regarding modification of Article I by suppressing the word "reserve" so that the proposal now reads that the lands will be evacuated and revert to

Panama

the lands "be evacuated by the United States and revert to Panama as soon as the conditions which created the necessity for their use have ceased to exist". This suggestion is less rigid than the Panamanian proposal but even here it is obvious that both Governments would in fact have to agree that the conditions had ceased to exist. It is probable that Panama would refuse this formula.

Ambassador Wilson reiterates his feeling that we should pay \$100 per hectare as annual rental for the privately owned lands and that we pay \$1 as annual rental for all the public lands.

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