

CEMENT PLANT FOR PANAMA

Mr. G. P. Brown, export manager for the Lehigh Cement Company, called at the Department this morning to make arrangements for obtaining passports and priority passage for two experts of his company who plan to go to Panama next week for the purpose of making a survey relative to the possibilities of the installation of a new cement plant in Panama.

Mr. Brown explained that the plant would be approximately a \$3,000,000 project capable of producing one million barrels or four million bags yearly. He stated that while Panama's annual consumption was about 300,000 barrels, the balance would be sold to nearby Central and South American countries. It seems that the present arrangement provides that the Lehigh Company and the Panamanian Government will divide equally the cost of the plant.

Mr. Brown stated that it would take at least nine months to place such a plant in operation and that at the beginning it would require five or six American experts to get the project under way.

Mr. Brown had been referred to the Department by Ashley Sewell, Commercial Attaché at Panama.

NA:NONVIS:KAL

Retired

NA - Mr. Gabb; Mr. Deane; Mr. Key;

AMERICAN COLONEL RECALLED NAVAL PERSONNEL

The Panamanian Government regards the taking of persons of the colored race to Panama with great concern. In fact, the Constitution prohibits the immigration to Panama of colored persons who do not speak Spanish. The Ambassador hopes to avoid incidents with the Panamanian Government such as arose last year when a contingent of colored troops was sent by the Army into Panama to construct telephone wires in the interior. The Ambassador states that although no difficulty had arisen to date over the 800 colored troops already serving in the 15th Naval District, he is certain that the arrival of additional colored personnel will invite a serious protest from the Panamanian Government. Accordingly, he recommends that the seriousness of this situation be called to the attention of the Navy and that it be asked to cancel the assignment of this colored personnel.

I spoke with Commander Gory of the Navy Department this morning giving him the substance of this telegram from Panama. He asked that a copy be sent over to the Navy Department immediately through our liaison office and that upon its receipt it would be given immediate and serious consideration. I then spoke to Mr. Key in R.I. who stated that as soon as the yellow reached him he would expedite its transmission to the Navy.

I suggest that in transmitting the telegram Mr. Key emphasize the fact that the Ambassador's recommendation has the full approval of this Department.

CONFIDENTIAL

75. Power No. 50 JUN 5
REPORTS RELATIVE TO CHANGES IN THE
POLITICAL SETUP OF THE DE LA GUAR-
DIA ADMINISTRATION.

For several months rumors have reached this Department from various sources to the effect that the President of Panama was seriously contemplating substantial changes in key administration positions. The first change seems to have taken place, -- the replacement of Jaen Guardia, Ambassador to Washington, by Enrique Jimenez. It is thought that the President at one time thought of sending his brother, Camilo de la Guardia, present Minister of Government and Justice, to Washington. Camilo de la Guardia recently went to Habana on a pleasure trip and there are reasons to believe that he may soon replace Belisario Porras as Minister to Habana. It is believed that the President does not set eye to eye with his brother, Camilo. The President's other brother is Panamanian Consul General at New York. The President's three sisters are married to the former Ambassador to Washington, the present Minister to Habana and to Augusto Boyd, Deputy of the Panamanian National Assembly. Boyd was recently offered the Washington ambassadorship, but declined.

President de la Guardia recently married Carmen Estripeaut, the widow of his deceased cousin. It is thought that this new connection may soon result in political changes in Government appointments of advantage to the Estripeaut family. It is rumored that the bride's father, Rodolfo Estripeaut, Sr., prominent business man and merchant, will soon be appointed Commandant of the National Police. The President's wife's younger brother, Eduardo Estripeaut, is the first secretary to the Ministry of Foreign Affairs. This is his first political appointment. Her older brother, Rodolfo, Jr., is quartermaster of the Costa Rica-Panama Boundary Commission -- also a political appointment. He has just been named Panamanian Consul General at New Orleans to replace Luis Felipe Rodriguez, whose resignation, it is understood has been requested.

The

Wife's bro: 1st Sec. to Min. of For. Affairs.
Other bro: - Cons. Gen. at New Orleans.

Colonel Bogelio Minister of Government, to be appointed Minister of Government, replacing Camilo de la Guardia. Since Camilo de la Guardia was not appointed Ambassador to Washington, it is not known just what changes may occur in the Ministry of Government and Justice and in the diplomatic representation at Habana.

Ernesto Fabrega, Minister of Agriculture and Commerce, to be appointed Ambassador (position to be raised from that of Minister) to Cuba, replacing Belisario Porras, or to Chile, replacing Minister Octavio Vallarino.

Victor F. Goytia, Minister of Education, to be replaced by Dr. Octavio Mendez, Rector of the National University.

It is expected that any further changes in the political set up will be deferred until the National Assembly has adjourned, probably early in May. It seems obvious that these proposed changes are being considered to settle dissatisfied elements, to prevent political leaders from becoming too strong, and to appease aspirations of relations of the President. The present administration has already been criticized severely for its practices of nepotism.

RA:KNT132:MAL

As you know, the Joint Resolution was yesterday passed by the Senate by a vote of 37 to 19, a considerably better margin than last December when the vote was 40 to 29.

Senators Vandenberg and Clark (of Missouri), who had voted against the legislation last December, voted affirmatively this time and both made statements as to the war

emergency as a justification for their change in point of

view. Senators Hye and Bushner spoke extensively in our favor. Philip Senator Johnson of California nor Senator Connally of Maine was present. Senator Connally

was not present in a temporarily-effective, wise

Philip V. Bonsai

PHILIP V. BONSAI

Dr. Coler, the Panamanian Chargé d'Affaires,
called me up yesterday and asked me to convey to you
the sincere appreciation of his Government and of him-
self personally at the passage of the Panamanian legis-
lation.

Phillip W. Bonsal

RA:PMB:QMB

RA - Mr. Cabot:
Mr. Bonnell:

NEPOTISM IN PANAMA

It is stated that most Panamanians believe that too many Government positions are being given to members of the favored de la Guardia and Estrineut families without regard for ability or qualifications and that this may lead to considerable trouble after the war. Although the policy of nepotism is not new to the present administration and is not out of keeping with the common practice in many Latin American countries, it is felt that the President in making so many family appointments is attempting to strengthen the party in power by having a closer bond among persons in Government positions.

