

## THE 1955 TREATY – RESOLVING PROBLEMS?

When the latest treaty between the US and Panama concerning the Canal was agreed in 1955 many hoped that it would resolve many, if not all, of the areas of dispute between the two countries, some of which had existed for many decades. Panamanians hoped for a better deal, and more benefit from the Canal, in addition to dealing with what were seen as discriminating against Panama and its people. The US hoped the new treaty would underpin a stable relationship, and guarantee the future security of the Canal, amidst the tensions of the Cold war.



*The Gatun Locks in 1946*

## THE UNSETTLED POSTWAR YEARS

The postwar period saw many changes affecting both Panama and the Canal Zone. The massive fortifications and considerable artillery defences had become obsolete even before the end of the war, with all the big guns removed by the late 1940s. The advent of nuclear weapons, long-range aircraft, and submarines, allied to tactical, and later strategic, missiles appeared to make the Canal indefensible.

The need for the Canal, and the cost of running and defending it were also questioned in the US. One policy view was that the Canal remained of paramount strategic importance. However, since 1940, the US Navy had opted for a “two-ocean” navy, thus limiting the value of one of the arguments for the Canal in military terms.<sup>1</sup> In any case, in the event of a nuclear exchange between superpowers, what could the role of Canal be? It was even said

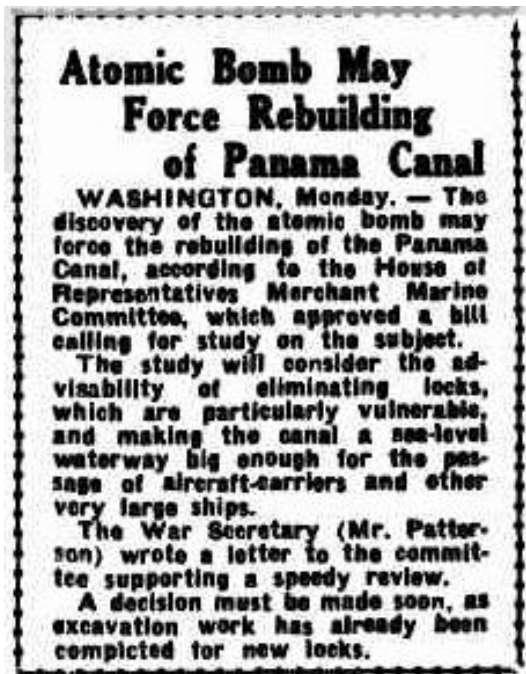
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<sup>1</sup> I should say “finally”, as the idea had been put forward and rejected during World War 1.

that, in the immediate postwar years, President Truman spoke of the idea of turning over the Canal to the United Nations.

While defence of the Canal continued with, for example, surface-to-air HAWK missiles being installed where once artillery pieces had stood, and there was a brief surge in numbers during the Korean War 1950-53, they fell far short of the peak of the war years (although, to be honest, numbers had been reducing even during the last two years of the war).

The idea of a “simpler” canal, a sea-level one that would do away with the need for the complex of locks, was suggested and promoted by the Governor of the Canal Zone in 1946. He even suggested the option of using the new atomic weapons to blast out the route.<sup>2</sup>



*The Advocate, Tasmania, 20 November 1934*

Much later, following the continued rise of Panamanian nationalism, and increased protests and clashes, in the 1970s, the continued existence of the Canal Zone became the source of disputes between the State Department, which sought to encourage better relations with Latin America and be seen as being anti-colonial, and the Department of Defense.<sup>3</sup>

## POLITICAL TURMOIL IN PANAMA

Relations with Panama during the early postwar years were made difficult both by the political turmoil within the Republic, but also the disagreement over which, or any, of the very many additional defence sites outside the Canal Zone the US should surrender. A 1942

<sup>2</sup> *United States National Security Policy Towards the Panama Canal in an Era of Great Power Conflict* by Nathaniel J Swank (a thesis), (Naval Postgraduate School, Monterey, California, March 2022):

<https://apps.dtic.mil/sti/trecms/pdf/AD1173484.pdf>

<sup>3</sup> There was also the general feeling that the Canal was “theirs”, built using US money and expertise, as late of 2020s President Trump was remarking that “giving away” the Canal had been a mistake. Among the Zonians in the “Little America” that the Canal Zone had become the feelings were even stronger.

agreement had called for these bases and sites to be transferred back to Panama one year after the end of the war (although there was even disagreement over what this meant).

However, the US Army wanted to retain at least some of these (including, notably, the Rio Hato airbase site, of which more later). Initially, the administration of President Jiminez<sup>4</sup> had favoured a new agreement that would have seen the US retaining a number of the sites. When news of this got out there were street protests, with at least one person killed.

Opposition to the continued occupation of the sites (just 13 of the original 130+ would have been retained by the US) is said to have involved fear of creating “mini-Canal Zones”, giving away more of the country, ceding it to the US and restricting Panamanian access and use.<sup>5</sup> Protests continued, including a march of 10,000 women, dressed in black, who marched on the National Assembly on 16 December 1947. Despite a personal plea by President Jiminez, the draft agreement<sup>6</sup> was unanimously rejected by the National Assembly (said to have been, understandably, influenced by violent crowds outside) on 22 December. The next day the US military began to dismantle and withdraw from the bases, and by the end of January 1948 all had effectively been closed and handed back.<sup>7</sup>

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<sup>4</sup> The wartime President, Ricardo Adolfo de la Guardia Arango, had been removed in 1946 following protests.

<sup>5</sup> *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](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, recalls how, as a child, the Canal Zone and how even travelling with her father to his workplace was not straightforward.

<sup>6</sup> The Filós-Hines Treaty of December 1947.

<sup>7</sup> The hurried withdrawal included from the island of San Jose, where chemical warfare tests had been undertaken, resulting in mustard gas and other material simply dumped at sea, with other debris and buildings left in place.

For more on the 1942 agreement, and the negotiations and protests, see <https://raytodd.blog/2024/06/30/panama-and-world-war-2-operating-outside-the-zone-the-1942-agreement-and-the-1947-row/>



Railway line crossing of Avenida Centrale,  
Panama City in 1948

The protests over the US bases in the Republic were indicative of the general unsettled state of politics and affairs in Panama. As well as trouble on the streets, behind the scenes politics throughout this period were dominated by Colonel José Antonio Remón Cantera, commander of the increasingly militarised *Policia Nacional*, which was to become the *Guardia Nacional* during the 1950s. In effect, he chose who should be President, until he eventually decided to take the office for himself, becoming President in 1952.<sup>8</sup>

It had been the *Policia Nacional* which had deposed President Arnulfo Arias Madrid in 1941, and then supported his successor throughout the war. However, from 1944, opposition to that successor, President Ricardo Adolfo de la Guardia Arango, had grown, as he had seemed to become more autocratic – one of the criticisms aimed at Arias Madrid. He dissolved the National Assembly in 1944, then suspended the (relatively new) 1941 Constitution in the following January, having set up a commission to draft a new one. This new Constitution was widely welcomed when it took effect in March 1946, although there were fears that de la Guardia wanted to stay on as President.

On 30 December 1944, a general strike was called, with students at the University also participating. The tense atmosphere became worse after it was reported that bombs had been planted in the cars of some US Army officers, while an explosive device had been found at the house of the brother of the President.

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<sup>8</sup> <https://www.britannica.com/place/Panama/World-War-II-and-mid-century-intrigues>

Meanwhile, on 16 February 1945, a majority of members of the dissolved National Assembly met, in secret, for fear of the *Policia Nacional* and called for the dismissal of the President. They denounced him as a “dictator” and selected their own candidate and Vice-Presidents. The man they selected was the Ambassador to Washington DC, Enrique A Jiménez Brin.

In March 1945, an uprising was mounted by supporters of former President Arias Madrid in Colón in which six people were killed. Another attempt would be made in December.<sup>9</sup>

Elections to the Constituent Assembly to agree the new Constitution were held on 6 May 1945, and Enrique Adolfo Jiménez Brin was duly elected to be Provisional President for the lifetime of the Assembly.<sup>10</sup> De la Guardia formally resigned in June.

However, the new President’s administration was tainted by the rejected Filós-Hines Treaty for retention of some US bases in 1947, but he remained in office until the following August. A new election in May 1948, in a poll tainted by allegations of irregularities and fraud (and which, amazingly, Arias Madrid was a candidate),<sup>11</sup> and Domingo Díaz Arosemena took up the office of President on 1 October 1948.<sup>12</sup>

However, Díaz Arosemena died in office in 1949, and, amid more popular protests, the two Vice-Presidents first accepted and then refused office. This action cleared the way for a bizarre manoeuvre (said to be due to pressure from Rémon Cantera of the *Policia Nacional*), with the declaration that, after a recount, Arias Madrid had actually won the election in 1948.<sup>13</sup>

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<sup>9</sup> *We Answer Only to God: Politics and the Military in Panama 1903-1947* by Thomas L Percy (University of New Mexico Press, 1968).

<sup>10</sup> In fact, he had taken up the office on 1 March, before the plenary session of the Assembly was held.

<sup>11</sup> [https://www.biografiasyvidas.com/biografia/j/jimenez\\_enrique.htm](https://www.biografiasyvidas.com/biografia/j/jimenez_enrique.htm)

<sup>12</sup> Jiménez Brin was then impeached by the new National Assembly on 12 July 1948, with Enrique Obarrio appointed as Provisional President in his place on 13 July. However, the Supreme Court ruled the impeachment unconstitutional the following day. Finally, on 1 October 1948, Domingo Díaz Arosemena, was declared the winner of the May elections by the National Jury of Elections (thus rejecting another attempt by Arias Madrid to regain the office).

