

PANAMA IN WORLD WAR 2: THE 1936 TREATY AND CHANGES IN THE RELATIONSHIP WITH THE US

In 1939-40, as the threatened was became a reality, though not yet for the US and Panama, there were two important events that would affect the relationship between the two countries, and how the events of the coming war would pan out in the Republic and the Canal Zone. They both should be seen against a growing nationalism, heightened since the 1931 coup, and in the light of the difficult years of the 1930s; as well as the Roosevelt Administration's "*Good Neighbor*" policy towards Latin America.¹

The two events were –

- The final ratification by the US Senate of the 1936 Hull-Alfaro Treaty, which saw this Treaty (though not everything that had been agreed in 1936) come into effect in 1939; and
- The election in the 1940 Presidential elections of Arnulfo Arias Madrid, hero of the 1931 coup, who had campaigned on a nationalist and populist platform.

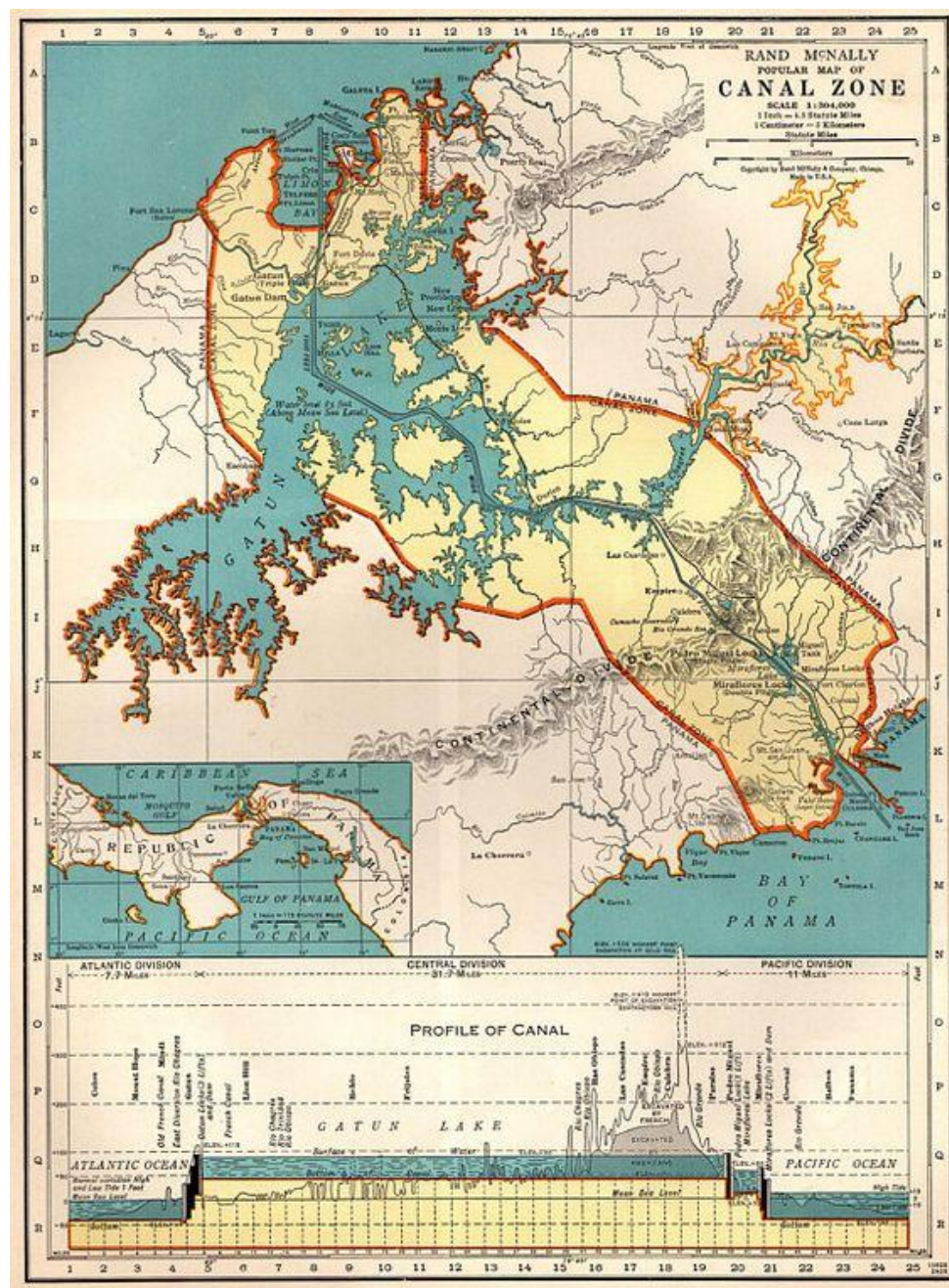
These events symbolised the changed, and changing, relationship, with the Roosevelt Administration wanting to liken it to a partnership (though not of equals) towards common goals. The Canal Zone authorities and, especially, the military viewed matters somewhat less kindly, wishing to safeguard the security of the Canal and the lifestyle of the Canal Zone. Most Panamanians would see only partial correction to an unbalanced arrangement, albeit with some benefiting (especially those whose businesses did well from the changes introduced, and the extra business from the expansion of defences).

To understand the views of all sides, how the political environment affected discussions about developments for and during the war, and how the general atmosphere coloured attitudes to planned and actual preparation for the coming war, one has to look back over the previous 20 or so years. You need to consider how the relationship between the US, its military and the Canal Zone authorities and their Panamanian hosts had developed since the

¹ <https://history.state.gov/milestones/1921-1936/good-neighbor>

Canal opened in 1914. One also must consider how ructions in Panama society in the 1930s had affected the political environment.

As we shall see, the changed relationship was brought into sharp relief in the violent protests of 1947 and the subsequent eviction of the US military from its many sites outside the Canal Zone. By the late 1950s the relationship had deteriorated further (so that, for example, US forces could not participate in annual independence processions), culminating in violence in the 1960s and a diplomatic break



1940 vintage map of the Panama Canal Zone

BEFORE 1903

The principal treaties bearing upon US canal rights and obligations on the Isthmus before the 1903 treaty that allowed for construction of the Canal and establishment of the Canal Zone –

- The Gadsden Treaty of 1853 with Mexico which guaranteed to the US freedom of transit across the Isthmus of Tehuantepec should any means of transit be constructed there.
- The Hay-Pauncefote Treaty of 1901 with Great Britain which supplanted an earlier agreement with Britain that the US would not fortify any canal across the Isthmus and provided that the US could alone build, operate, and protect an Isthmian canal, provided it was neutral and open to the world's vessels on an equal basis.
- The Hay-Herran Treaty of 1903 with Colombia (never ratified) which would have given the US the right to construct a canal in the Colombian Province of Panama. Failure of the Colombian Government to ratify this treaty led to the creation of the breakaway Republic of Panama, and the US entering into the Hay-Bunau Varilla Treaty 1903 with Panama.²

THE 1903 TREATY

The original 1903 Treaty, signed on 18 November 1903, between the US and the newly-independent Panama (aka the Hay-Bunau-Varilla Treaty)³ had granted to the US (in perpetuity) the right of use, occupation, and control of a zone of land and land under water for the construction, maintenance, operation, sanitation, and protection of the Canal.⁴ The official status of this “Canal Zone” was as an unincorporated territory of the US. Panama itself became a “protectorate” of the US – something that would not change until the 1936 Treaty came into effect and the new 1941 Constitution. The 1903 Treaty also extended to

² Report of the Atlantic-Pacific Interoceanic Canal Study Commission 1970.

³ The treaty was signed between the Secretary of State of the United States, John Hay and Filipe Buanu Varilla, Special Envoy and Minister Plenipotentiary to the government of the United States, by the Government Junta and endorsed by the Secretary of Foreign Affairs, Francisco Vicente de la Espriella.

⁴ <https://www.dipublico.org/100531/panama-usa-convention-for-the-construction-of-the-isthmian-ship-canal-1903/>

US control of the trans-isthmus railroad (which lay largely within the Canal Zone, except for the terminals in Panama City and Colón).

