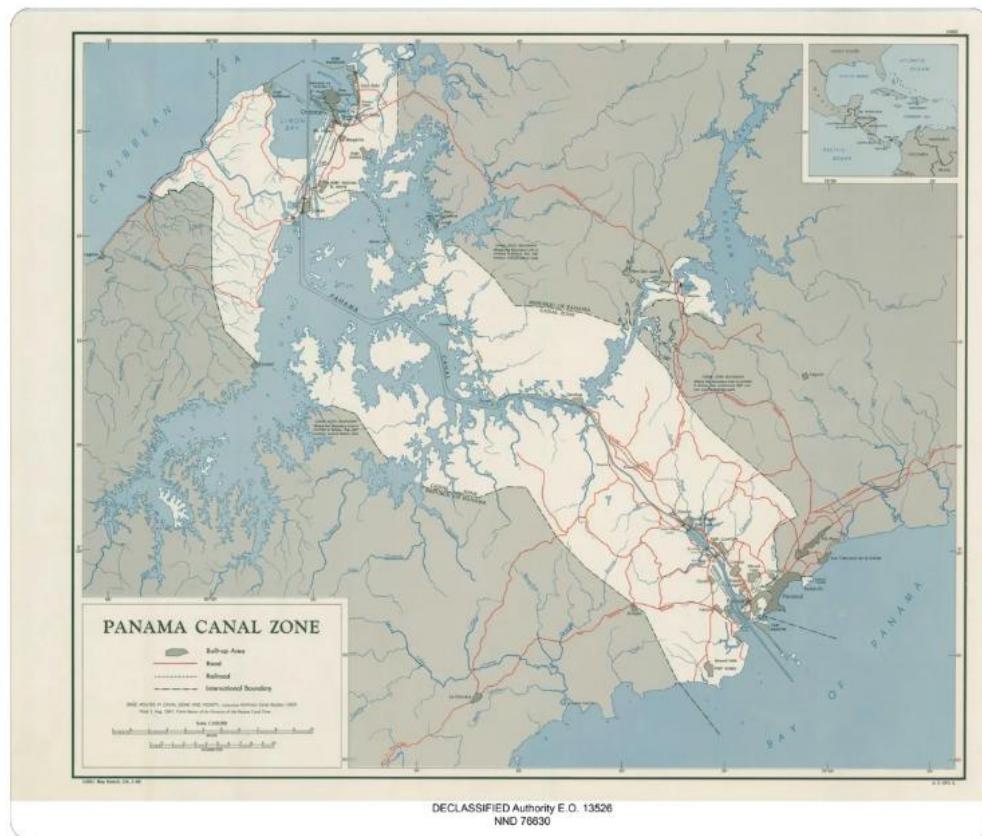


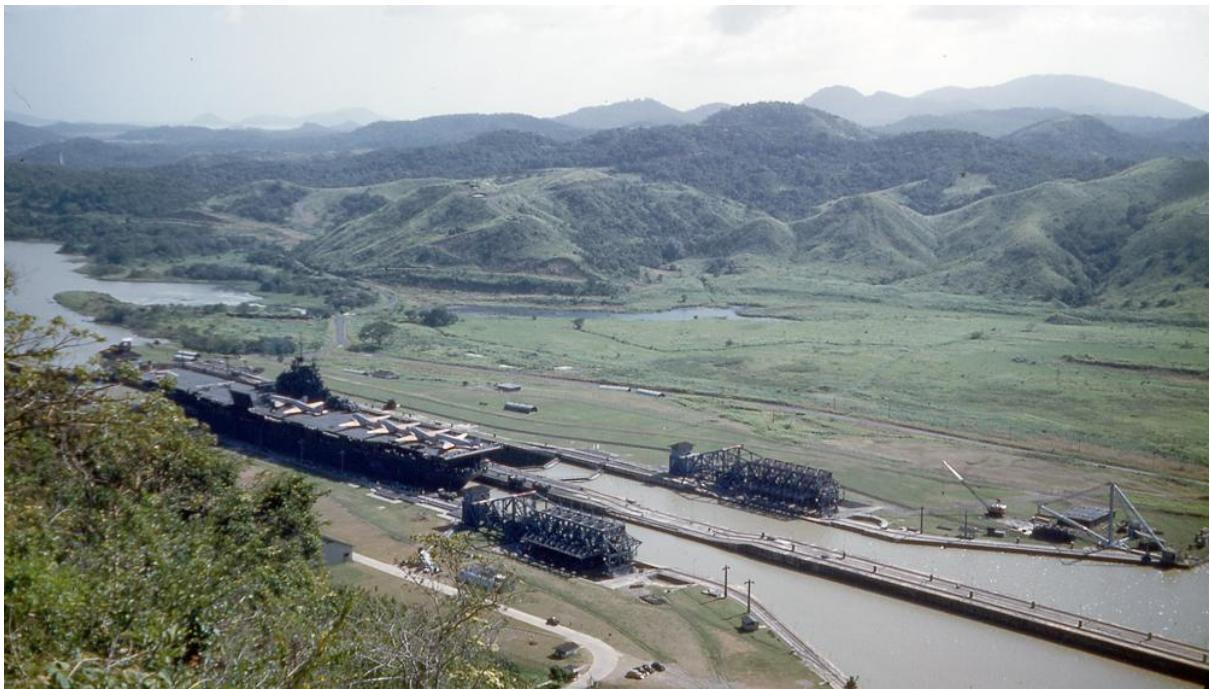
PANAMA: THE IMMEDIATE POSTWAR

There follows very much a snapshot of the situation in Panama, with some titbits and highlights, in the immediate postwar years. This was before the development of the country's financial and shipping sectors, that saw what a largely undeveloped province of Colombia in 1903 had been become what it is today.

One theme that emerges is, amid growing nationalist sentiment, the desire to limit the US presence to the Canal Zone, insofar as this was possible, and prevent the continued existence of "mini Canal Zones" in the rest of Panama, allied to an attempt to set right some of the grievances and discriminatory practices that had developed *vis a vis* the Canal Zone and the Republic, virtually since independence in 1903.

CIA map of Panama Canal Zone, 1948





Pedro Miguel Locks and the USS Philippine Sea (CV-47) on 8 January 1947 with 6 R4D Skytrain¹ transport aircraft on her deck en route for Rear Admiral Byrd's Operation High Jump²

US STRATEGY RE THE CANAL AFTER THE END OF WORLD WAR 2

The status of the Panama Canal in US strategic planning until the end of the war has been summarised as follows -

*“The period from the construction of the Canal until World War 2 was dominated solely by proponents of the camp that argued that the Canal was of paramount strategic significance for US security and should be robustly defend”.*³

¹ The US Navy designation for the C-47 Skytrain/Dakota versions of the DC.3, as used by the 20th Transport Squadron.

² The 1946-47 expedition involved 13 ships, including 2 seaplane tenders and the aircraft carrier, with ship-based aircraft taking 49,000 photographs which, with photography by land-based aircraft, covered around 60% of the Antarctic coast – nearly 25% of which had previously been unseen