<sup>13</sup> His two immediate predecessors, [de la Guardia and Jiménez Brin](#), sought refuge in the Canal Zone.

The new Arias Madrid administration took office in November 1949 and restored the 1941 Constitution once more. The “new” Arias Madrid was said to be noticeably less anti-American than the one who had been elected in 1940.<sup>14</sup> He pledged to defend the Canal and supported the US over the Korean War when that broke out in 1950. However, he did return to the economic grievances he had raised with the US during the war and, in 1950, his government presented a list of matters in dispute to the US.

The matters brought up by Arias Madrid would include those that would be addressed in a new treaty –

- studies for a bridge over, or tunnel under, the Canal at Balboa;
- completion of a study authorised in 1940 to investigate the contraband trade between the Canal Zone and the Republic;
- fulfilment of a 1942 commitment to pay a third of the maintenance costs of Panamanian roads used by the US Army; and
- the heated question of equality of employment in the Canal Zone with Panama arguing that all those employed in the Canal Zone should have equal opportunity and pay.

and when Arias Madrid was again removed in 1951, these demands were still being pursued.

Having reinstated the 1941 Constitution, which would increase his presidential powers, in May Arias Madrid ordered his secret police<sup>15</sup> to arrest several opposition deputies and politicians (including former President De La Guardia). The same day a general strike was called by doctors, teachers, merchants, transport workers, and public employees, and the Catholic Church protested and advocated restitution of the 1946 Constitution.

On 10 May 1951, Arias Madrid was once more removed from office by the *Policia Nacional*, but this time in a move more violent than the bloodless coup of 1941, with at least eleven

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<sup>14</sup> His platform in 1940 and been decidedly anti-American, and his general hostility to the US was a reason why the US was not disappointed when he was soon deposed.

<sup>15</sup> Which he had created during his short administration in 1940-41.

deaths.<sup>16</sup> There had been allegations of corruption, protests, and chaos on the streets during his brief time in office, made worse by the postwar economic slump.<sup>17</sup>

The commander of the *Policia Nacional*, Remón Cantera, did not involve himself directly in acting against Arias Madrid, as he was positioning himself as a candidate in the 1952 elections.<sup>18</sup> However, behind the scenes, he appointed ministers for the new cabinet, chose malleable judges for the Supreme Court and manipulated his political allies into key positions in the National Assembly. No less than five of the country's political parties became part of his coalition, recognising that he had become the most powerful man in national politics. He was also supported by the US, seeing him as strongman who could stabilise the situation in Panama, and as something that was a requisite in the context of the deepening Cold War.<sup>19</sup>

After Remón Cantera won the elections, he headed a government that many saw as authoritarian and, to unite public opinion, he made obtaining a new deal from the US an aim of his government.<sup>20</sup> He brought together a group of experts focused on changes to the 1903 Treaty. It is said that the US Embassy was caught off guard by his request for a review, but President Dwight Eisenhower agreed to enter into negotiations.<sup>21</sup>

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<sup>16</sup> He was tried by the National Assembly on 25 May 1951 and his political rights were suspended and he was sent into exile again. His political rights were restored by President Roberto F Chiari in 1960, and he would try again in 1978 (winning but lasting only eleven days before removed by the *Guardia Nacional*), and 1984 (when General Noriega halted the count when polls showed Arias Madrid to be winning).

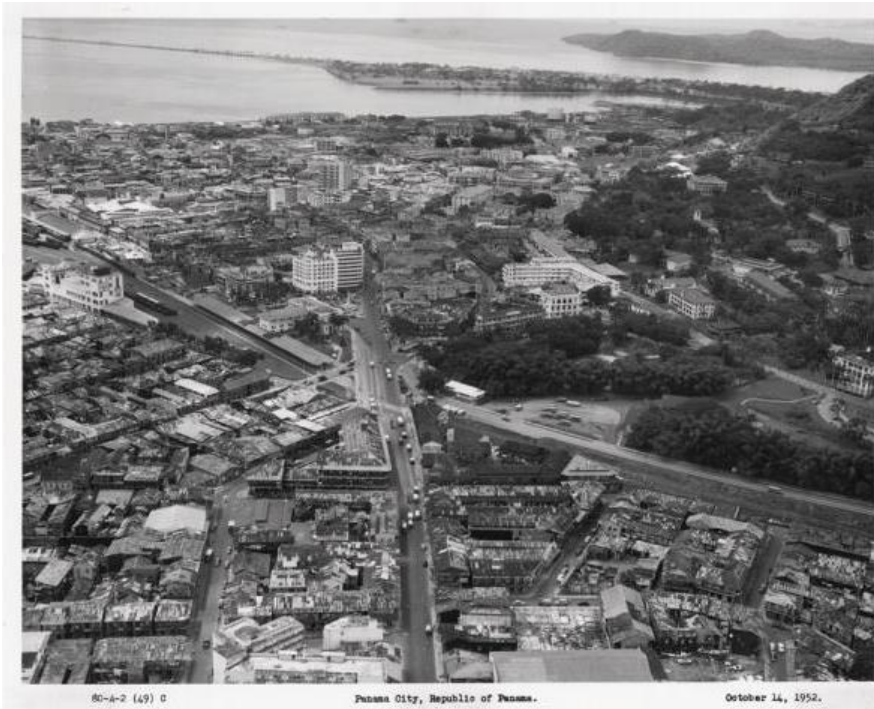
<sup>17</sup> [https://www.panamaviejaescuela.com/arnulfo-arias-madrid/?fbclid=IwAR1HIm4qtcCdRVHSws9Tuql-PoUn2dBDe7r1oS1Xtp6zMmk\\_D9Z7pt5qKLA](https://www.panamaviejaescuela.com/arnulfo-arias-madrid/?fbclid=IwAR1HIm4qtcCdRVHSws9Tuql-PoUn2dBDe7r1oS1Xtp6zMmk_D9Z7pt5qKLA)

<sup>18</sup> It was the Second Commander of the National Police, Bolívar Vallarino, who had the Presidential Palace surrounded on 10 May 1951.

<sup>19</sup> *We Answer Only to God: Politics and the Military in Panama 1903-1947* by Thomas L Percy (University of New Mexico Press, 1968).

<sup>20</sup> He adopted the slogan, *Ni millones ni limosnas, queremos justicia* ("Neither millions nor alms, we want justice").

<sup>21</sup> <https://elfarodelcanal.com/tratado-remon-eisenhower-un-peldano-hacia-la-soberania-total/>



Panama City in 1952<sup>22</sup>

## ECONOMIC CONSIDERATIONS FOR PANAMA

In the early 1950s, Panama was still suffering from a postwar recession, but was seeking to diversify its economy, an economy that still relied in large part on exports of fruit. However, it rankled that most of the products consumed by the residents of the Canal Zone at that time were imported from the US. Nevertheless, in 1950, Canal Zone purchases accounted for 59% of Panama's exports, and economic activity linked the Canal generated \$138.5 million, or almost 20% of its GDP – although the latter would be reduced in terms of a proportion of Panama's GDP in the following decades, as the economy diversified.<sup>23</sup>

As well as abstract benefits in terms of national self-respect and sovereignty,<sup>24</sup> to be seen as a success from a Panamanian viewpoint, any change in the relationship with the US needed to see greater benefit from the Canal and its operations flowing to the Republic. The eventual treaty would see Panama obtain concrete economic benefits that were to be

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<sup>22</sup> "from the city, the representations of the Canal Zone proposed an earthly paradise a few meters away. Panamanians dreamed of living and working there, shopping in the commissaries and having a gringo girlfriend. The narratives presented a white, clean, orderly, efficient zone, full of palm trees as opposed to Panama City: black, dirty, chaotic, inefficient, where mango sticks predominated":

<https://www.laestrella.com.pa/nacional/211218/antigua-zona-canal-region-frontera>

<sup>23</sup> <https://www.pancanal.com/esp/pr/press-releases/2004/03/05/pr290.html>

<sup>24</sup> Even today, "sovereignty" (or *soberanía*) is a word that you here a lot in Panama and, for obvious historical reasons, has great weight. There is even a popular beer brand and a national park bearing the name.



observed during the 1960s, including additional revenue from the Canal; equal pay for, and income tax from, Panamanian Canal employees;<sup>25</sup> and agreement on the construction of what became the Bridge of the Americas over the Canal (and which had been promised in the negotiations for the 1942 agreement over bases in the Republic).<sup>26</sup>

### **REMÓN CANTERA BECOMES PRESIDENT AND OPENS NEGOTIATIONS**

In the 1952 election, Remón Cantera defeated his cousin, Roberto Chiari,<sup>27</sup> and adopted a pro-US policy, suppressed communist groups (as well as opposition political parties), and was generally seen by the US as an acceptable leader, and someone that they could do business with. In 1953, he instigated negotiations with the US over the many outstanding issues, and grievances, that had festered for decades. Consequently, the resulting treaty would be named the Remón-Eisenhower Treaty, despite Remón Cantera being assassinated on 2 January 1955, before the treaty was signed, it taking a year and a half to negotiate.<sup>28</sup>

Incidentally, Eisenhower was personally familiar with Panama, having served there as an Army major in 1922-24<sup>29</sup>, and knew of its importance from the viewpoint of the US Army. After the war he had visited Panama in 1946 and, escorted by the commander of the *Policia Nacional*, Remón Cantera, had been welcomed as a war hero.<sup>30</sup> During his visit in 1946, he had stated that "*Nothing will destroy the strategic value of the Panama Canal*".<sup>31</sup>

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<sup>25</sup> But see below for comments on continuing differences in actual salaries and wages.

