

As for Ricardo J.: the consensus in the American community in the Republic is that Alfaro would be a calamity as President. I do not have to tell you what the sentiment in the Canal Zone would be. With regard to Colonel Rémon, attention is drawn to the fact that he is surrounded by unmitigated scoundrels. In this connection, reference is made in particular to "Bebe" Jiminez and "Teme" Diaz.

Rémon, himself, is a notorious spoliator. If, however, he became President, he would doubtless play the game with both the Armed Forces and the Civil Government of the Canal Zone, but he and his associates would undoubtedly set about mercilessly to loot this bankrupt country. The end result would be, of course, that the frail, soiled fabric of the economy of the nation would be terribly tattered and that political stability in the country could rely on strong-arm measures only. Quiet and peace would not descend upon the Republic.

While I do not think that Obarrío, as President, would introduce either the Augustinian Era, or the Golden Age, he is certainly, at the moment, by far the least objectionable choice.

The imperatively pressing needs of Panama scream for economic reform. Of such reforms, there is, as yet, not even the faintest whisper. In the long run, this affords perfect incubation for subversive penetration.

Best regards.

Yours sincerely,



John C. Wiley.

cc: Ernest V. Siracusa, Esquire,
ARA - MID.

Dear John:

Thanks for your fascinating letter of October 22 about the internal political situation in Panama. It makes fascinating reading but it is not too encouraging. I like your suggestion about Frisasse of course.

I am particularly interested in the activities of the Latin American diplomatic corps. The complaints about non-intervention are certainly tailored to suit the occasion.

I was sorry to learn that Panama has no Peron. Very tactful people these Argentines.

With best regards to you and Irene,

Sincerely yours,

Edward G. Miller, Jr.

The Honorable

John G. Miller,
American Ambassador,
Panama.

CONFIDENTIAL

ARA:EMMiller, Jr.:arp

The political situation remains unchanged; there has been as yet no transacción, and Colonel Remon, the outstanding candidate, remains under the tyranny of rapidly approaching dates.

He is to be nominated by the bloc of parties supporting him in a joint convention which is to be held toward the end of this month. His problem is that by law he is obliged, six months prior to the elections, namely, on November 11, 1951, to relinquish any public office con mando y jurisdicción.

Colonel Remon is a tower of strength so long as the police are behind him; without this, he could be a Samson shorn of his locks. Therefore, the scheming on the part of his opponents is effectively to divorce him from the police.

Recently, Colonel Remon was slated to head a Panamanian mission to Venezuela to dar las gracias for the statue of Bolívar, the gift of Venezuela. As late as October 6, the Panamanian Ambassador in Caracas publicly announced that Colonel Remon would arrive. Now, however, Colonel Remon is scheduled to speak in Chilbire at a political gathering on October 21; so, presumably, Colonel Remon will not, after all, head the delegation.

/According to

The Honorable
Edward G. Miller, Jr.,
Assistant Secretary of State,
Washington, D. C.

submit his resignation unless the President agrees to appoint his successor for acting on his resignation. Naturally, the successor would be someone of Remon's own choice.

The fly in the ointment, however, is that if the President stands pat, which is within his constitutional rights, Remon would be obliged to continue as Chief of Police, which would make him constitutionally ineligible to run for President.

Or, on the other hand, if Remon were to resign without the President committing himself, Remon might have to pursue his candidacy with only dubious support, if any, from the National Police. Curiously enough, he might succeed in this if he makes a deal with Arnulfo Arias. The latter's strength has reached a point where it is the consensus that none of the three candidates can be elected, if the votes are counted, without Arnulfo's support. On the other hand, I have been assured by very competent observers that with Arnulfo's support, Remon could win in an entirely honest election.

Since Remon and Arnulfo do not trust each other, there is a bitter seesaw going on now to decide which one will trust the other first. Very reliable information has it that Arnulfo is insisting on amnesty as a condition precedent to throwing his support to Remon. Apparently, such Remon's present strength in the National Assembly is such that an amnesty law could be enacted. Remon, however, is demanding that Arnulfo wait until after the elections confide in his promise that, once in the Presidential Palace, he

/would

ousting Remon from the Presidency, thus depriving him at one stroke of both power and authority.

