

confident that he can out-manoeuvre Arnalite areas. On 1/28/46 the President made a strong statement in Golan assuring his followers that the Government intends to maintain a firm position. The Arnalitees realize that they are losing ground -- there is already a split in their ranks -- and they are now resorting to a noisy terrorist campaign consisting of placing bombs in office buildings, etc. Although the situation will keep careful watching, the Embassy believes that the Arnalitea movement will cease to be a serious threat to the Jewish Administration.

SECRET 1/28/46

"These lands shall be evacuated and returned to the United States of America shall terminate one year after the date on which the definitive treaty of peace which brings about the end of the present war shall have entered into effect. If within that period the two Governments believe that, in spite of the cessation of hostilities, a state of international insecurity continues to exist which makes vitally necessary a continuation of the use of any of the said defense bases or areas, the two Governments shall again enter into mutual consultation and shall conclude the new agreement which the circumstances require."

During the emergency the United States requested and occupied over one hundred distinct defense areas. More than sixty of these have now been returned with whatever improvements were made on them.

The most controversial topic of the negotiations for the Defense Sites Agreement was the one relating to the time when the sites would be returned. Panama insisted that the sites be returned upon the cessation of hostilities or with the beginning of the demobilization of the Armed Forces. This Government, not knowing then how the war would end and contemplating the possibility of a renewal of hostilities after an armistice, in order to play safe insisted that it not be obliged to return the sites until one year after the date on which the definitive treaty of peace shall have entered into effect. When this phraseology was discussed in the Department it was definitely with a view to obtain after the war a period of delay which it was thought conceivably might mean a period of five or six years.

Recently

3. What is the date of expiration of authority given to the United States for the use of a section of the national highway which runs through the Rio Kato air base and for stopping traffic over the highway when air activities so require?

It is Dr. Alfaro's view that the definitive treaty of peace was signed aboard the MINORCA September 1, 1945 and, accordingly, the United States is obliged to give up the defense sites by September 1, 1946. He said it would be absurd to think that the definitive treaty of peace is that which is to be negotiated between the United States and the Axis for the establishment of normal relations.

In answer to question 8, Dr. Alfaro referred to the national torpedo boat base on Foboga Island which had been requested for "the duration of the war".

With regard to question 9, Dr. Alfaro explained that permission was granted to the United States to extend the runway at Rio Kato across the national highway "for the period of the emergency only". He added that the emergency ended on September 1, 1945 and that this matter would be taken up soon with the United States.

The ex-minister explained that Panama interpreted a definitive treaty of peace as the one which brought about the cessation of hostilities. He said that during the last war there was a period of time between the armistice and the signing of the peace treaty because the armistice was conditional. He added in this war the surrender had been unconditional and any treaty other than the one signed on the

MINORCA

conditional surrender pact signed aboard the MENDOTA on September 1, 1945.

On November 7, when Secretary Byrnes was asked to comment on Dr. Alfaro's statements, he said that the United States would not fail to fulfill its obligations to Panama in accordance with the Defense Sites Agreement. Panamanian editorials highly applauded the Secretary's statement. They alleged that the discussion in Panama regarding the date for the return of the sites was not motivated by any belief that the United States would not comply with its obligations, but rather to inform the assembly of the interpretation of the Agreement and to dispel rumors being circulated by subversive elements to the effect that the United States would not return the large tract of land at Rio Hato and possibly certain other sites occupied by the United States Armed Forces.

Our Army authorities regard the base at Rio Hato as the most important defense site outside of the actual Canal Zone. They wish to continue to occupy it in the pennetime period as a part of the overall plan for the defense of the canal. General Crittendenberger understands that retention of the present site and any expansion thereof must be the subject of negotiation and agreement between the two governments. Re-routing of the national highway so as to eliminate the present runway-highway intersection would cost approximately \$150,000. Something like this will have to be done should the right to extend the runway across the highway be only for the duration of the war.

