

the Canal Zone on the Trade of Panama' stated:

"The basic cause of the difficultysituation here, arises out of the great differences in the prices level in Panama and in the Zone, and to the increasingly large proportion of Panamanians being employed in the Zone and thereby providing themselves in the Zone and not through Panamanian trade channels. Most students of this problem realize that the sound solution is to bring the two price levels into parity so that there won't be the tremendous incentive to purchase in the Zone".

For several months during the latter part of 1941 the Department received reports that the Panamanian Government was making a special study of the effects which a reduction in Panamanian duties would have on national

course on which protective tariffs had been applied years ago, as a measure of furthering the development of local industry. The reductions are to become effective sixty days after the promulgation of the official decree.

An idea of the Panamanian measure can be gained from the following figures:

ARTICLE	OLD TARIFF	REDUCED TARIFF
Canned or prepared meat	.30 Kilo	.5 Kilo
Ham & Bacon	.15 "	.3 "
Powdered Milk	.3 "	.1 "
Film	.15 "	.5 "
Butter-all forms	.10 "	Free
Cheese-any kind	.20 "	.06 "
Fish-dried or salted	.10 "	.03 "
Eggs-fresh or salted	.25 Dozen	.10 Dozen Fresh

In January the Government Price Control Board established a schedule to control wholesale and retail prices of potatoes and rice, and later regulated selling prices for meat and sugar. The retail price of sugar is set at 10¢ per pound and the wholesale price at \$8.00 per cwt.

Obviously the effect of reductions in Panamanian duties and the control of prices within the Republic upon the Commissary and Post Exchange situation will not be known for some time. It is encouraging to note that the Panamanian Government at last has taken an experimental step with respect to a problem which for many years has been a matter of great concern to both Governments.

RA:Vlse:qH

favorable. I believe time to have the
about 40 sub-machine guns and 2 launchers.
RA would be interested in knowing the
status of our consultations with the War and
Navy Departments on this matter.

Paul C. Daniels

RA:MMW:EJS

the events of October 9 involving the fall of Arnulfo Arias and the subsequent attitude of the present administration toward measures which had been taken by the Arnulfo Arias administration. The contents of the despatches describing the events of October 9 were made known in full to the Department through telegrams from Panama during the days when the new group came into power. I suggest that in view of the good reporting represented by these two despatches it might be opportune to commend the Embassy on its work.

In the election of June 2, 1940, Arnulfo Arias received 90,000 votes - the heaviest vote ever cast for a presidential candidate in Panama. He entered office speaking of the drastic measures of government he would inaugurate, and subsequently brought needless suffering to the Panamanian citizenry, both rich and poor.

Arch

It is well to give some attention to the significant steps which the new administration has already taken (most of which are mentioned in the attached papers):

1. To terminate the political quota levied on salaries of public employees for the support of the National Revolutionary Party (the party reported to have a vast sum of money from which \$750 a month is presumably being paid to Arnulfo Arias while he is in exile). Strangely and ironically, the National Revolutionary Party was the first to pledge its support to the new government.

2. To suspend all games of chance, including slot machines (traganiqueles - nickel swallows).

3. To allow the Star and Herald to return to its former custom of folding the newspaper with the English side out (Arias had arbitrarily forced the paper to fold the Spanish side out).

school teachers.

7. To disband the Fascist-like organization known as the Cubs of Urraca.

8. To destitute Francisco Villalaz, pro-Nazi Panamanian Minister, before the Governments of Germany, Holland and Poland.

9. To destitute the Panamanian Consul at Hamburg.

10. To announce that the recently passed Civic Service law obliging Panamanians to serve the country for at least six months would be studied and probably annulled.

11. To declare Cerjack Boyna (number one Nazi of the German colony and Civic Attaché to the German Legation at Panama) persona non grata.

12. To declare the Spanish Minister to Panama persona non grata.

13. To

resolutions issued by the previous administration would be carefully revised, and those contrary to democratic and republican standards would be discontinued.

RA:REVISE:HJH

The question of the internment of enemy aliens in Panama has, on various occasions, been discussed with the Panamanian authorities by Ambassador Wilson. Enclosed with despatch no. 300, October 20, 1941, from Panama are memoranda of recent conversations with the new Panamanian Foreign Minister regarding the question of internment of Japanese. The Panamanian Cabinet, through the Foreign Minister, has expressed to Ambassador Wilson the attitude of the Panamanian Government regarding the internment of Japanese. The Ambassador believes it important that the Department instruct him by telegraph to assure the Foreign Minister that the points which he set out meet the approval of our Government.