Crucially the 1903 Treaty also provided that –

*“If it should become necessary at any time to employ armed forces for the safety or protection of the Canal, or of the ships that make use of the same, or the railways and auxiliary works, the United States shall have the right, at all times and in its discretion, to use its police and its land and naval forces or to establish fortifications for these purposes”.*⁵

The subsequent Act of the US Congress, the Panama Canal Act of 1912⁶, provided that the Canal Zone government was to be an independent agency of the US Government established by Congress and administered under the supervision of the US President by a designated Governor. This official would have formal control and jurisdiction over the Canal Zone and operate it as a civil state.⁷

Of the many topics concerning the Treaty and Act that would be controversial to the Panamanians, there were some that would become particularly pertinent for our purposes –

- The Act provided that *"the President of the United States (through the Governor of the Zone), shall be authorized to determine or have determined which peoples shall exist in the Canal Zone"*;

⁵ <https://www.dipublico.org/100531/panama-usa-convention-for-the-construction-of-the-isthmian-ship-canal-1903/>

The Hay-Paueforte and Hay-Bunau-Varilla treaties implied, but did not specifically give, the right for the US to fortify the Canal Zone. However, central to America's decision to fortify was Article 3 of the Hay-Bunau-Varilla treaty, which gave the US all powers, rights, and authority in the Zone:

<https://apps.dtic.mil/sti/pdfs/ADA319357.pdf>

<https://weaponsandwarfare.com/2019/11/18/panama-canal-zone-defences-i/>

⁶ The Panama Canal Act of 24 August 1912, (incorporated into the Canal Zone Code, with effect from 19 June 1934). The 1912 Act also abolished the Isthmian Canal Commission - established in 1904 to "make all the rules and regulations necessary for the government of the Zone and for the proper administration of the military, civil, and judicial affairs of its possessions", to make way for an organisation that would include in its structure the Panama Canal Company and the Panama Railroad Company.

⁷ Long into the second half of the 20th Century the US Government remained of the view that the Treaty of 1903 had ceded sovereignty over the Canal and Canal Zone to the US. See, for example, US 94th Congress, 1st Session, 121 CONG. REC. H10417 (1975).

- The Treaty did not specifically provide for the fortification and defences of the Canal which the US Army put in place, it was taken that the control mentioned in the Treaty implied adequate defences⁸; and
- Under Article II of the Treaty, if additional land were required to be added to the Canal Zone, the Governor of the Canal Zone could notify the President of Panama that certain defined areas were required, and the President would issue the necessary decree.⁹

After approval of the 1903 Treaty, there were a series of misunderstandings between Panama and the US, which became complicated, when the US Government decided to impose the Dingley tariff in the Canal Zone. According to Secretary Hay, this was a decision by President Theodore Roosevelt, communicated to Secretary of War William Howard Taft, who, in turn, communicated it to the Canal Zone authorities.

Governor Georges W Davis implemented the Dingley Tariff on 24 June 1904. It established a system of customs and postal services in the Canal region. But, above all, he stripped Panama of its ports in Cristobal and Ancón. In this way, Panama was left without ports of access to the sea. Faced with this situation, reactions in Panama were not long in coming.

The first protest against these fiscal measures occurred on 9 July 1904, through the Secretary of Foreign Affairs, Tomás Arias. On 15 July 1904, the Chamber of Commerce of Panama City presented a memorandum to President Manuel Amador Guerrero, saying that the Canal Zone had been ceded to the US for the construction of the Canal, but not to establish ports, customs, and tariffs. It warned that if this order was not suspended, the ruin in the country would be total and many would have to emigrate.

⁸ The initial Canal proposal envisioned no special expenditures for its defence. The Isthmian Canal Commission had believed that the Canal was essentially indefensible, since *“a small party of resolute men, armed with a few sticks of dynamite, could temporarily disable it without great difficulty”*. However, the Taft Administration (1909-13) rejected any idea of making the Canal neutral Canal and established a Panama Fortification Board in 1909.

⁹ During negotiations that led to the 1936 Treaty, the lead for Panama observed that it was conceivable that the US might exercise a lien on the entire country, for the 1903 Treaty had placed no limitation on the extra lands and waters that could be attached to the Canal Zone.

On 26 July 1904, the US Minister Plenipotentiary to Panama, John Barret, informed Secretary of State Hay that there was much turmoil in Panama about the content of that executive order and advised that a quick agreement be reached before a revolution occurred in the country and endangered relations between the two nations.¹⁰

THE DINGLEY TARIFF

In response to the economic challenges of the 1890s, the US enacted the Dingley Tariff Act in 1897, significantly increasing duties on imports, giving one of the highest tariff rates in US history. It was pushed through Congress by President McKinley and during the course of its progress through Congress the originally modest tariffs were raised, resulting in an average increase of over 50%, to protect US industry from foreign imports.¹¹ It was named after Representative Nelson Dingley Jr., who played a key role in its passage as Chairman of the House Ways and Means Committee. The Act remained in effect until it was replaced by the Underwood Tariff in 1913.¹²

The US had unilaterally interpreted that the 1903 Treaty established that it was a US territory, where the tariffs set by the Dingley Tariff could be applied, even to Panamanian products, while the Canal Zone was declared open to world trade. To avoid further conflicts, the US decided to issue the Taft Agreement, revoking the previous measures, and allowing Panamanian merchants to access their merchandise through the Zone. In exchange, Panama agreed to establish the US dollar as a legal tender in the country.¹³

THE 1904 TAFT AGREEMENT

In the light of the protests and the raised tensions in Panama, President Roosevelt decided to send Secretary of War William Howard Taft to explore the situation in Panama. After conversations with the Panamanian authorities, a series of Executive Orders were signed

¹⁰ <https://www.laestrella.com.pa/opinion/columnistas/a-100-anos-de-la-eliminacion-del-convenio-taft-KB7289419>

¹¹ <https://www.thesocialhistorian.com/the-dingley-tariffs-of-1897-us-annexation-calls-and-their-impact-on-canada/>

¹² <https://centroinvestigacionhumanidades.up.ac.pa/sites/centroinvestigacionhumanidades/files/2025-07/Pantale%C3%B3n%20Garc%C3%ADa%20Bethancourth.pdf>

¹³ <https://www.scielo.sa.cr/scielo.php>

that together were called the Taft Agreement. Through it, the US halted the implementation of the order of 24 June 1904.¹⁴

While the 1903 Treaty had allowed the US to act as if the Canal Zone was US sovereign territory, the Taft Agreement¹⁵, which was a concession made by the administration of President Theodore Roosevelt, provided that only those materials deemed necessary for the construction of the Canal, the use of its employees, or sale to transiting ships, would be permitted to be imported into the Zone. In addition, Canal Zone commissaries would not be open to the general public, (though it is said that enforcement of this rule was sometimes lax). The Taft Agreement expired in 1924¹⁶, ostensibly to be replaced by a more permanent arrangement.¹⁷

Consequently, the agreement suspended the rights that Canal Zone authorities had to collect taxes and tolls at these ports and eliminated the right of Canal Zone authorities to establish post offices, and, of course, Panama regained its ports. This agreement came into force on 12 December 1904, but it was only of a temporary nature, for the duration of the construction of the Panama Canal.

The Taft Convention proved insufficient in modifying the 1903 Treaty, and to resolve issues that were perceived as suffocating Panama. Abrogating it, however, would imply reimposing the full force of the 1903 treaty, which was clearly disadvantageous to national interests. Therefore, there arose in Panama the political need for a new instrument, capable of redirecting the relationship with the US without Panama losing income or prestige as a nation. This led to the abortive Afaro-Kellogg Treaty of 1926.

¹⁴ <https://www.laestrella.com.pa/opinion/columnistas/a-100-anos-de-la-eliminacion-del-convenio-taft-KB7289419>

¹⁵ William Taft, a future US President, was then Secretary of War and thus directly responsible for the Canal. As President, Taft would later close the Gold Roll to non-Americans in 1909.

¹⁶ <https://www.encyclopedia.com/humanities/encyclopedias-almanacs-transcripts-and-maps/taft-agreement-1904>

¹⁷ <https://www.presidency.ucsb.edu/documents/proclamation-abrogation-the-so-called-taft-agreement-between-the-united-states-and-panama>

On 1 September 1921, Acting Secretary of State William Philips petitioned President Warren G Harding to eliminate the Taft Convention because the Canal had already been open to world trade for years. To do this, the US Congress had to authorise the President to repeal it, which happened on 12 February 1924.¹⁸

The Convention was to be terminated on 1 May 1924, but it first had to be communicated to the Panamanian Government. In fact, when Panama learned of this unilateral measure, it protested to the US Government, but the decision was delayed until 1 June to see if by that date there would be a new treaty to replace the Taft Agreement.¹⁹

While the Taft Agreement facilitated the completion of the Canal, its elimination once again strained relations between the two countries because it was back to the times of the Dingley tariff, until the Arias-Roosevelt Treaty of 1936 was signed, within the framework of the “*Good Neighbor*” policy.²⁰

1926: THE UNRATIFIED TREATY

The Alfaro-Kellogg Treaty (aka the Kellogg-Alfaro Treaty) was signed between Panama and the US on 28 July 1926. Negotiated on behalf of Panama by the same lawyer as the later 1936 Treaty, this was an earlier attempt to resolve some of the perceived inequities of the 1903 Treaty. The subject matter included the procedure for the expropriation of land for the operation of the Canal; the establishment of enterprises; the granting of customs facilities for Panama; and the payment due to Panama from the US.²¹

In 1924, Panamanian jurist and diplomat Ricardo Joaquín Alfaro, minister plenipotentiary in Washington, delivered to the US a note containing the points that Panama wanted to see in

¹⁸ <https://www.laestrella.com.pa/panama/nacional/zona-del-canal-y-soberania-el-trasfondo-del-tratado-alfarokellogg-HL14794223>

¹⁹ <https://www.laestrella.com.pa/panama/nacional/zona-del-canal-y-soberania-el-trasfondo-del-tratado-alfarokellogg-HL14794223>

²⁰ <https://www.laestrella.com.pa/panama/nacional/zona-del-canal-y-soberania-el-trasfondo-del-tratado-alfarokellogg-HL14794223>

²¹ For much more on the 1926 Treaty, see *Negotiating New Treaties with Panama: 1936* by Lester D Langley (Hispanic American Historical Review, May 1968. Duke University Press): <https://read.dukeupress.edu/hahr/article/48/2/220/157650/Negotiating-New-Treaties-with-Panama-1936>

the new agreement. The US President Coolidge agreed to start negotiations, and for two years Panama followed each move expectantly, hoping that the final text would correct historical imbalances.