There are a lot of very interesting by-plays and end runs. The Latin element of the Diplomatic Corps is now involved in the domestic political scene up to its eyebrows. A few nights ago, the Diplomatic Corps gave a dinner in honor of the President. The Chilean Ambassador, Manuel Hidalgo Plaza, took the President aside and shot the works in the cause of Chiari, Remon's principal rival (Remon, who was present, was naturally furious). The Venezuelan Ambassador, Enrique Castro Gomez, and the Peruvian Ambassador, Dr. Emilio Ortiz de Zevallos, likewise intervened for Chiari. The Mexican Ambassador, Eduarde Merrillio Sasa, spent the evening actively working for Remon. Where the Argentine Ambassador stands is not clear. However, he is very active, so presumably he is busy. All that I have been able to observe is that a radio program subsidized by the Argentine Embassy, while lauding Peron, laments that Panama lacks a Peron.

NO / Peron

Curiously enough, the most active diplomatic intervention is on the part of the Guatemalan Minister, Oscar Benetiz Bone, who is about as slimy a gastereped as one can find in the spermy tropics.

Of course, Arevalo on his two visits to Panama, has been doing swan dives into Panamanian politics. Bone acts as his chief of staff. Arevalo has used Bone to pay money to the pro-Guatemalan group. This group includes Bermudes, the Minister of Education, generally regarded as a Communist, Ordoñez, the Minister of Government and Justice, and Mendes Pereira, the Rector of the University, with the very active support of Jorge Illueca, a young demagogue who may grow in soap box stature and is now the head of the Frente Patriótico. Navarro, the Minister of Public Works, who is running a poor third among the three candidates for the Presidency, is also reported to be involved with Bone. Bone's very active supporter is Eduardo Ritter Alslan of the Presidencia,

/who has

path as Guatemala.

There is on sale in Panama, "The Tropical Cookbook". It contains a recipe for preparing and cooking thequetzal. Perhaps we ought to have recourse to this recipe. At this moment, it might be a dainty dish.

Remon, of course, could be counted upon for a fair amount of collaboration if he were President. I am sure he would want his relations with the Armed Forces to be always of the best. Though he is conspicuously allergic to self-discipline, he has, after all, a certain talent for the imposing and enforcing of discipline; something which, of course, leads his enemies to foresee that his regime, if it endured, would inevitably take on the aspects of a "police state".

The situation seems to be a weird blend of the fifth act of a Greek tragedy and a tinpot Central American comedy. It is a tempest in a vacuum.

Yours sincerely,



John C. Wiley

I would like to invite your attention to despatch 452 of December 27, 1951 reporting on Communist influences in the political scene in Panama. I am really very worried by the situation. Communist activities are being directed and carried out with great skill and adroitness. The vulnerabilities, and they are many, of the country are being exploited in a masterful manner.

The elections come on the 11th of May. I think we must be on the qui vive for the next few months.

Yours sincerely,


John C. Willey.

The Honorable
Edward G. Miller, Jr.,
Assistant Secretary of State,
Washington, D. C.

SECRET

Have a good one
from M'D.
WIK

were usually good and sound. ... his antecedents are more colorful than reassuring, and he is being exposed to influences that are, of course, notoriously bad. The combination of Alemán, Temistocles Díaz, "Bebe" Jimenez, Quizado, etc., etc., is an ill wind that blows no one good. But after considerable thought, I am not too pessimistic, provided that to our hopes for the future we can add a large measure of patience.

The crowd around Remón has obviously influenced him into the belief that he can outsmart everybody everywhere all the time. This has been brought into relief by the big gesture of the eccentric oppositionist Deputy, Homero Velasco, in proposing his resolution having to do with the Canal Zone. It was very probably inspired by Remón and, in any event, it has had the enthusiastic approval of the Remonist majority in the National Assembly.

Also, the recent sudden and hurried move by the Supreme Court against the Fuerza y Luz was likewise doubtless pushed through at the instigation of Col. Remón as well. On the subject of Fuerza y Luz, as things now stand, the outlook for the Company is very bleak. Unless we can readjust the status of Fuerza y Luz, we are in for an endless series of headaches. I do not think that the financial aspect of such an operation would be easy, but at the same time, I do not believe the problem is insoluble.

Union Oil
Point IV
The recent effort to put the Union Oil Company on the hook is another very shoddy and transparent maneuver. Then, of course, the outlook for effective intervention by the IBRD has been considerably dimmed while Point Four activities will certainly require readjustment.