The attitude of the Panamanian Government seems satisfactory and cooperative. The Panamanian Cabinet feels that it should be the Panamanian authorities who should

aliens.

The Panamanian Cabinet is willing to have an arrangement for internment set forth in an exchange of letters with the Embassy. If trouble with the Japanese does not break immediately, the Panamanian Foreign Minister and Ambassador Wilson would agree informally on the wording of the letters and sign them only at the moment when internment became necessary.

The Foreign Minister stated that Panama would proceed to intern enemy aliens only after, or simultaneously, with action by the United States Government interning such aliens.

Query: Is it thought advisable to instruct Ambassador Wilson to assure the Foreign Minister that the points set forth in the memorandum of October 30, 1941 meet the approval of this Government, and should the Ambassador be authorized to proceed with the drafting of letters which might be exchanged in the event internment became necessary?

RA:WISB:KJS

Changes which have taken place, the Panama Government emphatically states, were due exclusively to the independent action of Panamanian political groups and in no way can they be construed as indirectly suggested by any foreign power.

Washington, D. C.

October 16, 1941

profoundly shocked by the glaring inaccuracies and willful misrepresentations set forth in that article. Without any attempt to verify the facts, or even to consult with the officials so unfairly criticized, the writer of this article presumes to place in question the good faith of the State Department and the foreign policy of the United States Government. Fortunately such instances of irresponsible reporting are rare. It is deplorable, however, that untrue statements of this character should appear in print, particularly when they are of a character to undermine our national reputation and give aid and comfort to forces inimical to the United States. I feel the matters touched upon in this case are so important, and affect so vitally the faith and integrity of the United States, that I do not feel that I can properly let them pass unnoticed.

I refer, of course, to the attempt which is being made to make political capital out of the recent events in Panama.

Lest

before you freely and frankly.

On October 7 a brief message was received from Ambassador Wilson indicating that he had received information from reliable sources for the first time indicating disaffection among Panamanian officials and the possibility of a movement against the Government. On the same day later information was received to the effect that a passenger by the name of A. Madrid taking the Pan American plane for Habana that morning was in fact President Arnulfo Arias. The Ambassador commented that this information did not necessarily bear any relation to the rumor reported earlier in the day. He commented that the President may merely have wished to make a brief visit to Cuba for personal reasons.

The same evening the Department informed our Embassy at Habana of President Arias' trip, stating that it might be merely a brief vacation trip, although there had been some reports

garded in the United States. The Ambassador called the attention of these officials to the well-known policy of the United States to refrain from interfering in the internal affairs of other countries, emphasizing that our desire was to cooperate loyally with all the American republics on a basis of complete equality and respect for each others' right. The Ambassador even went so far as to state that he would not depart an inch from this basic policy irrespective of what apparent inducements of gain or advantage might be offered the United States.

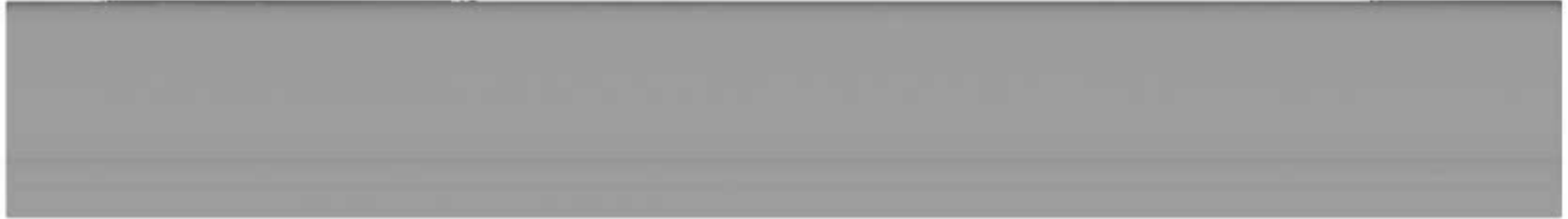
Further developments in the appointment of new officials were reported by the Ambassador later that day, October 9.

That same night Ambassador Wilson referred to the pertinent Constitutional provisions, specifically Article III of the Panamanian Constitution of January 2, 1941. He reported the position taken by the Panamanian officials to the effect that the President, having left the country without permission of the National Assembly and without permission of the Supreme

Court



[The text in this section is extremely faint and illegible. It appears to be a list or a series of entries, possibly containing names and dates, but the characters are too light to transcribe accurately.]



requirements, our Embassy and the Department felt that the only proper position to take was that of merely continuing normal relations with the Government of Panama. Any other action would have lent itself to undesirable interpretations of interference with internal political affairs.