The document contained three guiding principles –

1. That the Canal Zone be occupied and controlled exclusively to build, operate, and protect the Canal, without opening it "to the commerce of the world" as a colony of the US;
2. That Panama could take advantage of its geographical position for its own development, without hindering the operation of the Canal, or the US police and administrative jurisdiction in the Canal Zone; and
3. That it should not harm the prosperity of the country, nor reduce its revenues or prestige.

Hence, on paper, it was a promise of balance, and was designed to replace the Taft Convention.

This new agreement sought to impose new rules on expropriations, customs, use of currency, business activities in the Canal Zone and, above all, to reaffirm US control over the isthmus.²²

One aspect of the draft Treaty involved concessions of a military nature that would have had the effect of turning Panama into an ally in war – regardless of the view of its people and government. It would have also maintained in perpetuity the right of the US to the Canal Zone.

However, what the Panamanian Government presented as a modernisation was harshly questioned and finally rejected by the National Assembly, after it was criticised as a new and dangerous transfer of sovereignty.²³

²² <https://www.laestrella.com.pa/panama/nacional/zona-del-canal-y-soberania-el-trasfondo-del-tratado-alfarokelogg-HL14794223>

²³ <https://www.laestrella.com.pa/panama/nacional/zona-del-canal-y-soberania-el-trasfondo-del-tratado-alfarokelogg-HL14794223>

However, it soon became clear that the Treaty did not offer economic or fiscal advantages superior to those of the Taft Convention and implied dangerous concessions in military and communications matters, such as US control of radio stations, and positioned Panama as an ally in the event of any war involving the US. For a large part of Panamanian society, this meant deepening the country's strategic subordination.

In Panama, the rejection was quickly organised. *Acción Comunal*²⁴, the General Union of Workers, and the League of Tenants led the resistance, arguing that the text harmed sovereignty. It was not just a legal complaint; it was a political plea about the type of republic that Panama intended to be two decades after its separation from Colombia. In the face of social pressure and fundamental questions, the National Assembly rejected the Treaty - in fact it unanimously rejected ratification, preferring to continue with the *status quo*,²⁵ considering it incapable of improving the "*depressing conditions of the Isthmus*".

However, the National Assembly approved a resolution that suspended what was signed, while leaving the door open to maintaining relations with the US on terms compatible with Panamanian aspirations. The manoeuvre sought to protect the bilateral relationship without giving in to demands affecting sovereignty.

That resolution – in whose drafting, in addition to Alfaro, figures such as Harmodio Arias Madrid, Domingo H Turner, and Eduardo Chiari participated – momentarily stabilised the diplomatic relationship, avoiding an open rupture but stressing that Panama was no longer willing to sign anything in exchange for "stability". The country, it argued, demanded a floor of dignity.

²⁴ Created in 1923 to promote ideas of patriotism and nationalism, and opposed to the elite that ran Panama from its formation. It was to lead the 1931 coup that would depose the elite (see below).

<https://www.laestrella.com.pa/panama/publicando-historia/accion-comunal-superioridad-hombre-KKLE476059>

²⁵ According to Dr RJ Alfaro, a member of the 1926 Treaty Commission, one of the main objections raised was for the transfer of Neuvo Cristobal, part of the city of Colón, to US jurisdiction. Unsurprisingly, Assembly members from the Colón area were the main opponents.

The failure of the new Treaty revealed something more important than a specific disagreement: the emergence of a nationalism that was growing, maturing and daring to stand up. The discussion was not merely technical; it was an attempt to redefine the equation between sovereignty, security and development. For opponents, the cost of US "security" was a tutelage incompatible with the spirit of the Republic. For its proponents, it was a pragmatic arrangement in a world where the Canal remained the epicentre of global politics.²⁶

In 1927, the US Minister in Panama (it did not merit an ambassador at this time, its diplomatic status only being upgraded in 1939, after the 1936 Treaty took effect) said that the political situation in Panama would prevent ratification of the 1926 Treaty. Then, in 1929, Panama submitted a request to formally renegotiate it, and the US agreed, with the implication that no changes would be made in respect of the original 1903 Treaty.²⁷

1927: THE LEAGUE OF NATIONS

In 1927, the Panamanian representative at the League of Nations in Geneva asked for an impartial court of justice²⁸ to decide whether sovereignty over the Panama Canal Zone rested with the US or the Republic of Panama, saying that it was –

“incredible that the United States refuses to submit the differences of interpretation of the Canal treaties (Hay-Bunau Varilla) to impartial judges and even more incredible that it tries to impose its own interpretation by extrajudicial means against a small and weak nation like Panama”.

However, of course, the US had not joined the League and in response a spokesman for the US Secretary of State said that –

“The League of Nations has nothing to do about US control over the Panama Canal Zone and will have nothing to do in the future”.

²⁶ <https://www.laestrella.com.pa/panama/nacional/zona-del-canal-y-soberania-el-trasfondo-del-tratado-alfarokelogg-HL14794223>

²⁷ <https://www.archives.gov/files/research/foreign-policy/memoranda-1963.pdf>

²⁸ The Permanent Court of International Justice, based in The Hague, and created by the League of Nations.

He also stated that –

“Between the governments of the United States and Panama there has never been a dispute regarding the sovereignty of the Canal Zone”.

It has to be said that the Panamanian Government was also unimpressed by the call for international arbitration, with then-President Rodolfo Chiari going so far as to say that he was very satisfied with the way relations between Panama and the US had been conducted during his administration.²⁹

THE GOOD NEIGHBOR POLICY

President Roosevelt’s “Good Neighbor” policy towards Latin America and the Caribbean sought to secure stability in the region through cooperation and trade rather than military force and intervention (such as that which had taken place in Panama as recently as the 1920s³⁰). This initiative started with the policy being included in his inauguration speech of March 1933. The first example of implementation of the new policy saw the US give up its right to intervene to preserve internal stability or independence in Cuba which, as in Panama, was contained in a treaty from 1903.³¹

However, when it came to Panama and the Canal, there were complications. Converting the relationship with Panama from it being a protectorate to a partner raised fears for the security of the vital Canal. The US military considered that the 1903 Treaty, which (as in Cuba) also allowed US the means of intervention in Panamanian politics, was vital to the preservation of US strategic interests; and that almost anything done in, by or for Panama could potentially impact the security of the Canal.

In any event, when President Roosevelt announced his Good Neighbor Policy there was considerable scepticism in Latin America. He was not the first US President to promise to set

²⁹ <https://www.laestrella.com.pa/nacional/publicando-historia/220508/eusebio-morales-alboroto-cotarro-desafio>

³⁰ In 1925, US troops had deployed in Panama City following a strike organised by tenants to protest rising rents and unsanitary conditions. Two people died in confrontations with the troops.

³¹ <https://history.state.gov/milestones/1921-1936/good-neighbor>

aside the old policy and end the military interventions and aggression. This was certainly the case in Panama.

Nevertheless, the Good Neighbor Policy was the official line that was the background to the negotiations between 1933 and 1936 which led to the new Treaty. However, as if to underline why scepticism was justified, of the four separate, but interlinked, agreements signed in March 1936, only two were to actually come into effect, and even these had to wait until mid-1939 to be ratified by the US Senate (and even only after additional reassurances that changes made would be implemented in a limited, restrained manner).

THE 1930s DEPRESSION

The Great Depression of the 1930s³² saw Panamanians find themselves competing for unskilled jobs on the “Silver Roll” with those of West Indian origin, originally brought to supply the manual labour for the construction of the Canal. Skilled, or “Gold Roll,” employment was generally reserved for those from the US.³³ This has the result that Panamanians came to condemn all “foreigners” (which would come to mean even Panamanians of West Indian origin) as receiving the benefits of the Canal, while ordinary Panamanians suffered economic deprivation.