General Crittendenberger's Command is drafting recommendations for the pennetime defense of the Panama Canal and it is to be forwarded to Washington shortly. It will probably be necessary to reach an agreement in Washington on this matter shortly in order that negotiations can be initiated with the Panamanian government for the defense sites which the Army wishes to retain. It is recommended, however, that no negotiations take place until the Constitutional Assembly approves a new constitution and the status of the provisional president and the Constitutional Assembly is clarified.

The Panamanians

COAL MARKET REPORT

has passed a law establishing extremely severe penalties for subversive activities. It is expected that the wave of terrorism in Panama will now subside.

According to newspaper reports, the Supreme Court of Panama on November 16 refused a petition for a writ of habeas corpus presented on behalf of supporters of Arnulfo Arias who is being held in connection with recent political disturbances, including three bomb explosions.

OGAI:MMH/ste:bnl 11/21/45

there is no reason to be surprised that the Panamanian military establishment because President Jimenez and the Minister of Government and Justice have on different occasions stated that they are interested only in placing the national police force on a more efficient basis in terms of quality rather than number of personnel. They do not favor the creation of a military force.

OCAI MHTLSEL DAL 11/26/48

istas suspected of participating in or having knowledge of the bomb throwings have been arrested and are being questioned. The law passed by the Constitutional Assembly establishing severe penalties for terrorist acts appears to have dampened the enthusiasm of the Arnulfistas. Police have found and investigated a large deposit of dynamite in the home of Montoya, a Colombian citizen, who admitted offering to sell the dynamite to an ardent Arnulfista.

Some of the Arnulfo followers have been engaged in an active policy of intimidation directed against restaurants, bars, beer gardens, and other public places.

Arnulfo has made several political speeches at different cities in Panama, in one of which he praised the administration of Truman in contrast to that of Roosevelt and attacked Jimenez and former President de la Guardia.

(Despatch 164, November 25, 1945, from Panama.)

OCA:OWertenbruch

Import Taxes	\$5,366,800.00
Consular Fees	2,191,000.00
Export Taxes	38,853.14
Bonded Warehouse Receipts	68,800.00
Internal Taxes	9,183,640.00
National Services	788,800.00
Inheritance Taxes	772,000.00
Miscellaneous	730,000.00
National Lottery	8,628,000.00
<b>Total Income.....</b>	<b>\$36,934,293.14</b>
Cash on Hand.....	4,832,228.78
<b>Total Estimated Resources.....</b>	<b>\$30,266,618.92</b>

The Constitutional Assembly of Panama has approved a budget totaling \$30,266,618.92, as follows:

Government and Justice	\$5,749,721.16
Foreign Affairs	736,474.38
Finance and Treasury	1,469,170.00
Education	5,140,172.30
Agriculture and Commerce	1,521,625.00
Public Works	8,219,415.00
Labor, Social Welfare and Public Health	3,398,408.16
Comptroller General	271,240.00
External Debt	708,000.00
Internal Debt	1,161,981.00
Special	1,169,826.00
Unforeseen Expenses	532,839.92
<b>Total .....</b>	<b>\$30,266,618.92</b>

OGA: MVA: eibml 1/16/46

A manifesto to the country and a proclamation, both of which were obviously written in advance of the date for the Armas revolution planned for December 21-22, have been found in the office of the Arnulfoista weekly; the publication of which during the week of the planned revolution had been delayed from its customary Thursday to Saturday. The manifesto was typewritten but pencil corrections on it were made in the handwriting of Dr. de Roux, Arnulfo's Foreign Minister who negotiated the Twelve Points and the Defense Sites Agreement with the Department. The proclamation was in the handwriting of Arnulfo himself.

It is now definitely known that simultaneous with the attack on the Colon Police Headquarters it was planned to make a similar attack in Panama where small groups of men had been stationed all over the city to take all Government officials prisoners. Because of "leaks" the National Police had the situation in hand in Panama City before the Arnulfoistas could move. Men stationed throughout different parts of the city allegedly were going to send in false fire alarms to confuse the situation. Reliable sources state that the Arnulfoistas had planned to set fire to the City of Colon on the night of the attempt on the police station.