<sup>26</sup> <https://www.pancanal.com/esp/pr/press-releases/2004/03/05/pr290.html>

Note that the name "Bridge of the Americas", used from the start by Panamanians, was not the one chosen by the US and Panama Canal Company – which called it the Thatcher Ferry Bridge. It was built over the route of what had been the Thatcher Ferry – both named for Maurice H Thacher, who had been a member of the Isthmian Canal Commission, which had overseen construction of the Canal, and the Governor of the canal Zone 1910-13. He even opened the Bridge in the official ceremony in 1962, although that was disrupted by protesters.

<sup>27</sup> Helped by a partial boycott of the election which ensured that Remón Cantera's supporters would be the ones counting the votes.

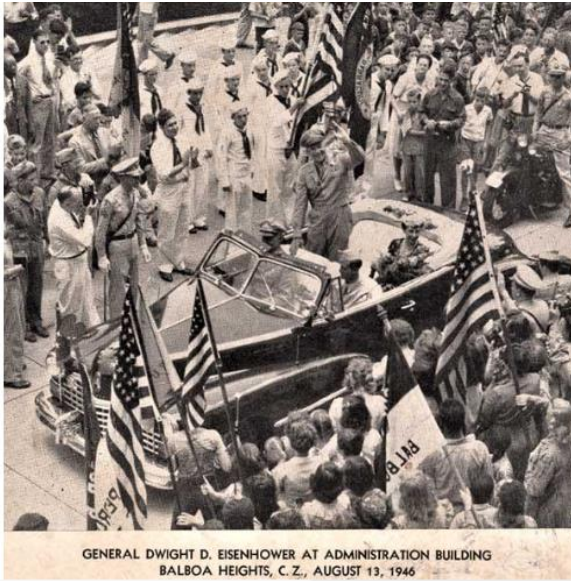
<sup>28</sup> The circumstances and motives for the killing remained unclear, but latterly declassified CIA documents have suggested that it may have been a mafia hit ordered by "Lucky" Luciano. In Panama, someone confessed, but further investigations appeared to implicate Remón Cantera's successor.

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<sup>29</sup> As executive officer to the Commanding General, and Eisenhower's mentor, Fox Connor.

<sup>30</sup> <https://elfarodelcanal.com/tratado-remon-eisenhower-un-peldano-hacia-la-soberania-total/>

<sup>31</sup> <https://elfarodelcanal.com/dwight-eisenhower-y-su-influencia-en-la-cuestion-canalera/>



*At the wheel of the car carrying Eisenhower was Colonel José Antonio Remón Cantera, head of the National Police and future President*

### **THERE HAD ALREADY BEEN CHANGES TO THE CANAL ORGANISATION**

In 1950, the US Bureau of the Budget had recommended that the operation of the waterway and all related business enterprises be transferred to a single business, the Panama Railroad Company, which was an US Government-owned corporation operating as an adjunct to the Canal and already conducting most of the business enterprises related to the Canal. This recommendation was approved by the US Congress, and implementing legislation was enacted in 1950, becoming effective on 1 July 1951. The company was renamed the Panama Canal Company,<sup>32</sup> and was designed to break even and consisted of three main divisions, for Canal activity, commercial activity, and service activity, with the latter providing services to the other two operational activities.<sup>33</sup>

The Canal Zone Government and a Governor remained. The Governor for the period of negotiating and signature of the 1955 Treaty, from 1952 to 1956, was Brigadier General John S Seybold, who continued the tradition of Governors being US Army Engineers' officers. He was also *ex officio* president of the Panama Canal Company. It was said that the company and Government were "*inextricably related in management, organization and operation*".<sup>34</sup>

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<sup>32</sup> <https://history.state.gov/historicaldocuments/frus1952-54v04/d633>

<sup>33</sup> <https://www.govinfo.gov/content/pkg/GOVPUB-W79-854d313266fd7c44271736e97e2e81f8/pdf/GOVPUB-W79-854d313266fd7c44271736e97e2e81f8.pdf>

<sup>34</sup> In the words of the CIA in the 1970s: <https://www.cia.gov/readingroom/docs/CIA-RDP82-00803R000400030040-8.pdf>

In 1951, changes were made, designed to improve the economics of the Canal Zone, with higher rents and taxes introduced. In June 1951, the Canal and Railroad had a total of 18,735 employees.



*Presidents Eisenhower and Remón Cantera*

### **THE NEW TREATY**

In 1953, the two Presidents, Eisenhower and Remón Cantera, published a joint statement which said that *“in a spirit of...close friendship”* the commissions that each government had established to negotiate had *“considered the main aspects of the unique relations existing between the two countries prompted by an earnest desire to make such relations as satisfactory as possible”*. The statement specifically referred to *“the principle of equality of opportunity and treatment must have full effect in regard to the citizens of Panama and the United States employed in the Canal Zone”*, thus directly addressing the longstanding discriminatory practices in the Canal Zone, best illustrated by the former Gold and Silver Rolls system (see Annex 2).

Referring to the 1936 Treaty, it also mentioned the return to Panama of lands no longer required for Canal purposes, and that the US would consider sympathetically other matters raised by Panama in the discussions.<sup>35</sup>

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<sup>35</sup> <https://www.presidency.ucsb.edu/documents/joint-statement-the-president-and-president-remon-cantera-panama>

The 1955 Treaty, signed 23 days after the assassination of one of its named progenitors, President Remón Cantera, and more properly called the Treaty of Mutual Understanding and Co-operation was accompanied by a Memorandum of Understandings Reached. Unlike the 1936 Treaty, which took three years to overcome resistance in the US Senate, this new one was quickly approved, on 29 July 1955.

However, this is not to say that there was not opposition in the US. Seemingly, many Congressmen continued to feel that only US citizens should occupy (or continue to occupy) technical or administrative posts in the Canal Zone, but the most persistent opponent was the US Citizens Association (USCA), which represented 3,800 employed in the Zone. It warned the result of changes would be to invite less efficient and less industrious employees to operate “*a vital and complex installation*” (which I can only interpret as referring to hiring Panamanians...).<sup>36</sup>

The Metal Trades Department of the American Federation of Labor (AFL) objected to parts of the draft Treaty, due to the obvious threat to US employees and the fear of less job security. Indeed, Congress sought to legislate so only US citizens could be employed in certain types of employment, but these attempts were generally vetoed by Eisenhower.

From a US viewpoint, the three most important provisions of the new Treaty were –

- an increase in the annuity payable to Panama for the Canal and Canal Zone;<sup>37</sup>
- concessions made by the US in surrendering former treaty rights in certain matters; and
- effects on the above concessions on the interests of US citizens residing in the Canal Zone, and employees of the US Government and others there.

The increase in the annuity led to concerns about an effect on the tolls charged for Canal transit, and the AFL trade union expressed concern about additional costs arising from the new treaty affecting civilian employees in the Canal Zone.

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<sup>36</sup> The operation of the Canal since it was taken over fully by Panama appears to give the lie to this contention.

<sup>37</sup> Originally \$250,000 under the 1903 Treaty, increased to \$430,000 by the 1936 Treaty, and now increased again, to \$1.93 million.

One important provision allowed Panama to levy income tax on Panamanians working in the Canal Zone, regardless of where they resided, and on any non-US citizens who were employees and resided outside the Zone. US citizen employees remained exempt.<sup>38</sup>

One longstanding complaint from traders and suppliers in Panama concerned the commissaries in the Canal Zone. The new agreement limited limiting purchases made in them to residents of the Canal Zone, US citizen employees in the Zone (i.e. not Panamanians working in the Zone) and members of US forces. Items from Panama would be exempt from the “Buy American Act” for sale in the Zone,<sup>39</sup> and the US would end supplying ships passing through the Canal – so that Panamanian traders could benefit instead. The US also agreed not to import for sale in the Canal Zone certain luxury and tourist items that would be sold by Panamanian stores, and which would not have been able to compete with those in the Canal Zone.

However, the US did not accept a Panamanian proposal that everything needed in the Canal Zone, except for military materials, should be bought from Panamanian sources.

One longstanding discriminatory source of complaint was addressed – that of the so-called “Gold” and “Silver” payment system (stemming from the Gold and Silver Rolls system – see below). The new treaty required that a single pay structure be introduced – signalling the end of the remains of the separate pay structures. Now there would be a single scale, regardless of whether a US or Panamanian citizen – but see below for more comment on continuing differences.

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<sup>38</sup> The 1903 and 1936 Treaties had previously granted tax exemption to all three groups.

<sup>39</sup> This 1933 Act (which a form of which continues to exist) that t required US federal agencies to procure “domestic end products” and use “domestic construction materials” for contracts that exceed a specified monetary threshold (usually around \$10,000), with some exceptions. As the Canal, railway, military, and naval activities were all federal government ones this provision in the treaty had obvious importance.