In the cities at either end of the Canal, the growing middle class, which had depended for their prosperity on Canal activities, also suffered from the economic downturn. They also resented how they saw the US reaping all the benefits from the Canal and sought greater commercial benefits for themselves. The agitation for nationalising of “foreign-owned” businesses in Panama was a factor that would lead to the actions of the authoritarian Arias Madrid administration of 1940-41, which would be continued by its successor.

³² The worldwide economic downturn began in 1929 and lasted in some places until about 1939.

³³ President Taft (1909-14) had officially closed the Gold Roll to non-Americans during the construction period, with an exception only for Panamanians – but even then, facing union pressure, the Canal only hired 16 for Gold Roll jobs.

It is worth remembering that the elite families, which had controlled the country since independence, lost their hold on power, albeit temporarily, following the 1931 coup (see below). The fact that the US chose not to intervene in the coup would have coloured their views, even if they regained power after Arias Madrid was deposed in 1941.

THE 1931 COUP

Nationalism was a major factor in the 1931 coup. By 1931, accusations of financial and political scandals had reached a peak and, on 2 January 1931, the *Accion Communal* party launched a successful coup.

As mentioned, one reason for the success of the coup was that the US Minister in Panama³⁴ and the US Secretary of State Henry L Stimson³⁵ refused to send troops into Panama City (as was permitted under the 1903 Treaty). However, this did little to reduce the anti-Americanism that had become an integral part of Panamanian nationalism. The ruling clique that had ruled Panama since independence had hitherto relied on the threat that any revolt would result in intervention by the US, the lack of such intervention in 1931 would lead to nationalist politicians feeling safe to rely on anti-American rhetoric.³⁶

The anti-American feeling was a major factor in the following 1932 Presidential campaign, with relations with the US the chief issue in the election. The election was won by Dr Harmodio Arias Madrid³⁷, who was determined to mitigate the harsh effects of the Depression, and recognised that Panama's economy was inextricably bound up with that of the Canal Zone. He saw that only by a greater share in the benefits of the Canal could Panama solve its economic problems, and newspapers and civil organisations which had supported his campaign now clamoured for revision of the 1903 Treaty.

³⁴ Representation did not rate an ambassador until the 1936 Treaty came into effect, with the first US Ambassador being appointed in 1939.

³⁵ He was Secretary of War during World War 2.

³⁶ It also led to the various parties investing in their own armed supporters, and using these, and the growing power of the National Police, to suppress discontent or to enforce their decisions.

³⁷ Brother of Arnulfo Arias Madrid, hero of the 1931 coup and (briefly) President himself in 1940-41.

THE 1936 TREATY

Just seven months into his administration, President Roosevelt invited President Harmodio Arias Madrid to travel to Washington to discuss the differences between the two countries in relation to the 1903 Treaty. It is said that by now Arias Madrid had managed to worst of the crisis affecting Panama and linked to the Great Depression although, as one could also say about the US, it would be the boom caused by the lead up to, and the war itself, that would provide real, longer time cures. That said, Arias Madrid saw as his next step in saving Panama to be securing greater benefits from the existence of the Canal.³⁸

Panamanians were described as optimistic about the possibilities of any discussions.³⁹ President Arias Madrid was seen as a first-rate negotiator, who not only spoke excellent English language, but also had full command and knowledge of the Canal issue. On the other hand, as was stated in the local press at the time, the US Zonians distrusted Roosevelt. They were afraid that, in order to please Panamanians and convince Latin America of the sincerity of his Good Neighbor Policy, Roosevelt would sacrifice interests of the employees and residents of the Canal Zone.

Arias Madrid stayed at the White House for three days, and even had a state banquet in his honour. It appeared that Roosevelt wanted a "heart-to-heart" conversation and to avoid lengthy negotiations. However, during a preliminary discussion with President Roosevelt, Arias Madrid learned that he must also negotiate with the State, War, and Navy Departments.

Complaints about the 1903 Treaty included that –

³⁸ He was perhaps well-placed to do so, given that his thesis for his doctorate of law at the University of London in 1911 had been entitled *The Panama Canal: a study in international law and diplomacy*, and examined the legal status of the Canal, in the light of various theories, with the purpose of seeking the greatest benefits for humanity: <https://archive.org/details/cu31924022883098>

³⁹ As he departed, all activities in Panama City were suspended to facilitate a large parade in which boys' schools, the Fire Department, the Republican Band and numerous political parties participated. The president addressed the crowd at the railway station on Plaza Cinco de Mayo.

- It was estimated that half of the \$10 million in annual sales of commissaries in the Canal Zone was made to Panamanian families who, consequently, bought less from local businesses;
- Article I provided that the US would guarantee and maintain the independence of Panama, a principle which was initially designed to protect the new Republic from the repercussions of fighting in Colombia. However, it also had the effect of creating the legal status of a "protectorate", and not that of an independent nation. This was obviously something that the military would favour, as it served to guarantee the stability of the country, and thereby the security of the Canal;
- Article II ceded to the US in perpetuity, the use, occupation, and control of the 10-mile-wide area of land that had become the Canal Zone, for the construction, maintenance, and operation of the Canal. In addition, it committed Panama to deliver *in perpetuity* and without limits any other land or water that the US deemed necessary for the operation or defence of the Canal;
- Article V imposed, again in perpetuity, a monopoly of the communication routes in the Canal Zone, which prevented Panama from building a highway to connect the cities of Panama and Colón;
- Article VII gave the US the right to intervene in Panama City and Colón to maintain public order when, in the opinion of the US authorities, Panama was not in a position to do so. This meant that the US could interfere in Panama's domestic and foreign policy.

Panama would get the US to agree to eliminate several of the most unwanted Articles, especially Articles I, II and VII. In their place, the new Treaty imposed an obligation that the US should purchase such land or property that it deemed necessary. It also allowed Panama to build the Transisthmian Highway between Panama City and Colón. In addition, the commercial activities of the commissaries in the Canal Zone were to be limited, and Panama's annual payment from the US was increased from \$250,000 to \$430,000.⁴⁰

⁴⁰ Panama had not been banking the annuity for a time, protesting its adequacy.

Importantly, given subsequent events, Article X of the new Treaty established that, in the event of an *external* aggression that endangered the Canal, the two governments would take joint measures to prevent and defend the protection of their common interests (the Canal), and that the US would have to consult with Panama on any action (though it was subsequently agreed that this did not prevent the US taking urgent action, when essential).⁴¹

The aim of the new Treaty was for more of a partnership, Arias Madrid proposing that it be the basis of any policy should be that the Canal Zone was to be used, occupied and controlled exclusively for the maintenance, operation, sanitation and protection of the existing Canal. This could be interpreted as a limitation on the powers granted to the US in Article III of the 1903 Treaty.⁴²

Panama received a more conciliatory reaction from the State Department than that from the War and Navy Departments, but even the Secretary of State's counter-proposals strengthened US powers in the operation, maintenance, and defence of the Canal. However, Arias Madrid achieved something of a triumph in the Roosevelt-Arias Memorandum of 17 October 1933, which broadly moved in the direction he had suggested, and Roosevelt and Hull had amended his proposals only slightly. In addition, although he had not yet obtained a formal treaty, the Memorandum committed the Roosevelt administration to grant a "new deal" to Panama.

However, In June 1934, the Governor of the Canal Zone held a conference with State Department officials which confirmed plans for a further expansion of the Canal. The Governor also refuted any justification for a new treaty, arguing that the Canal had not in fact been "completed" as the Roosevelt-Arias memorandum appeared to presume.

The good news for Panama was that the State Department remained favourable to an agreement more amenable to Panama, and the person chosen to negotiate a treaty on behalf of the US was Sumner Welles, a brilliant career diplomat who specialised in

⁴¹ <https://www.laestrella.com.pa/nacional/publicando-historia/220731/ventajas-tratado-arias-roosevelt>

⁴² *"The Republic of Panama grants to the United States all the rights, power and authority within the zone mentioned which the United States would possess and exercise if it were the sovereign of the territory within which said lands and waters are located to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power or authority".*

Caribbean affairs and who had been a trouble-shooter for the US Government in that region since the 1920s. He, like Roosevelt and Hull, possessed genuine sympathy for Panamanian grievances and, during 1934, he arranged a series of no less than 110 meetings with the Panamanian delegation headed by Ricardo Alfaro.⁴³

The question of how (and how much) further territory the US might require from Panama for the operation and defence of the Canal was an important issue. It was conceivable, Alfaro emphasised, that the US might exercise a lien on the entire country, for the 1903 Treaty had placed no limitation on the extra lands and waters that could be attached to the Canal Zone.

President Roosevelt assumed that in the event of an emergency any responsible Panamanian Government would be willing to cooperate in defensive measures and that Panamanian administrations would be friendly to the needs of the US. Welles was not so sure, and the events of 1940-41 proved that perhaps his scepticism was well-founded.