(OM Report of April 20)

RA:NMVISE:PAL

APPROVAL OF DEFENSE SITES AGREEMENT

Senior Chiari just called from the Embassy of Panama to report that the Panamanian law approving the defense sites agreement has been recorded as Law No. 141. It was enacted by the National Assembly on May 30 and signed by the Panamanian President on May 11.

RA:NMV19EPAL

AMBASSADOR JIMENEZ OF PANAMA

The new Ambassador of Panama in Washington, Enrique A. Jimenez, is approximately fifty-five years of age. His wife, the former Beatriz de la Guardia, is the sister of the wealthy Panamanian Juan de la Guardia (not related to the President of Panama). Three daughters are already married and one son is in school at Riverside Military Academy at Gainsville, Georgia. The Ambassador and his wife are both fond of social life.

He speaks English and has a first-hand knowledge of the United States from the years spent in the Panamanian Consulate in New York and in the Legation in Washington (1916-18).

His political career dates from the administration of President Porras, for whom he served as private secretary (1914-16). It has included service in the National Assembly (1920-22, 1932) of which body he has several times been President, Secretary of Finance in 1931 and again in the cabinet of Harmodio Arias (1932-35). He has been Superintendent of the Hospital Santo Tomas (1940-41) and more recently Manager of the National Lottery.

Business interests include the ownership of a theatre and the publishing of a magazine.

Alzora Hale

BA:ASH:FSAM

PROPOSAL TO PLACE ARNULFO ARIAS ON THE LIST OF
SPECIAL BLOTTED NATIONALS.

Airgram no. 467 of June 12, 1943, marked "for Treasury", recommended that Arnulfo Arias be added to the list of Special Blinked Nationals. Upon receipt of the message Treasury officials immediately communicated with Mr. Sylhart in WF. I believe there is a standing arrangement whereby Treasury has agreed to take no action on such recommendations until it has the approval of this Department. WF is awaiting the recommendation of RA. Mr. Latty in PF has also asked for advice.

It is explained that naming Arnulfo Arias a Special Blinked National would in effect mean that he could not withdraw funds from any bank account which he might have in the United States until a permit had been obtained from Treasury. Names on the Special Blinked list are not made public and Arnulfo himself would not be aware that his name was on the list until such time as he attempted to withdraw funds.

I have discussed the recommendation from Buenos Aires with the interested officers in this Division and in WF and find there is a division of opinion as to what should be done. There are those who believe that as a precautionary measure any funds which Arias may have in the United States should definitely be blocked. It is contended that if he has no funds here it is likely that no one outside United States Government agencies would know that he is on the Blinked list and that even though it became public knowledge and the possible theme of Axis propaganda that the United States had taken official action against Arias this political disadvantage would be outweighed by the advantages of having his funds blocked. Those in favor of blocking state that the totalitarian sympathies of Arias are so well known and that he is so politically outcast that the repercussions in Latin America need not be a serious factor in our considerations, - that it would be weakness on our part not to take active steps against him.

Those

...government had something to do with his ousting, step against him would irretrievably be interference in the internal politics of another American republic. If Arias never attempts to transfer funds in the United States there is no point to the measure, quite apart from the fact that there might be a leak; if he does, the possible adverse results might far outweigh any possible advantage. Although Arias has been under constant surveillance under the Department's instructions, there is a difference between following the activities of an individual who may be unfriendly and taking a positive step to stigmatize him as inimical.

RA:MMV:JWC:PAL

CONSTRUCTION OF A CEMENT PLANT IN PANAMA

For many months the Panamanians have given serious consideration to the establishment of a cement factory in Panama. The Panamanian representatives in the United States have conferred at length with the Portland-Lehigh Cement people and Altes-Chalmers Manufacturing Company and others. In June there was announced in Panama the organization of a \$1,500,000 corporation for the purpose of establishing a plant for the manufacture of cement. The local organization consists of a group of Panama's leading capitalists and the moving spirit behind the enterprise appears to be the President of the Republic who has indicated his willingness for the Government to participate financially if such cooperation is necessary for the success of the development.

C. F. Brown, Export Manager for the Portland-Lehigh Cement Company is now in Panama and according to reports his organization proposes to put up 40 per cent of the necessary capital. Mr. Brown has stated that it will take at least nine months to place the plant in operation and that at the beginning it ~~needs~~ require five or six American experts on the field to get the project under way.

Yesterday Ambassador Jimenez called at the Department personally and said he had had a telephone call from the President of Panama who desires that assurances be obtained from this Government that once the plant ~~was~~ under operation it can count on certain sales monthly to various United States agencies.

I expect to call Ambassador Jimenez this morning to state that commitments by any United States Government agencies or organizations, such as The Panama Canal, Public Roads Administration, the Army or the Navy, to buy cement from the Panamanian factory for the construction of locks, the building of roads, or for use on defense sites would be complicated by the following factors:

(2) The needs in Panama of the various Government agencies and organizations for cement vary tremendously from month to month; for example, at present local construction is practically at a standstill, the road-building program under the supervision of the Public Roads Administration is practically complete as far as the need for cement is concerned, and since construction work at the defense bases has been completed, cement is used only for maintenance purposes.

(3) Representatives of the Canal Zone, Public Roads Administration and the Army state that under law of May 5, 1935 material for all federal projects whether undertaken in the United States or abroad, must, when available and when the price is reasonable, be American produced.

In conclusion, investigation has revealed that no one is willing to make any commitment whatsoever as to how much cement would be bought from a Panamanian factory, when and if one is constructed. Furthermore, it would seem that an inquiry such as the one made by the Ambassador yesterday could be discussed to a much greater advantage locally. It would not appear that this Department should concern itself further with assuring this local Panamanian industry of success and that those interested will have to run the risk of building up an enterprise such as that run by any entrepreneur under normal circumstances.

While at the Department Ambassador Jimenez briefly referred to the plan of the national brewery to increase its production from 800,000 to 1,000,000 gallons of beer yearly. He indicated that an effort might be made to get assurances from the War Department that no beer would be exported to the Canal Zone for a reasonable period, thus assuring this new brewery project of success.