There was a revision of the boundary of the Canal Zone in the Colón area, with certain buildings, land and even Fort DeLessups,<sup>40</sup> and its neighbour, the famous Hotel Washington.<sup>41</sup>

The Canal Zone was also to close several businesses seen as of marginal importance to operation of the Zone, including meat-processing plants, an industrial lab, and an ice-making enterprise.<sup>42</sup>

The US gave up the monopoly contained in the 1903 Treaty covering railroad and highway transportation across the isthmus. It also agreed to build a new bridge across the Canal – which would become the Bridge of the Americas which opened in 1962. This bridge had been included in the agreement for bases in the Republic concluded in 1942, but there was still no bridge – the Thatcher Ferry still ran where the new bridge would eventually span the Canal.



*Commemorative stamp and the "Bridge of the Americas" under construction*

One of the bases that the US military had most wanted to retain after the war was what had become a large airbase and training area at Rio Hato, about 125 km by road west of the Canal Zone. The new Treaty granted exclusive rights to a large area in Rio Hato, allowing the

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<sup>40</sup> One of the original forts built to protect the Canal. For more on it and Hotel Washington, see <https://raytodd.blog/2024/11/09/panama-in-world-war-2-and-after-fort-de-lessups-the-smallest-and-the-first-to-go/>

<sup>41</sup> In all, about 48.5 acres (19.6 hectares) in Colón were involved, said to be worth around \$25 million at the time. At the Pacific end of the Canal Zone perhaps the most notable transfers were to be Paitilla Point (where Panama City's second airport would be located, until replaced by Albrook) and Taboga island. However, the most valuable property in this area was said to be the railroad yard in Panama City.

<sup>42</sup> [Journal of Interamerican Studies and World Affairs Vol.12 No. 3 \(July 1970\).](#)

US forces to return, on a renewable 15-year lease.<sup>43</sup> In view of the protests at the end of the war, the agreement for the lease of Rio Hato specifically stated that Panamanian sovereignty was not affected by the lease.<sup>44</sup>

Article IV of the Treaty saw the US give up its right to prescribe and enforce sanitary ordinances in Panama City and Colón,<sup>45</sup> this being justified that it was considered the Panama was now able to perform the functions (although evidence of parts of the two cities now might seem to belie this assumption).<sup>46</sup>

The Treaty was accompanied by a Memorandum of Understandings Reached.

In its conclusions on the Treaty and accompanying Memorandum of Understandings Reached, the Senate Foreign Relations Committee took the view that a *“strong and stable Panama means greater security for the canal and better living conditions for our citizens on the isthmus”*, that the economic development of Panama was of strategic importance to the US, and that it was important to eliminate points of friction and dissatisfaction – though, as we shall see, it is questionable how far much success there was on the latter point.<sup>47</sup>



<sup>43</sup> Deteriorating relations with the Torrijos regime would mean that the lease would not be renewed, and US forces would have to once again depart in 1970 (only to return in force during the 1989 invasion).

<sup>44</sup> Despite this, and the generally Panamanian-friendly 1955 Treaty, the US authorities still complained that Panama was subsequently unhelpful when the US argued that two hilltops outside the Canal Zone but near its borders were essential to site radar installations, with Panama adopting a very restrictive interpretation of the terms of the 1936 Treaty. *At the time of the Treaty, the only areas outside the Canal Zone held by the US included, in addition to Rio Hato, were the Cape Mala lighthouse and a radar station on Taboga island.* *Foreign Relations of the United States 1955-1957: American Republics: Central and South America, Volume 7* (US State Department, 1987)

<sup>45</sup> Safeguarding health and hygiene in these “terminal” cities, had also been seen to protect the health of the Canal Zone and visiting vessels.

<sup>46</sup> *The Treaty of 1955 Between the United States and Panama* by Charles G Fenwick (The American Journal of International Law, Vol 49 No 4, October 1955).

<sup>47</sup> *The Treaty of 1955 Between the United States and Panama* by Charles G Fenwick (World Affairs, Vol 121 No 3, 1958).

The Treaty itself contains 13 Articles summarised as follows<sup>48</sup> -

1. The annuity was increased from \$430,000 to \$1,930,000.
2. Panamanian citizens working in the Canal Zone would have to pay taxes to Panama.
3. The US relinquished control over the construction, maintenance, and operation of any Canal or rail communication system through the Canal Zone.
4. The US renounced the sanitary control it exercised over the cities of Panama and Colon – the Panamanian authorities now being regarded as fully competent to take over the functions involved.
5. It is established that the US may transfer to Panama, at no cost, rights and titles of land located within the national territory, as long as the US determines that such lands are not necessary for the operation and protection of the Canal. This would lead to various transfers, including in Colón and of Punta Paitilla.
6. New boundaries were also created for the City of Colón.
7. The Manzanillo Island pier, on the Caribbean coast and close to the Canal entrance, would be transferred to Panama.
8. Panama would provide areas for military training to the US at Rio Hato.
9. Panama renounced the free transport service of its government personnel and *Policia Nacional*, by the trans-isthmian railway.
10. It established that, in the event that the activities of the trans-isthmian railroad ceased, the US could restrict its use of it.
11. Non-U.S. military personnel passing through the Canal Zone would be able to make purchases in the Zone.
12. All persons who are not US citizens would be excluded from shopping at the Canal Zone commissaries.
13. Article 13 established the validity of the treaty.

### **AFTER THE TREATY**

Despite the concessions made in the Treaty, relations on the ground in Panama were to worsen by the end of the 1950s. By 1959, the US military had stopped taking part in the

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<sup>48</sup> <https://elfarodelcanal.com/tratado-remon-eisenhower-un-peldano-hacia-la-soberania-total/>



parades commemorating independence each November, and matters would come to a head in 1964, when a confrontation led to an outbreak of fighting, with many killed.

In 1956, at a UN debate, Panama's delegate challenged the US Government to prove that it dealt fairly with Panama over the Canal. This debate took place against the backdrop of the Suez Crisis, which had been triggered by Egypt's President Nasser nationalising a Canal built and controlled by foreign powers. In the debate, it was claimed that, just in the previous five years; some \$19 billion in net receipts had accrued to the US, whereas Panama had only received \$2.5 million through the annuity.<sup>49</sup>

In July 1956, the US Congress authorised the funding of the long-awaited bridge over the Canal. The estimated cost in 1955 of what would become the Bridge of the Americas was \$20 million.<sup>50</sup>

Also, in the Summer of 1956, the US Army issued a statement which attempted to explain that, despite apparent agreement based on "*equal pay for equal labor*", there would still be an 25% uplift that would apply to all citizens brought from the Continental US. On the other hand, the Canal authorities were imposing income tax on its Panamanian employees on behalf of the Panamanian Government, and agreed to extend to Panamanian employees the health and life insurance benefits available to US citizens in the Canal Zone. As explained below, US employees of the Canal continued to get supplements and other benefits which probably ensured that they received greater benefits overall.

In August 1956, a conference of the 19 Presidents of the Americas was held in Panama City, among the attendees being President Eisenhower. The event included a side meeting between US diplomatic representatives, President Arias (who had replaced Remón Cantera)<sup>51</sup> and other Panamanian officials. The subsequent State Department memorandum complained that the first three hours of this meeting "*were taken up by a long rehearsal by*

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<sup>49</sup> [Journal of Interamerican Studies and World Affairs Vol.12 No. 3 \(July 1970\).](#)

<sup>50</sup> Previously, the only bridge was that at the Miraflores Locks, which opened in 1942, but which could only be used when no ships were passing.

<sup>51</sup> But would soon be replaced by Ernesto de la Guardia Navarro in the 1956 elections. It was de la Guardia who would face a coup in 1959, allegedly sponsored by Fidel Castro, and involving Margot Fonteyn.

*the Panamanians of different complaints regarding US implementation of the [1955] treaty*".<sup>52</sup> The main subject of the meeting had been the Suez Canal crisis, the nationalising of that canal having been seized on by nationalists in Panama as a demonstration of what perhaps could be achieved.<sup>53</sup> Panama had aligned with Communist and neutral countries in supporting a proposal favouring nationalisation of the Suez Canal. This was followed by the US Secretary of State stating that the US did not fear similar nationalisation of the Panama Canal because the US possessed "*rights of sovereignty*" there – making relations with Panama far worse, as the question of sovereignty over the Canal Zone territory was a longstanding area of dispute, and would remain so until the Canal Zone disappeared and the US finally withdrew.

In 1957, the Panama Canal Review published an update on implementation of the Treaty. As far as legislation was concerned, it was said that all that was still required was that providing for the adjustment of conditions of employment in agencies in the Canal Zone, and the US Senate had already approved such legislation. On more practical changes, the article made the point that the Panama Canal Company and the Canal Zone Government needed time to construct replacements for certain facilities to be handed over to the Republic. The article also noted that the single wage scale and the extension of Civil Service retirement to Panamanian employees of the Company-Government had not been implemented; and nor had the withdrawal by the US from the handling of commercial cargo for transshipment.<sup>54</sup>

In 1958, President Eisenhower was to undertake a tour of Central America, and the CIA warned of the likelihood of "*Communists and associated anti-American groups*" taking advantage of his presence to mount street demonstrations. It warned that circumstances in Panama were "*highly favorable for Communist-inspired action*" and that there were "*powerful ultra-nationalistic politicians*" protesting the Panama's government's "*softness*" in its attitude towards the US.

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<sup>52</sup> Unfortunately, the separate memorandum detailing the meeting and the complaints is not to be found in State Department files.

