

States will transfer to his government the right to exercise in Panama free of cost all of its rights, title and interest in the system of sewers and waterworks in the cities of Panamá and Colón.

At that time the United States will renounce the exercise of the discretionary right which it obtained in the first paragraph of Article VII of the Convention between the United States and the Republic of Panama signed at Washington November 18, 1903, as modified by Article VI of the Treaty between the United States and Panama signed at Washington March 3, 1936, to acquire lands, buildings, water rights or other properties necessary for purposes of maintenance such as the collection or disposal of sewage and the distribution of water in the cities of Panamá and Colón. The United States, likewise, will renounce the authority contained in Article VII of the above-mentioned convention of 1903 to impose and collect water rates and sewerage rates in those cities which shall be sufficient to provide for
the

one thousand gallons, payable monthly to the United States by the Republic of Panama.

Likewise, if the Panamanian Government so desires, the cities of Panamá and Colón may continue to use, to the extent prevailing at present and with the facilities now available, the sewage disposal services of the Canal Zone. The water rate indicated above will include the cost of these services.

If at any time the Government of the Republic of Panama should desire to renounce the use in part of the water supply and sewerage facilities of the Canal Zone referred to above, the two Governments would agree upon the charges payable by the Republic of Panama for the use of such facilities as it may desire to retain.

The Government of the Republic of Panama should agree that employees of the Panama Canal and the Panama Railroad Company residing in the Republic of Panama shall not be charged higher water or sewerage rates than those charged
other

In the cities of Panamá and Colón which are not currently or prospectively needed for the maintenance, operation, sanitation and protection of the Panama Canal, or of its auxiliary works, or for the operation of the Panama Railroad. A description of these lands is being currently prepared by the War Department.

It is felt that Panama should undertake to observe the terms of existing leases affecting the lots to be transferred.

3. The commissaries and cost expenses.

It is felt that the Government of the Republic of Panama has not made a full use of the joint commission provided for under an exchange of notes accompanying the General Treaty of March 2, 1936 as might have been hoped, and that therefore no reasonable trial has been made of this machinery which, after long discussion by the treaty negotiators,

Panama of goods imported into the Canal Zone or purchased, produced or manufactured therein by the Government of the United States.

4. The construction of a tunnel or bridge to allow transit under or over the Canal at Balboa.

The Government of the United States is well aware of the importance to the Government and people of Panama of constant and rapid communication across the Panama Canal at Balboa and is willing to agree in principle to the eventual construction of a tunnel under or a bridge over the Canal at that point, but cannot give assurance that this can be done during the emergency. Pending the carrying out of its intention, the Government of the United States will give urgent attention, consistent with the exigencies of the present emergency, to improving the present ferry service.

5. Navigation

defense sites will retain the right to prohibit public traffic on access roads leading to but not beyond any defense site at a point near the said site which they may consider necessary to insure public or military safety.

The Government of the United States is willing to agree with the Government of the Republic of Panama to the appointment of a joint commission consisting of one representative of each Government whose duty it would be to examine at least twice annually the roads in the Republic, exclusive of the Trans-Isthmian Highway, which are utilized frequently or periodically by the armed forces of the United States.

The United States will undertake the repair at its cost of any damage or wear to such roads caused by transit of the armed forces of the United States as determined upon by the joint commission. For this purpose the Government of the Republic of Panama will freely permit the passage

into

States to repair and maintain roads in Panama to the extent maintenance and repairs are required as a result of United States military traffic, the Government of the Republic of Panama will grant blanket permission for members of the armed forces of the United States, the civilian members of such forces and their families, as well as animals, animal-drawn and motor vehicles employed by the armed forces or by contractors employed by them for construction work, freely to use all roads in the Republic of Panama. It should be understood that, except in periods of emergency when right-of-way should be given to movements of troops, animals and vehicles of the armed forces, every reasonable precaution shall be taken to avoid interruption to the public traffic of the Republic of Panama.

9. Immigration of Labor.

The Government of the United States is aware that the Panamanian Constitution adopted in December 1940 prohibits the immigration into the Republic of non-Spanish speaking
members

ments of the current emergency render impossible the occurrence of the introduction into the Canal Zone of non-Spanish speaking laborers of the negro race, the Government of the United States will forbid the entry into Panama of such laborers of this category as are currently imported and will repatriate them at the earliest practicable opportunity in taking of its own volition, these measures of cooperation with the Panamanian Government, the Government of the United States expressly asserts that it does not thereby waive any of the rights conferred upon persons in the service of the United States in Articles X and XII of the Treaty of 1903, and Articles IV and V of the Treaty of 1936, and in an exchange of notes of March 2, 1936 with regard to the interpretation of Articles IV and V of the Treaty of 1936.

7. Desire of the Panamanian Government that the Military and Force Police be armed only with M1918 rifles

Government of the Republic of Panama agrees that members of the police of the Republic of Panama shall not carry arms while in the Canal Zone.

8. Prohibition of electrical current from the Alhajuela Dam for use in the Republic.

The Government of the United States agrees in principle that electrical energy, whenever an excess beyond the needs of the United States is available in commercial quantities at the generating station of the Panama Canal at Madden Dam, will be furnished to the cities of Panamá and Colón at a price and at points to be agreed upon between the two Governments. The Government of the United States, likewise, when such power is available and when its utilization is desired by the Republic of Panama, will grant rights-of-way over such parts of Canal Zone territory as might be necessary for the establishment of power lines and/or cables

from

the Congress, liquidate the credit of \$3,500,000 made available to the Republic of Panama by the Export-Import Bank for the construction of Panama's share of the Chorrera-Elé Kato road. In making this new gesture to the Government of the Republic of Panama it might be pointed out that the unfinished part of the Trans-Isthmian Highway is being currently constructed with United States' funds, notwithstanding the provisions of the Trans-Isthmian Highway Convention under which that part of the road in the Republic of Panama was to have been constructed at the expense of the Republic. The estimated cost of Panama's share, which is now to be paid by the United States is \$3,675,000. In addition, the United States has appropriated \$365,000 for its share of the unfinished part of the Trans-Isthmian Highway.