We shall have to chart a course, combining a certain amount of conciliation with a great deal of firmness. This will require careful consideration.

The Honorable
Edward G. Miller, Jr.,
Assistant Secretary of State,
Department of State,
Washington, D. C.

SECRET

...right on it. ... She may have put her finger

When the wind dies down, the dust will settle.
All the best.

Yours sincerely,

John C. Wiley

SECRET
SECURITY INFORMATION

contract of 1917 and decisions of Panama courts and administrative bodies requiring the company to withhold tax on dividends paid to its stockholders.

A decision by the Contencioso Court in 1948 held that Pan American Airways, which has a contract roughly similar to that of Fuerza y Luz, must pay taxes on profits. Under Panama tax laws informers who report tax evaders may receive 25% of taxes and fines collected.

In May 1950 a denunciation was made against Fuerza y Luz by Carmen María Sánchez charging that Fuerza y Luz had not paid profit taxes, apparently justifying the charge by the PAA case. Carmen Sánchez was the secretary of "Lolo" Patiño, a lawyer, who according to Mr. Billings (U.S. Legal Adviser of Fuerza y Luz) was back of the charge. Billings believes that Patiño did not make the charge in his own name because he previously held an official position (judge) which enabled him to obtain the information.

On the basis of the Sanchez (Patiño) denunciation, in June 1950 a tax bill for \$320,000 was sent to Fuerza y Luz by the Panama Income Tax Office with a three-day limit for payment. The tax bill was not paid and the Panama Income Tax Office attached Fuerza y Luz's bank account. "Toto" Remón, brother of President Remón and currently President of the National Assembly, was appointed juez ejecutor of a special court set up to enforce the tax collection (the juez is allowed 20% of the collection as a fee plus 3% for a secretary).

Fuerza y Luz was able to get the attachment lifted because of a law which provides that the alleged delinquent taxpayer must be given 15 days notice to prepare a defense. For reasons unknown to Billings the case apparently was dropped until September, 1951, when Fuerza y Luz received notice from the Income Tax Office that it must pay the tax. This time the normal procedure applied and Fuerza y Luz appealed to the Minister of Finance and Treasury (Sols). During the last days of September, 1952, upon the advice of the Ministry's Legal Adviser, Sols signed a decision favorable to Fuerza y Luz,

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Remón's bro appointed to collect.

actually have won). Patiño presumably would be in a better position if he had not made a deal with Ramón. An unfavorable decision for Fuerza y Luz would give Patiño - through Carmen Sánchez - 25% of Fuerza y Luz's tax payment. "Toto" Ramón apparently may still have a claim as the original huez ejecutor and a number of others (Billings did not know names, or would not tell), such as officials of the Ministry of Finance and Treasury, the Income Tax Office, the Presidency and the new legal advisors may have to receive their share to be persuaded to make and/or forward the "right" decision. Billings said that he had heard that the Controller favored collecting the tax from Fuerza y Luz. A sister of Carmen Sanchez told Edmundo Molino (head of the Legal Department of Fuerza y Luz) that Patiño told Carmen recently that their case appeared encouraging but that several others would have to receive a share and Carmen would get less than she originally anticipated.

About three months ago Patiño approached Molino with a promise of a share, if Molino would persuade Fuerza y Luz to pay the tax bill. This offer was made during the old Administration when Patiño may have known of the forthcoming decision of Solís. Possibly, Patiño's offer to Molino is now off.

If an unfavorable decision is received by Fuerza y Luz from the Ministry, the company probably will appeal to the Courts. Billings believes that the company's legal position is good (though perhaps not good enough for a "fixed" Court). Another point in favor of Fuerza y Luz is that the Statute of Limitations is still operating in the case. The original claim was for taxes during the years 1945, 1946, 1947, 1948, and 1949. (Tax matters for 1950 and subsequent years were adjusted by a special law passed in 1951). A five-year limit already has eliminated tax claims for 1945 and 1946.