In the end, Alfaro felt compelled to accept a compromise. While the US renounced the objectionable "*in perpetuity*" phrase of the old Article II, Panama recognised a joint duty to cooperate with the US in the future if Canal defence required territorial acquisitions. Importantly, no specific limit of lands and waters was written into the agreement.

More success was obtained by Panama in other, commercial, issues, such as sales by commissaries in the Canal Zone. For example, a new Article III declared that businesses in the Zone should be operated or used only by Canal Company employees, their families, or contractors and employees in residence⁴⁴, and Panamanian businessmen were to have equal opportunity for retail sales to ships in the Canal.

⁴³ He later contested the 1940 elections against Arnulfo Arias Madrid, withdrawing amid claims of election fraud and intimidation on the part of Arias Madrid. See <https://www.panamaviejaescuela.com/ricardo-joaquin-alfaro-jovane/>

⁴⁴ Charitable, educational, religious, and scientific organisations that functioned exclusively within the Zone would also qualify under this provision.

Another small, but important (to Panamanian pride) change involved the question of the Canal Zone Police controlling the transit through the Canal Zone of Panamanians (and bear in mind that the country's main airport and ports were in the Canal Zone). Welles recognised the inherent right of Panamanian citizens to cross the US sector, even if "undesirable" to Canal Zone Police.

An important factor in obtaining a greater share of Canal benefits was the question of employment in the Canal Zone. Because of the segregation of Zone occupations, Panamanians usually occupied the same status as "Silver Roll" West Indians who were paid "tropical" wages. The result was not only economic but racial jealousy, particularly in the hard years of the 1930s. What Alfaro sought was equality of treatment with US citizens in technical (and hence higher-paid Gold Roll) positions and preference for Panamanians over West Indians in unskilled jobs. The Panama Canal Company looked at the matter as solely an administrative one and argued, with some justification, that Panama really wanted most-favoured-nation treatment in Zone employment. Alfaro responded that Panama's special relationship to the US implied special considerations. It was only in 1939, when the European crisis arose and concentrated minds, that Roosevelt stipulated special consideration for Panamanians in the context of the many new construction projects.

On the most crucial issue, around Article I of the 1903 Treaty and its right of intervention and the *de facto* control of Panama this permitted, the final draft of Article X of the new Treaty supported the concept of joint responsibility but underscored the right of both the US and Panama to take unilateral action in an emergency –

"In case of an international conflagration or the existence of any threat of aggression which would endanger the security of the Republic of Panama or the neutrality of the Panama Canal, the Governments of the United States and the Republic of Panama will take measures of prevention as they may consider necessary for the protection of their common interests. Any measures, in safeguarding such interests, which it shall appear essential to one Government to take, and which may affect the territory under the jurisdiction of the other Government, will be the subject of consultation between the two Governments".

On 2 March 1936, the Treaty of Friendship and Cooperation, better known as the Arias-Roosevelt or Alfaro-Hull Treaty, was signed in Washington DC.⁴⁵ In essence, it represented a new understanding between the US and Panama, and an agreement –

- to end the Panamanian protectorate status;
- to recognise Panama's rights to a larger share of Canal prosperity;
- to increase the annuity paid by the US from \$250,000 to \$436,000 dollars;⁴⁶
- to recognise a joint commitment to Canal defence;
- to uphold the right of transit across the Zone for Panamanian citizens; and
- to abrogate the treaty stipulation of intervention in Panama City and Colón.

President Arias Madrid acknowledged that the new Treaty was not perfect, but said that it offered great advantages, something which was recognised by the National Assembly, where it was approved with 27 votes in favour and four against; and on 24 December 1936, the new President Arosemena⁴⁷ ratified the new Treaty.

However, the US Senate was not convinced of the need for, and suitability of, the new draft treaty. The US Army lobbied against ratification, arguing that the changes affected the security of the Canal, which was still then seen as vital to US national security.

In order to ensure that the US Senate ratified the Treaty, in February 1939, the Panamanian government made two further concessions: that the US Army could carry out manoeuvres in Panamanian territory and that the US could take unilateral defence measures to protect the Canal if there was not enough time to consult with the Panamanian Government. Finally, against rising international tension as a backdrop, the Treaty was approved by the US Senate in July 1939.⁴⁸

⁴⁵ <https://www.laestrella.com.pa/nacional/publicando-historia/220731/ventajas-tratado-arias-roosevelt>

⁴⁶ There had been a dispute over the \$250,000 annuity payable by the US. The devaluation of the US dollar in 1934 had reduced its gold value to just 59.6% of its former value, meaning that the annuity's value was nearly cut in half in the newly devalued dollars. As a result, the Panamanian government refused to accept the annuity paid at the new exchange rate.

⁴⁷ In Panama, Presidents are limited to one term at a time, not being permitted consecutive terms.

⁴⁸ <https://www.laestrella.com.pa/nacional/publicando-historia/220731/ventajas-tratado-arias-roosevelt>

THE 1940 ELECTION AND ARNULFO ARIAS MADRID

The 1930s were a tempestuous period in Panamanian history, after the ruling elite which had run the country since independence⁴⁹ had seen their hold on power broken by the 1931 coup. Behind the coup had been the *Acción Communal*, with a following which was primarily *mestizo* middle class⁵⁰, and its mood which was anti-oligarch and anti-American.⁵¹ The subsequent 1932 election saw Harmodio Arias Madrid elected, and he was the first Panamanian president to institute relief efforts for the isolated and impoverished countryside. He also established the University of Panama, which would go on to the focal point for the political articulation of middle-class interests and nationalistic zeal, and during the 1940s a hotbed of unrest. The President's brother, Arnulfo, who had been a coup leader, became an overnight hero and a champion of the masses, having seemingly dealt a blow to the oppressive Panamanian oligarchy.⁵²

Arnulfo's political activities continued during the 1930s, and he held important public positions in the governments of Ricardo J Alfaro immediately following the coup, and later in that of his brother Harmodio Arias Madrid 1932-36. He was involved in the campaign of Juan Demóstenes Arosemena in 1936, and this led to him being appointed Extraordinary Envoy and Minister Plenipotentiary in the countries of Denmark, England, Sweden, Germany and France. He settled in Paris until 1939 and, during his time in Europe, he witnessed the fascist ideologies of Italy and Germany and became very interested in these social movements and tried to study them closely.

⁴⁹ Said to involve a handful of individuals and families linked to the exclusive Union Club.

⁵⁰ *Mestizo* was a term introduced by the Spanish, and commonly used to describe people descended from ancestors belonging to two or more racial groups, in Panama this meant persons of mixed race, with one race being one of the indigenous groups.

⁵¹ *Acción Communal* (predecessor to the *Panameñista*) had a nationalist and anti-US platform, with the slogan "*Patriotismo, Acción, Euidad y Disciplina*" ("*Patriotism, Action, Equality and Discipline*"), and arguing that non-Panamanians were "willing to enrich themselves to the detriment of national citizens and erase the characteristic elements of Panamanian national identity": *Latin America During World War II*, edited by Thomas M. Leonard, John F Bratzel (Bowman & Littlefield Inc), 2007.

⁵² *The Legacy of the Three Presidencies of Arnulfo Arias Madrid* by Sandra Blackman (Loma Linda University Electronic Theses, Dissertations & Projects, 1985):
<https://scholarsrepository.llu.edu/cgi/viewcontent.cgi?article=1539&context=etd>

In 1939, he returned to Panama and stood for President, as candidate for the *Partido Nacional Revolucionario* (National Revolutionary Party or PNR⁵³), leading an alliance of parties that made up a National Coalition. At that time, Panama City had seen a great increase in immigrants, especially Europeans, with the country unprepared to receive so many foreigners who began to compete commercially with nationals, who felt it to be unfair competition. Arias Madrid promised Panamanians that he was the solution to this problem.⁵⁴

He made his anti-American stance one of the bases of his platform. As well as what was portrayed as the commercial exploitation of the country, Arias Madrid and his allies could point to Article 136 of the Panamanian Constitution as evidence of the country's second-class status.⁵⁵ He aspired to rid the country of non-Hispanics (which meant not only North Americans, but also West Indians⁵⁶, Chinese, Hindus), and to the US he also seemed susceptible to the influence of Nazi and fascist agents.

He was elected President by a landslide in 1940 – helped by his opponent⁵⁷ standing aside in the face of mounting and threatened political violence.

As the war in Europe progressed, Arias Madrid maintained Panama's neutrality, and refused to break off diplomatic relations with the Axis countries.⁵⁸ During his first and only year of government, the conservative Constitution of 1904 was repealed and the new Constitution of 1941 (see below) was introduced.

⁵³ Which he had himself helped to form earlier.

