

for whom Ambassador Wiley obtained a letter from Franklin D. Roosevelt designating her as a consultant on labor matters involving relations between the Republic of Panama and the Canal Zone. Mrs. Pinchot is, as you know, a Republican who also has some following in labor circles in this country. Since her return from Panama where she had numerous conferences with labor leaders, Mrs. Pinchot has reported to the President her observations and recommendations.

Some time ago feelers were received from persons close to Colonel Remon to the effect that he wished to visit the United States on a pretext involving his health so that he could come to Washington such as President Bonora did to discuss the subject of loans. We discouraged these feelers on the ground that there were adequate channels for discussing loans and that it would be undignified if Colonel Remon came to Washington to discuss loans and had to go back empty-handed. I discussed these considerations frankly with Ambassador Roberto Heurtelatte who is close to Remon and the Ambassador agreed completely and I had considered this entire matter to be closed.

Since this matter was disposed of, Ambassador Wiley has had very constructive discussions with Remon in which there has been emphasized the need for the Panamanian Government to clean itself up and for Remon to have good people around him. Remon is well-disposed to us and seems willing to cooperate.

Under these circumstances it seems to me that it would be better to leave well enough alone and not to invite Remon. After he has been in power and has proven himself, a visit might be in order. However, an invitation to him now would probably be ill-received by our press and his visit might be accompanied by hostile press articles of Remon with the resurrection of the charges about his strong-arm methods and the graft. Also his opponents in Panama who are still vociferous would revive the charges which they made in May that he had stolen the election.

Furthermore,

CONFIDENTIAL SECURITY INFORMATION

administration, and is hurt by the fact that his northern and southern neighbors (Plass and Donsales Videla) have been invited, and who would be extremely miffed if Remon should be run in ahead of him. Likewise, we have refused to invite Colonel Peres Jimenez, commandant of the Venezuelan Military Junta, to come here as chief of state after he declined the invitation to come as Minister of Defense. Finally, as you know, we made quite a point of refusing to invite President Somosa officially and he would be unable to understand why we should invite Remon when we made him come as an unofficial guest.

It is my personal view that, with the elections coming up and with this administration having only six months to go, there is not much to be gained in inviting anyone from Latin America. On the other hand, if it should be considered good from the standpoint of domestic politics to have a Latin American chief of state come up in September, there are a number of possibilities among those referred to above and, in addition, consideration could be given to inviting the President-elect of Mexico. Furthermore, as you will recall, the National Association for the Advancement of Colored People has been exerting considerable pressure for us to invite the President of Haiti, Colonel Paul Magloire, to come to the United States.

AAA:EMM:11/27/57, J.R. ink

CONFIDENTIAL SECURITY INFORMATION

I have your long letter of June 2 in response to mine of May 26 about our responsibilities for improving economic conditions in Panama. I take it that, allowing for differences in emphasis, we are agreed on the basic proposition that we must help Panama and that Panama is a special problem.

Mr. Strassus said to you over the phone today, he has been working on an over-all economic program, including some of the features of your \$2 million proposal but much more comprehensive in many respects. The basis of this is to convert the 1942 bridge-tunnel commitment into something of more real and immediate value to Panama. I have had a tentative conversation about this with Bobby Heurtematte who is most enthusiastic. We will be in touch with you further about this.

Sincerely yours,

Edward G. Miller, Jr.

The Honorable
John G. Willey,
American Ambassador,
Panama.

CONFIDENTIAL - SECURITY INFORMATION

ABA:EDMILLER, Jr.:arp

7/24
MID - TM Division
dvw

LEAR BU:

Thank you very much for your letter of May 26, 1952.

Wherever our thinking on Panama may slightly differ, there is on my part complete understanding of your divergent outlook, since I, myself, when I first came to Panama, held firmly a point of view quite distinct from the one I hold today.

My basic thinking at the outset was not very complimentary to the Panamanians. It has not in the meanwhile become more flattering. After all, one instinctively dislikes parasites, particularly when, on occasion, they become ill-natured, as was the case in the base sites matter.

My feeling in the past was, in substance, that the best way to help the Panamanians would be to let them learn to help themselves; though with, of course, the benefit of such technical and other advisory assistance as the Panamanians could profitably utilize and assimilate.

At that time, I was not particularly conscious of the possibility that the Canal and its security might be adversely affected by the purely internal tribulations of this small republic. However, developments in Panama since my arrival have rudely changed my original line of thought.

/The overall

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

In its short history, Panama has never been more than a minor, inconsequential exhibit in the side-show. Now, I think, Panama is crawling into the Big Tent. The cold war is a serious and grim war, where nothing is really quiet on any front. Panama is without any doubt an important target in Soviet grand strategy.

The enemy would, naturally, not try for a direct hit until the moment of actual hostilities, but, in the meantime, great progress might be made, if we are not very vigilant, in further weakening the Republic and seriously impairing our position therein.