³ *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>

Writing at the US entry into World War 2 in 1941, Norman Padelford, a professor in international law and national security affairs at the Massachusetts Institute of Technology, argued in a book that the US did not build the Canal for altruistic reasons. Padelford maintained that the US viewed the Canal chiefly as an instrument of naval defence and secondarily an economic concern.

The Panama Canal in Peace and War by Norman J Padelford, (Macmillan, New York, 1942).

This position would change following the war – though some, particularly on the right wing, would continue to argue this position until the handover of the Canal in 2000, and indeed (as we were to see in 2025 with President Trump) afterwards.

However, even before the end of the war there appeared to be the beginning of a change in policy. The obvious threats to the Canal had reduced, and during the last two years of the war troop numbers fell, defence sites and large calibre artillery were put into disuse,⁴ and the defences generally run down.



*How the railway guns (and others) ended up – a piece of barrel of a scrapped 14-inch railway gun.
Person in photo and photographer unknown*

This was not to say that anyone shared the supposed misconception after World War 1 that a prolonged peace would follow, and it is said that US military leaders almost unanimously believed (and their civilian

superiors shared their perceptions) that war would come again, that it would again be a total war.⁵ Friction with the Soviet Union began to rise even as the war continued, and many in the US continued to have a deep-seated fear and antagonism to what they would see as a communist threat (as they had from the birth of communism in Russia) – something that would continue and grow during the 1950s.

