

the United States in meeting its treaty obligations to contribute to the defense of the Canal. It is the obvious intention of the Panamanian Government to exploit the conciliatory policy of this Government. Further concessions by the United States will not improve this situation but will, on the contrary, lower our prestige not only in Panama but in all Latin America where the basis of the United States-Panamanian relationship is fully understood. It is felt that these facts should be taken into consideration in the discussion now pending. s

1. The President's Inaugural speech.

In his inaugural speech Arlas appears to have stated that if relations between Panama and the United States were to prove unsatisfactory, Panama might well deal with some other power. The allusion was so obvious that this passage was excluded from English versions of the speech.

2. Transfer of vessels to Japan.

In spite of our request for cooperation in opposing the transfer to Japan of vessels under Panamanian registry, at least five vessels under such registry have been sold to Japan during the past few months.

3. German propaganda.

German propaganda receives preferential handling in the Panama Post Office and at times private mail is opened and such propaganda added to the original contents. The German Chargé d'Affaires and an attaché of the German Legation known to be the local Nazi leader are frequently seen in the Post Office in conversation with postal clerks. The recent order prohibiting residents of Panama having no connection with the Canal from receiving their mail in the Canal is pertinent in this connection.

4. Recognition

... ASSASSINATING OFFICIALS are reported to be overt advocates of the Nazi cause including the President's private secretary, his military aide, the President's secretaries of three of the ministries, a number of deputies and magistrates.

*"probably" Nazis*

It may be added parenthetically that the President has surrounded himself with twelve "friends" who are known as the "iron ring". Many of these friends are actively associated with "rackets" and "concessions" granted by President Arias. Among them are gambling and slot machines.

6. Provisonal naturalization of German and Italian nationals.

German and Italian nationals have been given preference in obtaining provisional naturalization papers. The presence of these individuals, with the privilege of Panamanian citizenship, is obviously dangerous under present circumstances. The Panamanian Foreign Minister, however, claims that these papers have only been granted to persons who have resided ten years or more in Panama.

7. Attitude of official papers.

**The**

THE PANAMANIAN MINISTER AD HONOREM TO GERMANY.  
Señor Francisco Villalaz, has recently been appointed to the rank of Envoy Extraordinary and Minister Plenipotentiary. If the Nazis so desired, they could now appoint a Minister to Panama.

As you are probably aware, the reception given on June 12 at the Panamanian Embassy here for the Minister of Foreign Affairs was attended by the representatives of the three Axis powers. I am told that they were warmly welcomed and cordially treated by the Panamanians.

(b) Attitude toward the United States.

1. Negotiations over the defense sites.

The attempt by the present Panamanian Government to repudiate its obligations under the Treaty of 1936 in this matter requires no comment. While it is true that the defense sites are being made available, it is only on the basis of a wholly unsatisfactory interpretation of that treaty and of the expectation on the part of the Panamanian

Government

Panama's  
"repudiation"  
of  
1936 responsibility

humiliating requests for renewals of the permission.

### 3. The Mariposa Claims.

The Panamanian Government has failed to acknowledge our communications on this subject.

### 4. Transfer of vessels from Panamanian registry.

As indicated above, the Panamanian Government has not cooperated in preventing transfers to Japan. Similarly, the Panamanian Government has not extended the provisional registry of the four Gulf tankers involved in a recent law suit concerning which the Embassy made representations; indications are that the registry will not be extended.

### 5. The Aviation Board.

By an exchange of notes in 1929, Panama agreed to the creation of a Joint Aviation Board of six members, three of whom were always to be Americans. A recent decree of the Panamanian Government enacted without notice to this Government reduced the members of the Board to five of which only two are Americans (the Governor of the Canal was omitted). When the attention of the Panamanian Government was invited to the 1929 notes, the Acting Minister for Foreign Affairs stated that the existence of the notes had been overlooked. The implication remained, however, that Panama had acted deliberately and

unilaterally

... as its implications.

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Oil tankers under Panamanian laws, indications are that the application for a new six-months' provisional certificate of Panamanian registry will be denied.

Franisco Villalaz, Panamanian Minister ad honorem to Germany, has been appointed to the rank of Envoy Extraordinary and Minister Plenipotentiary. This move opens the way for the designation of a Nazi Minister exclusively for Panama, merely on the basis of reciprocity, should the Nazis so desire.