⁵⁴ https://www.panamaviejaescuela.com/arnulfo-arias-madrid/?fbclid=IwAR1UbFenl4SCIRTjyb0a-C5LNj8XZ2A4HtbT5q5Tt8WVaDN46bd_Wq997GE

⁵⁵ Article 136 of the Panamanian Constitution of 1903 granted the US the right to intervene in any part of the Republic in the event the public peace was disturbed. Article 136 had often been invoked by the party in power to control the actions of the opposition and was also instrumental in establishing a precedent for a Panamanian military to later intervene in political matters:
<https://scholarsrepository.llu.edu/cgi/viewcontent.cgi?article=1539&context=etd>

⁵⁶ The US refused to deport the West Indians and other non-Hispanics. A distinction was made by the Arias Madrid government between West Indian blacks and what were termed Jamaicanos-Americans.

⁵⁷ Dr Ricardo Alfaro, co-author of the 1936 Treaty, former interim President after the coup, had helped to draft the 1942 agreement that saw US bases expand across the Republic, and become a postwar foreign minister who resigned in opposition to a plan for the US to retain at least some of those bases.

⁵⁸ *We Answer Only to God: Politics and the Military in Panama 1903-1947* by Thomas L Pearcy (University of New Mexico Press, 1968).

The Panamanians who voted for him did so expecting changes in the distribution of the national wealth, and were looking for a takeover of the retail businesses, and they were not to be disappointed.⁵⁹

THE 1941 CONSTITUTION AND THE ARIAS MADRID GOVERNMENT

Panama's second Constitution was drafted under the short-lived Presidency of Arnulfo Arias Madrid. Unlike its predecessor and its successor, this was not drafted by an elected constituent assembly, but rather by a select committee of jurists. It was ratified by a "questionable" plebiscite of 2 January 1941.

It could be said to have contained some good elements (such as enfranchising women) but also some less desirable ones – such as giving the President increased powers, extending the term of office and containing clauses that were overtly racist. It did lay down the basis for enlightened family law; placing the family under the protection of the state. It did this by providing for equal rights for spouses and recognised the equality of duties of parents for both legitimate and natural offspring (in a country where almost 65% of births were out of wedlock). It also provided for laws protecting motherhood and childhood and the moral, intellectual, and physical development of childhood and youth. For workers, the right to strike was enshrined, together with a number of other rights and protections. After all, as well as being something of an outsider from the political elite, Arias Madrid was a populist, as well as a nationalist, and owed his political success, in large part, to popular support.

However, many of the more controversial aspects of the 1941 Constitution would be ignored after Arias Madrid was deposed in October 1941, although it remained technically in force until suspended in 1945.

⁵⁹ *The Legacy of the Three Presidencies of Arnulfo Arias Madrid* by Sandra Blackman (Loma Linda University Electronic Theses, Dissertations & Projects, 1985):
<https://scholarsrepository.llu.edu/cgi/viewcontent.cgi?article=1539&context=etd>

One of the concerns about the 1941 Constitution centred on its “nationalisation of trade”, which resulted in retail trade being almost exclusively in the hands of Panama nationals. The Association of Merchants and Industrialists wanted the new Constitution to preserve the policy of nationalisation of commerce and industry introduced by Arias Madrid.

The new Constitution was a pet project of the President, at 39 the country’s youngest, and he presented it to the National Assembly on 17 October 1940, after only 16 days in office. It would see power concentrated in the hands of the President whose term, along with that of members of the National Assembly, was extended from four to six years, so that Arias Madrid’s term would have ended in 1947 instead of 1945 (although he was to be deposed in October 1941).

It has been said that the worst thing about the 1941 Constitution was that it prohibited the immigration of people of "*the black race whose original language is not Spanish, the yellow race and the original races of India, Asia Minor and North Africa*" and stripped tens of thousands of people of their Panamanian citizenship retroactively. Thus, all Panamanians born after May 1904 to Chinese, Turkish, Syrian or Antillean fathers and mothers, whether born in any part of the Republic, were to be stripped of their nationality. Many of these had had full citizenship since 1925, and around 51,000 people born in Panama would lose their citizenship.⁶⁰

In the wake of the 1936 Treaty having come into operation and altered the status of Panama *vis a vis* the US, and the removal of the right of the US to intervene in Panama, Article 136 of the 1904 Constitution, which had given the US the right to "intervene in any part of Panama, to re-establish public peace and constitutional order" was repealed, and hence the new Constitution was to illustrate the ending of Panama's status as a protectorate of the US.⁶¹

On 26 November 1940, the President signed a Decree by which he granted himself "the supreme representation of the State" and called for a plebiscite on the new Constitution on 15 December. This was not in accordance with the rules for amendments laid down in the

⁶⁰ <https://publicandohistoria.com/2018/04/01/un-grave-problema-etnico/>

⁶¹ Ibid.

original 1904 Constitution, and two Supreme Court judges resigned rather than be seen to go along with the plan. Nevertheless, the plebiscite was held and overwhelmingly approved the new Constitution (although there were said to be serious “anomalies” in the voting process – there were apparently only “yes” votes⁶²). On 30 December, the National Assembly formally adopted the new Constitution, to come into force on 2 January 1942.

On 14 February 1941, Arias Madrid made good of one of his promises, when the National Assembly passed a Bill barring aliens from the operation of all retail businesses, and citizenship became a prerequisite for owning these. At the time, foreigners owned most of the country's retail stores, with US citizens owning the largest proportion of the bars and many other establishments for the sale of alcohol, as well as being involved in other branches of the retail trade. The Bill also affected foreign restaurant and hotel owners. Of the other ethnic groups, the Chinese would be hardest hit. The new Bill also banned foreigners from operating as commission merchants and fuel distributors, and another Bill introduced on the same day regulated the granting of gambling concessions, affecting Americans, who controlled most of the casinos, bars, and hotels - the major gambling establishments.⁶³

However, the Arias Madrid administration was to be short-lived and, in October 1941, the National Police mounted a coup and removed him from office. The force had become increasingly important during the preceding decade, and Arias Madrid had sought its favour, while also creating his own secret police, answerable only to the government leadership. The deposing of Arias Madrid marked the rise of the National Police, so that by the early postwar years its leader (the later President Remón Cantera) had become a *de facto* “kingmaker”, effectively selecting who could or should be President.

Meanwhile, the 1941 Constitution remained in force, but the new Administration focused on cooperation with the US, abandoned the nationalist policy carried out by Arias Madrid, and concentrated largely on the defence of Panama and the Canal. Then, on 3 January 1945, Arias Madrid's successor, President Ricardo Adolfo de la Guardia Arango, suspended the

⁶² <https://www.nytimes.com/1951/05/08/archives/panamas-charter-revoked-by-arias-1941-constitution-voted-under-yes.html>

⁶³ <https://scholarsrepository.llu.edu/cgi/viewcontent.cgi?article=1539&context=etd>

1941 Constitution, having already dissolved the National Assembly the previous year, and faced accusations of being (or wanting to be) a dictator. This was to mark another period of political turbulence and street protests that continued through the 1940s.

ARIAS MADRID – A PROBLEM REMOVED

As early as 1931, the US military had highlighted the need for additional bases outside the Canal Zone. At the time the priority was new airfields, with seven prospective sites identified. The initial response of the Panamanian Government was that it was open to make public land available, and had no object to the US Army entering into agreements for use of private land. The only stipulation was that any of the landing fields should also be available to official and private aviation of Panama as well. As all the sites were on private land, there was no need to rely on powers in the 1903 Treaty, and no formal agreement between the two governments was needed.

In fact, between 1931 and 1941, the US Army Air Corps (USAAC) made use of a total of 60 airfields in the Republic – most simply being unprepared fields, with that at Rio Hato being an exception. Some airfields had periods of non-use, before being used again sometime later.

However, as the international situation worsened, in January 1939, the War Department notified the Panama Canal Department that \$200,000 had been made available for the establishing of airfields in the Republic under the Air Corps Augmentation Program, and 10 possible sites were identified. The Panamanian Government indicated that it would be open to the US acquiring 999-year leases for certain sites (thus avoiding any question of sovereignty over the land), skirting any complication caused by the 1936 Treaty, which came into operation on 27 July.⁶⁴

⁶⁴ Under the new Treaty the US gave up its right to acquire required land in the Republic by means of perpetual grant.

There was some question over exclusive jurisdiction of the sites involved, and this had not been resolved by August and, elections having taken place, the outgoing President Boyd was hesitant to commit the new administration to any definite proposals.

On 9 October, the War Department ordered the Commanding General by radio to take immediate action for preparation of the airfields. However, matters were complicated by the fact that, just a week earlier, Arnulfo Arias Madrid had been inaugurated. In fact, in his inaugural address he complained that the US military had occupied Rio Hato and other sites in the Republic without having a binding agreement with the Panamanian Government (despite, of course, there having been no formal requirement to have such an agreement).