In 1945, the Joint Chiefs of Staff (JCS) strategic concept held that the “danger areas” for the US included –

- the Arctic air approaches to North America
- the Atlantic and Pacific approaches to North America; and
- Latin American and Atlantic and Pacific approaches to the Panama Canal.⁶

⁴ The Coast Artillery, which had manned the large guns in the Canal Zone, was abolished in 1950.

⁵ *Circling the Earth: United States Plans for a Postwar Overseas Military Base System, 1942–1948* by Elliott V Converse III (Air University Press, Maxwell AFB, Alabama) August 2008:

https://media.defense.gov/2017/Mar/31/2001725262/-1/1/0/B_0097_CONVERSE_CIRCLING_EARTH.PDF

⁶ Ibid.

Even before the Soviet Union exploded its first A-bomb in 1949 there was a realisation that distance of the Canal from a potential enemy did not offer the same security of even 1939. The long-range rockets developed by Germany were surely harbingers of future weapons, and the obvious enemy being armed with nuclear weapons raised the fear of a sudden distant strike, incapable of being prevented or defended, and likely (in later years) of employing a nuclear device. As early as 1953, a simulated nuclear strike during exercises near Miraflores Locks demonstrated the locks' extreme vulnerability to such an attack.⁷

In fact, US Secretary of Defense Henry Stimson had begun question the feasibility of defending the Canal against nuclear attack even before World War 2 ended. Stimson concluded that the only way to increase the Canal's security would be to build a sea-level canal with no locks. He assessed that a sea-level canal could not be destroyed by a nuclear attack (or at the least more quickly repaired). The Governor of the Canal Zone in 1946 argued aggressively for the creation of a sea-level canal, and stated that two atomic bombs or even conventional weapons could render the existing lock-based Canal useless.⁸



SEA-LEVEL PLAN showing approximate course in relationship to present canal

THE DOTTED LINE INDICATES SEA-LEVEL CANAL SUGGESTED IN 1947. IT
WOULD REQUIRE A NEW TREATY, SINCE CANAL ZONE LIMITS WOULD BE
CHANGED. PANAMA COULD EXACT ANY PRICE.

⁷ <http://www.country-data.com/cgi-bin/query/r-10053.html>

Four years later in Operation Caribbean, US war gamers found the Canal's defences inadequate and asked Panama for missile sites outside the Canal Zone. The Panamanians, however, feared that US missile sites would only make their country more of a target for someone else's missiles; in addition, they did not want to give up any more territory to the US.

⁸ *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>

It was proposed that nuclear explosives could be used to create the new sea-level canal.

As if to reinforce concerns, in 1946, two exercises, one involving an aircraft carrier as the “enemy”, and another a mock low-level attack by a US Army Air Force (USAAF) fighter group, demonstrated the need for further improvement in defence against air attacks.⁹

In July 1946, the long-term plan for Canal defence was also revised and approved by a State Department/War Department/Navy Department Coordinating Committee.¹⁰ This envisaged defence of the Canal as part of the framework of hemisphere defence, but that an attack could neutralise the Canal. It assumed the need for defence sites outside the Canal Zone.¹¹ A 1942 agreement had permitted the US to operate an eventual 134 sites outside the Canal Zone but, as we shall see, the US was unable to retain any of these in the face of nationalist opposition in the immediate postwar years.

The 1946 plan called for the sea mine defences to be retained, along with the large-calibre railway artillery,¹² and the 90 mm Anti-Motor Torpedo Boat batteries. There would have also been a handful of large guns, and a new type of turreted batteries of 6-inch guns, and at Fort Sherman new 16-inch guns. However, this remained only a plan, and in the event no large guns were retained.

In December 1945 and May 1946, separate plans were called for by the US Congress and Navy respectively on how best the Canal could be improved, and adapted to meet the needs of merchant shipping and national (i.e. US) defence. Despite differing views within the various departments of the Navy, the tacit assumption was that the Canal

⁹ <https://afhrafromthestacks.wordpress.com/2025/05/29/panama-iii-training/>

It is interesting to note that the US Navy had made a similarly successful mock attack as long ago as 1929.

¹⁰ In March 1945, the Plans and Operations Division of the War Department asked General Brett, Commanding General in Panama, to draw up a long-term plan for its defence in depth, including a list of the bases needed to implement it.

¹¹ *Wasting Asset: The U.S. Re-Assessment of the Panama Canal, 1945-1949* by John Major (Journal of Strategic Studies), 2008.