For example, we have just been shown what could happen. If, by chance, the Chiari ticket had been victorious, public education would have fallen completely into covert Communist hands (Professor Bayard) and the National Police would have been "demilitarized", namely, emasculated. Chiari would have found himself playing the role of the straw man; his strange bedfellows would have emerged from the bed clothes, and Panama would have been headed down the same primrose path as Guatemala.

But, the end result in Panama would be infinitely worse than in Guatemala. If conditions in Guatemala were to deteriorate disastrously, we could after all reconcile ourselves to, "Yes, we have no bananas". Panama, though, is not so simple;

/the Isthmus

into a company. I would like to see...

Yes, Panama belongs to the Panamanians. Paradoxically, though, it should be regarded as a sovereign dependency. This concept generously embraces all the disadvantages of both independence and colonial status without the advantages of either. But, in any event, the Canal belongs to the United States. It is inextricably intertwined with the Republic. Conditions in the Republic, therefore, become, of necessity, a matter of deep concern to us.

If, for example, "the correct utilization of our help is up to them" (the Panamanians) we would be defeated before we got started. The Panamanians have very little talent for the correct utilization of anything outside of their pickings and gleanings from the Canal.

In Panama, we must, therefore, do more than help; we must inspire, shape, mold, and guide the development of Panama if it is ever to become a viable entity. I am entirely convinced that in the case of Panama, which is unique, we can successfully pick up the country by its "boot straps", if we undertake the task without delay.

In a previous letter, I already indicated, at least in part, what we might do in Panama. The long-term approach is, naturally, of the greatest importance. Nonetheless, there should be immediate emphasis on meeting the exigencies of the present situation. This situation is serious since it involves an inter-related political and fiscal crisis, accompanied by economic depression. In fact, long-term projects would be gravely jeopardized if Panama were permitted to collapse in the meantime.

/It is,

In other words, economic plasma must be pumped into Panama. Our small \$2,000,000 project would be the starting point. What other prompt, practical and feasible measures we should take might be made the subject of an immediate study.

One factor in the economic situation gives some cause for optimism. This, curiously enough, is that the situation is both bad and deteriorating. A condition favorable for necessary reforms and controls may thus be in the making. And, of course, anything we may undertake in Panama in order to be really constructive depends on getting the Panamanians to put their house in order; that is, of course, to a reasonable degree. We cannot expect the age of miracles here.

As I have indicated above, we need not berate ourselves by any guilt complex over our responsibility for conditions being what they are in Panama. The Panamanians are, of course, to blame. Neither need we worry over living up to "illusory and self-imposed standards in foreign aid programs" (I could not agree with you more than on your reference to this). All we have to do, as I see it, is face the problem with a banker's point of view. If, for example, a bank has a big stake in an ailing concern, and this is a close analogy to our position in Panama, the bank, in its own selfish interests will endeavor to put the patient back on the road to economic health.

My own thoughts on the subject of Panama have never been influenced in the slightest by do-good impulses for welfare and social reform. That these elements may be present is nothing more, so far as I am concerned, than a happy coincidence. In what I have recommended, I have been moved only by professional interest in seeing our position in Panama safeguarded, if possible.

/As for the

of course, a disquieting concomitant to Panama's potentiality that must be likewise taken into consideration, namely, the vulnerabilities of Panama and the danger of their exploitation by elements hostile to the United States.

The Isthmus is an ancient trade route through, oddly enough, a new frontier. So far, Panama is precisely like a dormant business without an inventory, and its untouched assets are certainly very considerable. Quite aside from the compelling political exigencies of the moment, the economic development of the Republic would be an entirely worthwhile undertaking purely by itself. And, from our point of view, it is of immediate significance, as I have pointed out before, that Panama is a dollar country, fast within the American economic orbit.

In so many parts of the world, we are obliged by our own self-interest to pour out great sums with little or no hope of any tangible return for the money. But, in Panama, our money would not go down the drain, particularly so since we would not, or at least we should not, hand over money to the Panamanians to be disbursed without strict control. A part of our help to Panama could be self-liquidating, the rest would be either directly or indirectly of benefit to us. Moreover, we would blaze the trail for private capital.

Naturally, any large-scale program for Panama would involve substantial sums of money. The amounts, though, would be relatively small compared with what we are expending elsewhere. And, elsewhere, there are not many places of more vital concern to the United States than Panama.

/I am

For the financing of adequately large programs for Panama, there may be several avenues of approach.

The Point Four allotments to Panama might be very substantially increased.

The Ex-Im Bank might, perhaps, finance a large-scale, low-rental housing project, as well as other worthwhile undertakings. So far, it has only financed a luxury hotel in Panama to the extent of \$4,000,000, while extending credits elsewhere in Latin America of well over a billion dollars.

The IBRD might broaden its approach to the economic needs of Panama.

Help from the budgets of the Armed Services might possibly be obtained.

A direct grant might be sought from Congress in accordance with the program you outlined in connection with the tunnel, or otherwise.

The Department might assist in interesting private capital. For example, according to the information of the Embassy, the raising of beef cattle in Panama should present an attractive picture to, for example, Texas cattle interests. Also, it might be an opportune moment for American plywood interests to enter Panama on an extensive scale.