Simultaneously, this Government will construct the so-called P-S Road which will duplicate over another route communication between Panama City and Madden Dam. The cost

vided, of course, the other one-half would be borne by the Republic of Panama.

In addition, the United States will construct at its cost a number of access roads leading to the various defense sites. These roads will be built at the expense of the United States and will have the effect of opening up a considerable area in the Republic.

In summary, the Trans-Isthmian Highway, the Chorrera-Rio Hato road, the Rio Hato, Costa Rican border road, the P-8 road, as well as the access roads, if the necessary authority of the Congress is obtained as noted above, will have been constructed at a cost to the United States of more than \$15,000,000 and at a cost to Panama of only \$1,500,000.

10. The moving of the railroad station at Panama.

The Government of the United States is willing to agree in principle to raising the present station of the Panama Railroad Company at Panama City, to erect a new station

ment. It is felt, however, that this work cannot be undertaken at present in view of the demands which are being made on freight terminal facilities and the confusion which removal would now cause. It should not be undertaken in any case until a prudent interval has elapsed after the opening of the Inter-American and Trans-Isthmian Highways in order that the needs for freight terminal facilities may then be reexamined.

11. The desire of the Panamanian Government for an indemnity in cash traffic is interpreted on account of our prior payments.

Pending an examination of the proposal which Dr. de Roux intends to make, it is felt that any commitment on our part should be left in abeyance.

12. The desire of the Panamanian Government for three millions of dollars is not feasible.

The Government of the United States will make available

... and diversion of such products into the pipeline above mentioned would be made available in regular turn to the Republic of Panama at a reasonable cost. It should be understood that the Republic of Panama would bear the cost of the construction of the pipeline as well as pay for any damage which might accrue to the property of the United States as the result of the construction or maintenance thereof. The cost of pumping such petroleum products from Balboa to the Canal Zone--Republic of Panama boundary would be borne by the Republic of Panama which would install and maintain the necessary pumping facilities for the purpose.

RAIP/PA/1971/001

1. The Trans-Isthmian Highway.

The unfinished part of this road is being currently constructed with United States' funds, although, according to the Trans-Isthmian Convention, Panama should have constructed that part of the road within its territory. To construct Panama's share \$3,675,000 have been contributed by the Army and Navy from defense funds. In addition, the United States has appropriated \$325,000 for its share of the unfinished part.

2. The Obispo-Rio Hato Road.

This is being currently constructed under a cooperative plan by the United States and Panama. The United States Congress appropriated \$1,500,000 and the Republic of Panama borrowed \$2,500,000 from the Export-Import Bank for this work.

3. The

4. The P-8th Road.

This road which is currently under construction will connect Panama City with Madden Dam over another route than that taken by the present Madden highway. The War Department considers this road a defense measure and is bearing the entire cost of \$2,145,000.

The War Department states that no other truck roads than those listed above are of interest to defense. It is contemplated, however, to build a considerable number of one-lane access roads leading to the several searchlight positions, aircraft detection stations, etc. It is not known whether Panama has any particular interest in any of these roads although it doubtless sees that any extension of the country's roads will benefit its economy.

In

border
P-8 Road

1,800,000	3,700,000
<u>4,300,000</u>	<u>9,145,000</u>
	\$11,345,000

RAJPALEWY: OSB

has it given any such convincing evidence as have many of the other American republics that Panama is lined up on the side of the democracies. The regime is clearly one of intense, narrow nationalism which leads it to magnify the natural friction inherent in the relations between the United States and Panama.

In a telegram dated June 11, Ambassador Wilson stated that the Panamanian Foreign Minister is "deeply anti-United States" and that President Arias "bitterly hates the United States". The Ambassador held out little hope of anything save obstruction and blackmail from the Panamanian Government. He indicated as a possibility an intention on the part of Arias to prevent agreement on the defense sites in order to embarrass the United States in its relations with the other

American

... of the CIVIL Intelligence Section, Panama Canal, who prepared the basic report from which this is quoted, has been in Panama on the same job for over 25 years; knows the situation thoroughly, and is not an alarmist. Evidence is on hand in the shape of intercepted cables and letters which proves that the highest government officials of Panama have been in communication with high officials of our prospective enemy nations, and have introduced into Panama under the guise of advisers and experts of various kinds, known Nazi agents. The present government of Panama was elected through force and intimidation against the will of the majority. The vast majority of the population of Panama are democratic and against the Axis, but the majority of government officials are Pro-Axis. The majority of the people would like to have a freely elected democratic government, but attempts at revolution have been unsuccessful due to lack of arms and organization as opposed to the well armed National Police Force controlled by the Pro-Axis officials. It is very probable that a large part of the police force would revolt against the present government, if promised American backing. The present conditions are considered dangerous to the security of the Canal and it is believed that they should be corrected as soon as possible. A local revolution to throw out the crooked Pro-Axis officialdom would be preferable to intervention by U. S. forces, as in the latter case it would be difficult to

reconcile

Refers "over intervention"
revolution - led intervention
America

Allowing Nazis in.

encourage? Revolution

Police would

Revolt.