Shortly after the inauguration, the foreign ministry received from the US Ambassador a list of 71 defence sites, including 12 airfields, that were considered as being required for proper defence of the Canal. After initially stalling, and then accusing the US military with having occupied sites without proper authorisation, the foreign minister said that the new administration did not recognise the authority bestowed by its predecessor, and that no definitive commitments could be made until the President had reached a decision.

When the President did meet with the Ambassador and Commanding General the following month, he suggested the presence of the new bases might lead Panama to be attacked. He also made clear that he wished to have the question linked to a wider settlement of various other matters, such as the question of the commissaries, holdings of the railway, water and sewerage works etc. He also suggested limiting any agreement to the term of the Presidency (normally four years, although he had increased this to six years).

Nevertheless, a joint commission was established for a formal inspection of proposed sites and to settle terms for their use, with the US Army not being permitted to occupy the sites until the Panamanian authorities had visited them and determined ownership. At the time, the Commanding General told the US Army Chief of Staff, General Marshall that he could not

understand the reluctance of Panama to arrive at an agreement when other Latin American countries appeared ready to contribute substantially to a joint defence effort.⁶⁵

Negotiations dragged on, with the US side debating the question of the question of compensation payable to Panama, with the US favouring 99-year leases (which the Panamanians were unlikely to accept). Then, in January 1941, Arias Madrid provided a list of 12 points, dealing with various grievances, which should form part of the agreement on the proposed defence sites. In response, Roosevelt said the US would be unwilling to accept such preconditions, but that the US would be willing to consider the Panamanian proposals *after* the transfers had taken place.

In March, the foreign ministry proposed use of the sites only for the duration of the European war. The War Department and Commanding General regarded this as unacceptable, the latter favouring 10-year leases. The State Department view was that the sites be made available for the duration of the “unforeseen emergency” (as referred to in the 1936 Treaty) or for as long as they may be needed for the defence of the Canal.

While no overall agreement was yet in place, in April 1941 there was agreement for the USAAC to at least acquire the airfields required, air defence being seen as a priority. By the end of the month there were 10 airfields for the defence of the Canal strategically located in the Republic.

Still the discussions dragged on, and it was not until May 1942 that the US and Panama finally signed a Defense Sites Agreement⁶⁶ (and a parallel exchange of notes in Washington⁶⁷) allowing for the lease of what eventually became a total of 134 sites outside the Canal Zone to be used for the protection of the Canal, with the occupation of the sites to end one year after the end of the war (interpretation of this would become a bone of

⁶⁵ This view does not appear to take into account both the status of the US in Panama, *vis a vis* its “occupation” of the Canal Zone, and the fact that Arias Madrid had been elected on what was substantially an anti-American ticket.

⁶⁶ <https://www.govinfo.gov/app/details/GOVPUB-S-dae74a31ce03269f4dc99454c183598c>

⁶⁷ The Twelve-Point Agreement of 1942, an understanding concerning the settlement of 12 outstanding problems in the relations between the two countries:
<https://history.state.gov/historicaldocuments/frus1948v09/d467>

contention at the end of the war).⁶⁸ The agreements provided for a new, simpler procedure for the US to acquire defence sites outside the Canal Zone.⁶⁹ Signed on 18 May 1942, it took effect from 11 May 1943.⁷⁰

The major reason for the logjam having been broken was that, in October 1941, Arias Madrid had been deposed. While the President's policies and attitudes had alarmed the US, concerned over the security of the Canal, and it had concluded that he would have to go, it was not the US forces that removed him (though they did nothing to prevent it, and it is said that was they who provided the tip-off that Arias Madrid had left the country).⁷¹

Arias Madrid had left for Havana – to visit his oculist, he said, to see his mistress, others said – without the permission that the law required. Arias Madrid having left on a Pan American flight to Cuba⁷², on 7 October, allowed his opponents (including Remón Cantera of the National Police⁷³) to involve Article III of the Constitution to depose him. Remón Cantera and his fellow officers then appointed the pro-American businessman, and Minister for Government, de la Guardia as President. This appointment received rapid approval from the US.⁷⁴

Arias Madrid returned to Panama for a short stay and then went into exile in Mexico and Central America, where he remained until 13 October 1945.⁷⁵ He would become President

⁶⁸ There were actually given all up in 1948 (after a dispute, dealt with in a later Chapter, which also led to political unrest in Panama). This was despite a caveat in the 1942 agreement 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 defence bases or areas, the two Governments shall again enter into mutual consultation and shall conclude the new agreement which the circumstances require": <https://history.state.gov/historicaldocuments/frus1948v09/d467>

⁶⁹ <https://www.ibiblio.org/hyperwar/USA/USA-WH-Guard/USA-WH-Guard-13.html>

⁷⁰ <https://www.govinfo.gov/content/pkg/GOVPUB-S-dae74a31ce03269f4dc99454c183598c/pdf/GOVPUB-S-dae74a31ce03269f4dc99454c183598c.pdf>

⁷¹ It was the US Army chief of intelligence in the Canal Zone, Captain Paul McIntyre, who advised the Minister of Government and Justice, Ricardo de la Guardia, that Arias Madrid had left the country.

⁷² Although travelling incognito, the airport was at Albrook Field in the Canal Zone and US officials recognised him and notified others in the Panamanian administration.

⁷³ Remón Cantera had harboured a dislike of the Arias Madrid brothers. He had been dismissed by one brother in 1936, then brought back by the other in 1940, only to be sent into what he regarded as semi-exile in the US. Following the deposing of Arias Madrid, he was appointed commander of the National Police on 9 October. His power would only grow.

⁷⁴ *We Answer Only to God: Politics and the Military in Panama 1903-1947* by Thomas L Percy (University of New Mexico Press, 1968).

⁷⁵ During this time his mother died in 1943, and he was unable to attend the funeral.

again in 1949-51, ironically by being “appointed” by Remón Cantera, only to be deposed again, and even serve one more, even shorter term in 1984, at the age of 83, being forced once more to flee the country.

Reporting on the new political environment, on 11 December 1941, a US official in Panama reported that –

“The new administration...immediately set about tearing down the totalitarian-like institutions set up by his predecessor...The Arias-inspired organizations and innovations, such as the Cacahorros de Urraca and the Civic Service Law, were done away with, while freedom of the press was completely restored. The Civil Attaché of the German Legation, undoubtedly the most dangerous Nazi element in Panama, was expelled; the pro-Nazi Panamanian Minister in Berlin was dismissed; the pro-Nazi propagandist, Julio Argain, was expelled; and other Nazis...left the country, ostensibly of their own accord”.⁷⁶

One irony was that the year that saw the Defense Sites Agreement come into effect was the same one that saw the US begin a gradual reduction in troop numbers and defence effort in Panama, as the perceived threat reduced.

THE CHANGED RELATIONSHIP REFLECTED IN THE POSTWAR BASES DISPUTE

The increased nationalist awareness and assertiveness of the Panamanian population came to a head in the immediate aftermath of the war. While the Government was prepared to do a deal with the US for US forces to keep at least some of the bases acquired in the Republic during the war, protests, and the threat of these turning violent, persuaded those in power to reject any idea of continued US bases outside the Canal Zone.

As early as the State of the Union speech by President Roosevelt in January 1943, the US had decided that the war no longer posed a threat to Latin America. Soon the US began vacating some of the temporary military bases in Latin American states. However, the US did not

⁷⁶ *We Answer Only to God: Politics and the Military in Panama 1903-1947* by Thomas L Percy (University of New Mexico Press, 1968).

vacate the defence sites in Panama – though troop numbers would be reduced and some defences (such as the coast artillery's big guns) run down or mothballed. Indeed, new planning saw the US intend to retain some of its "temporary" bases in Panama on 99-year leases (one of the original proposals in the lengthy negotiations in 1941-42).⁷⁷

The point for the Panamanians was that the agreement that their country had with the US called for the new sites to be vacated a year after hostilities had ended, which one might imagine was a year from the surrender of the last Axis power in August 1945 (the formal end of the war was in September). That said, some elements wanted the US presence to continue. Indeed, in January 1947, President Jiménez Brin admitted to a State Department official that he and other Panamanian merchants wanted the US to continue occupying bases in the Republic for economic reasons.⁷⁸

The Jiménez Brin administration negotiated a draft agreement which would have seen the US defence sites on or at Taboga, San José, Taboguilla, Isla Salud, and Isla del Rey, Jaqué, Pocrí, Punta Mala, San Blas, Isla Grande, Victoria and Las Margaritas continued for 10 years; and for 15 years the base in Rio Hato.