<sup>53</sup> <https://history.state.gov/historicaldocuments/frus1955-57v07/d147>

<sup>54</sup> But this too was said to be dependent on suitable port facilities being constructed in Colón. <https://www.czbrats.com/Articles/treatpro.htm>

In an attempt to cool tensions, in 1958, following a series of riots and other incidents, President Eisenhower issued an order that the Panamanian flag be flown alongside that of the US in the Canal Zone. The following Kennedy administration continued the “dual flag” policy.<sup>55</sup> The policy required that no flags were to fly in the Canal Zone if the flags from both countries (the US and Panama) were not flown together. However, Zonians complained about the policy.<sup>56</sup>

Meanwhile, the CIA warned that there was considerable popular irritation in Panama over what was seen as delay in fully implementing the 1955 Treaty, made worse by the economic situation in the country.<sup>57</sup>

Tensions and anti-American sentiment simmered through the 1950s, and rioting students clashed with the *Guardia Nacional* in May 1958, something that was repeated the next year (in November 1959, November being the month that Panama celebrates its independence from both Spain and Colombia). In these later clashes it was the Canal Zone Police, and then the *Guardia Nacional*, supported by US troops, who repulsed students attempting to cross into the Canal Zone. The continuing underlying resentment would culminate in what is now known as the “Day of the Martyrs”, on 9 January 1964, when some 22 demonstrators (and four on the US side) died following a dispute over the flying of the Panamanian flag in the Canal Zone.

Already, on 16 November 1961, a unanimous vote in the Panamanian National Assembly called for a scrapping of its existing treaty with the US, with then US Secretary of State Dean Rusk then promising discussions concerning a new treaty “early in 1962”, and there were discussions in Washington between the two Presidents in June 1962. However, while they

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<sup>55</sup> *The Panama Canal Treaties: Past, Present, Future* by E K Roy Hunt (Florida Law Review, Vol 18, Issue 3, December 1965)

<sup>56</sup> *From Riot to Sovereignty: United States Policy Makers Ideas, Perceptions, and Reactions to the Panamanian Struggle for Sovereignty* by William Edward Humphrey (Graduation Theses, Winthrop University, December 2018): <https://digitalcommons.winthrop.edu/cgi/viewcontent.cgi?article=1097&context=graduatetheses>

<sup>57</sup> [https://www.cia.gov/readingroom/docs/DOC\\_0000393470.pdf](https://www.cia.gov/readingroom/docs/DOC_0000393470.pdf)

agreed on a number of small changes<sup>58</sup> there was no word of a new treaty.<sup>59</sup> One obvious sticking point was that the Hay-Bunau-Varilla Treaty made no provision for termination or for revision; with the use of the words granting sovereignty "*in perpetuity*".<sup>60</sup>

As already mentioned, popular discontent reached its peak in January 1964, when Panamanian students<sup>61</sup>, joined by other Panamanian citizens, entered the Canal Zone to raise the Panamanian flag alongside a US flag that students from Balboa High School had raised<sup>62</sup> – with it then be being protected by students and parents. The Panamanians were confronted by Canal Zone Police, soon backed by US troops. In the resulting unrest, 22 people died, and more than 500 were injured. The Panamanian government immediately broke off diplomatic relationships with the US, and the US declared a "*state of war*", allowing it to exercise its right to protect the Canal. This resulted in the US interrupting



traffic between the two sides of Panama over the Bridge of the Americas and in the Colón Corridor.<sup>63</sup>

After the 1964 incident Panama also filed charges of aggression against the US with the United Nations Security Council. However, this went nowhere, and diplomatic relations would be restored later in 1964.<sup>64</sup>

In December 1964, President Johnson made a surprise announcement that the US would "*plan in earnest*" to

<sup>58</sup> Such as the flying of Panamanian flags in the Canal Zone; the encouragement of greater Panamanian sales to the Canal Zone; equal labour opportunities and wages for Panamanians employed by the Panama Canal Company, and the withholding by the US of income taxes of non-American workers on behalf of Panama – with most of this matters already supposedly been dealt with in the 1955 agreements.

<sup>59</sup> *The Panama Canal Treaties: Past, Present, Future* by E K Roy Hunt (Florida Law Review, Vol 18, Issue 3, December 1965)

<sup>60</sup> *The Panama Canal Treaties: Past, Present, Future* by E K Roy Hunt (Florida Law Review, Vol 18, Issue 3, December 1965)

<sup>61</sup> Since its founding in the mid-1930s, the University of Panama had been a focus of nationalist sentiment amongst its students.

<sup>62</sup> An "eternal flame" memorial now stands on the site.

<sup>63</sup> *The Role of the United States in Panama's Journey Towards Independence* by LaVerne M Seales Soley of the Department of Languages and Cultures, California Lutheran University (International Journal of Humanities, Art and Social Studies (IJHAS), Vol 7 No 4, November 2022).

<sup>64</sup> *The Panama Canal Treaties: Past, Present, Future* by E K Roy Hunt (Florida Law Review, Vol 18, Issue 3, December 1965)

replace the Panama Canal with a sea-level canal would negotiate a new treaty with Panama on the existing Canal.<sup>65</sup>

Between 1964 and 1967, three draft treaties were negotiated but none were ever signed and no effort was made to seek ratification.<sup>66</sup> In June 1971, another effort to reach a treaty began following a request from the Torrijos government in Panama,<sup>67</sup> which came to power in 1968. However, a new treaty offer submitted to Panama in December 1971 was rejected. One year later formal negotiations resumed. Little was accomplished until Ambassador Ellsworth Bunker was appointed US negotiator in late 1973, after which substantial progress was made and, in February 1974, Secretary of State Henry Kissinger and the Panamanian Foreign Minister agreed a set of eight principles which were to serve as guidelines in working out the details of a new treaty, which would eventually be concluded in 1977.

An important principle was that, during the term of this new treaty (and the length of the term was a crucial question), even as the US retained the right to use certain areas necessary for the defence and operation of the Canal, it would nevertheless turn over to Panama jurisdiction for the Canal Zone.<sup>68</sup>

In 1975, a report from the US House Committee on International Relations concluded that –

*While the Panama Canal is not as important strategically as it once was, it remains a valuable economic and military asset to the United States.*

It added that –

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<sup>65</sup> *The Panama Canal Treaties: Past, Present, Future* by E K Roy Hunt (Florida Law Review, Vol 18, Issue 3, December 1965)

<sup>66</sup> The Robles-Johnson, or so-called "*three-in-one treaties*", were rejected in 1965 because, among other things, they legitimised the presence of the US on Panamanian territory.

<sup>67</sup> Omar Efraín Torrijos Herrera, an officer in the *Guardia Nacional*, had taken part in a coup in 1968, following which he appeared as *de facto* leader. He promoted himself to Brigadier General and, in March 1969, took over political leadership, dissolving existing political parties. A populist, and generally popular (Panama city's largest park is named after him). Nevertheless, there were protests after he successfully negotiated the 1977 treaties that would see the US withdraw in due course, and despite moves to liberate politics and journalism (to ensure the US Congress ratified the treaties). A referendum approved the treaties in Panama. He died in a crash of a Defense Forces light transport in 1981, to be eventually replaced by Manuel Noriega.

<sup>68</sup> *A New Panama Canal Treaty: a Latin America Imperative – Report of a Study Mission to Panama* (US House Committee on International Relations, February 1976).

*During the Vietnam War, it served as an important logistical artery. Many of the defense functions currently performed in the Canal Zone, however, could either be performed efficiently and effectively elsewhere, or be eliminated or consolidated.*<sup>69</sup>

By 1975, the US military community in the Canal Zone consisted of approximately 22,000 persons, including dependents. However, the actual military force numbered around 9,400, and the House Committee on International Relations said that this was both too small and too large –

- it was considered too small for most conceivable contingencies involving a military invasion in the region or for the protection of the entire Canal from hostile fire or sabotage;<sup>70</sup> and
- sufficiently large that it had the potential of creating peacetime problems in relations with Panama and its citizens.<sup>71</sup>

By 1975, the value of the annuity, adjusted for inflation, had risen to \$2.3 million. The US was also providing around \$20 million a year in economic aid to Panama.

By the time of the Torrijos-Carter Treaties in 1977, even the US Congress had acknowledged that the Canal had become more vulnerable to hostile attack. In any confrontation or armed conflict, it was stated in one report, the Canal could easily and quickly be closed for a period of many months by air attack or by sabotage. In an age of arms proliferation, international terrorism and large-scale demonstrations and riots, the Canal could be subject to substantial disruption by only a few skilled saboteurs. It was noted that the contribution of the Canal to naval mobility continued, as the Vietnam War had demonstrated, *“but its significance may be less than it once was”*.

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<sup>69</sup> *A New Panama Canal Treaty: a Latin America Imperative – Report of a Study Mission to Panama* (US House Committee on International Relations, February 1976).

<sup>70</sup> Of course, even defencing vital installations and defeating the relatively small and lightly armed Panama Defense Force in the December 1989 invasion required substantial reinforcement of forces in the Zone, and forces and aircraft from the Continental US.

<sup>71</sup> *A New Panama Canal Treaty: a Latin America Imperative – Report of a Study Mission to Panama* (US House Committee on International Relations, February 1976).