During the days following these events and the return of Dr. Arnulfo Arias to Panama, all United States officials have done everything within their power to extend to him every courtesy, and have facilitated his contacts with relatives and friends who visited him aboard the steamship on which he returned to Cristobal. Dr. Arias returned to Panama, of course, on his own volition.

From the foregoing summary of events it will be quite apparent to the unprejudiced observer that the United States Government has in no way deviated from its basic and fundamental policy of non-interference in the internal political

"It is clear and beyond doubt that the United States used a temporary absence of the President of Panama, who was inconvenient to it, to stage a putsch in this small Central American Republic."

This judgment of events was promptly echoed by official spokesmen in Rome.

whose original language is not Spanish, of the yellow race, and the races originating in India, Asia Minor, and North Africa".

President Arias announces that he is planning to issue a Decree-Law to clarify the above-mentioned Article. In a recent letter in reply to a memorial presented to him by a group of Lebanese Christians in Panama, protesting over the possibility of their inclusion in the category of prohibited immigrants, President Arias explained that there would be included in the prohibited category, "In addition to the persons mentioned in Article 25 of the Constitution, the Armenian Gypsies, Arabs, Turks, Syrians, Lebanese, Persians, Egyptians, Iranians, Hebrews, Malaysians, etc."

The Lebanese Christians mentioned above, as well as

a group

research work which might assist in the presentation of their case. It is understood that they have offered Arias a fee of \$10,000 if he is successful in their behalf.

When Roberto Arias returned to Panama on September 2, 1941, he was met with the almost accomplished fact of the definite inclusion of the Jews in the prohibited immigration category. Apparently, the Supreme Court of Panama will not be called on by the President to interpret the scope of the Constitution. It will be done by Decree-Law.

The Decree-Law serves to confirm earlier reports that President Arias planned to bar all Jews from business in Panama. Article 5 of Law 24 of March 24, 1941 (Nationalization of Commerce Law) provides that licenses to do business in Panama will not be granted to foreigners of races the immigration of which is prohibited.

The promulgation of the Decree-Law may be expected to encourage a panic similar to that in which the Chinese were

... promulgated immigration category is believed by some to be a hint that perhaps enough money placed in the right hands may succeed in obtaining a revision of the proposed Decree-Law prior to its promulgation. However, it is understood that word has been circulated by the Jews among the members of their colony to remain calm and firm and avoid any semblance of panic. Among the Jews who will be affected should this Decree-Law be promulgated, are several American Jews who are in business in Panama and Colon.

If the above-mentioned action is taken by President Arias, it will indicate that even the new Constitution can be changed by Decree-Law whenever he deems it necessary for the execution of his program.

RA:KMW1400:MLB

The attached despatch from Panamá merits special consideration. Ambassador Wilson is apparently quite concerned over the fact that some of our own American organizations unconsciously support to a sizeable degree the Nazis in the distribution of their propaganda. The activities of certain newspaper associations, national columnists and movie producers, according to the Ambassador, often innocently produce and distribute objectionable material which can only have the effect of damaging United States prestige in the other American Republics. Many of our diplomatic and consular officers in the other American Republics have achieved noticeable success in their endeavors to check the spread of Nazi doctrines but are apparently frequently embarrassed and discouraged when they see the results of their efforts swept away by the lack of cooperation on the part of our own American organizations.

As

determination to drag or force the United States into the European War has now become obvious". In the same column there later appeared this statement: "Aerial warfare will hit a new and terrible high when Adolf Hitler, after conquering Russia, resumes his blitzkrieg against the British Isles." Further on the columnist gives a glowing account of the German Army beginning his comments as follows: "Believe it or not, Uncle Sam is training and drilling his soldiers on the German model. Confidential studiesconvince our people that Hitler has the right idea."

Not long ago a full page of the Panama-American appeared to be composed of German pictures of the recent campaign against Russia. These pictures, as well as others like them which have since appeared in the same paper, bear the symbol NEA (National Editors' Association).

It

OVERCOME THE UNW...
unfortunate remarks of national columnists and misleading news reel features by seeking the cooperation of our own American organizations and by acquainting them with the facts concerning their influence on the peoples of the other American Republics. As a second scheme for checking the activities of the Nazi regime, Ambassador Wilson feels that a mortal blow could be given Axis propaganda through a vigorous campaign among the Latin American nations in favor of action under Resolution VI of the Second Meeting of Foreign Ministers, Habana, 1940.

A few days ago an instruction was sent Ambassador Wilson enclosing a summarization of steps which have been taken in various of the other American Republics to prohibit the dissemination of propaganda of belligerent countries, with the hope that the Ambassador would be furnished with enough precedent and background to be able to approach Panamanian authorities for the purpose
of

movie organizations as regards the material they distribute
would be most opportune.