RA:MMVIAE:PAL

RE-ESTABLISHMENT OF DISCIPLINARY ORGANI-
ZATIONS

You may recall that early in the year the President of Panama dissolved the disciplinary organizations which had been established in certain secondary schools of the Republic. He told Ambassador Wilson in strict confidence of his belief that dangers to local political stability were inherent in these semi-military groups. He remarked at that time that one could not always be certain that the control of such organizations would remain in hands friendly to the Government. He said that the National Police had become jealous and suspicious of the organizations. The United States military forces had assisted in training the young men of the cadet and militia battalions. In the event of an emergency these organizations were to be placed at the disposition of the United States for such duty as might appear appropriate. The plan had been proposed by the Minister of Education. The Army, which had cooperated with Panama on this program, actually regarded it as something of a headache and was happy to be relieved of the function of training these young men. The United States military forces felt that the dissolution of the organizations would be no loss whatsoever as they were not capable of lending any effective assistance.

According to the attached strictly confidential despatch from Panama the Government has again changed its policy and is allowing the military bodies to be partially reorganized. The school units are to continue with rifles rendered incapable of firing. It appears that the Minister of Education may have been so insistent upon the continuation of these groups in one form or another, that he would have resigned if this had not been agreed to by the President. Ambassador Wilson believes that in view of the transfer elsewhere of most of the United States military personnel who originally assisted in the training of the military organizations and in view of the importance of other duties, our military authorities will find difficulty in lending such assistance in the further training of the reorganized groups.

and among the youth themselves who are disappointed at the President's lack of enthusiasm. Minister Goytia's personal popularity probably has increased among the youth interested in the disciplinary organizations.

RA:KRW:PAL

The final paragraph of a recent despatch from Ambassador Wilson reads as follows:

"It is the practice of this Embassy to follow Panamanian political developments closely, and also to maintain contact with reliable informants. This Embassy and its reliable informants are unanimously of the opinion that the administration of Ricardo Adolfo de la Guardia is well-entrenched, and that it has been following a sound and strong policy with respect to local politics. There is no serious revolutionary tendency in Panama at the present time, and any revolution which might, by the longest stretch of the imagination, be commenced, would unquestionably be immediately put down through the use of strong measures by the President. Furthermore, as the Embassy has often pointed out, no revolution is apt to succeed in Panama so long as the heads of the National Police are loyal to the Government. President de la Guardia has had nothing to worry about on this score."

This comment made on August 21 becomes quite interesting when considered in connection with the unsuccessful attempt to a change in Government, as planned by Dr. Peret for August 29.

BA180015c:JLD

When Dr. José Pezet was frustrated in his attempt to take over the Panamanian Government, he admitted that he alone was responsible for the movement. Upon being apprehended Dr. Pezet advanced his well known contentions about his legal position. He made allusion to not being guilty of any crime and said he was merely seeking to have the provisions of the Constitution restored. He had hoped this would be done when the National Assembly met last January.

The best information available to the Embassy discloses that Pezet had with him only four junior police officers, one policeman and three little known civilians (one his nephew and the other his chauffeur). It is now believed that two of the most active of the police officers were acting under orders of the Minister of Government and that some incident which would justify the police for any action taken to stop his continuance of irritating babbling. In other words it is not impossible that authorities of the Government encouraged the subversive movement of a person who is taken as lightly by the public as Dr. Pezet is, as a warning to more influential dissidents that the President is prepared to take swift and forceful action against any opposition.

Police in the Ministry!

Three weeks before the Pezet incident the Embassy knew about the concern of the National Police over Pezet's indiscreet talk about his being the legal president of Panama. Early in the week before the incident took place, the Embassy was informed of the probability of the National Police taking action against Pezet.

Embassy knew early...

A recent Panamanian editorial deprecates the fact that ambitious foreign correspondents invented a revolution which never took place, thus causing uneasiness to Panama's friends and allies and perhaps pleasant anticipation among her enemies.

* Panama Publics
BA:MDW:JTD

LEND LEASE ASSISTANCE TO PANAMA.

Under date of June 11, 1942, the Embassy of Panama in Washington requested Lend Lease assistance in the sum of \$1,500,000:

1. to build modern jails,
2. to build police barracks,
3. to add a new pavilion to the Santuy Roma Hospital,
4. to develop the new national agricultural program,

This request was promoted by Howard H. Gill, Bureau of Prisons, Department of Justice, who in 1942 was sent to Panama to make a survey of the Republic's correctional and penal institutions.

It is a fact:

1. that our policy has been not to assist Panama with Lend Lease aid,
2. that, in any event, the projects for which assistance was requested by Panama do not fall within the Lend Lease category,
3. that considerable time has passed since the receipt of the Panamanian note (as yet unanswered) of June 1942,
4. that our attitude has on repeated occasions been informally made known to the appropriate authorities of the Panamanian Embassy, and
5. that

equipment and supplies available.

In view of the foregoing circumstances it was decided (by RA) a few weeks ago to leave unanswered the Panamanian note of June 11, 1942. Accordingly the papers were sent to "file". Quite recently, however, the new Counsellor of the Panamanian Embassy, Dr. Morales, while reading through the files of his office came upon the unanswered note and made informal inquiry concerning the Department's attitude on the request. I discussed with him at some length the five circumstances listed above and explained the decision to file the note unanswered. I added that if his Embassy was still interested in the request and wished to send a follow up note, that procedure would be in order. I expressed the view that our reply would be in the negative. Dr. Morales said he could appreciate and understand the Department's action and stated that while he was all in favor of the benefits which would result to Panama if the projects were completed, he could see that the Panamanian Government had not been wise in the way it had approached the Department for assistance.

The Counsellor

ship between the Republic of Panama and the United States created a mutual interest in the local prison situation, and believed that this was sufficient reason for this Government's taking a very direct interest in the improvement of Panama's correctional and penal institutions (we have, of course, shown interest by sending Mr. Gill to Panama for the survey and later by assigning Captain Hartley Dams to Panama for a year to aid the Panamanian Government in carrying out certain of Mr. Gill's recommendations).

Capt. Hartley Dams - assigned to Panama for help in Prison situation

Dr. Morales indicated that he would continue to give thought to this matter and reiterated his feeling that the projects referred to in the note of June 11, 1942, had no relationship whatsoever to Land Lease. At his request I promised to forward to the Embassy copies of the original Land Lease legislation and the more recent extension of the act.

I believe Dr. Morales is at present moving on this matter out of pure personal interest and until we have something further in the way of an official communication from the

RAIHW/Le017LD

The de la Guardia administration plans to issue on November 3 (Panamanian National Holiday) the first number of a daily newspaper whose purpose it will be to assure the effective publication of the administration's viewpoints and policies.