It also noted that large aircraft carriers could use the Canal and nuclear submarines would have to surface during any transit and were therefore not likely to use the facility under any circumstances.<sup>72</sup> This factor would tend to diminish the importance of the Canal for strategic purposes, but not necessarily for logistic flexibility.<sup>73</sup>



*The Canal Administration building in Balboa*

#### **FOOTNOTE: PAY DIFFERENTIALS FOR US WORKERS CONTINUED LONG AFTER THE 1955 TREATY**

In 1983, a report of a decision of the Comptroller General of the US shed light on the continued additional payments and benefit for eligible US workers. The decision involved the question of whether payment may be made on claims for backpay by certain Panama Canal Commission employees.<sup>74</sup> The matter involved a tax allowance and a tropical differential that affected the employees' monetary benefits.<sup>75</sup>

Attached to the 1955 Treaty was a Memorandum of Understandings Reached on "*various administrative and policy matters which were the subject of discussion in the course of the treaty negotiations*". These matters included providing for equal pay for all Canal employees – to try to end the Gold and Silver Roll concept that had dogged relations,<sup>76</sup> subject to a US citizen being eligible for an "*increment representing an overseas differential*", plus an allowance to offset elements (such as taxes) that reduce disposal income, as compared to a

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<sup>72</sup> In fact, there are many photographs of US submarines using the Canal, when they would be escorted by Pibber and Swift patrol boats.

<sup>73</sup> *A New Panama Canal Treaty: a Latin America Imperative – Report of a Study Mission to Panama* (US House Committee on International Relations, February 1976).

<sup>74</sup> Following the 1977 Treaties, the Commission had replaced the Panama Canal Company. It was established in 1979 as an independent agency with the primary purposed of operating and maintaining the Canal and associated facilities in cooperation with the Republic of Panama. On 31 December 1999, its duties and sovereignty over the Canal were transferred to Panama.

<sup>75</sup> Decision of the Comptroller General of the US, 10 May 1983: <https://www.gao.gov/assets/b-207262.pdf>

<sup>76</sup> "*The basic wage for any given grade level will be the same ... without regard to whether he is a citizen of the US or of the Republic of Panama*".

resident of the Canal Zone. This was implemented in US law in 1958. Thus, US citizen employees were specifically authorised to be paid a tax allowance and an overseas (or "tropical") differential.

The tropical differential was said to be for US citizen employees as a means of compensating them for leaving their home environment, living in a confined area having a tropical climate, assuming additional personal costs involved in periodic return home to the US, and for other related reasons.

The tax allowance was based on the difference between rates of income taxes imposed by the US and, and was designed to prevent US citizen employees from having comparatively less disposable income after paying relatively higher taxes than their non-US citizen counterparts. It was adjusted, as required, from time to time.

Between 1958 and 1964 it was paid at the rate of 25% of salary for each US citizen employee. From 1964, revised policies and regulations saw the differential reduced from 25% to 15% of salary and was generally authorized for only one member of a family when both husband and wife were US citizen employees. This decision was challenged and upheld by the courts.

From 1 October 1950, the 25% was not payable to persons who were not US citizens, even those Panamanians who had been successful in obtaining executive, supervisory and other higher-level posts (which would have been part of the "Gold Roll").<sup>77</sup>

It was said by critics that the US and the Panama Canal Company had used the 1955 Treaty to displace non-US Canal workers from Zone housing, deny them access to commissaries, and tax their Canal income.<sup>78</sup>

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<sup>77</sup> Annual Report of the Governor of the Panama Canal for FY 1951.

<sup>78</sup> <https://revista.drclas.harvard.edu/a-review-of-panama-in-black-afro-caribbean-world-making-in-the-twentieth-century/>



In 1977, of course, the Torrijos-Carter Treaties came into effect. Part of this new Treaty dealt with the pay of employees of the Panama Canal Commission, which replaced the Panama Canal Company. Article 6 provided that, *inter alia*, “*With regard to wages and fringe benefits, there shall be no discrimination on the basis of nationality, sex, or race*”. Certain benefits, such as home leave benefits, to US nationals employed prior to entry into force of the new Treaty were not covered by this new provision. The Panama Canal Act 1979, which implemented the Treaty, also dealt with payment etc. This allowed for extra payments in certain circumstances, but additional compensation was not to exceed 25% of the rate of basic pay for the same or similar work performed in the US by individuals employed by the US Government.

However, in October 1980, the tax allowance was discontinued; but a "pay savings" provision was added to regulations to prevent any US citizen employee from experiencing a reduction in pay due to the ending of the tax allowance. The 15% tropical differential was not affected and continued to be payable to qualified US citizen employees.<sup>79</sup>

In 1984, the Panama Canal Commission, created by the 1977 treaties, voted to increase the Canal budget by \$15 million to provide higher salaries to the US employees. The five US members of the Commission argued that US employees needed higher salaries because they no longer enjoyed privileges at the US Commissaries. Panamanian Canal workers were not granted a raise, and 500 were fired for budgetary reasons. Such incidents continued, sparking complaints in Panama City that the non-discrimination clauses of the 1977 Treaties were being violated.<sup>80</sup>

## **ANNEX ONE**

### **THE PREVIOUS TREATIES**

On 12 December 1846, the US and New Granada (as Colombia was then called) signed a treaty that was to have a far-reaching influence in the Isthmus. The Mallarino-Bidlack Treaty

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<sup>79</sup> Decision of the Comptroller General of the US, 10 May 1983: <https://www.gao.gov/assets/b-207262.pdf>

<sup>80</sup> *Anti-US Sentiment In Panama: Brief Summary Of Historical Basis* by Deborah Tyroler (Latin America Data Base, University of New Mexico, 8 July 1987).

had as its immediate objective to prevent Great Britain from monopolising the isthmus's traffic and preserve the interests of the US.

Among other things, it provided that the US and its citizens would have transit rights and free access to any communication route built in Panama through the isthmus. In return, the US reciprocated with various undertakings, such as agreement to ensure the neutrality of the isthmus, through which a railway would run, and Colombia's control over that area. An aim was free transit from the one sea to the other sea, that should not be interrupted while this treaty exists. However, it also recognised Colombia's sovereignty over the region.<sup>81</sup>

In 1850, the Stephens-Paredes contract followed, by which New Granada granted the Panama Railroad Company the right to build a 47.6-mile (76.6 km) railway line across the Isthmus of Panama, linking the Atlantic and the Pacific Oceans. The railway opened in 1855.

Also in 1850, the US and Great Britain signed a treaty by which they undertook not to obtain exclusive control over any ship canal in any part of Central America, nor to fortify, occupy, colonise, or to assume dominion over any part of Central America in connection with a canal. There was an understanding that any canal joining the Caribbean and the Pacific should be controlled jointly by the US and Great Britain. The Hay-Pauncefote Treaty in 1901 was therefore needed to overcome this apparent obstacle, before the US could proceed with their canal.

In 1868, the US entered negotiations with New Granada to construct a canal in Panama. The treaty purported to give the US total control of the canal, and excluding the political sovereignty of Colombia. Although a treaty was signed in 1869, the Colombian Senate refused to ratify it.

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<sup>81</sup> *The Panama Canal Treaties: Past, Present, Future* by E K Roy Hunt (Florida Law Review, Vol 18, Issue 3, December 1965)

Between 1856 and 1865, the US Army intervened five times to protect the new railway from possible attacks by insurgents rebelling against Colombian rule.<sup>82</sup>

The Spanish-American War of 1898 highlighted to the US Navy the need for a waterway across the Isthmus and, in 1899, the US Congress authorised an investigation of the probable canal routes – although there was strong support for a canal through Nicaragua at the time.<sup>83</sup>

After the failure of the French attempt to construct the canal, in August 1903, the US proposed to Colombia the Herrán-Hay Treaty, which would have authorised the failed French canal company to sell and transfer its rights and properties in Panama to the US Government. However, once again the Colombian Senate rejected the proposed treaty. This failure, and the general deterioration of US-Colombia relations, allied to continuing Panamanian separatist feelings, laid the ground for the 1903 Hay-Bunau-Varilla Treaty between the US and the new Panama state.<sup>84</sup>

The original 1903 Treaty, known as the Hay-Bunau-Varilla Treaty, between the new government of an independent Panama and the US was actually negotiated, for Panama, by a Frenchman, Philippe Bunau-Varilla, who had already been involved in lobbying President Roosevelt and the US Senate to promote and support the separation of Panama from Colombia – a country severely weakened by a terrible civil war 1899-1902 (although only one of several).<sup>85</sup> Much subsequent resentment against the resulting treaty, and Bunau-

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<sup>82</sup> *Anti-US Sentiment In Panama: Brief Summary Of Historical Basis* by Deborah Tyroler (Latin America Data Base, University of New Mexico, 8 July 1987).

<sup>83</sup> *The Panama Canal Treaties: Past, Present, Future* by E K Roy Hunt (Florida Law Review, Vol 18, Issue 3, December 1965)

<sup>84</sup> Colombia had rejected another US attempt by the US to take over from the French, something which separatists in Panama accepted.

*The Role of the United States in Panama's Journey Towards Independence* by LaVerne M Seales Soley of the Department of Languages and Cultures, California Lutheran University (International Journal of Humanities, Art and Social Studies (IJHAS), Vol 7 No 4, November 2022).

<sup>85</sup> The War of a Thousand Days had resulted in the deaths of 60,000–130,000 people. The wars involved conflict between the Conservative and Liberal Parties, the last was only the 1948-58 *La Violencia*, where an estimated 200,000 people died. Given Colombia's violent past (and what would be a violent future), the decision of the US to have its canal in the quieter, weaker and more compliant Panama would seem highly sensible.

Varilla personally, centred on him seemingly selling out the interests of the country and its people for his own financial interests.

