

STATE ESTABLISHMENT

DECLASSIFIED
DATE 7/20/02
BY SP-6 BJA/ST

UNITARY

ATF provides airfield maintenance.

ATF HQ at Albrook Field. ATF supports airfields in Republic of Panama.

Item	115	100	95	85	75	65	55	45	35	25	15	5
Overhead - ATF & ATF	1085	955	820	685	550	415	280	145	10	5	5	5
Total in Area	26,004	21,354	18,112	14,862	11,612	8,362	5,112	1,862	1,612	1,362	1,112	862
Total	26,004	21,354	18,112	14,862	11,612	8,362	5,112	1,862	1,612	1,362	1,112	862

However, on May 5, 1941 Panama made available for use by the United States, pending conclusion of the formal agreement, certain defense areas in territory under its jurisdiction. Under the 1942 Agreement we occupied a total of 134 areas in Panama and in accordance with the spirit and letter of the agreement, sites were abandoned by us as soon as they were no longer needed. By May 1947 only 36 sites were in use and these were later reduced to 14.

With respect to the final termination of our use of defense areas in Panama, the 1942 Agreement provided that "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". Notwithstanding this clear agreement on termination, Ricardo J. Alfaro, Panamanian Foreign Minister until he resigned recently, has insisted that the bases should have been returned on September 1, 1946, one year following the surrender ceremonies aboard the U.S.S. Missouri. Since, despite Panamanian contentions, no definitive treaty of peace has yet been signed, our right to the continued use of bases in Panama technically remains valid. Alfaro's interpretation was officially challenged by the United States. His position remained unchanged.

Throughout the autumn months of 1946 the intensity of feeling in Panama over these divergent interpretations increased. Finally this controversy was sidetracked and negotiations were begun for a

new accord

extreme nationalism and anti-United States feeling was encouraged by the radical student groups supported by certain local labor elements claiming a wide variety of grievances. Added to this was the imtransigent and non-compromising attitude of Alfaro. President Jimenez and his Administration demonstrated lamentable vacillation and weakness. Although recognizing the need for an agreement, the President failed both to control the dissident elements in his own Cabinet and to arrange for adequate preparation of public opinion.

This local situation handicapped the negotiations, but an agreement satisfactory to the Executive branches of both Governments was finally reached and signed on December 10, 1947. This agreement was reached only after substantial concessions had been made to Panama by the United States, including a limitation on the use of Rio Hato for ten years with an option to renew for ten years, a period of time which was less than the Army had originally thought desirable.

During the second General Assembly of the United Nations in New York this fall, Secretary Marshall on two occasions listened to Alfaro's protests against certain provisions of the proposed new defense sites agreement, particularly the period of time which the Army was seeking for the use of the Rio Hato air base. On September 26, our Embassy at Panama was instructed to inform Panamanian officials that we were presenting our final proposition and that if it were not acceptable to Panama the Army would be disposed to withdraw all its forces from territory under Panamanian jurisdiction. On October 8 in New York Secretary Marshall

appraised Alfaro

felt that the major and costly installations contemplated in that field in the event of continued occupation could be justified only if the period of the lease were at least ten years with the option of a ten-year renewal, having in mind that it would be difficult to obtain appropriated funds for this purpose on the basis of a relatively short and insecure tenure.

The position taken by Alfaro, a thesis not adopted by the Panamanian Administration, led to his resignation prior to the signature on December 10, 1947 of the proposed new defense sites agreement. The signature of this agreement caused significant demonstrations in the streets of Panama and resulted in a heated debate in the Panamanian National Assembly which on December 22 voted against ratification by a vote of 51-0. A few days previously the Jiramer Administration was confident of 41 votes for the agreement.

The unanimous vote of the National Assembly of Panama against ratification can be attributed to several last minute factors: a wave of nationalist hysteria which followed police action in quelling a student demonstration; an actual physical fear which resulted from student threats against the lives of those Deputies who might vote in favor of the agreement; highly vocal ferrous gallery demonstrations in the Assembly; and backstage maneuvering by influential newspaper publisher, ex-president Hermodio Ariles, Alfaro and others.

In view of the rejection by the Panamanian National Assembly of the agreement of December 10, we announced our intention to abandon all defense sites in Panama and confine the immediate Canal defenses to the ten-mile-wide Zone under our jurisdiction. This action was taken within

24 hours

ation for this attitude has already been received.

communist problem of potentially serious provocation to the security of the Panama Canal. We agree that the main focal points of communism penetration are in the universities and organized labor. We agree that the lack of effective anti-communism leadership in Panama and the weakness of the present Panamanian Government are important factors; a principal communist aim is probably to exercise maximum communist influence in a situation of maximum weakness.

2. ARA and Ambassador Wiley agree that the proposed expenditure will have no direct effect on communist strength in the schools, in labor or in political parties. Ambassador Wiley suggests however that the proposed expenditure of funds, by creating employment for approximately four thousand persons for a period of about five months plus the injection of that much money into Panamanian commercial life, will create, in a critical pre-election period, a climate unfavorable for communist propaganda and favorable for the anti-communist elements. He envisions a rising curve of Point IV employment which will drop as the curve of employment in the \$60 million housing program begins to rise — as a kind of an employment stop-gap until the housing program gets under way.

3. Since this would be the principal (not the only) justification for the additional expenditure, timing becomes important. I suggest you call Bendetsen and get from him an authoritative answer on when the housing program will actually get under way. As you know, this program was advanced and telescoped in time to provide quick employment for Panamanians and we should be certain that we can get a Point IV program under way appreciably in advance of the larger program if we are to justify it on a stop-gap basis.