The President and four of his associates (Raul Jimenez, Augusto Boyd Jr., Luis E. Garreta de Parades, and Florentio Iansa Arosemena) allegedly have purchased seventy-five percent of the stock in the firm previously controlled by ex-President Arias whose administration newspaper was entitled La Tribuna.

The projected newspaper is to be called La Huelga and will be directed by Raul Jimenez, brother of the Panamanian Ambassador at Washington.

It is understood that President de la Guardia has desired an administration newspaper for some time and that the matter became acute at the time of the Payfert incident when friction developed between the editor of La Esfera de Panama and the President's office. It is also reported that Hermodis Arias, publisher of El Panama Africano, has approached Joaquin Gabriel Duque, publisher of La Esfera de Panama, to enlist his support to combat jointly the establishment of a new journal and to have their newspapers adopt a common policy toward the administration.

RA:RNV15a:JLD

I would like your guidance regarding the attitude we should take concerning the possible return of Arias to Panama. My own views are as follows:

1. I think that Arnulfo is no longer a very important factor in Panamanian politics. Most of his most ardent former supporters have abandoned him and seem to be fairly disgusted with his antics as President. In the absence of some rather specific indication that his return to Panama would endanger the security of the Canal, I would be content to let Arnulfo return to his homeland. I have asked that the file on Arnulfo's recent activities be assembled.

2. As a former President of Panama, I think that Arias is entitled to appropriate courtesies from us. Whether these courtesies would extend to the granting of priorities for his travel is a question which I myself would be inclined to answer in the affirmative. Certainly if we block his travel and make it difficult, we will improve whatever slim chance he may have to make a come-back in Panamanian politics as the victim of the Gringos.

As this matter now stands, I believe that if Arias applies for a priority in Buenos Aires the Embassy will ask us for guidance. He might, of course, be able to do some traveling without a priority. I personally would have no objection to asking Pan American Airlines to inform us on this point, although I assume we will have full information from other sources.

Phillip W. Bonnal

DA:FWB:HSB

The Department's files disclose dozens of rumors generating the anti-American and pro-Axis activities of Arnulfo Arias. However, the most reliable and damning evidence appears to be the following:

(1) During the latter part of 1942 and the early part of 1943 the American Embassy at Santiago repeatedly advised the Department of long conversations which Arnulfo Arias had with such persons as Gonzales Von Harves, head of the Nazi Party; the Italian Consul; Raul Marin Balasoda, bitterly anti-United States and Nazi sympathizer; Manuel Llamado, considered highly undesirable from the point of view of Allied interests; the Naval Attaché of the Japanese Legation at Santiago, et cetera.

To an informant of the Embassy Arias stated that in his opinion the true German patriot is incarnate in Hitler. He expressed complete faith in the triumph of Nazism. Ambassador Bover reported that there was evidence of the possibility of Japanese funds being used to assist Arias in propaganda efforts and explained that there was no doubt that Arias was in Santiago working as an agent for the enemy.

(2) A secret agent working with the Embassy at Santiago entered the hotel room of Arnulfo Arias on September 7 with the Nazi salute and the greeting "Heil Hitler!". These were answered in kind by Arias. When the agent explained that he wanted information that would help combat the "Colossus of the North", Arias attacked the "Imperialistic" policy of the United States in Panama and the "false and hypocritical" democracy of the United States. He said the Good Neighbor Policy was only a weapon which was being used to strangle the smaller Latin American nations economically. He developed the theme that the Latin American's must emancipate themselves from the United States influence and control. He remarked that with the forthcoming Axis victory Latin America

WOU:R

(3) The Ambassador at Panama in June 1943 transmitted to the Department a political report, dated March 31, 1939, made by the Spanish Chancellor in Panama to the Spanish Minister of Foreign Affairs in which attention was called to the fact that Italy had not yet agreed to help finance Arnulfo Arias' campaign. Of particular interest in the report is the statement that the Chancellor had heard from sources he considered reliable that Germany had already paid, as token, \$20,000 to supporters of Arnulfo Arias "on account of the campaign". Although there were numerous rumors during the 1940 campaign that German and Italian interests had helped finance Arnulfo, the Spanish political report contains the most definite information which the Embassy had received. Arias was in Europe at the time the political report was made. In Spanish political report no. 139, dated September 21, 1939, further reference was made to financial contributions on the part of Italy and Germany to Arias' campaign, in return for certain concessions and guarantees on his part. These terms, according to the report, were taken to Panama by the Panamanian Minister in Berlin at that time, Dr. Francisco Villalaz.

I spoke to Colonel Galloway of the War Department this morning concerning the rumor that Arias is planning to leave Buenos Aires. Colonel Galloway said that the Military Attaché reported that there was a strong rumor that Arnulfo Arias would leave in November. Colonel Galloway stated that the rumor was based ONLY on the non-renewal by Arias of his apartment lease. Colonel Galloway stated that his files showed a distinct hostility to the United States on the part of Arias.

RA:MMW:ase:JLD

Further with regard to machine guns for the Panama police - this matter has come to the point where the War Department, State Department, the Embassy and the Canal Zone officials all agree that these small arms to a limited number be made available as soon as possible to the Panamanians. However, the War Department insists that the Panamanian Government should make an official request either through its Embassy here or through our Embassy in Panama.

According to the attached Censorship resume of a telephone conversation between the Panamanian Ambassador and Mr. Boyd in Panama, the Ambassador is still awaiting instructions "which the President sent him in a note". Presumably, therefore, these instructions have been on the way for many weeks.

It is my opinion that since the President of Panama some two years ago in a conversation with Ambassador Wilson requested him to ascertain whether the United States Government could make available this armament (see Mr. Wilson's despatch no. 354 of November 14, 1941); since this request was submitted to both the War and Navy Departments on December 9, 1941; since the reply of the War Department that this matter rests entirely with the Commanding General of the Panama Canal Department; and finally since this matter was only this fall eventually presented to the Commanding General of the Panama Canal Department by the Panamanian Government, this Government already has as formal a request as can be made and that we need not wait for any further request before writing a note to the Secretary of War which will finally grace the wheels and get this matter going toward a final conclusion. May I have your instructions.