Hay and Bunau-Varilla had completed and signed the 1903 Treaty *before* the Panamanian mission, sent to help negotiate the treaty, arrived in Washington DC. Bunau-Varilla then strongarmed the Panama Government, with a cable threatening that the US would reverse its support for the new country if the treaty was not ratified. In response, the Government agreed to ratify a treaty that it had yet to see.<sup>86</sup>

To be assured successful independence from Colombia, the leaders of Panama needed the support and protection of the US, and this meant allowing construction of the Canal. On the face of it, the new Treaty should both assure safety of the new country and economic benefits from the construction and operation of the Canal. While some of the elite may have done well out of the deal, the benefits flowing to the people of Panama, particularly to the middle and working classes, did not appear to be the bounty that might have been expected.<sup>87</sup> The inherent corruption that wracked Panama then (and some would say now), nepotism and favouritism, made worse by the effects of the onset of the Great Depression would eventually explode into the successful coup of 1931 that sought to remove and replace the ruling elite.

The 1903 Treaty provided for the creation of the Canal Zone, wholly segregated from the Republic, but it also had a number of elements which did not directly relate that and the construction and operation of the Canal.

For example –

- the US created Panama as a formal protectorate, although US officials are said to have avoided use of the term;<sup>88</sup>

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<sup>86</sup> *The Panama Canal Treaties: Past, Present, Future* by E K Roy Hunt (Florida Law Review, Vol 18, Issue 3, December 1965)

<sup>87</sup> In fact, a review in the late 1930s showed that, if one took into consideration the costs of construction, fortification, and operation to then, the Canal was making a loss.

<sup>88</sup> *What Roosevelt Took: The Economic Impact of the Panama Canal, 1903-37* by Noel Maurer & Carlos Yu (Paper 06-041, Harvard Business School, 2006): <https://www.hbs.edu/ris/Publication%20Files/06-041.pdf>

- it not only ceded to the US the land involved, in perpetuity, it also granted the right for the US to obtain such additional territory as required for operation of the Canal; and
- it granted the US the right to intervene in the Republic to maintain order (as it did so on four occasions by the 1930s);<sup>89</sup>

Even Secretary of State Hay admitted misgivings about the tone of the new treaty - "*fully advantageous to the United States, and, we must confess, not so advantageous to Panama ... You and I know very well how many points are in the treaty to which any patriotic Panamanian would object*".<sup>90</sup>

Panama's 1904 Constitution recognised the facts of the 1903 Treaty, the Canal and the rights of the US and the Canal Zone.<sup>91</sup> This meant that, should Panama denounce or unilaterally abrogate the 1903 Treaty, the Constitution would preserve the US rights, and hence any such move would be unconstitutional under Panamanian law. The Constitution even acknowledged the right of the US to intervene in Panamanian affairs.<sup>92</sup>

Soon following the 1903 Treaty, the Taft Agreement of 1904 meant that Panama acknowledged the right of the US to sell fuel, supplies, and stores to vessels in the Canal Zone, with these all free of Panama taxes and duties, and that there would be no US or Panamanian tariffs applied to goods entering, or in transit across, the Canal Zone.<sup>93</sup> Discussions on a new agreement began as early as 1915, without being resolved, and in 1923 the US abrogated the Taft Agreement and (in the view of the US) matters would not be satisfactorily settled until the 1936 Treaty.

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<sup>89</sup> The Panamanian leadership was also able to use the threat of US intervention to maintain control, at least until the US attitude to such interventions changed in the 1930s.

<sup>90</sup> *The Panama Canal Treaties: Past, Present, Future* by E K Roy Hunt (Florida Law Review, Vol 18, Issue 3, December 1965)

<sup>91</sup> Referring to the "United States of North America".

<sup>92</sup> Although, under the 1903 Treaty, the US also guaranteed to preserve the independence of Panama.

<sup>93</sup> *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>

In 1926, the US and Panamanian Governments agreed a new treaty, seen as addressing some of the inequities of the 1903 Treaty. This, the Kellogg-Alfaro Treaty,<sup>94</sup> was signed in July 1926 and would have regulated, among other things, the procedure for the expropriation of land; the establishment of enterprises in the Canal Zone; the granting of Panamanian customs facilities; and the question of annuity paid to Panama.

Other elements included ceding additional land and properties in Colón to the US,<sup>95</sup> cooperating with the US in military protection of the Canal (and be a belligerent in any future war involving the US), establishing a board to license flight operations, applying the Volstead Act to enforce Prohibition in the Canal Zone,<sup>96</sup> and transferring customs post to Panama.<sup>97</sup>

However, the draft treaty was unanimously rejected by the National Assembly, which opted to maintain the *status quo*.<sup>98</sup> One point was that, while the new agreement would have placed limits on commercial activities in the Canal Zone (although the privileges of bonded warehouses and commissaries remained), and offered guarantees to both Panamanian commercial interests and Government, it maintained the rights, in perpetuity, of the US in the Canal Zone.

In 1929, Panama submitted a request to formally renegotiate the 1926 Treaty, and the US agreed, but with the implication that no changes would be made in respect of the original 1903 Treaty.<sup>99</sup> However, it would take President Franklin Roosevelt and his “Good Neighbor” policy for Latin America and the Caribbean to pave the way for a new, better treaty. The essential basis of the new policy was to secure stability in the region through cooperation

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<sup>94</sup> It was negotiated for Panama by the same person who later negotiated the 1936 Treaty:

[https://www.ecured.cu/Tratado\\_Alfaro-Kellogg](https://www.ecured.cu/Tratado_Alfaro-Kellogg)

<sup>95</sup> These would be retained in US control, although not technically part of the Canal Zone, until the 1955 Treaty. According to Dr RJ Alfaro, whose name appeared in the Treaty’s title, and who was a member of the Treaty Commission, later said that one of the main objections raised was for the transfer of Neuvo Cristobal, part of the city of Colón, to US jurisdiction, and that. Assembly members from the Colón area were the main opponents.

<sup>96</sup> But not on vessels in transit. In reality, Prohibition would be enforced, but, of course, alcohol was freely available in Panama, so that there even “picnics” for Canal workers etc where beer could be safely consumed.

<sup>97</sup> <https://time.com/archive/6655460/the-cabinet-secret-agreements/>

<sup>98</sup> <https://www.archives.gov/files/research/foreign-policy/memoranda-1963.pdf>

<sup>99</sup> Ibid.

and trade rather than military force and intervention, and reference to it was included in Roosevelt's inauguration speech of March 1933.<sup>100</sup>

However, application of the new policy to Panama came up against fears for the security of the Canal, and the huge investment the US had made. In particular, the US Army considered that the provisions of the 1903 Treaty were vital to the preservation of strategic interests; and that almost anything done in, by or for Panama could potentially impact the security of the Canal.

Nevertheless, between 1933 and 1936, Panamanian and US representatives met in Washington DC to negotiate amendment of the 1903 Treaty.<sup>101</sup> Panamanians were optimistic, but Zonians were as worried and sceptical as the military, in fact, as was stated in the press at the time, the Zonians distrusted their own President., and feared he would sell out the employees and residents of the Canal Zone.

US Secretary of State Cordell Hull was provided a detailed memorandum by President Harmodio Arias Madrid,<sup>102</sup> outlining Panama's complaints about the 1903 Treaty.<sup>103</sup> He called for more participation by Panamanian merchants in Canal Zone commerce, a reduction of sales by the commissary stores in the Zone that sold goods at reduced prices, and an end to the subsidiary business activities of the Panama Railroad, which also owned several hotels and rental property in Panama City and Colón.<sup>104</sup> He also proposed a number of recommendations to establish a better future foundation of US-Panama relations.

Arias Madrid felt that a formal treaty was required, as any other form of agreement or memorandum could be rescinded by a future administration. He was also aware of plans

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<sup>100</sup> Panama may have been given hope when the Roosevelt administration abrogated the 1903 Treaty with Cuba that gave the US the right to intervene to preserve internal stability or independence:

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

<sup>101</sup> During 1934 alone, Welles arranged a series of 110 meetings with the Panamanian delegation headed by Ricardo Alfaro (the co-signatory of the abortive 1926 Treaty). 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/>

<sup>102</sup> Brother of Arnulfo, who would later become Presidents, several times, and briefly on each occasion.

<sup>103</sup> <https://www.laestrella.com.pa/nacional/publicando-historia/220731/ventajas-tratado-arias-roosevelt>

<sup>104</sup> Such as the famous Hotel Washington in Colón, which would only be transferred following the 1955 Treaty.

for an expansion of the Canal, and that this would have meant the US wanting to acquire more territory.

The resulting 1936 Treaty (aka The General Treaty of Friendship and Cooperation) would not come into full effect until mid-1939.<sup>105</sup> However, there was one immediate improvement. After 2 March 1936 (when the Treaty was signed), all enterprises in the Zone had to have a direct relation to the protection, maintenance, sanitation, or defence of the Canal. Charitable, educational, religious, and scientific organisations that functioned exclusively within the Zone would also qualify under this provision. It seemed that, finally, Panamanian businesses were to have equal opportunity for retail sales to ships in the Canal.

The new Treaty addressed one issue of considerable annoyance to Panamanians. This was that Canal Zone Police would prevent Panamanian citizens crossing the Zone if they were deemed “*undesirable*” (by the police). The new Treaty would recognise the inherent right to cross the Zone, from one part of their own country to another, even if “*undesirable*” persons in the eyes of the Canal Zone Police.

