

PROHIBITION

The “noble experiment” of Prohibition in the US, from 1920 to 1935, also had its effect on Panama and the Canal Zone.

The 18th Amendment was ratified on 16 January 1919, and formally ended when the 21st Amendment was ratified on 5 December 1935. The federal law involved that applied in the Canal Zone was repealed on 19 June 1934 (separate, specific laws being required for territories and DC).¹

The US federal National Prohibition Act was construed as involving the prohibition of the possession or transportation of liquor in the territorial waters of the Canal Zone generally, but the Act expressly provided that the prohibition "*shall not apply to liquor in transit through the Panama Canal*". Foreign vessels had to close their bars and place all liquor under lock from the time the vessel came within three nautical miles of the terminal at an entrance until it passed an equal distance beyond the terminal at the exit of the Canal.²

However, of course, trips could be made into the Republic, where prohibition did not apply, and alcohol was freely available.

In 1924, the US and Panama agreed a Convention to prevent the smuggling of intoxicating liquor, coming into effect in January 1925 (and amended in 1932). The stated intention of the Convention was to “avoid any difficulties” between the parties in connection with the

¹ <https://www.law.cornell.edu/constitution-conan/amendment-18/overview-of-eighteenth-amendment-prohibition-of-alcohol>

In 1934, 18 states opted to maintain prohibition laws, and a majority allowed for a local option – so that residents of counties and other political subdivisions could make their own decision. As a result, despite the national law being repealed, 38% of the population still found themselves in “dry” areas:

<https://www.alcoholproblemsandsolutions.org/timeline/The-Great-Depression.html>

² *The Panama Canal in Time of Peace* by Norman J Padelford (The American Journal of International Law, Vol 34, No 4, October 1940).

A 1932 amendment to the National Prohibition Act provided that the Act would not apply “*to the transportation of liquor, under seal, in transit to and from points outside of the canal Zone over the highways or waterways of the Canal Zone under regulations to be prescribed by the President, when such liquor is not destined for use or consumption or final delivery in the Canal Zone.*”: <https://maint.loc.gov/law/help/statutes-at-large/72nd-congress/session-1/c72s1ch427.pdf>

prohibition laws. It allowed for the boarding of Panama flag vessels outside the limits of territorial waters (three miles in those days) to check if the vessel or those aboard were attempting to smuggle liquor into the US, its territories and possessions (a definition including the Canal Zone).³

The accessibility of bars and nightclubs adjacent to the US-controlled territory of the Canal Zone proved a magnet, both for would-be customers, as well as those wishing to invest in, or run them. For example, *Biligray's Tropico* (formerly *Biligray's Tropic Bar*) on Balboa Street in Colón was said to be run by Max Biligray, an Austrian who had set up bars in Chicago and Wyoming, but had relocated to Panama in 1921, as Prohibition took effect, reportedly after seeing a fellow speakeasy owner receive a five-year jail sentence.⁴ He is said to have had “*a large and enthusiastic military clientele*”, which included such latterly famous officers as Dwight Eisenhower and Admiral Halsey, both of whom were junior officers at the time. Actors and other celebrities were also said to frequent the joint. In one memorable occasion, in 1930, radio evangelist Aimee Semple McPherson visited the bar, hiding behind a false name. After being recognised, Biligray dedicated a drink to her and had the recipe printed on postcards - a threatened legal action never materialised.⁵



It is said that the Shore Patrol checking men returning to the Canal Zone from Panama would allow sailors with bottles one last drink, but then took the bottles and broke them⁶

³ *The American Journal of International Law* (Vol 19, No 3 Supplement, July 1925).

⁴ *The Oxford Companion to Spirits and Alcohol*, edited by David Wondrich (OUP, 2021).

Described as “*an unassuming, soft-spoken man (though, as reporter Ernie Pyle noted, ‘immensely profane’)*”. He sold the bar in 1955 after suffering a stroke.