Cross-questioning of various Arnulfoistas indicate that the entire plan was approved by Arnulfo himself and that he in his own handwriting wrote instructions calling for the various subversive acts and the uprising. Arnulfo's personal guilt, which he has denied from the beginning, is becoming clearer and clearer every day and now there is no doubt as to Arnulfo's complicity in the attempted revolution.

OCAJ MINTSERIAL 1/26/48

TO: Colonel M. W. Vanepp,  
Operations Division, 8DGB,  
Room 3-E-791 Pentagon Building.

FROM: F. B. Lyon, Chief, Division of  
Foreign Activity Correlation.

SUBJECT: U. S. Military Installations in  
the Republic of Panama.

Reference is made to your memorandum (OPD 660.2,  
13 Mar 46), of March 21, 1946, requesting information  
as to whether the Government of Panama has presented  
a formal communication to the effect that September 1,  
1946 should be considered the date for terminating the  
agreement of May 18, 1942, copy of which is enclosed,  
for the lease of defense sites in the Republic of Panama.

The War Department is informed that while the  
Panamanian Government has presented no request that  
the defense sites be returned by September 1, 1946,  
the Foreign Office did on November 17, 1946 transmit  
to the American Embassy a copy of a Resolution, taken  
by the Panamanian National Constituent Assembly on  
November 8, 1946, in which reference is made to a  
report to that Assembly by the Foreign Minister who  
stated that in his opinion the United States is  
obligated to vacate all the defense sites not later  
than the first of September 1946. There is attached  
a copy of the Embassy's despatch no. 324 of December 8,  
1946 which encloses a copy of the resolution of the  
Constituent Assembly as well as a copy of the Foreign  
Minister's note of November 17. In this connection  
there is also transmitted as of possible interest to  
the War Department a copy of the Embassy's despatch  
no. 32 of November 8, 1946 which describes in some  
detail the Foreign Minister's argument.

The Department

would be honored by this Government.

The Department does not concur with the Panamanian Foreign Minister that the phraseology of Article I of the Defense Sites Agreement which reads "These lands shall be evacuated and the use thereof by the United States of America shall terminate one year after the date on which the definitive treaty of peace which brings about the end of the present war shall have entered into effect," can be interpreted as meaning September 1, 1946 inasmuch as to date there has been no definitive treaty of peace as a result of the termination of hostilities. It should be pointed out, however, that the spirit of the Defense Sites Agreement requires that when the need for a given defense area ceases to exist the site is to be returned immediately to Panama. Accordingly, the Department is of the opinion that for political reasons and for the preparation of a friendly atmosphere in which to negotiate a new agreement with Panama for the use of areas which will be needed under the long-term arrangement now being drawn up by the War Department, it would be most advisable and advantageous to this Government if the Commanding General, Caribbean Defense Command, returned to Panama as rapidly as possible all those defense sites obtained under the present arrangement which are no longer needed. This Department shares the hope of the War Department that the long-term arrangements may be completed before the expiration of current agreements.

Enclosure:  
As stated above.

PO:Kanderson:CHW  
CCA:MKW:lsc:bnl

4/6/46

LE

CCA

The Panamanian press has shown considerable enthusiasm the demonstration of good will which the United States has shown to Panama in returning so promptly the Taboga Island Naval base to Panama. The Panama American stressed the fact that in this time of confusion, uncertainty and suspicion in international relations, the good faith existing between two American states, one the most powerful in the world and the other one the weakest, was particularly praiseworthy.

The Taboga Naval base comprises some 36 acres of land, contained over 80 buildings, a pier, power plant, work shops and other installations valued in excess of \$600,000. The buildings and installations were returned to Panama with the land. The power plant was sold to Panama for a nominal sum through the FLO.