RA:RHM:G:regori:JLD

REQUEST FOR JEeps AND MACHINE GUNS FOR PANAMA

With regard to your inquiry about the "jeeps and machine guns for Panama I am somewhat startled by the introduction of jeeps into this matter at this late date. For the past two years the armament in question has been confined to machine guns and sub-machine guns.

In any case the War Department insists on having a written request from the Panamanian Embassy for this armament. Since the Ambassador brought this matter up with you for the first time the other day, it might be appropriate to suggest to him that he submit his request in writing in order that it may be properly processed.

I also think we should get across to the Panamanians the desirability of keeping jeeps out of this business at least for the present. We know the guns are available in Panama and have only to be turned over to the Panamanians but if jeeps are wanted we will have to find out whether they are available and if so in what quantities.

Mr. Cabot:

A formal request from the Panamanian Embassy may come in for these machine guns. If it does it is sufficient to make a copy and translation of the note and send it with a short memorandum to Mr. Wilson in U-L who has been treating this matter informally with the War Department. We want to avoid any of the formalities of Lend Lease procedure.

RA:RHK:Gregor:JLD

VISIT OF PANAMANIAN AMBASSADOR.

The Panamanian Ambassador, Señor Don Enrique Jiménez, will call on you this afternoon at 3:30. He has appointments to see Mr. Duggan at 4:00 p.m. and Mr. Bonser at 4:30 p.m.

The Ambassador is returning to Panama on leave of absence at the end of this week. He may desire to discuss the matter of the Inter-American University which has been set up in Panama. Instructions were forwarded early this week to the Embassy in Panama and by all our missions in the American Republics setting forth the attitude of our Government concerning the University. A copy of the memorandum furnished by our Embassy in Panama to the Foreign Minister of Panama has also been furnished to the Panamanian Embassy here in Washington. The Ambassador, therefore, is fully apprised of our stand. You might desire to assure the Ambassador of our interest in the development of the University along sound lines. In view of President Roosevelt's special interest in this matter, you might also care to state that our suggestions concerning the University were inspired by a keen desire to see this Institution grow into a center of culture for students from all of the Americas.

Another matter in which the Ambassador has been active is in seeking to purchase from the United States Army some machine guns and ammunition for the Panama Police Force. We have no lend-lease agreement with Panama nor do we wish to conclude one. The War Department has today completely reversed its prior stand that the Commanding General in the Canal Zone turn over to the Panamanian Government about one quarter of the total of one hundred machine guns requested. General Brett

had

I believe we should insist with the War Department that there must be made available without further delay. The request for them is of two years standing. The Panamanians believe we have committed ourselves to supplying them and they are ready to purchase them. Furthermore, you will recall that last December President Roosevelt, War Department and the War Department were placed in a highly embarrassing position by actions of General Brett in the Canal Zone which caused the Panamanian President to appeal directly to President Roosevelt over the head of the State Department. I suggest, therefore, that you assure the Ambassador that the Department is doing everything in its power to straighten out this matter which is now being considered by the Munitions Assignment Board.

A third matter concerns the charter by Panama of a small armed vessel suitable for patrol purposes. An Inspector of the Panamanian Government is now in Florida and in touch with United States Naval authorities. He is being shown such vessels as are available and deemed suitable for the purposes required.

PHILIP V. BONNELL

0041851713

POLITICAL UNREST IN PANAMA.

The Embassy reports political uneasiness in Panama. Mutual distrust, lack of confidence and respect exists between President de la Guardia and principal members of his Cabinet. The President suspects his Ministers of Foreign Affairs (Fabrega) and Education (Goytia) of ambitions to succeed him. He fears similar ambitions of the astute Harroldo Arias. Pressure groups (sugar and natural vegetable oils) are seeking manipulation of customs duties for personal benefit. Despite widespread and mounting popular dissatisfaction, sugar prices in prices, the President lacks the political stamina to support conscientious elements in his government (Minister of Finance, Comptroller General, head of price control Junta who has resigned, Financial Adviser who has likewise resigned).

Embassy reports that ^{the} President is gradually relying more and more on the Police Force and the Good Will of the United States to maintain his position. The absence during the past five months of an American Ambassador and the lack of cordial relations with the Commanding General in the Canal Zone have probably contributed to the President's uneasiness.

On top of this the Chargé reports the President's health is none too good. There is talk of his coming to the United States for treatment and turning temporarily over to Ambassador Jimenez.

I strongly recommend that our new Ambassador, when appointed, be instructed to proceed as soon as possible to take up his duties. We should proceed with all dispatch to a final turning over of the Waters and Severe;

to an

Panama Politics

aviation, employment practices in employment, prices, repositioning of allocations in employment, overhaul repositioning of defense sites and a general overhaul turning back of defense sites and a general overhaul of the unsettled twelve points of which Panamanians explain inessentially. A grasp of these problems is no simple undertaking.

Robert G. McGregor, Jr.

CGA1RQMIJLD

During a conversation with the Panamanian Ambassador yesterday, I referred to the political truce which had been reached in Panama during his visit home. The Ambassador said this would have the effect of suspending political maneuvers for the presidency until the regular campaigning period in 1946. He added somewhat coyly that he expected to throw his hat into the ring as a candidate when the time came.

Since this information was volunteered by him it bears out information Mr. Kueelo has obtained from private sources in Panama, but contradicts Dr. Fabrega's statement to Kueelo that Jimenez had told him he was not at all interested in the Presidential office. This information, however, is interesting to us in the Department because we may expect the Ambassador to use his present position to enhance his presidential opportunities. More than likely this will lead him to adopt a very cooperative attitude with us and we might bear this in mind and possibly use him more often to carry the ball to the Panamanian Government on controversial issues.

Incidentally, from all I can gather the Ambassador has considerable political prestige with the present administration and although he does not seem to be blessed with a very keen intellect, he has always exhibited a sincere desire to collaborate with us.

Robert O. McGregor, Jr.

OCA:RDM:JLD

Panama best

Dr. Boyd, President of Panama;
Mr. Lawrence Duggan, Director, Office of American
Republic Affairs.

COPIES TO:
8
CCA
American Embassy, Panama.

Dr. Boyd stated that the President had asked him when in Washington to speak to the Secretary about his desire that there be established a cement plant in Panama. Because he was unable to take up this matter in his brief conversation with the Secretary Dr. Boyd asked me to pass along the President's comments to him.