¹² There were two such weapons, capable of being moved by means of the trans-isthmus railway, with one normally situated at either entrance to the Canal.

was still a vital element in US defence policy.¹³ Various plans, such as for a sea-level canal, came to nothing, but in 1949 Congress authorised an investigation into the organisation and financing of the Canal as a whole.¹⁴ This would result in the reorganisation explained below.

In fact, the Canal played only a limited role in US military ventures postwar, so that even from a military perspective, its costs were beginning to exceed the benefits. In fact, a 2008 book¹⁵ revealed that President Truman suggested giving the Canal to the new United Nations in 1945.¹⁶ Even from the beginning, the military costs of defending the Canal had been much higher than anyone had anticipated, with tolls kept artificially low, so that it was never profitable in a sure economic sense.¹⁷ The same 2008 book maintained that the US was "*reluctantly stuck managing the Canal through the 1950s, 1960s, and 1970s and was facing increasing costs of doing so*".¹⁸

Another factor was growing nationalistic sentiment, such as that expressed in student demonstrations in 1955, 1958, 1959, and 1964. This had been a major factor in the US having to evacuate its wartime bases in the Republic. The increased tensions and disturbances (which eventually saw a "border" fence needed to protect the Zone) helped to finally convince the US to renegotiate the 1903 Hay-Bunau-Varilla Treaty, and as early as 1974, the US had agreed in principle to give the Canal and the Canal Zone to Panama. It seems that Panamanians were becoming too much trouble - particularly if

¹³ *Wasting Asset: The U.S. Re-Assessment of the Panama Canal, 1945-1949* by John Major (Journal of Strategic Studies), 2008

¹⁴ The action of the Congress would result in significant changes to how the Canal was managed and run from 1950.

¹⁵ *What T. R. Took: The Economic Impact of the Panama Canal, 1903– 1937* by Noel Maurer and Carlos Yu (2008).

¹⁶ He is reputed to have declared, "*Why don't we get out of Panama [gracefully], before we are kicked out?*"

¹⁷ While I cannot produce the evidence, I am inclined to think it was equally unprofitable postwar, at least in the early postwar years.

¹⁸ The book attributed to increasing costs (presumably aside from military/naval defence costs) as being the constant rise in transfers to Panama used to placate the increasing aversion to the U.S. presence in Panama and the rising inefficiency of the Canal management. A reviewer from the University of California San Diego, in its Journal of Economic History, disagreed with the authors' comments re the increasingly inefficient running of the Canal by the US, with rising costs and falling revenue, arguing that Panama boosted its profitability chiefly from higher tolls:

<https://econweb.ucsd.edu/~vramey/research/The-Big-Ditch-Review-Published.pdf>

Panama could be relied on to run the Canal efficiently, and it could be kept safe – something that events following the handover at the end of the 20th Century proved to be the case.

The main purposes of the Canal had been to facilitate US commercial traffic,¹⁹ and to allow the rapid redeployment of naval vessels from one ocean to the other. The advent of a “two oceans” policy during the war years had reduced the importance of the latter, and by the late 1950s the Navy’s new supercarriers could not fit in the Canal locks.

Commissioned on 10 September 1945, the aircraft carrier USS *Midway*, the lead ship of a new class of large carriers, was the first US warship too big to use the Panama Canal. In fact, it was the largest aircraft carrier in the world until 1955. She still exists, after being finally decommissioned in 1992, and is preserved in San Diego. Even then, she was small compared to the later supercarriers, the first being the USS *Forrestal*, commissioned in 1955.

Between 1946 and 1977, the total military strength in the Zone fluctuated between 20,300 and 6,600; with the lowest figure in 1959 – this compared to a wartime peak of around 67,000. Between 1979 and late 1994, US forces numbers stayed around 10,000 – with the exception of 1989-90, when it reached 26,000, for the invasion known as Operation *Just Cause* and the removal of Manuel Noriega.²⁰

REPATRIATION AND DEMOBILISATION

The reduction in strength, and the redeployment of troops, from the Panama Canal Department (the Army command) and the Caribbean Defense Command (the theatre

¹⁹ Railroad improvements, and development of the Interstate Highway System from the 1950s, were among the internal factors affecting value of the Canal to the US. Nevertheless, US trade through the Canal rose from just 14 million tons in 1950 (about 8% of all US international seaborne trade), to over 100 million tons (or 14% of all US international seaborne trade) in 1992.