Panama expects to turn the whole Taboga project into a tourist center. Taboga Island has traditionally been the recreation ground for the Panamanians. The important role which it played in the past was added interest to the history of the island, according to ~~Secretary~~ Ambassador Hines, whose remarks on the occasion appear to have been most appropriate.

CGA:MMW:lsh:dml 4/8/46

ary Panamanian Consul in Lincoln, Nebraska.

The tone of the paper is believed to be along the strict Communist line. The lead article attacks English and American imperialism which, it claims, are allied, marching toward a new war with the USSR. The monopolistic firms of Wall Street and the "City" in London are accused of being behind this. The Vatican is also attacked. Another article advocates the establishment of relations with Russia. The third article praises Roosevelt and Ickes and James Roosevelt for his opposition to Churchill. Other articles are entitled: "In Defense of Soviet Democracy", "Why We Defend the USSR", "The British Should Get Out of Creese" and "Iran Has a Fascist Regime".

(Despatch 1238, April 1, 1946, from Panama.)

COA:CMertenbruch

The 1948 presidential campaign. Political undercurrents of a subversive tendency are probably stronger today in Panama than ever before.

Labor appears dissatisfied and restless and the Government fears strikes and other disturbances which might be produced by any situation such as unemployment due to lack of vital building materials, inability to receive commodities (foods in particular) now in short supply, housing shortages and discrimination against workers.

The student strike at its present stage is not related to the demands of the real students but is merely a political movement. The growing alliance between Arnulfo Arias, Leftist, Communist and anti-American groups is evidence that the Arnulfitas are growing in power as standard bearers for all those who feel grievances.

CCAIWMSIseidmi 7/10/48

public and the President established himself in the minds of the majority as a Liberal. He appointed a new Supreme Court, unified five Liberal parties into one in support of his Administration, commenced round table conferences on outstanding matters between the two governments and initiated public works projects such as the construction of workers' homes, new roads and a new national airport.

He has handled the Aruafista question and the student strike with apparent ease but both are still troublesome issues. A successful outcome of the round table conferences would add glory to his political stature which would increase even more if he could eliminate this success with the negotiation of a large loan at a low rate of interest to complete old and begin new local development programs.

Opposition with his own group is small. Pracho Arias is the announced candidate of the Liberal group to succeed Jimenez. However, two former Jimenez supporters, Ricardo A. Morales, former Minister of Finance and Treasury, and Jorge Ramirez Duque, Deputy to the National Assembly, have announced their candidacy. Some opposition to Jimenez has developed from the Porras Socialist Party, unscrupulous in principle, has attempted to split Jimenez and Humberto Arias. which

#### Ex-President Adolfo de la Guardia

De la Guardia's Partido Nacional Revolucionario has attacked the unification of the Liberal parties. His strongest headman, Samuel Lewis, Jr., recently condemned United States policies in the Canal Zone in an obvious effort to curry favor with labor. The De la Guardia party is weakly, but its political activities are more or less limited to taking occasional "pot shots" at the Administration.

#### Analysis

successful it will have the effect of tying the Arnulfistas in with the Leftists and Communists and will form a governmental bloc in opposition to President Jimenez.

Arnulfo Arias and the Student Strike

Arias continues to be an inmate of the Panama Hospital, although it is understood that he is in good physical condition. There is no recent news about his trial but it is believed that plans are going forward slowly. Arnulfo is confident that his attorneys will soon obtain his release and make it possible for him to visit the United States.

In May Arnulfo is reported to have stated that following his hunger strike there would be a student strike and following that a general strike. It is probably more than a mere coincidence that the recent closure of the students of the Normal School at Santiago over lack of professors rapidly grew into a student strike of almost nation-wide proportions. This strike seriously threatened the position of the Ministry of Education and caused President Jimenez to call a conference which voted to (a) condemn the proposal of an anti-strike law as unconstitutional and undemocratic; (b) accept the urgent necessity of reorganizing the Ministry of Education; (c) agree that the construction of schools and the equipping thereof cannot be delayed; (d) agree that the severity of teachers and low salaries constitute a serious problem about which something must be done etc. In spite of the progress made at the conference the Student Strike Committee has voted to continue the "huelga" indefinitely.