LA TRIBUNA recently carried a sharp editorial attack on the Monroe Doctrine and our policy in carrying it out. The article states in part:

"The Monroe Doctrine has been, is, and always will be the UNILATERAL declaration of the United States . . . . The State Department in Washington is satisfied now, as it always has been, to impose its own interpretation of it when and where it deems it expedient."

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and private individuals.

The Trade Wind, an American vessel recently transferred to Panamanian registry, en route to the Far East, is now reported to have left Honolulu manned by Japanese.

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foreign jurisdiction. The ferry service is an unsatisfactory means of communication between the two parts of the Republic.

3. By the Hay-Panama-Cote treaty of 1901 and the United States-Panamanian treaty of 1903, the Canal is to be neutral and no act of hostility is to be committed. But the United States, with the acquiescence of Panama has erected fortifications, additions to which (lease of defense sites) are now under consideration by the two Governments. Damage to the tranquility of Panama is incalculable, as the entire country will become a field of combat. Even in peace time thousands of Panama have been victims of United States military enterprises; military maneuvers are held; naval maneuvers endanger coastwise navigation.

4. The immigration of West Indian negroes has created a serious internal problem becoming more acute; they cannot be assimilated; they fill the jails and hospitals.

5. The commissaries, which even sell luxury articles, and serve vessels that transit the Canal, are "the most terrible scourge for Panamanian commerce." Although by the treaty of 1936 certain restrictions of the commissaries was obtained, smuggling continues. The United States Government has taken over the business of provisioning vessels with fuel and food, etc., formerly "an enormous source of receipts for Panamanian merchants," thereby the business interests of Panama have lost "all the extraordinary prosperity it should expect from the construction of the Canal."

6. By

3. The granting to us of the Panama Railroad concession meant the loss of \$250,000 per year, and other rights accruing from the 1867 contract.
7. In compensation for all these sacrifices, the United States paid only \$10,000,000 and an annuity of \$250,000.
8. The United States has retained the Colón lots (on the island of Manzanillo), which Panama has always insisted were its territory. These lands bring in large annual rentals and should be returned to Panama.
9. The Panama Railroad Company even goes further and refuses to pay taxes on the Colón lands.
10. These are some of the damages suffered by Panama as a result of the Canal's construction "for which Panama delivered the most valuable strip of territory on the planet."

the canal has been the source of incalculable benefits. And this impression is more common among visitors who passed through the Capital of the Isthmus at the beginning of this century, when it was only a small city of 25,000 inhabitants subject to yellow fever and other tropical diseases and who returned to see the colony, after a few decades, transformed into a modern metropolis with a population of more than 125,000 inhabitants.

But, while it is an undeniable truth that Panama has developed since coming into the life of an independent nation, it is likewise certain that the country has not obtained the advantages which, with abundant reason and entire right, it hoped to obtain from the great work of the Canal; and, still more, anyone taking the trouble to investigate this situation a little would soon find a series of grave injuries which the Republic has suffered as a consequence of the construction of the canal, for which it has not been properly indemnified.

... in Europe. ... was then carried  
the west coast of North America. Across the Isthmus  
covery of gold-bearing deposits which arose with the dis-  
wise, for four centuries, there was effected through the dis-  
important part of the trade between California, and like-  
American countries on the Pacific coast, and like-  
All vessels stopped at our ports and there was con-  
tinuous transit of men and goods by land across this bar-  
rier which separated the two oceans, from which the Pan-  
Americans received enormous benefits.  
The titles of the Isthmus, however, remained in a  
situation there might be given perhaps, unhealthfulness  
the political circumstances of the period. But, with  
recovery of the vehicle transmitting yellow fever  
malaria at the beginning of this century, and the rise  
and discernible for the country.

Paradoxically,

its construction and                     

Not only was Panama, by this concession, removed from the enormous commercial current which flows through its territory, but it was divided into two sections in such way that land communication between the capital and other important cities of the country can only be effected over roads subject to foreign jurisdiction. And together with this is the serious inconvenience offered by the crossing of the canal, which is necessary for any transportation by land between the capital and the most important provinces of the Republic. The government of the United States, taking into strict account the necessity of maintaining communication across the canal by some means, established a ship service which effects transportation. But by its very nature, this type of communication cannot be satisfactory and the difficulties which it offers become more obvious

... were to be neutral in perpetuity;  
of hostility committed, and the United States only reserved  
to itself the right of maintaining along the same the  
military police which should be necessary to protect the  
against anarchy and disorder.