The Future of the Panama Canal by Fernando Manfredo Jr (Journal of Interamerican Studies and World Affairs. Special Issue, Autumn, 1993).

²⁰ *The American Defences of the Panama Canal* by Terrance McGovern (Nearhos Publications, 1999).

command), which had begun in 1943, continued apace to December 1945²¹, with a start made on a reorganisation being begun in January 1946, with an aim of achieving a target of 20,000 Canal Zone troops by 1 March 1946.

Military planning for the postwar period began before the Japanese attacked Pearl Harbor in December 1941, with the aim of avoiding the disarray and weakening of military strength that had accompanied the demobilisation after World War I.²² While formal groups to draw up postwar plans were not established until mid-1943, officers assigned to the Joint Chiefs of Staff (JCS) first dealt with the complex problems raised by the proposal for a system of postwar overseas military bases in late 1942. Interservice rivalry arose and only the Army and the USAAF coordinated their postwar programs to any appreciable extent.²³

As the war closed, despite demobilisation, resources were required for occupation duty in the defeated Axis countries, and the new Army Chief of Staff, Eisenhower, wrote to General MacArthur in Japan in January 1946 that garrisons in places such as Panama were being "*cut to the bone*".²⁴

In Panama, the Coast Artillery Command (already largely redundant) and the Mobile Force were discontinued, and on 1 December 1946, the Panama Canal Department was divided back into Atlantic and Pacific sectors, as it had been prewar.

²¹ The speed with which troops were transferred out of the Canal Zone left quite a bit of confusion as to actual numbers. This census problem was not confined to Panama, however, and was widespread throughout the entire military: <https://apps.dtic.mil/sti/tr/pdf/ADA388262.pdf>

²² Which was the same thing that had happened after the Civil War, but made worse by the isolationism and popular and political reaction to what many saw the "betrayal" of the US people that had led to involvement in the war.

²³ https://media.defense.gov/2017/Mar/31/2001725262/-1/-1/0/B_0097_CONVERSE_CIRCLING_EARTH.PDF

²⁴ *Wasting Asset: The U.S. Re-Assessment of the Panama Canal, 1945-1949* by John Major (Journal of Strategic Studies), 2008.

OPERATION MAGIC CARPET

This was the name given to the repatriation of demobilised troops and prisoners of war from Europe and the Far East.²⁵ It officially commenced on 6 September 1945, four days after VJ Day, ending on 1 September 1946, and on average transported 22,222 men home every day.

Of course, However, while the end of the war saw significant postwar drawdown of expeditionary forces, the Canal Zone continued to serve as a central location for moving personnel, supplies, and equipment around in the postwar environment. The air bases around the Canal Zone remained active, and, in some instances such as Howard AFB, grew to accommodate larger numbers of civilian personnel and military dependents.

BRITISH SHIPS BANNED

In 1945, when Lend-Lease ended, and facing a shortage of dollar currency, British merchant ships faced a ban from using the Canal (as they could not pay the transit fees). It was only in March 1946 that British merchant vessels could again use the Canal.

FIRST TRANS-ISTHMUS CROSSING BY HELICOPTER

In March 1946, two US Navy officers made the first-ever transit of Panama in a helicopter, and thereby the first helicopter flight from the Atlantic to the Pacific. The aircraft carrier, USS *Shangri La*, was passing through the Canal, bound for Bikini Atoll and Operation *Crossroads*, a nuclear test. It was carrying four Sikorsky HOS-1, an early two-seat helicopter type on loan from the US Coast Guard. These were to be used to recover film from cameras in lead-lined towers monitoring the blast.²⁶

²⁵ German and Italian prisoners went the other way, and 29 troop ships were authorised to deliver war brides to their new homes in North America.