President Truman is reported to have asked in December 1946 why the US did not leave Panama before it was kicked out. In addition, some in his Administration were said to be sensitive about allegations of military occupation and neo-colonialism on the eve of the first sessions of the UN.⁷⁹ On the other hand, the US military were opposed to giving up all the bases, and the State Department agreed, informing Panama that the US had no intention of disarming as it had after World War 1.⁸⁰ Nonetheless, the State Department, being aware of growing unrest in Panama, proposed negotiation of a 20-year extension of leases in the case of just 13 of the sites.

⁷⁷ *We Answer Only to God: Politics and the Military in Panama 1903-1947* by Thomas L Percy (University of New Mexico Press, 1968).

⁷⁸ Ibid.

⁷⁹ Ibid.

⁸⁰ Ibid.

As we have seen, President Jimenez Brin was inclined to accept a US offer, but announced that US occupation of the bases in the Republic after 2 September 1946 would represent a violation of Panamanian sovereignty. On 3 September, the National Assembly passed a unanimous resolution demanding their immediate evacuation.⁸¹

It was in March 1947 that Panama announced that it wished to open formal negotiations and appointed the Minister of Foreign Affairs, Dr Ricardo Jaoquin Alfaro, as its official representative.⁸² However, on 9 December 1947, he resigned as he disagreed with plans to allow continued large-scale US military presence in the Republic.

The agreement that was drafted – the Filos-Hines Agreement of 1947 - would have seen 98 of the 134 sites in the Republic returned, but with extended leases for 36 others, the US being particularly interested in continued use of the air base it had built at Rio Hato.⁸³ Matters appeared to be moving along, and by July 1947, the 98 due to revert to Panamanian control had been handed back. However, it became clear that President Jimenez Brin had blatantly ignored popular opinion and the opposition to extending US base rights.⁸⁴

Also in July 1947, a Joint Resolution of Congress provided that the date July 25 1947, was to be taken to be the date of termination of any state of war theretofore declared by Congress and of the national emergencies proclaimed by the US President on 8 September 1939, and 27 May 1941.⁸⁵ Hence there was no question that the original justification for the US bases had ended.

⁸¹ *US-Panamanian Relations Since 1941* by Lester D Langley (Journal of Interamerican Studies and World Affairs, Vol. 12, No. 3, July 1970), Cambridge University Press: https://www.jstor.org/stable/175020?read-now=1&seq=1#page_scan_tab_contents

⁸² He was one of the authors of the 1936 Treaty.

⁸³ The subsequent Eisenhower-Rémon Treaty of 1955 would see the US being granted use of Rio Hato once more, for training and use in major exercises for 15 years to 1970. Ironically, it was the same Rémon Cantera, then chief of the National Police, who had the demonstrations violently suppressed in 1947.

⁸⁴ *We Answer Only to God: Politics and the Military in Panama 1903-1947* by Thomas L Percy (University of New Mexico Press, 1968).

⁸⁵ <https://uscode.house.gov/view.xhtml;jsessionid=E9319A6B84084E8F7C5611ED298EA8E6?req=granuleid%3AUSC-2000-title20-chapter3-subchapter9&saved=%7CZ3JhbnVsZWlkOIVTQyOyMDAwLXRpdGxIMjAtc2VjdGlvbjc5Yg%3D%3D%7C%7C%7C0%7Cfalse%7C2000&edition=2000>

The Filós-Hines agreement, aka the Bases Agreement, was signed on 10 December 1947, by the new Minister of Foreign Affairs of Panama and the US Ambassador, General Frank T Hines, with the approval of their respective presidents: Jiménez Brin⁸⁶ and Harry S Truman. President Jiménez then convened an extraordinary session of the National Assembly to debate and ratify the new treaty – but the New York Times reported that protests against the agreement in Panama were increasing.

Quite apart from the question of the bases, unrest in the country had been rising, President Ricardo Adolfo de la Guardia Arango having been removed following student protests in early 1945. As news of the new agreement got out there was a march by students and others in opposition – these being met with violence by the National Police. Opposition to longer-term continued occupation of the sites is said to have involved fear of the creation of new “mini-Canal Zones”, with the associated restrictions on citizens etc that that might entail.⁸⁷ Protests continued over the following days, as the earlier events galvanised the opposition – including a march of 10,000 women, dressed in black, who marched on the National Assembly on 16 December.

President Jiménez Brin made a last-ditch plea in favour of the agreement, and addressed the country through a chain of radio stations – but the Agreement was unanimously rejected by the National Assembly. The President of the National Assembly being quoted as saying that there were “10,000 boys with knives” awaiting the decision outside (and in Panama, he would likely be referring to machetes, not a comforting thought – these still commonly on sale in shops today).

Following the violence on the streets, both the President and National Police chief Remón Cantera were quick to allege communist agitation, and President Jiménez Brin related this allegation to the US. In one incident a US soldier was stabbed in Colón and the Army placed

⁸⁶ President Ricardo Adolfo de la Guardia Arango having been forced to resign; on 15 June 1945 the Constituent Assembly had appointed Enrique Adolfo Jiménez Brin as the new Provisional President until 7 August 1948.

⁸⁷ *US-Panamanian Relations Since 1941* by Lester D Langley (Journal of Interamerican Studies and World Affairs, Vol. 12, No. 3, July 1970), Cambridge University Press: https://www.jstor.org/stable/175020?read-now=1&seq=1#page_scan_tab_contents

My Panamanian wife, whose father worked for the US Army in the Canal Zone, recalls how, as a child, even travelling with her father to his workplace was not straightforward.

Panama City and Colón off-limits to military personnel. Most schools and businesses had been closed, civic groups, labour organisations and professional clubs had joined the protest, and workers had threatened a general strike if the Treaty was ratified by the National Assembly.⁸⁸

A day after the vote the US began to dismantle and withdraw from its remaining bases in the Republic. By the end of January 1948, they had gone.

TREATY NEGOTIATIONS 1964-67

Tensions fuelled by Panamanian nationalism continued to rise through the 1950s, and successive US administrations from Eisenhower's made changes intended to relieve the tensions. The Eisenhower-Remón Treaty of 1955 did address some of the economic issues that had long been raised by Panama, along with other changes intended to rebalance the relationship. It was also meant to finally end the discriminatory dual-wage system that had begun as the Gold and Silver Rolls during the construction period – although disparities were to continue into the 1970s. Understandably, residents of the Canal Zone, and the trade unions of the Canal employees, were reluctant to surrender advantages they had accrued.

As a *quid pro quo*, the US was able to once more obtain access to and use of the major army and air base at Rio Hato. However, the 15-year lease would not be renewed in 1970, giving

⁸⁸ *We Answer Only to God: Politics and the Military in Panama 1903-1947* by Thomas L Percy (University of New Mexico Press, 1968).

an indication of how relations had deteriorated in the meantime. As a sop to Panamanian nationalists, first the Eisenhower administration allowed Panamanian flags to be flown inside the Canal Zone, and the Kennedy administration required that US and Panamanian flags should be flown alongside one another, except in military bases.⁸⁹ However, after Kennedy's assassination, the Canal Zone Governor limited the new rule, with a decree that required that the US flag would no longer be flown outside Canal Zone schools, police stations, post offices or other civilian locations where it had been, meaning that Panama's flag would not



be flown either.⁹⁰

Life Magazine in January 1964

In January 1964, violent protests broke out after Zonians raised the US flag at the Balboa High School, followed by many other schools the following day. When Panamanian students attempted to raise their own flag at Balboa High School, they were driven off by Canal Zone residents and police. A riot and protests ensued, requiring the deployment of US troops, with several days of unrest which left at least 22 Panamanians and 4 US troops dead.

In the wake of the unrest, several attempts were made to reach a new agreement between the US and Panama over future arrangements for the Canal. Eventually, a package of three draft treaties was developed by negotiators between 1964 and 1967, but these were never signed or ratified, and were eventually rejected by the Government of Panama in 1970. These drafts would have included shared jurisdiction of the Canal Zone, leading to exclusive possession of the Canal by Panama in 1999, if no new canal were constructed, or shortly after the opening date of a sea-level canal, but no later than 2009, if one were built.⁹¹ The

⁸⁹ The federal courts rejected an attempt by a Canal Zone resident and Canal employee to block the Executive Order.

⁹⁰ <https://www.czbrats.com/Jackson/martyrs/martyrs.htm>

⁹¹ The draft covering a proposed sea-level canal would have resulted in the US obtaining a 20-year extension to its control of the Canal and Canal Zone; as well as it having the majority in the controlling authority for 60 years after the opening date or until 2067, whichever was earlier.

military bases in the Canal Zone would also continue to exist until the Canal was handed over.⁹²

As one can see, the drafts rejected in 1970 nevertheless formed the basis of the two treaties eventually signed in 1977 (and all plans for a sea-level canal had by then been abandoned).

Ray Todd

Panama City

Republic of Panama

24 August 2023 (updated 29 July 2025)

⁹² Report of the Atlantic-Pacific Interoceanic Canal Study Commission 1970.