In this connection, I may say that the impression I get from Mr. Iverson is that it will be possible almost immediately to begin employing

SECRET SECURITY INFORMATION

a) The Institute has not proposed an emergency program of this type.

b) The Institute has already earmarked its surplus funds and it will be necessary to obtain an allocation of funds under the 10 percent clause from some other area. The funds allocated for Arab re-settlement offer the best possibilities since funds for use in Iran, Egypt, etc. cannot be diverted.

c) The expenditure of the proposed funds should be justified on political grounds. If this is done, the Institute could justify the program as consistent with Point IV aims in Panama -- as something which would probably be done in the course of five years instead of five months and in a different way (e.g. instead of one 2,000 acre experimental farm near Colón, several smaller farms in different parts of the interior would be set up).

5. The two million dollars would be spent on the following projects:

a) Clearing about 2,000 acres near Colón with 1,500 workers at a cost of \$600,000. Later the cleared land would be used to experiment with various kinds of grass for pasturage and as a training center for cattle raising. This project was suggested by Dr. Bartholomew, head of the University of Arkansas Agricultural mission.

b) Speeding up the construction of a vocational school plus the renovation of numerous Panamanian elementary schools plus the construction of some schools with employment of 2,500 workers at a cost of \$1,195,000.

c) Preliminary

SECRET SECURITY INFORMATION

of relieving unemployment. There are probably those who would say this is a perversion of the purpose of the Point IV program that the telescoping of the work into a five month period is necessarily wasteful; that the relationship between the expenditure and the menace of communism is remote.

b) Relations with Panama. We are already spending about \$1 million on Point IV work and will soon initiate the housing program. The addition of \$2 million for expenditure in a short-term pre-electoral period could not be kept secret and might subject us and Benson to the charge of buying the election for the government party.

c) Relations with Other States. Since Panama will not be asked to match the funds, we will be spending in Panama a disproportionate amount of unmatched funds. Others may ask for the same treatment.

7. If you wish to proceed with the project, we must support it as politically necessary. The first step is to get agreement with NEA, then, with NEA's concurrence, ask Mr. Hartman's office to arrange the transfer. Mr. Bingham anticipates our greatest difficulty will be with NEA. I will undertake this if you wish me to.

*cc - Mr. M.D. Mr. Linnell
Mr. Board*

SECRET SECURITY INFORMATION

culties. Nationalists and Communists exploit this "rising capitalism" point to the disparity in living standards between the area and this country. I therefore agree with Ambassador Wiley to this extent: One of our most important tasks is to help Latin America acquire the dollars they need to increase productivity—to expand their agriculture and industry. And I intend to recommend to Mr. Cabot that, to accomplish this, the lending policies of the World and Exim Banks should be liberalized and made more responsive to our foreign policy requirements in Latin America or, if this is not feasible, an economic grant program for the area comparable to that for the rest of the world.

The second category comprises numerous problems which arise out of the fact that the canal zone bisects the Republic of Panama.

I do not recommend a \$50 million agricultural grant program for Panama at this time because:

1. The economic problems of Panama should be treated as a part of the general problems; discrimination in favor of Panama will create trouble for us in Brazil and other countries essential to hemisphere solidarity.
2. Panama is already receiving very substantial aid from us and has not requested the program.
3. It would not satisfy the aspirations of the Panamanians concerning their relationship to the canal zone.

cc: MID-Mr. Rubottom
Mr. Sowash

ABA:TC:amant

CONFIDENTIAL - SECURITY INFORMATION

Your personal relations with Ambassador HENRISSAULT will, I think, make it possible for you to express our growing apprehension with this new trend and this apparent policy of the present government of Panama.

I have some doubt whether it would be wise to mention individual names unless we are absolutely sure of our ground. Perhaps we should ask that MID consult with our Embassy at Panama and come up with a summary of facts concerning each of the individuals listed and an appraisal of the political ideologies of each with particular emphasis on whether the individual is merely an extreme nationalist or whether he is a communist or a communist sympathizer.

ABSTRACT

CONFIDENTIAL

tenure.

The question of jurisdiction is being currently studied; those of compensation and length of tenure will, we think, need some clarification before we can proceed.

Compensation

The Department's View:

The Department has taken the position that, under the provisions of the General Treaty, Panama is obliged to make available to the United States sites necessary for the defense of the Canal. The compensation provided for in the Treaty is the payment of \$450,000 annually, and in addition, an annual payment based on the fair value of the additional lands needed in the Republic. The estimated value is slightly less than \$190,000, and it has been assumed that the fair annual rental would be about 1/10 of this amount, or \$19,000 - or, to be generous, \$25,000.

In

Panama's View:

Panama has insisted on compensation for the desired sites. The memorandum presented to the President enumerates twelve projects whose value, in so far as may be readily estimated, exceeds \$25,000,000.

If these were not considered feasible, Panama suggested that the United States should advance at once the Canal annuities due during the next 50 years.

Ambassador Brin has stated that President Roosevelt agreed to advance the Canal annuities for the next 50 years or a sum, if granted without interest,

which

(c) A bridge over or a tunnel under the Panama Canal to facilitate Panamanian traffic to the interior of the country, and pending this construction, an increase in the ferry service over the Canal;

(d) After the emergency, the consideration of a number of Panama's desires as enumerated in a memorandum recently left by the Panamanian Ambassador with President Roosevelt.

It is evident that before we can proceed to settle the question of "compensation" we shall have to know whether the President did in fact agree that the United States would advance at once the Canal annuities due during the next 50 years and, if so, whether this would be without interest (as Ambassador Brin appears to believe), or with interest.

Length