Dr. Boyd said that building construction in Panama was very greatly handicapped because of the lack of cement. There is no cement plant either in the Republic or in the Canal Zone, so that all cement must be imported. The lack of shipping space had curtailed cement imports to the bare minimum.

Dr. Boyd stated that when this proposition was originally under consideration the Government had been in touch with the LaBigh Cement Company regarding the possibility of the company's taking a 50 percent interest in the plant. The company was ready to do this, provided that the new cement plant could secure a contract with the United States Government for supplying the cement necessary for the third set of locks. It had not been possible to secure such a contract, although the Governor of the Panama Canal had stated that he would purchase

cement

Dr. Boyd said that the President would appreciate the assistance of this Department in securing the necessary priorities. The President attached great importance to the establishment of this plant. He would look upon the establishment as one of the great achievements of his administration.

I told Dr. Boyd that the Department would do what it could to secure the priorities. There was no question of the material's eventually becoming available, but there was some question as to whether it would be available now. Several other countries had recently endeavored to secure cement-plant machinery and had been unable to obtain it. To this last remark Dr. Boyd countered by saying that most of these other countries already had cement plants, so that they were not as badly off as persons, which did not have any sort of a plant.

I assured Dr. Boyd that I would inform the Secretary of his comments and would keep the Secretary advised as to developments.

AB:JPD:MEZ

Senior Dr. Don Hleavoo A. ...
Embassy of Panama; Director, Office of American
Mr. Laurence Duggan, Director, Office of American
Republic Affairs.

PIES TO:

GDA: American Embassy, Panama.

I referred to the inquiry made by Dr. Boyd with regard to the possibility of obtaining an Export-Import Bank credit to pay the difference in the cost of concrete over masonry on the uncompleted portion of the Inter-American Highway in Panama. I told the Ambassador that I was informed that the Public Roads Administration was now making a survey at the request of the Panamanian Government itself with regard to the route of the highway. Until that survey is completed, it would be useless to take up with the Export-Import Bank the question of a credit.

The Ambassador and Dr. Morales seemed to acquiesce in the wisdom of this procedure. The Ambassador went on to state that the heavy rains of this year had washed out great sections of the highway. He was convinced that unless the highway was solidly constructed with a concrete surface there would never be an all-weather road.

AHA:LD:ULB

Señor Dr. Don Ricardo A. Morales, Counselor of the
Embassy of Panama;
Mr. Laurence Duggan, Director, Office of American
Republic Affairs.

COPIES TO:

OOA: American Embassy, Panamá.

The Ambassador referred to the conversation of Dr. Augusto Boyd with me with regard to the establishment of a cement plant in Panama. He then handed me the attached file containing the project application for the cement plant. The Ambassador requested that after it had been approved by the Department the application be presented to FEA. He expressed the keen hope that the Department would support the application.

I told the Ambassador that we would be glad to put into the hands of FEA the application. I told him that we were now reviewing the pending applications for cement plants for the other American republics. There were other countries also which wanted plants. The material situation had eased somewhat, but only the FEA and VPB could determine whether it had eased to the extent that these applications could be filled. We would have to await their advice.

The Ambassador said that Panama's aspirations for a cement plant went back several years. He thought that Panama's desire for a plant antedated the desire of other countries. Moreover, so far as he knew, all the countries already had at least one plant in operation whereas Panama had none.

The Ambassador requested that he be advised as soon as possible of the results of the review now being made of this general subject.

ABA:LD:GJB

COPIES TO:

I asked Mr. Knox if PAN and PVA had come to any decision on the matter of the export license application for the cement factory for the Republic of Panama submitted by Alito Quintero. Mr. Knox said that they had not had a chance to study the case very closely but in view of the fact that four similar requests from other countries in Latin America had been denied, the prospects did not look too favorable for a plant in Panama.

The export license application was submitted to the Department in March 1954 and has not as yet been transmitted to PVA pending a determination of the Department's attitude.

COPIES TO:

Mr. Briggs, expressed his same observations were explained to him.

Mr. Furniss said he would draft a memorandum to Mr. Braden suggesting that when approached by the War Department on the matter of implementing the matter of staff conversations, we turn down the Panamanian request for C-48's, AT-8's, PT-13's, additional United States military advisers, etc., etc. on the grounds that we do not wish to create armies in Latin America where they do not already exist.

As an alternative, it will be suggested that this Government offer to lend assistance by making available experts to train the Panamanian police force along civilian rather than military lines.

Mr. Furniss will show us the draft of his proposed memorandum.

CCAI:MMW:lsc:bnl

10/31/48

COPIES TO:

Mr. Cochran (COA)
Mr. Cabot (OCA)
Mr. Armour (ARA)

On the afternoon of September 15, 1944, Ambassador Jimenez called on the desk officer for Panama to leave two communications which he said were not of sufficient importance to transmit to Mr. Armour personally. These communications have been circulated separately. One concerned a complaint that a transit certificate issued by the American Vice-Consul at Quito, Ecuador had referred to the Canal Zone as "territory of the United States". The other was a statement to the effect that the Panamanian Government would soon publish new proofs of the Nazi activities of Arnulfo Arias.

Ambassador Jimenez stated that he would be leaving for Panama in October. He added that he was a friend of Ambassador Warren and kindly offered to convey any communications I might have for Mr. Warren.

In the attached intercept, Ricardo Adolfo de la Guardia urges Mr. Jimenez to be in Panama early in October. The Government probably needs help against the supporters of Arnulfo Arias. Jimenez would also wish to organize the convention of his "Jimenezista" political party, which meets on or about October 9. Some of the other political parties will also convene at that time.

Enclosure!

Telephone censorship 9/12/44

OCA:HNW:lsom:RJ

Auth - American Embassy

PANAMA CITY, PANAMA

RECORDING UNIT

ST: 7281

LIST: NA

Recording Identification	Language	Previous Record	Local Distribution
9-1903/B(49-54)	SPANISH		NONE

LIST: TEXT OF CONVERSATION AND COMMENT

REASON FOR REPORT: C C C 85,000

ATTN. CONTACT SECTION, CLASS A & O TFC.

f informed that he had seen a cable to hermandez (!) SEND AN OFFICIAL CABLE INVITING D TO THE CHANCELLERY ON THE 4TH OR 5TH. F FURTHER EXPLAINED THAT HE HAD SENT THIS CABLE SINCE HE THINKS IT OF THE UTMOST IMPORTANCE THAT D BE IN PANAMA BEFORE THE 9TH. ALSO, F POINTED OUT, IF D IS IN PANAMA BEFORE THE 9TH, HE CAN ATTEND TO THE CONVENTION MATTERS.