Copy to: Mr. Sowers

ESMoberly:WJN

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...the meeting of the Board of Directors of the Canal Zone went off, I think, quite well. Karl Bergesen made some public statements with regard to conditions affecting local-rate workers and the operation of the Canal Zone in general that have been very helpful. He and his associates showed much friendliness for the Republic and a number of appropriate attentions were paid to the Panamanians. We made the call on Colonel Remon which, I think, encouraged him at a moment when he particularly needed encouragement. Then, Mr. George Gerry of the Federal Reserve Bank of New York is here on behalf of the IBRD on a fortnight's prophylactic mission.

When Ambassador Haurwegmatte returned to Washington on the eve of my departure, he was considerably convinced over Colonel Remon's apparent susceptibility to the views of his more radical advisers such as Lasso de la Vega, Griespo and others. The date of the meeting of the new committee was being delayed from them has emphasized danger that he would face the risk, on assuming office, of being languid politically by the doubt fiscal liberals would economic depression now afflicting the Republic. He was, therefore, being urged to embark on the path of unorthodoxy. To redress the situation in Panama, conventional corrections would not suffice so these advisers were producing the magic wand as well as the hat from which white rabbits were to be drawn. Among the expedients proposed "expenses" of the government are estimated at \$4,000,000 and \$5,000,000.)

The Honorable
Edward G. Miller, Jr.,
Assistant Secretary,
Department of State,
Washington, D. C.

Unpaid

I returned to Panama, naturally, much concerned since Remon at best is not a tower of strength. Immediately after my arrival, I dined at Governor Seybold's. Late in the evening, Olmedo Fabrega, President of the National Assembly and one of the most intimate advisers of Remon, led me into a corner. He raised the cry of alarm. Unless Remon could be given a "program", the sound, conservative advisers around him would be defeated. The radical group would unquestionably win out. Heaven alone could foresee the consequences. And so forth and so forth.

I discussed matters quite fully with Bendetsen, Beasley and Garry and we have separately canvassed the situation pretty carefully. The result of our inquiries has convinced us all that the situation per se is not nearly as alarming as pictured.

From figures which Garry has obtained from Henrique Obarrío, the Comptroller General, it would appear that the floating debt of the government as of the month of August was \$11,580,000, with the probability that it would be around \$13,000,000 on October 1, namely, the date of the inauguration of the new administration. (\$13,000,000, however, is regarded as the maximum figure if the government adopts a sound financial policy.) The breakdown seems to be as follows: unpaid salaries for positions provided for in the budget, \$640,000; extra-budgetary (electoral) commitments for payrolls, \$1,366,000.

In connection with this latter item, I might add that during the electoral campaign, 29,000 persons were allegedly put on the payroll by the outgoing administration, where 6,000 still remain. (Total campaign "expenses" of the government are estimated at between \$4,000,000 and \$5,000,000.)

Unpaid

354

The substantial sum owed to the Caja ^{Central} ~~Central~~ funded. It, therefore, should present no immediate preoccupation. Of other obligations of the Government, major creditors are: the Union Oil Company, \$500,000 plus; Esso Oil Company \$500,000 plus; Fuerza y Luz about \$400,000, and the Canal Zone something around \$350,000.

Bendetsen took the position that the amount owed to the Canal Zone could be put into "accounts receivable" until a later date. Esso has mentioned the possibility of taking bonds, Fuerza y Luz stated unhappily that it was in no position to press for payment and would not do so. The head of Union Oil is not in Panama, but it may be presumed that Union Oil may be obliged to follow suit. In this way, it may be assumed that in respect of a fairly substantial sum, the new administration may obtain relief from pressure for a comfortable period.

Conversations we have had with Healy of Chase Bank and Cramer of the National City Bank in no way confirm the alarming reports about the desperate situation of the merchants and the depth of the present depression. Moreover, Garry has gained the same impression from his examination of the situation.

Local merchants, it appears, are in no sense of the word suffering from panic or even fear. There seems to be no question in their minds that they will eventually be paid. In selling to the government, they have marked up prices 50% or more, in order generously to take care of slow collection. Inquiries reveal that the inventory position of local merchants is about normal.

The revenues of the government may be estimated at a figure slightly less than \$3,000,000 a month. It is felt that if Remon is really serious and goes in for a period of governmental economy with an earnest

seems to have the unrealistic idea that the race track -- of which his brother is the head -- will immediately precipitate a golden flow of tourist dollars and that the American officer personnel will spend its weekends and its pay listening to the thunder of horses' hoofs. Possibly, though, the race track may be linked to some scheme of setting up a gambling casino.