²⁶ <https://www.nhahistoricalsociety.org/the-first-navy-helicopter-deployment-operation-crossroads/>

THE PANAMA CANAL DEPARTMENT DEACTIVATED

In 1947, the US Army command, the Panama Canal Department, was deactivated and replaced by the new US Army Caribbean (USARCARIB), retaining its headquarters in the Canal Zone. The Army, Navy and Air Force components in Panama were reorganised under the overall, forces-wide Caribbean Command,²⁷ which had replaced the wartime Caribbean Defense Command (CDC), deactivated on 10 March 1948. While defence of the Canal remained the primary concern of USARCARIB²⁸, it acquired other responsibilities in Latin America.²⁹

Fort Amador U.S. Army Caribbean Headquarters around 1950



Caribbean Command was responsible for US forces in Panama and the Antilles. The role of CINCARIB (Commander-in-Chief, Caribbean) was to defend the US against attack through the region; defend sea and air communications; secure the Canal and US bases in

Panama and the Caribbean; as well as planning and preparing for a general emergency. In 1950, a new Atlantic Command took over the protecting of sea communications in the Caribbean, as well as Pacific approaches.



The gym and service club, Fort Davis in 1949

²⁷ Which was to become US Southern Command in 1963.

²⁸ In 1963, USARCARIB became US Army Forces Southern Command, part of US Southern Command.

²⁹ <https://apps.dtic.mil/dtic/tr/fulltext/u2/a388262.pdf>

EVACUATION OF THE BASES OUTSIDE THE CANAL ZONE

A hint of the difficulties that the US would face in Panama postwar was provided by the debacle that ended with the evacuation of all the many defence sites occupied outside the Canal Zone during the war.

The Enrique Adolfo Jiménez, who had become President in June 1945, had authorised a draft treaty allowing for the continued presence of at least some US bases in the Republic. This led to widespread unrest, and an angry, and armed, mob assembled outside the National Assembly when it met in 1947, something which persuaded the deputies inside to reject the draft, and by the end of January 1948 the US had evacuated all occupied bases and sites outside the Canal Zone.³⁰



It would take a further treaty in 1955 for the US to once again obtain the ability to operate outside

the Canal Zone, including a 15-year agreement over the use of the important Rio Hato airbase.

³⁰ For a view from the US Government of the relationship with Panama in the immediate postwar period, see Memorandum by the Assistant Chief of the Division of Central America and Panama Affairs, dated 20 January 1948: <https://history.state.gov/historicaldocuments/frus1948v09/d467>
For more on the 1942 agreement and what led to the situation in 1947, see <https://raytodd.blog/2025/10/10/panama-operating-outside-the-zone-the-1942-agreement-and-the-1947-row/>

US STATE DEPARTMENT IDENTIFIES PANAMA PROBLEMS

In a memorandum in 1948,³¹ the State Department identified a number of “*principal pending problems*” in the relationship with Panama.³²

These included –

- an aeronautics agreement (the US military wanted control, or at least a joint US-Panama board to coordinate, supervise and regulate aviation).³³ In 1947, Panama and the US concluded a controversial aviation agreement.³⁴ This shared responsibility for commercial aviation in Panama. Its terms included a joint commission to oversee the management of the new international airport at Tocumen in Panama. This management included such things as the handling of baggage, air traffic control, customs procedures, treatment of mail etc. However, the commission was dominated by its US members, who had the final say on any matter. Violent protests, similar to those over the abortive defence sites treaty, erupted, the *Policia Nacional* eventually declaring a three-month state of siege, and in continued violence two people died and many more were injured;³⁵
- the long-promised bridge over (or tunnel under) the Canal, to be near Balboa, where a ferry service ran. Such a crossing had been promised, again, in 1942, but it would be 1962 before one opened;
- racial and labour discrimination in the Canal Zone. The US had operated a version of its “Jim Crow” racial discrimination in the Zone, treating it as a sort of “Little America”, and reserving the best jobs, accommodation, medical treatment etc for US citizens. This was reinforced by the Gold and Silver Rolls,

³¹ *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>

³² It provided a list of 23 headings, with another five “Panamanian requests”, and gave four examples of cooperation already extended to Panama.

³³ In October 1944, General Brett, the commander of the Caribbean Defense Command, had insisted that any postwar agreement on civil aviation must provide for the US continuing to have *exclusive* authority over a 200-mile “defended zone”, which would completely encompass the Republic.