D EXPLAINED THAT BECAUSE HE DID NOT KNOW ABOUT THE RETURN OF THAT MAN HE HAD ONLY SENT EXCERPTS OF AN ARTICLE CONCERNING THE OMBUDSMAN. HOWEVER, HE HAS ALREADY DISPATCHED THE COMPLETE ARTICLE CONCERNING THIS MATTER WHICH HE BELIEVES OF GREAT INTEREST TO F.

IN REPLY TO D'S QUESTION: "HOW IS EVERYTHING?" F STATED: "I AM DOING EVERYTHING I POSSIBLY CAN TO THwart THE ATTACK PLANNED BY THOSE NAZIS. I AM SCHEDULED TO HAVE AN INTERVIEW WITH THE PRESIDENT OF COSTA RICA ON THE 18TH."

D CONFIRMED THAT ALL IMPORTANT PENDING ORDERS HAVE ALREADY BEEN DISPATCHED AND INQUIRED ABOUT REmittANCES PROMISED TO COVER EXPENSES OF THOSE DELEGATES WHO ARE GOING TO PANAMA.

... ARRIAS IS STILL IN ARGENTINA. FOR VARIOUS REASONS IT LOOKED AS IF ARRIAS' LONG-HERALDED PLANS TO RETURN MIGHT SOON BE REALIZED. THE QUESTION BECOMES INCREASINGLY SERIOUS BECAUSE THE NATIONAL ASSEMBLY MEETS IN JANUARY AND HAS THE LEGAL POWER TO RECONSTITUTE HIM AS PRESIDENT. AT LEAST A CONSIDERABLE NUMBER OF THIS BODY COULD PROBABLY BE PERSUADED TO DO SO. DURING THE MONTH OF OCTOBER VARIOUS POLITICAL PARTIES ARE HOLDING THEIR CONVENTIONS; AND IT MAY SOON BE POSSIBLE TO MAKE A BETTER APPRAISAL OF THE STABILITY OF THE PRESENT ADMINISTRATION. IT SEEMS TO BE GENERALLY RECOGNIZED THAT IF ARRIAS SHOULD REGAIN THE PRESIDENCY HE WOULD BE AN UNDESIRABLE AS HIS POSITION ALLOWED HIM TO BE. HOWEVER, THE GOVERNMENT OF THE UNITED STATES HAS NOT TRIED TO PREVENT THE RETURN OF ARRIAS; LEST SUCH ACTION BE REGARDED IN SOME QUARTERS AS A DETESTABLE INTERFERENCE IN THE AFFAIRS OF PANAMA.

II. Labor

It has been a continuing problem to avoid complaints that the employment policies of the War Department in the Canal Zone discriminate against Panamanians. Although it has not yet been possible to remove the causes for such complaints, Ambassador Warren has achieved a high degree of success in minimizing overt friction in the matter between the Panamanian Government and the military authorities.

III. Boundary Settlement

A matter which did not involve action by the United States, but which was lauded publicly by our Government, was the important settlement on September 16 of the Panama-Costa Rica boundary.

IV. Good-Will

Panama vs US

On the other hand, the Panamanians are not unduly troublesome on many small matters, especially in seeking Selective Service deferments; and that Government has on occasion resorted to one ruse or another in order to keep Panamanians from being drafted.

V. Aviation

Panamanian agitation for the development of civil aviation in the Republic has been smoldering; and in connection with the coming aviation conference in Chicago it is expected that the mode in which Panama may be permitted to develop aviation facilities will very shortly become of capital importance.

CCA:KEM:llson;PO:DVH

Canada is concerned as to the influence of Communism in the western hemisphere. He is opposed to recognition of the USSR and fears lest Panamanian delegation in San Francisco be subjected to pressure for the establishment of such relations.

cc UNCTO - Mr. Warren
Mr. Lockwood

001117000000000000

PARTICIPANTS: ARL
GQA - Mr. Cochran
GJA - Mr. Wilson

Ambassador, Panama - Mr. Donnelly

COPIES TO:

1-1-1945

Mr. Donnelly telephoned from Panama to inform the Department that at noon, today, Enrique Jimenes was inaugurated as Provisional President of Panama; Ernesto de la Guardia as First Vice President, and Reul Jimenes as Second Vice President.

Mr. Donnelly stated that it appeared that Ricardo Alfaro would be named Minister of Foreign Affairs; Ricardo Morales, Minister of Treasury and Finance, and J. J. Vallarino, Ambassador to the United States.

Mr. Donnelly said that General Brett wished this information relayed to the War Department G-2.

Mr. Donnelly stated that everything was quiet.

GJA:HWL:sem:fg

6/18/45

July 11 1944
action on staff conversations with Panama is as follows:
On August 25, 1944, the State Department asked its Embassy in Panama to present a note to the Panamanian Government suggesting that exploratory bilateral military staff conversations be held between representatives of Panama and the United States. On October 30, 1944, the Panamanian Minister of Foreign Relations replied that Panama accepted the proposal and was prepared to designate representatives when the United States should make known its representatives.

The following action is proposed in order that staff conversations between the two countries may be held. The State Department will instruct its Embassy in Panama to draw up in collaboration with General Brett a tentative agenda for the staff conversations and submit it to the State Department for final approval. This agenda to exclude the subject of defense sites and reference to civil air problems. The War Department will instruct General Brett in the same sense, with Department for final approval. A copy of the agenda has been approved by the two Departments. When the agenda has been approved by the two Departments, it will be sent to the Embassy in Panama for submission to the Panamanian Government, at which time the Embassy will suggest a date for holding the conversations.

John C. Dreier

RL:ESP:urn:iss:106

- 4 - four-door six-cylinder sedans
- 18 - two-door six-cylinder four-passenger coupés
- 4 - double-wheeled twenty-passenger buses
- 20 - twin-cylinder Harley Davidson motorcycles
- 16 - twelve-passenger station wagons
- 20 - Beeps

The Counselor also requested assistance in obtaining powdered milk.