Unfortunately, Remon and his suite, which includes Obarrio and de Diego, have departed for Mexico. However, they will return on the 19th. Garvy will remain here until September 23, at which time he must leave to meet his commitments in the United States (he is likely to return in November for another visit). The great hope is that during those few days after Remon's return, Garvy will be able to formulate with Remon and his advisers an appropriate program, placing the floating debt in its proper perspective, and thus persuade the Colonel to revert to his original concept of what Panama can do for itself by means of orthodox methods.

There is one point, however, which merits examination. Under one of the articles of our treaty of 1903, Panama is estopped from taxing Panamanians who are employed by the Canal Zone. The fact that the United States now collects income tax from Americans in the Canal Zone has inspired the Panamanians to feel that they must have the privilege of doing likewise. To yield on this point might involve treaty revision. Unfortunately, once we touch the treaty, there are Panamanian elements who would drag in the sun, moon and stars as well. Moreover, a 2% tax on salaries of Panamanians working in the Canal Zone would at most yield \$120,000 a year; indeed, Panama would probably be lucky to collect \$100,000, which is not very much. We are having the legal aspects of all this carefully studied.

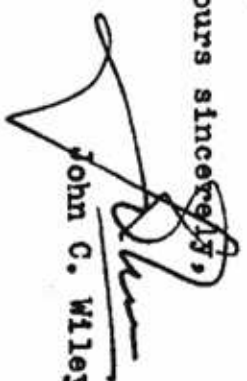
I am

Mals of United Fruit thinks Aleman is an excellent choice, a man of decision who has had ample experience in business to do a good job. Others say Aleman himself is not so bad, but that his son, "Baby" Aleman, is one of the worst spoliemen in Panama and has the support of his father in everything.

This is a thumbnail sketch of things up to the present.

All the best.

Yours sincerely,


John C. Wiley.

Dear Willard:

Thanks for your letter about the possibility of President Benson visiting Cuba. If he does go to Cuba and if you should have any contact with him, I can assure you that he is well disposed to the U.S. and, although he has some failings, he is probably the best possibility for giving Panama a good administration. He had talked about coming up here but we discreetly discouraged that because of the election campaigns, etc.

With kindest regards,

Sincerely yours,

Edward G. Miller, Jr.

The Honorable
Willard L. Benson,
American Ambassador,
Panama.

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AB:EGM:JLJ, Jr.:erp

set up a gambling project. The building in question is the right El Panama Hotel. The one immediately on the right without a doubt, the one enters the grounds. No of the driveway as one enters the grounds. It would appear as part of the the casual observer, it would appear as part of the El Panama complex.

There is also enclosed a very good, self-explanatory memorandum by Mr. Fred Durling of the Economic Section. The American mentioned as an interested party is Mr. Louis R. Sommer, a local contractor. He is supposed to be a thoroughgoing crook, to have been mixed up in some very shady dealings having to do with surplus property, and to be tied in with the "mob", particularly with Guzik, Erikson and Costello.

To have Sommer involved in a gambling project that apparently would be pretty closely tied in with the hotel would be unfortunate, and might give some food for thought to some future Congressional Committee such as the one presided over by Senator Keftauver.

I have on various occasions dropped hints where they would do the most good and I shall not

fail

The Honorable
Edward G. Miller, Jr.,
Assistant Secretary of State,
Washington, D. C.

Miller

Panama and is disposed to approve Servicio participation in the project only if requested to do so by ARM on the basis of overriding political considerations.

ARM considers the political considerations involved in this case to be of such overriding importance as to justify a request that the project be approved. Originally, it might have been possible to refuse the Panamanian request on purely technical grounds without deleterious effect upon our relations with Panama. With the political consideration introduced by Dr. Jeppesen's letter of June 27 to the Minister of Education, that no longer can be done without damaging our relations with the Panamanian Government, in the opinion of ARM. The position of ARM in this matter is based upon the very strong recommendations of Ambassador Wiley, who has stated that our refusal to collaborate on this project could easily be interpreted as a gesture against the present Government of Panama.

ARM: [REDACTED]

things are just getting back to normal after the trip to Rio which, I am sure you will be interested to know, was most successful.