But the Republic of Panama, in its desire to furnish  
the United States with a way to protect the canal against  
any possible aggression which might occur in spite of the  
neutral status which the aforesaid treaties conferred on  
it, granted this country, under Article XXIII of the Hay-  
Hunee Verrilla Treaty, the right of using its police and  
its land and naval forces at its discretion or of estab-  
lishing fortifications, if this should be necessary at  
any time for the safety or protection of the canal.

The Governments of the two countries understand that  
the Panama Canal, which has prodigiously contributed to  
the

of Panama, has erected numerous fortifications of a permanent character along the route and at the entrances, and is daily increasing there, in gigantic proportions, its military, naval and air establishments with the intention of making the canal impregnable.

And, going much further on the road of cooperation in defense of the canal, the two governments are now holding conversations tending to make it possible for the United States to establish a series of landing fields, electric detectors and reflectors outside the Canal Zone and scattered throughout the territory of the Republic - from the border with Costa Rica to the border with Colombia and from the Atlantic Ocean to the Pacific - by means of contracts of lease the bases of which are being given detailed consideration.

There is also worthy of being taken into account the cooperation which the Republic of Panama has given, and

Gladly

But the damage which all this represents for the tranquillity and welfare of the peaceful inhabitants of the Republic is incalculable. The Panama Canal, converted into a military objective of the first magnitude, has come to constitute a serious and constant danger of devastation and destruction for the two principal Panamanian cities, Panamá and Colón, which are close to its two entrances. And the erection of new military establishments in the rest of the country would inevitably entail the consequence that, in case of an armed conflict for the United States, all our territory would become a field of combat, to the obvious injury of this people intended by nature to live and prosper under the shadow of a continuous transit of world trade.

And even in times of peace, the proximity of military barracks and reservations are the source of serious disadvantages, Panamanian citizens - and even police officers of this country - having more than once been the

Victims

entrances to the canal.

In this respect it is to be noted that the Government of Panamá, in a noble desire to cooperate in a fair and friendly manner with that of the United States, far from placing obstacles to military maneuvers, has gladly submitted to the sacrifice of reaching an understanding which allows army operations in territory adjacent to the Canal Zone.

One of the most serious internal problems which has arisen in the Republic of Panama as a result of the construction of the canal is the enormous immigration of West Indian negroes whom the Government of the United States brought to the country to work on that project. Upon completion of the work of construction, many thousands of these individuals settled in the cities of Panamá and Colón, the majority with their respective families imported from their native islands. They and their numerous progeny

today

with certain national elements. They fill our jails, our hospitals and our asylums, and constitute a tremendous burden on the public treasury. In proportion as their number increases through procreation and through their great profligacy, this situation becomes more acute and serious and there is serious danger of its acquiring the characteristics of a problem of minorities of race and nationality within our Republic.

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Article XIII of the Treaty of 1903 granted to the United States, among other rights, that of importing into the Canal Zone, without payment of customs duties or other charges, the provisions, medicines, clothing, supplies and other articles necessary and advisable for the chiefs, employees, laborers and workers in the service and in the employ of the United States and for their families. Two years later the Government of that country set up in the Canal Zone, under the administration of the Panama Canal

Company

pany's own use and thus they do not pay duties of any kind on the importation of their articles nor for their operations, has converted them into the most terrible scourge for Panamanian commerce. They have already invaded other fields in their activities, extending their sales not only to all employees of the canal and railroad, but also the vessels which pass through the canal and to companies and individuals that, for any reason, are located in the Zone. In the Treaty of 1936, the establishment of certain bases which normalized, and to a certain degree restricted, the action of the commissaries was attained. But the complete suppression of the smuggling which goes on from them into the cities of Panamá and Colón is an almost impossible work, inasmuch as thousands of persons reside in these cities who, being authorized to make purchases in these establishments, daily bring from them great quantities of goods of all kinds.

The

that extraordinary prosperity which it logically expected from the construction of the Canal.