I have suggested to Señor Huertemate, after consulting with PEA, that on the question of the milk he approach the Department of Agriculture and have an allocation established. Once an allocation is obtained and the Department is officially advised, I promised that I would see that the Department could do in the way of supporting the application with letters to the War Food Administration and to the food branch of PEA.

With respect to the motorized equipment, I suggested that the Panamanian Government approach the Embassy on the needs of the national police and have Mr. Donnelly send his official recommendation to the Department. In the meantime, I suggested that Señor Huertemate endeavor to locate a supplier in the United States who, upon the receipt of the order backed by our Embassy, could make out the appropriate application forms to be filed with PEA.

I discouraged Señor Huertemate on the possibility of obtaining anything like the number of cars which he said were needed and added that I was not sure that at this time any of the motorized equipment could be obtained except probably a few motorcycles.

OOA:MMWLSG:VK

Recently in Panama there has been a great deal of public criticism of high officers of the national police being influenced in their duties by their private business interests. This criticism undoubtedly has been the cause of Colonel Remon's presenting his resignation as President of the Compañia H. J. J. This also indicates that he has probably now thrown his lot in with President Jimenez. This may be significant. Latest reports are to the effect that the new track organization does not wish to accept his resignation.

ODAIKNNYaseiVX

I am impressed by the organization and clarity of the subject matter. I consider it an excellently prepared speech in which Mr. Donnelly evaded himself of an opportunity to drive home fundamental and basic principles. The Panamanian press referred to Mr. Donnelly's remarks by urging the Panamanians not to lose sight of the need of adopting a cooperative attitude toward Americans instead of allowing certain disturbing elements of extreme nationalism to beget the possibility of the Panama Canal such an attitude is of great importance to this country and the hemisphere.

I hope there is some official way for commending Mr. Donnelly on his speech.

CDAL MURKIN

Jimenez had to reverse his policy, providing for a second problem was that of citizenship for certain Jamaicans born in Panama. The West Indian negroes will probably not be disenfranchised but will be required to speak, read, and write Spanish and attend Panamanian schools. Since the victory in Japan a 40-hour week will soon go into effect in the Canal Zone and some 40,000 Panamanian employees will have their pay checked out. This indicates possible deflation in Panama and cannot fail to have political significance.

The opposition has never been able to form a united front. Fabrega remains the key oppositionist and the main representative of ex-President Guardia's Administration. The problems mentioned above may drive a number of other-wise liberal Panamanians into Guardia's camp although at present the opposition does not constitute a real threat.

Followers of Arnulfo Arias also form an opposition group, closer to the present Administration than the followers of Guardia. Arias continues to have a following in Panama, because of his appeal to the masses and his nationalistic and anti-American attitude. Jimenez does not feel that his return to Panama will be a danger to the Administration. The Congress of the "youth-student" groups in late September and Arias' return will open a period of intensified political activity.

(Despatch 2569, August 29, 1945, from Panama.)

OOA: Cwertenbruch

students is to be held in Panama City September 14-16. Among other items on the agenda are: (a) problems of workers in the Canal Zone and discrimination between Gold and silver rolls, (b) questions regarding bases granted during the war for the defense of the Panama Canal, and (c) the International-ization of the Panama Canal.

It would seem that these matters should be of no concern to the students. The Embassy has promised to report in detail and arrangements have been made with Canal Zone Intelligence Agents to keep the Congress under surveillance. The so-called "youth student" movements in Panama are dominated by Arnulfistas.

Despatch No. 2635

CCAJHXKLSIWK

to the Panamanian Government. The press unaccountably "was" continue the Panama maneuver area with defense bases and endeavor to stir up the hopes of the people that other bases will be returned shortly.

The privilege to use the airport was originally granted on December 8, 1941. Its utility as a maneuver area served its purpose during the war but it is no longer of any practicable value to the defense of the Canal. The airport was not one of the sites for the use of which compensation was made to the Panamanian Government. The present authorization ceases on October 30, and the Army has decided not to request a further extension.

(Despatch from Panama, No. 2804, September 25, 1945)

OGAMKURLEIIVK

pletion of political intrigue. The Embassy believes that Arnulfo has more popular support than was anticipated prior to his arrival.

The Arnulfistas give Arias credit for:

- (1) Twelve points of national revindication obtained from the United States.
- (2) Nationalization of small business.
- (3) End to the exploitation of the farmers.
- (4) Social security for the benefit of the workers.
- (5) Finally, defense of territory of the Republic.

CA:MMW:lsh:ma1

is friendly to the United States and his approach is through peaceful and intelligent means.

It is now evident in Panama that Arias misjudged the present state of mind of the majority of the Panamanian people, for his unfavorable references to the United States have definitely worked against his plans for gaining control of the Government again. In fact, during the last few days Arias has tried to play down his stinging remarks about the United States.

Embassy points out that even though Arias calms down it will not be easy for him to restrain some of his fanatical followers who have a taste for "blood" and a desire to replenish their pocketbooks which have been empty since Arnulfo left Panama. The Embassy believes that some of these followers would resort to any tactics to accomplish their aims.

The Embassy believes that Arias will probably try to arrive at a political agreement with President Jimenez, and if unsuccessful, will endeavor to reach an understanding with Pancho Arias. Pancho Arias probably will be unwilling to run the risk of sacrificing his chances of becoming president by combining with Arnulfo Arias. Besides, Pancho and Arnulfo have been bitter enemies for years.

Dunsmen Altman, of the Atlantic Monthly, recently talked with Arnulfo Arias and described Arnulfo as mild, courteous and convincing during the conversation, and reports that he (Arias) was so pleasant that if he did not know his background he would rate him as a sincere person.

Arias told Altman he returned "to serve the people", that he had no plans for the immediate future, that he would study the political situation, and settle his personal affairs which he described as in a mess after four years'

absence

Argas said he did not give serious thought to a trip to the United States but that he would sometime like to deliver a series of lectures on the mistakes of United States post-war relations with Latin America.

Arias believes that all relations with Panama should be handled by the State Department and that Panama Canal officials should have less authority. Arias believes that the United States should have paid \$2,000 a hectare for defense sites, not because of land values, but because it was Panamanian territory and that the funds could have been used for constructive purposes within the Republic.

OOA:MMV1se:hm1

10/30/45