However, the US resisted calls for equality of treatment with US workers in technical positions and preference for Panamanians over West Indians in unskilled jobs.<sup>106</sup>

Panamanians remained classified as “Silver Roll” workers (see Annex 2 below), without any preferential status, at least until 1939, when the international situation and the associated new construction programs saw Roosevelt requiring special consideration for Panamanians. A central issue that had to be addressed was the right of the US to intervene *unilaterally* if necessary to defend the Canal. The US forces naturally feared that an unfriendly government in Panama could put security of the Canal at risk. Even a need to consult could, it was argued, risk delays that could be fatal.

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<sup>105</sup> In fact, there were four treaties, all signed in March 1936, of which two (concerned with radio) never came into effect and two others, which had to wait until mid-1939 to be ratified by the US Senate.

<sup>106</sup> For more on the troubled relationships between Panamanians and West Indians etc, see <https://raytodd.blog/2024/06/30/panama-in-world-war-2-war-discrimination-and-segregation/>



The final treaty saw the two countries agree –

- 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;
- 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.

Although Arias Madrid acknowledged that the new treaty was not perfect, but offered great advantages, and it was ratified by the National Assembly in December 1936, but then had to wait until July 1939 for the US Senate to do so.<sup>107</sup>

In addition to the new Treaty, there was also a transisthmian highway convention, which ended the Panama Railroad monopoly, and provided financial aid in the construction of a Panama City-Colón highway. The US Army in the Canal Zone argued that a highway crossing the isthmus parallel to the Canal would endanger security, there being seen as safety in having, at the time, “impenetrable” jungle on the banks of the Canal. It would not be until 1942 that such a highway was built (when it was, in fact, needed for defence purposes; but it remained for military traffic only initially).



*The trans-isthmus highway in 1950*

<sup>107</sup> <https://www.laestrella.com.pa/nacional/publicando-historia/220731/ventajas-tratado-arias-roosevelt>

## ANNEX 2

### WHAT WAS THE “GOLD” AND “SILVER” ROLLS?

The system was used not only to determine wages, but also to implement a form of segregation not unlike the “Jim Crow” discrimination against Afro-Americans in the southern states of the US. Accommodation was allocated according to which Roll you belonged, with smaller, more crowded, and poorer accommodation to those on the Silver Roll. There were even Gold and Silver separate townships. There would also be separate mess halls, bathrooms, waiting rooms at railway stations, schools, and so on. White workers, including labourers, also received the better clinical care in the Canal Zone and their homes even benefited from having mosquito screens. There were even separate cemeteries.<sup>108</sup>

In 1936, President Roosevelt had said he would do away with the discriminatory practices in the Canal Zone but nothing had happened.<sup>109</sup> There had been an attempt to have Panamanians recruited to the Gold Roll during the expansion programs in the lead up to World War 2, the Panamanian Ambassador in the US lobbying President Roosevelt, and reminding him of his promise.<sup>110</sup>

Giving the previous attitude of Panamanian Governments on racial matters, it may be seen as somewhat hypocritical for it to denounce the system at an International Labour Organisation (ILO) meeting in 1944, condemning the “principles of frank racial

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<sup>108</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1497783/>

Incidentally, the US Cemetery in Corozal, just outside Panama City, is a fine, immaculate and well-looked after place even today, looked after by the American Battle Monuments Commission. The former “Silver” cemetery is not...

<https://www.abmc.gov/Corozal>

<sup>109</sup> *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](https://www.jstor.org/stable/175020?read-now=1&seq=1#page_scan_tab_contents)

For a defence of the Gold and Silver Roll system, and claimed misunderstandings of it, see the comments of the Governor in a letter to the US Ambassador in Panama in 1946:

<https://history.state.gov/historicaldocuments/frus1946v11/d47>

<sup>110</sup> However, in the light of attitudes of the Arias Madrid administration at the time, the Ambassador opposed having black workers of West Indian origin on the Gold Roll, and objected to the US seeking more West Indian labour.

In the US, the AFL union lobbied Congress for an amendment to the Bill authorising the Third Locks Project that would have reserved most Gold positions for US workers.

discrimination” undergirding the Gold/Silver system and highlighting the irony that the US would treat an important ally in such a manner.<sup>111</sup>

In 1948, the US State Department observed that US obligations under the 1936 Treaty required a policy of equality of opportunity and treatment for Panamanians employed in the Zone. However, it noted a policy of non-discrimination in employment practices in the Canal Zone, “*full cooperation from all sectors of this Government has not been obtained*”.<sup>112</sup> However, it is interesting to note that the Post Office in the Canal Zone had dropped its restrictions in 1946.

On 21 November 1948, Governor Francis K Newcomer abolished use of the old “Gold” and “Silver” terms were replaced by using the terms “US Rate” and “Local Rate”, which were thought to be less humiliating. The new Treaty of 1955 would formally abolish the Gold and Silver payrolls system.

The Annual Report of the Governor in 1947 gave as an explanation that Gold employees received prevailing rates of pay comparable to wages they could receive in the US in their respective trades, plus a 25% bonus for working abroad. The wages of Silver employees, on the other hand, he said, bore no direct relationship to the wages of corresponding classes of workers in the US. For the most part the latter were “*natives of the region*”, their wage scales established at a level that would ensure a standard of living comparing favourably with that prevailing for “*native*” workers in Panama and throughout the Caribbean area.<sup>113</sup> In 1947, the average wage for a Silver Roll employee was \$950, whereas the average Gold Roll wage was \$3,800. For a long time, the ratio of Gold to Silver pay was 2 to 1, but by 1947 it had reached 4 to 1.<sup>114</sup>

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<sup>111</sup> Although, to be fair, Arias Madrid’s 1941 Constitution had been suspended in 1944.

<sup>112</sup> *Memorandum by the Assistant Chief of the Division of Central America and Panama Affairs* (711.19/1–2048), 20 January 1948. Subject: General Relations Between the United States and Panama: <https://history.state.gov/historicaldocuments/frus1948v09/d467>

<sup>113</sup> *Annual Report of the Governor of the Panama Canal Zone* (US Printing Office, 1947, p.73).

<sup>114</sup> *Race Relations in the Canal Zone* by John Biesanz (*Phylon 1940-1956*, Vol. 11, No.1, 1<sup>st</sup> Qtr, 1950, pp. 23-30).

In 1949, there were 8,000 “US rate” (formerly “Gold Roll”) and 25,000 “local rate” (formerly “Silver Roll”) employees serving in the Canal, with the Panama Railroad, and the US Army, Navy and US Air Force in the Canal Zone.<sup>115</sup>

#### ORIGIN OF THE GOLD AND SILVER ROLL

The “Gold Roll” and “Silver Roll” system stemmed from the three-tier workforce used by the US to construct the Canal.

- skilled US workers went on what became known as the “Gold Roll” (in 1909, President Taft closed the Gold Roll to non-US citizens, although Panamanians, in theory, could be eligible, though few did qualify – in part due to pressure from US trade unions);
- Spaniards and West Indians went on the “Silver Roll”; and
- other unskilled labour.

The decision to restrict the Gold Roll to white Americans obviously limited the ability of either native Panamanians or the new immigrants in Panama to benefit from on-the-job training and move up the skills and wages ladder.<sup>116</sup>

The terms used derived from the time of the construction of the original Panama Railroad in the middle of the 19<sup>th</sup> Century, when workers from the US were paid higher wages in gold, while West Indians received lower salaries in silver.<sup>117</sup> From 1918, all employees were paid in US dollars, but the distinction in status and payments remained, along with the terms “Gold” and “Silver”.

The 1955 Treaty did not itself mention wage practices; but there were changes in the wage practices because of the negotiations, and this was incorporated in the associated Memorandum of Understanding. This said that “*The basic wage for any given grade level will be the same ... without regard to whether he is a citizen of the US or of the Republic of*

<sup>115</sup> *Race Relations in the Canal Zone* by John Biesanz (*Phylon 1940-1956*, Vol. 11, No.1, 1<sup>st</sup> Qtr, 1950, pp. 23-30).

<sup>116</sup> *What Roosevelt Took: The Economic Impact of the Panama Canal, 1903-37* by Noel Maurer & Carlos Yu (Paper 06-041, Harvard Business School, 2006): <https://www.hbs.edu/ris/Publication%20Files/06-041.pdf>  
Not only non-US workers, but black US workers often found placing on the Gold Roll blocked by white members of the AFL-affiliated trade union: *American Historical Review* (April 2020).

<sup>117</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1497783/>

*Panama*”, to get away with the Silver and Gold Rolls concept that had dogged US-Panama relations.<sup>118</sup>

It is said that it was only with the Civil Rights Act of 1964 that the system received a final *coup de grâce*, although discrimination persisted in less obvious ways for a long time afterwards. However, as explained above, additional payments and benefits for US workers continued long after this.

Ray Todd

Panama City

Republic of Panama

10 December 2024



*The final day of the Panama Canal Zone*<sup>119</sup>

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<sup>118</sup> *From Riot to Sovereignty: United States Policy Makers Ideas, Perceptions, and Reactions to the Panamanian Struggle for Sovereignty* by William Edward Humphrey (Graduation Theses, Winthrop University, December 2018): <https://digitalcommons.winthrop.edu/cgi/viewcontent.cgi?article=1097&context=graduatetheses>

<sup>119</sup> <https://pcmc.domains.uflib.ufl.edu/collections/final-day-of-the-canal-zone/>