By means of Article VIII of the Treaty of 1903 the Republic of Panama granted to the United States the rights which it then had and which later it might acquire over the property of the new Panama Canal Company and of the Panama Railroad Company as a result of the transfer of sovereignty from Colombia to Panama and authorizing the sale of the concessions and the property of those companies to the United States and by Article XXII it renounced its participation in the profits of those companies.

It would be impossible to make a calculation of the immense sums of money and the valuable property of Panama lost by reason of those stipulations, but it is easy to form an idea of their magnitude by taking into account the following considerations.

The

which the concessionaire might obtain through lighthouse dues, anchorage, transit, navigation, repairs, pilotage, towing, refrigeration, deposit and stationing, a participation amounting to 5 percent during the first 25 years counted from the opening of the Canal to navigation; to 6 percent during the 25 following years; to 7 percent during the other 25 years and to 8 percent during the remaining 24 years, that is to say, up to the termination of the concession; and the right that on the termination of the concession for any reason there should pass to its possession the Canal works and its appurtenances as also the bond of 750,000 francs deposited in order to guarantee the execution of the work.

Had Panama not renounced these sources of profit, it would be receiving today around \$1,500,000 from the Canal transit dues alone according to present statistics.

And perhaps the sacrifice made by the Republic was more real and immediate than appears at first sight.

The

privileges, understood its incapacity to finish the work within the time limit stipulated, it requested and obtained from the Colombian Government another new prolongation of 6 years more, which extended the time limit to 1910, but it has been considered that this new concession was null and void because it had been granted by the Executive Power without the intervention of Congress. Under this aspect, if the definitive time limit of the concession was to terminate in the year 1904, Panama in November 1903 was practically delivering to the United States all the works of the Canal and the appurtenances thereof which were worth more than \$100,000,000, because it was then obvious that the Canal could not be finished in the months lacking to the expiration of the time limit referred to.

With regard to the railroad, the sessions made by Panama to the United States in the two articles referred to

And in compensation for all these immensely valuable rights and for all the large sums of money which Panama renounced in favor of the United States and also for the occupation of the Canal Zone and so many other advantages which were granted to them by the Hay-Bunau Varilla Treaty the United States of America agreed to make an initial payment to the Republic of Panama of only \$10,000,000 and to pay to the latter beginning 9 years after the exchange of ratifications was effected an annuity of \$250,000 which was the same as the Panama Railroad Company had been paying for its concession. It is impossible to conceive of greater disinterestedness or of a greater sacrifice on the part of a small and poor country toward the most wealthy nation on earth.

The said Article VIII of the Canal Treaty closes thus:

But

... Panama Railroad Company, has been maintaining that the lands which constitute the Island of Manzanillo, where there is built the city of Colon, which are not necessary for the maintenance of the Canal nor were necessary for its construction and are intended for leasing as the source of revenue, are not included among those which were to pass to the possession of the Republic of Panama on the coming into force of the said Treaty and those were to continue to be in possession of the Railroad Company in spite of the fact that Panama has always insisted on its right to it on the basis of incontrovertible reasons.

Indeed, in accordance with Article 16 of the contract concluded between the Government of New Grenada and the Panama Railroad Company on April 15, 1850, the Government granted to the company all the lands of the Island of Manzanillo to the end that the northern extremity of the Railroad should be established there, but it was stipulated

on which the Panama Railroad Company held the lands of the Island of Manzanillo it could not be considered either as owner [dueña] nor as possessor [poseedora] of the same but merely as the usufructuary [usufructuaria] as had already been decided by the Supreme Court of Justice of Colombia in a decision issued in the year 1891. Those lands, therefore, were not included in the exception contained in the last part of Article VIII of the Canal Treaty and should have been delivered to Panama as soon as the said Treaty came into force.

The said lands are leased by the Railroad Company to private individuals for urban buildings and produce for the company a substantial annual rent of several hundreds of thousands of dollars.

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But the Railroad Company, belonging to the Government of the United States and supported by it, goes still further.

of any kind whatsoever. the judgment of the Executive Power and its  
for the parties of the said railroad and its  
dependences.

But it is logical that in that connection of exemption from taxes there are not included nor could be included lots of ground which are intended for leasing to private individuals for buildings which have no connection with the railroad.

In the foregoing lines there have been sketched some of the damages which the Republic of Panama has suffered and continues to suffer because of the interocean canal for the building of which it delivered the most valuable strip of territory on the planet.