The great private foundations in the United States also should be encouraged to dedicate attention to Panama.

/Probably

And, finally, that Colonel Remon received an impressive majority at the polls has seemingly had excellent results, at least for the moment.

The Remon victory, unexpectedly big, has obviously dismayed the opposition from which a powerful segment has withdrawn into acceptance, at least temporary, of the situation. It may be hoped that the hard-core of the opposition will require some time at least in order to reform its cadres. This could perhaps give us some months in which to formulate plans and quietly to put them into execution.

There is one aspect of conditions in Panama on which I have as yet not reported; that is the increase of the white collar proletariat. This is an unfortunate, even a dangerous development. It has to do with a rapidly growing, educated and semi-educated class recruited from the lower economic strata of the people. The only major industry of the country is the government, which disposes of the majority of the available jobs, but the government is unable to ensure anything like a reasonable level of employment. Also, at the moment, the government is in a state of fiscal rigor mortis.

After graduation, a good share of the white collar proletariat either fails to find employment or ends up with salaries that are entirely inadequate to meet the high cost of living.

/Naturally,

Of the economic structure of our country
would be both a feasible and eloquent answer.

I do not think I have proposed any course of action which goes beyond the classical definition of our functions which you cited in your letter. My own feeling, however, is that our concept of our duties should be flexible enough to permit us to serve our national interests in any way that might be both desirable and feasible, while staying within the limits of propriety and decency.

As for the Panama "baby", it is definitely a blue baby. I am, at best, just a possible baby-sitter. I have no doorstep of my own on which to lay the baby. Obviously, the Panamanians have no doorstep at all; since, if things went sour for us in Panama, we would derive little satisfaction, if any, from putting the blame on them, no matter how culpable they really are.

I am more than delighted that you have given so much careful thought to the problems of Panama in the middle of all your preoccupations over what is beginning to look like a witch's cauldron. I do hope we can use the present breathing spell here to good advantage; the future is so unpredictable. With your energetic leadership, I am sure a great deal can be accomplished.

I want to repeat again that my own point of view on Panama has changed enormously since I came here. My instinct was originally very much on the restrictive, even on the negative side.

/Time passes

John C. Willey
John C. Willey.

418 - 12 - 28

E
DCR
DCRM

expression of

Washington since any loan NEGOTS GLD be handled in channels and his failure
NEGOT successfully WLD reflect against him. I also pointed out press and public
were getting extremely jaded over visits chiefs of state and after our experience
with NIC PRESS I thought no ~~rank~~ chief of state SHLD come Washington unless
officially invited. I RPTD that I was doing this in Remon's own interest and
it was our earnest desire COOP with Remon in every way.

AMB asked whether any objection Remon's going New York unofficially and
I replied to contrary and said I WLD be glad go see him New York and discuss
whole range our relations.

AMB agreed and seemed satisfied.

Dis-
posed
(Off-
Copy)

NEGOT

Dis-
posed by: ARA:EWaller, Jr. ink 6/6/52

Telegraphic transmission and
distribution approved by:

ARA:EWaller, Jr.

Dis-
posed by: KID - Mr. Syracuse

CONFIDENTIAL SECURITY INFORMATION

REPRODUCTION FROM THIS
COPY, IF CLASSIFIED, IS
PROHIBITED.

I shall reply very briefly.

I am delighted to learn that the \$2,000,000 might be made available at this time. The need for creating a better atmosphere has become even more compelling by ^{Tressor} ~~Tressor~~ of the elections. As a result of the elections, the government has been given the final push toward the fiscal swan dive. In reality, there is no outgoing administration. When Samudio, Bermudez and Navarro walked out of the government, the Colonel put it in his pocket. The Colonel Remon has been de facto for some time. The credit for the \$2,000,000 project in the present situation would not be great and should go chiefly to Point Four. The purpose is to achieve results, to try to keep things here on an even keel. The atmosphere after October 1 might not clear up. We are going into a very critical period, one that could be almost decisive with regard to the shape of things to come. There is no greater quid pro quo for us than stability in Panama. Meanwhile, the situation in Panama has not definitely improved by new employment. The Canal Zone housing program has aided enormously, but only in preventing the situation from deteriorating precipitously.

The best

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

CONFIDENTIAL

SECURITY INFORMATION

John C. Wiley
John C. Wiley.

CONFIDENTIAL
SECURITY INFORMATION

election is officially confirmed; probably within the relatively near future. He will be accompanied by the Comptroller General, Obarrio.

This may be a mistake since the trip will look like an economic mission. Therefore, if he does not return with the "dough", he may suffer quite a loss of prestige in Panama. Perhaps, though, the plans of the IBRD have advanced far enough to take care of this.

In any event, I do not think I should accompany Colonel Remon.

When Ospina Perez was President Elect of Colombia, I was instructed to go with him. Conditions then were far different. In this case, I do not believe I ought to tag along.

Yours sincerely,


John C. Willey.

I can think of a lot of reasons why Remon should not make the trip.

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