In connection with obtaining some of the newer books that are coming out concerning the dangers of communism, this can be done immediately in one or two ways. If English-language versions are available locally, they can be purchased from USIS general operating funds. If the books are not available locally, USIS can send up a list and request that they be purchased by the Department and this will be done.

The question of getting important American books translated into Spanish has been a continuing problem for the Information Program. The Department in recent years has set aside sizeable sums to be used to subsidize printing and distribution of books of this nature in translation, and we have had only limited success in getting local publishers to do the job even when publication rights were made available in addition to a subsidy. As you have probably heard, the Department is now planning to establish a non-profit book publishing corporation which will devote itself to underwriting low cost foreign-language reprints of the type of book you outline in your letter. Until that operation gets going, and it is due to start very shortly, we will not be able to do too much. I understand that Merdes has recently had a little bit of success in obtaining the cooperation of a local publisher, and you should be receiving some books in Spanish for presentation before the end of this year.

With kindest regards,

Sincerely yours,

Edward G. Miller, Jr.

The Honorable

John F. Miller,

American Ambassador,
Panama.

MA/P:SID/nd:smj

WES
MID

There are a number of first-rate books constantly coming out in the United States which point up the dangers of Communism. It would be an excellent idea, I think, for the Department to make a policy of sending us a number of such books for dissemination to selected Panamanians in the Republic, a great many of whom read English perfectly. I am confident that, for example, the Whitaker Chambers' book could have quite an impact here.

As yet, I have seen no indication of any of these books being translated into Spanish. Should it not be a matter of high priority and importance to have this done?

All the best.

Yours sincerely,


John C. Wiley.

The Honorable
Edward G. Miller, Jr.
Assistant Secretary of State,
Department of State,
Washington, D. C.

become uniformly friendly to the United States, including the sensational LA HORA. A very recent number of the Communist front PRENSA LIBRE dedicated its editorial to praise of the United States and a leading article to its defense. Professor Bayard, the eminent crypto-Communist, despatched a warm telegram of felicitations on the occasion of the glorious Fourth, while Jorge Illueca sent an imposing floral offering. There has been much of this sort of thing.

No, the millennium has not arrived. At least, not yet. While everything looks marvelous at the moment, the undercurrents are still here and they are strong. Indeed, we are entering a period that requires exceptional care and prudent handling.

If things continue to go well, we shall have an opportunity really to achieve constructive results. The early months of the Remon regime could be a fruitful period, but they will be decisive. To accomplish our ends, our delicate equilibrium should under no circumstances be disturbed.

A great integrant of the present favorable conjuncture has been the Department of the Army and its wise and understanding approach to the problems

affecting

The Honorable
Edward G. Miller, Jr.,
Assistant Secretary of State,
Washington, D. C.

Wiley.

Invited to pay a visit to Washington before he is inaugurated on October 14.

The President-elect of Panama is Colonel Jose A. (Chlori) Remon who was formerly Chief of the National Police of Panama, the only armed force in the Republic. In that capacity (from which he resigned in order to run for the presidency) Remon for several years exercised a controlling influence in Panamanian politics. In November, 1949, Remon deposed the Constitutional President of the Republic, Dr. Daniel Chamiz, Jr., as a result of a bitter dispute over the regulations applicable to the operations of a slaughterhouse in which Remon and certain friends of his had a financial interest. (As a result of this incident, Remon's faction of his political party has come to be known as the slaughterhouse liberals.) The uproar which followed the installation by Remon of the then Vice President Chiarl instead of Chamiz caused Remon to make an about-face two days later and install instead his theretofore bitter political enemy, Arnulfo Arias, who had been declared the loser in the preceding presidential election but who Remon then found to have won the election after all. Arias remained in power until May, 1951, when he tried to change the Constitution so as to perpetuate himself in office, and Remon and his National Police were forced by public indignation to remove Arias from the Presidency in a bloody battle. Arias was succeeded by his Vice President, Alonides Arosemena, who has since then given the country a caretaker administration with the support of the National Police. In the presidential elections last May, Remon won a sizeable victory over his opponent, Dr. Roberto Chiarl, the same person whom he had installed briefly in the Presidency in November, 1949.

There is no doubt that Remon's election was the better of the two alternatives from the standpoint of the United States. Although he has had a very bad press in this country as a result of his alleged strong-arm tactics in imposing and deposing presidents and

also

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