M. M. Vase

PA:MMV:BXK

recent presidential campaign by permitting the national police and other governmental agencies to over-awe and intimidate the electorate in favor of Arles.

Dr. Boyd has recently visited Lima where he is reported to have made very interesting statements supporting continental solidarity. He spoke very highly of President Roosevelt. Panama, he said, has adhered to the commitments of the conclusions of the international conferences signed by the American nations and maintains its position on continental solidarity in these moments of crisis. Dr. Boyd warned against subversive forces at work to undermine the democratic order.

Despatch No. 1448, Lima, August 1, 1941,
File 810.20 Defense/1207.

RA:MMW:MCL

... you will wish to take the time to read these two despatches in full.

Ambassador Wilson states that "That has developed in Panama is about as near an approach to Hitlerism as the characteristics of Latin Americans and the peculiar circumstances affecting Panama could be expected to permit. It is an extremely unsatisfactory and even dangerous situation from our point of view." However, the Ambassador feels that if certain statements recently made by President Arias are taken at their face value, they offer some hope of an improvement in the situation in Panama. He feels it would be a mistake to indulge ⁱⁿ too much optimism on this score.

Summary of Recent Conversations between
Ambassador Wilson and President Arias
It is a satisfaction to note that Ambassador Wilson

from the beginning of his mission at Panama has approached
President

indicated a willingness to take certain measures against suspected Europeans, if appropriate evidence of their undesirability were furnished by the Ambassador. He also indicated that he might be willing to request the removal of Cerjack-Boyna from the German Legation. (It will be remembered that the Panamanian Government accepted Boyna as an attaché at the German Legation. Boyna has been seen handling mail in the Panama Post Office.)

The Ambassador informed President Arias that military and naval authorities in the Zone had received information from Washington to the effect that any moment now an attempt might be made against the safety of the Panama Canal. The Ambassador explained that this information did not indicate that any movement in force was expected which might endanger the safety of Panama. But he further explained

the situation was becoming more critical and that it might be necessary for the United States authorities, for reasons of legitimate defense of the Canal, to take certain measures in an emergency in which they would not be able to consult with Panama beforehand. He said that by taking this step Panamanian opinion would be put on guard.

President Arias stated that when he took office eight months ago, he had not believed that there was any danger to the American Continent from the European war, but that he had recently changed his opinion and that now he was "frightened" at the danger. The President said that he was considering ways of beginning to impress Panamanian opinion with the danger which might exist for Panama from overseas. In this connection he referred to the Law for Civic Service for Panamanian youth, and expressed his hope to organize girls into Red Cross units. He asked if the United States had any plan to evacuate women and children

from

THE UNITED STATES, PRESIDENT ARIAS STATED THAT WHEN HE
TOOK OFFICE HE WAS FACED WITH THREE PROBLEMS OF AN INTER-
NATIONAL ORDER. FIRST, RELATIONS WITH THE UNITED STATES;
SECOND, THE FRONTIER QUESTION WITH COSTA RICA AND, THIRD,
THE REFUNDING OF THE FOREIGN DEBT. THE LAST TWO PROBLEMS
HAD BEEN SATISFACTORILY DISPOSED OF. THE PRESIDENT
EXPRESSED THE HOPE THAT AS SOON AS THE NEGOTIATIONS NOW
TAKING PLACE WERE CONCLUDED SATISFACTORILY, THERE WOULD NO
LONGER BE ANY PROBLEM OF DIFFICULTY WITH THE UNITED STATES.
HE ADDED THAT IN THESE NEGOTIATIONS HE WAS TRYING TO GET
FOR HIS COUNTRY EVERYTHING THAT HE POSSIBLY COULD FROM THE
UNITED STATES AND THAT HE WOULD CONTINUE TRYING, ^{TO THE BEST} DURING THE
NEGOTIATIONS.

RA:Wlase:KJS

under telegraph and
Dr. Arias a letter authorizing him to reside in Venezuela indefinitely. Before leaving Mexico, Dr. Arias stated that he had had an offer to practice medicine in Caracas and that he would terminate his arrangements for doing so in Habana.

Reports from Mexico would indicate that Dr. Arias was closely in touch with the Central American Revolutionary group in Mexico, which seems desirous of stirring up trouble in Central American countries.

Our posts in Caracas, Port-au-Prince, Habana, Panama and other Central American countries are being kept informed of Dr. Arias' activities.

819.001 Arias, Arnulfo

RA:Wise:EJS