⁵ <https://spiritsanddistilling.com/dictionary/id/acref-9780199311132-e-198/>

⁶ <https://www.usni.org/magazines/naval-history-magazine/2013/july/fleets-visit-panama>

It has also been said that, for soldiers, duty in the Canal Zone gained a special appeal during Prohibition, with alcohol freely available just outside the Zone.⁷

In 1927, enforcement of the law in the Canal Zone involved the *Przemysl*, a ship with a cargo of liquor which left Hamburg, under the German flag and with ship's papers indicating that its intended destination was Vancouver. This voyage would require passage through the Canal. However, it seemed that the ship's officers had secret instructions to rendezvous off north-west Mexico and California with other vessels that would offload the cargo, which was said to be owned in reality by a known criminal with previous convictions related to prohibition. The ship's first mate had himself previously been involved in the liquor trade and it seemed that he and the Master conspired to defraud the cargo owner and shipowner, the mate contacting the US Consul in Hamburg, proposing to turn over the ship and its cargo for a US Government reward. The mate was given a letter of introduction from the Consul for prohibition agents in the Canal Zone. Upon arrival in Colón in October 1927, the Master cabled Vancouver asking for \$1,000 for "several repairs" (most of which the conspirators kept for themselves), before leaving, not for Vancouver, but for New Orleans, after a meeting with two prohibition agents, with another accompanying letter, this one saying that the ship and cargo had been surrendered for seizure. The agents then took a faster steamer, overtaking the *Przemysl*, and joining a US Coast Guard vessel which rendezvoused with and seized the *Przemysl*, it then being formally seized by US Customs.

However, given the obvious frauds on the part of the Master and mate – in effect against the US Government as much as the ship and cargo owners – plus the complicity of US Government officials, and that there did not, in fact, appear to have been an attempt at illegal importation as such, the case was dismissed, with costs awarded.⁸

In 1929, Time Magazine carried an article claiming that –

"Many a Congressman during recesses of Congress goes to Panama (wet) for a vacation, pretending to make an official study of the Canal Zone, and thus becomes

⁷ <https://www.history.army.mil/html/books/panama/panamacanal/CMH-70-115-1-PanamaCanal.pdf>

⁸ <https://casetext.com/case/the-przemysl>

*eligible for “free entry” on return [i.e. was able to bring back liquor in his uninspected luggage]”.*⁹

The SS *Cristobal*, one of the Panama Railroad Company’s ships, was said to have entered New York, returning from Panama with “23 junketing Congressmen and Senators”, including one “*implacable prohibitor*” who was nevertheless alleged to have got through customs with four bottles of contraband alcohol. This resulted in the Manhattan US District Attorney investigating the case.¹⁰

US shipowners had already started using Panama companies to register and flag vessels, to avoid US regulations (although the term “flag of convenience” only became widely used postwar, as the practice was adopted by several small states in addition to Panama)¹¹, and during the Prohibition era, US passenger ships were allowed to serve alcohol to their customers without breaking the law if they were Panamanian registered. This would not apply to the Panama Railroad’s three ships, as the law applied to these (being effectively owned by the US Government) and the Canal Zone.

US Navy vessels returning from the Canal Zone would be liable to be carrying smuggled alcohol. For example, submarines would travel to the Caribbean for manoeuvres with the rest of the East Coast fleet. Afterwards, they would spend a week or two at Coco Solo before returning to New London in the US. No duty was collected on imports in Panama at the time, and therefore, the price of spirits was low. As a result, many of the submariners would bring back a bottle or two, sometimes more – perhaps tempted by knowing that a bottle of Scotch could fetch as much as \$20 in the US. It was rumoured that at least one boat tried to smuggle a torpedo tube full of liquor, which would have been a considerable amount. It was also said that a suspicious Prohibition agent forced the submarine to “fire” its tube, despatching some \$1,000-worth of alcohol to the seabed of the harbour.¹²

⁹ In 1928, a federal grand jury returned an indictment against a Congressman who had brought liquor back with him, only for a bottle to break and leak alcohol, resulting in discovery of the consignment and federal agents seizing the drink.

¹⁰ <https://time.com/archive/6662636/prohibition-drinks-for-drys/>
<https://digitalcommons.memphis.edu/cgi/viewcontent.cgi?article=3193&context=etd>

¹¹ <https://www.sciencedirect.com/sdfe/pdf/download/eid/1-s2.0-0308597X90900959/first-page-pdf>

¹² <https://www.usni.org/magazines/proceedings/1980/march/thousand-dollar-shot>

However, even after Prohibition ended, by an Executive Order of 25 March 1935, a law banned the direct importation of hard liquor into the Canal Zone was prohibited.¹³ From then, any hard liquor that did enter the Canal Zone came through the Republic, resulting in about 100% increase in cost per case. The paternalistic government of the Canal Zone still tried to keep the Zone “dry” (in 1918, the US had banned the importation of drugs, alcohol, or prostitutes into the Canal Zone), and to find bars and nightclubs one had to cross over into Panama City or Colón.¹⁴ The Executive Order of 1935 was issued as a result of Panamanian pressure, and claims that direct importation of liquor from the US or elsewhere was in direct competition with the local Panamanian industry and prevented Panama from taking advantage of the economic opportunities inherent in its geographical location, particularly supplying ships calling at the Zone, or transiting the Canal.