Although

carried out their orders with remarkable that there were not the Embassy considers it remarkable that there were not severe casualties, Inasmuch as mounted police charged with drawn sabers. Informed opinion seems to agree that the cause of the trouble and give the impression that the students were being victimized by the administration. Actually, Arnulfistas and Leftists organized and led the whole proceeding with 14 and 15 year old students used merely as "annon fodder".

The case with which a small group of agitators dominated by the Arnulfistas and the Leftist movement has been able to make a national incident out of a relatively small event in Santiago indicates a weakness on the part of the administration, but at the same time is evidence of the growing alliance between Arnulfistas and Communists and the increasing strength of Leftist influences in Panama.

CCAI/MW/L:se/hml 9/10/48

COPIES TO:

American Embassy, Panama (Informally)  
CIA - Mr. Barber  
ARA - Mr. Briggs  
A-Dir - Mr. Braden

Ambassador Vallarino called this morning with reference to current press releases covering defense sites negotiations in Panama. The Ambassador said the Foreign Minister had called him to advise that a copy of his note of August 31 to Ambassador Kline was being forwarded to the Embassy. The Ambassador was told that the Department had received a copy by cable.

The Ambassador expressed concern over the newspaper propaganda in Panama and stated that all the agitation was being sponsored by the Opposition rather than by the Government itself. He added, however, that he understood that yesterday the National Assembly of Panama had voted not to make further defense sites available to the United States. (This is not correct, of course, for the Embassy's telegram no. 685 of August 3 reports the National Assembly as having resolved that "... it is indispensable that the Government of the United States proceed to return the defense sites whose jurisdiction was granted to it through the Agreement of May 18, 1942 and which it has not yet evacuated despite the fact that the term fixed therefor has expired.")

The Ambassador

If the James administration could report progress on such matters as these it would strengthen their position vis-a-vis the Opposition. I told the Ambassador that the Department appreciated the very friendly spirit he had shown in calling about the defense negotiations and that the Department would bear in mind his kind offer to cooperate and would undoubtedly get in touch with him from time to time concerning the negotiations. I assured him I would report his call to Messrs. Harber, Briggs and Broden.

As soon as Ambassador Kline approves the proposed press release which was eabled his today, CDA, in accordance with Mr. Broden's suggestion, will call Ambassador Vallarino in to the Department to show him the press statement before it is released.

CDA:MCW:ase, hml 9/3/68

Months prior to Pearl Harbor U. S. military authorities reached the conclusion that the Panama Canal could not be adequately protected by installations within the ten-mile-wide Canal Zone. Accordingly, as early as 1939 preliminary discussions were begun with Panama relative to the need for defense areas in the Republic itself. Pursuant to provisions of the 1926 Treaty of Friendship and Cooperation with Panama the two Governments have assumed the position of partners, vitally interested in and mutually obligated to cooperate on matters relating to the protection of the Canal.

On March 5, 1941 the President of Panama, pending the conclusion of final arrangements regarding the terms on which sites were to be used, issued a manifesto making available to the United States certain defense areas. On May 18, 1942 a Defense Sites Agreement was signed by both Governments. That Agreement emphasized the temporary character of the occupation by this Government of defense areas in Panama. It obliges the United States to evacuate defense areas as soon as they are no longer needed, and at the latest, within "one year after the date on which the definitive treaty of peace which brings about the end of the present war shall have entered into effect". The agreement further stipulates that "if within that period the two Governments believe that, in spite of the cessation of hostilities, a state of international insecurity continues to exist which makes vitally necessary the continuation of the use of any of the said defense bases or areas, the two Governments shall again enter into mutual consultation and shall conclude the new agreement which the circumstances require".

During the war the United States occupied a total of 134 defense sites. In accordance with the spirit of the 1942 Agreement 71 of these have already been returned to Panama and 27 more are in the process of being returned.

The War