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appear immediately following declarations by high United States authorities condemning the action of the Axis nations. This paper is directed by Antonio Isaacs, pro-Nazi private secretary of the President.

In a recent ill-timed reassertion of LA TRIBUNA'S neutrality policy, it was stated that while individuals are of course entitled to sympathize with this or that country, the press and public should remember that Panama is a neutral and should act accordingly. After stating that it would not be wise to assume a belligerent attitude, this editorial entitled "Panama is a Neutral Country", ends with the following words:

"But let us not forget that our country is a neutral country; and that as long as we Panamanians have not found sufficient motives for going to war against one of the belligerents, we must see that our neutrality is effective and not a farce."

In another editorial entitled "The Tragico European Madness", LA TRIBUNA states, in part:

"We

... WILL TO LEARN FOR OUR OWN ACCOUNT. ... WE HAVE SO

... this is the special reason why is ...  
has adopted, with respect to the great ...  
tion in Europe, an attitude of strict impartiality,  
of absolute discretion, opposed to throwing wood  
or kerosene on a fire which already has mile-high  
flames; it is an attitude from which it will never  
depart.

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to be the only one to do so. The large producers are naturally opposed to having this control placed upon them.

Presumably, the Panama Railroad commissaries will need 9,000 head of cattle for the next fiscal year. Bids are now being considered.

Dr. de Roux has called attention to a conversation which President Roosevelt had with former President Boyd abroad the Tugaloosa regarding the possibility of Canal authorities agreeing to purchase a certain amount of cattle for a certain number of years at a minimum price per pound and hoped that the Canal officials

would

mitted a bid to Canal authorities for the total amount of 9,000 head (which would be imported from Cuba) at a bid slightly lower than that made by the Government for the 3,000 head. The importation of cattle from Cuba would not be in line with the Government's program of encouraging cattle raising in the Republic.

Governor Edgerton has asked that Dr. de Roux be assured that the Government's bid will be given all possible consideration. Canal lawyers are studying the legal questions which

will

... from the Panamanian government  
and the other 6,000 from Francisco Arias  
Cubs. ... presumably from

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of a Panamanian monopoly on the distribution and sale of gasoline in the Republic.

I have found the following:

1. Rio Hato. This land is now under lease from the Compania Agricola "La Venta", S.A., lessor, of which Asger Kierulff is president. The lease contains the right of renewal until December 31, 1942 and an option to purchase the land at the price of \$18.00 per hectare. This lease was entered into under date of January 1, 1938. It is thought that the Army pays a rental of \$200 per month. The Embassy at Panama is informed that there existed a prior lease covering the years 1935 and 1937, under which the Army paid \$1.00 per annum and used the tract "for aerial bombing with practice bombs and for ground gunnery range".

When Dr. Garay, former Minister of Foreign Relations, was questioned in the National Assembly as to the authority of the United States to occupy and use the Rio Hato airbase, he said that there was no "legal understanding" between the two governments and that the present status is that of "an accomplished fact" for the defense of the Canal, involving the good understanding between the two countries. Dr. Garay explained that he had been informed of said occupation extra officially, but that he did not know that the United States did exercise sovereign rights over said land.

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### 3. Jurisdiction of highways and roads in Panama.

As far as I have been able to determine from the Department's files, from a conversation with the Panama Canal Office, and from the General Treaty of 1936, all roads in the Canal Zone are under the jurisdiction of this Government, and all roads in the Republic of Panama are under the jurisdiction of that government with two exceptions: the road from Colon to the Canal Zone border, located in what is known as the Colon Corridor, is under the jurisdiction of Panama; and the road from the Canal Zone border to Madden Dam, located in what is known as the Madden Dam Corridor, is under the jurisdiction of the United States.

The War Department will need certain access roads leading to defense sites located within the Republic of Panama, and undoubtedly will need, during the emergency, complete jurisdiction over such roads. It may be well, at the appropriate time, to inquire of the War Department what its desire is to be concerning these access roads and what jurisdiction it will wish to exercise thereover.

3. Monopoly on the Distribution and Sale of Gasoline in Panama. In February, President Arias indirectly and informally let it be known to the West India Oil Company, a subsidiary of the Standard Oil Company of New York that the Panamanian Government fully intended to monopolize the distribution and sale of gasoline in the Republic.

Later