From the time of the original 1903 Treaty, the US had the right to import any and all items into the Canal Zone free of any Panamanian duty. However, President Roosevelt’s Executive Order of 1935 had the effect of granting a *de facto* monopoly to Panama on sales of liquor for consumption and supply in the Canal Zone and hence subjected all liquor consumed in the Canal Zone to Panamanian taxation. This situation would not change until 1955, when a new Treaty saw Panama agree to a 75% reduction in this taxation as long as the US continued to require that purchases be made from Panamanian merchants.¹⁵

In 1948, a State Department memorandum noted that civilian, Army, and Navy employees in the Canal Zone tried unsuccessfully on various occasions from 1935 to have the Executive Order rescinded. However, Panama insisted that the policy of the US should be maintained. In 1948, the US Government was said to be reviewing the question with a view to possible cancellation of the Executive Order. Such an act, of course, would arouse violent protest from Panama.¹⁶

¹³ Complaints of lack of access to the Canal Zone market, and unfair competition by the commissaries there, had been a constant factor, and came up in the mid-1930s discussions that led to the 1936 Treaty.

¹⁴ During World War 2, while other Allied soldiers might receive alcohol rations, US soldiers were expected to do without. US Navy ships, of course, remained “dry”:

<https://www.alcoholproblemsandsolutions.org/timeline/The-Great-Depression.html>

¹⁵ <https://history.state.gov/historicaldocuments/frus1955-57v07/d141>

¹⁶ <https://history.state.gov/historicaldocuments/frus1948v09/d467>

In 2014, the Daily Beast website published an article about the bars and the drinking culture of Panama in the 1930s and World War 2. It referred to the better bars and nightclubs, but also to “anonymous shot-and-a-beer joints, bare-bones places whose very names are lost to time” –

“But then there’s Kresch’s Place, on Bolivar Avenue in Colón, just around the corner from Bottle Alley. Isaac Kresch, its owner, was a Polish Jew with an unusually high-toned resume for a Colón bottle-jockey: before opening the bar in 1936, he had — or so he claimed — 14 years behind the stick in Paris, Monte Carlo, Rome and South America. We know he catered to servicemen because of something else he did that was unorthodox: he published a drink book”.

The cocktail receipt booklet from *Kreach’s Place*, published in 1939, included the “S-44 Special”, name for one of the submarines at Coco Solo, the “USS Gannett”, a seaplane tender, and gave the recipe for the “USS Mallard Special”, named for the former minesweeper that was based at Coco Solo during World War 2 having been converted into a submarine rescue ship.¹⁷

A reminder of the Prohibition days in Panama was the *Isla Morada*, a 96-metres wooden motor yacht that carried tourists through the Canal and waters around it into the 21st Century. Built in 1912, it was once owned by notorious gangster, Al Capone, who built his crime empire and fortune during the Prohibition era in Chicago. It was claimed that Capone used this vessel to traffic rum and whiskey into the US, trafficking liquor he brought from the Caribbean, especially from Cuba and the Dominican Republic. When Capone was convicted of tax evasion and sent to a federal penitentiary in 1932, the boat was seized by the authorities, and during World War 2 it was used as a minesweeper. It ended up in Panama in 1960, undertaking tours, and hosting weddings and private parties, and trading on its crime world connection.¹⁸

¹⁷ <https://www.thedailybeast.com/lost-cocktail-culture-navy-drinks-from-the-panama-canal-zone>

¹⁸ <https://www.laestrella.com.pa/vida-y-cultura/cultura/canal-barco-pasear-panama-FMLE140775>



The Isla Morada

Finally, it might be argued that a continuing echo of the era is the fact that money laundering is said to have first taken off during Prohibition (although it was only in the 1980s that money laundering began to be seen as a crime in its own right), and it is a crime that has dogged Panama's reputation for many years.

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