<https://tile.loc.gov/storage-services/master/pnp/habshaer/cz/cz0000/cz0013/data/cz0013data.pdf>

³⁴ <https://treaties.un.org/doc/publication/unts/volume%2055/v55.pdf>

³⁵ *We Answer Only to God: Politics and the Military in Panama 1903-1947* by Thomas L Pearcy (University of New Mexico Press, 1968).

the wages system with separate pay structures. This was despite a 1936 Treaty having required a policy of equality of opportunity and treatment for Panamanians employed in the Zone;

- a 1935 Executive Order had prohibited the direct importation of hard liquor into the Canal Zone, so that it all entered the Canal Zone through the Republic, resulting in about 100% increase in cost per case. Panama opposed the revocation of the prohibition, which civilian and forces' bodies in the Zone had called for;
- Panama had objected to traffic on the Inter-American Highway at Rio Hato being interrupted – the runway crossed the highway, and there were proposals to reroute the road. However, this became moot after the US forces were forced to evacuate the base in 1947.³⁶
- another military reservation and airfield was located at Paitilla Point, on the other side of Panama City from the Canal entrance, overlooking Panama Bay. In 1948, the State Department argued that it was no longer required for either defence nor the operation of the Canal, and therefore it should be transferred to Panama;³⁷
- that the US should ratify the Radio Communication Convention for the regulation of radio communications in Panama and the Canal Zone. This had been agreed in the 1936 treaty, but the US Senate had refused to ratify it. From 1914, the US had exercised full control over radio communications in the Republic.³⁸ The Convention would see Panama license and regulate all radio operations in its territory, with two boards (one US, one Panamanian). However, by 1948, Panama was unwilling to go ahead, and the joint boards approach was dropped.³⁹

³⁶ At Rio Hato, the highway now passes under the runway by means of a road tunnel.

³⁷ The site had been acquired in 1920, and there were guns and Paitilla Point Army Airfield at the site, the latter established in 1944. It would be used as a civil airport for Panama City until 1999, when such traffic was transferred to the former Albrook Air Force Base. Paitilla Point would be transferred to Panama in 1957, under the terms of the 1955 Remón-Eisenhower Treaty.

<https://www.laestrella.com.pa/panama/nacional/punta-huellas-paitilla-GNLE154828>

³⁸ The President of Panama issued the Decree under pressure from the US. Panama abrogated the Decree in 1930, but the US continued to assert its right to control radio. After that, no formal arrangement existed for regulation of radio communications, but rather an informal cooperation arrangement.

³⁹ <https://history.state.gov/historicaldocuments/frus1947v08/d814>

- the State Department recommended that the US assist in construction of a new international airport. This would deal with complaints from Panama, and resentment on having to pass through the Canal Zone at Albrook Air Force Base,⁴⁰ even when on internal flights within the country. Tocumen International Airport was inaugurated on 1 June 1947, began full operations in September 1949, and the air terminal at Albrook closed.



By 1950, there were three US airlines offering daily services “*to all major gateways in North, Central and South America*” –

- Pan American Airways to Brownsville (Texas); New Orleans; Miami; and Port of Spain (Trinidad);
- Pan American-Grace Airways (Panagra) to Santiago (Chile); Buenos Aires; Lima; and Corumba (Brazil);
- TACA to San Jose (Costa Rica), with connecting flights to Mexico City and Havana; and
- Urabe, Medellin and Central Airways to Medellin (Colombia).⁴¹

⁴⁰ The Canal Zone Air Terminal had only opened in 1943, although the airfield had been used for commercial traffic before that.

⁴¹ *The Panama Canal and its Ports* (War Department, US Army Corps of Engineers, 1946) <https://dloc.com/AA00022193/00001/images/4>

THE EFFECT OF THE WAR ON PANAMA

As the unrest over proposals to retain at least some of the US bases outside the Canal Zone had presaged, the postwar years would see a growing level of nationalist protests. Despite a new treaty in 1955 which sought to assuage at least the most prominent of the Panamanian Government's complaints, an indication of the atmosphere is that, by the late 1950s US forces would no longer take part in carnivals in the Republic. By 1959 protests (largely led by students) were frequent, and matters came to a head in 1964, with days of rioting, deaths and confrontation between US troops and Canal Zone Police on one side, opposed by students and other protestors.

The war had affected Panama in many ways, both good and bad. During the war, production of milk, sugar and slaughtered cattle nearly doubled, and the country saw a huge influx of US dollars, as the defence garrisons grew and for the many construction projects – including many new airfields, barracks, roads, and the abortive Third Locks Project. Numbers employed in the Canal Zone also rose drastically, from 11,246 Silver Roll workers in 1939, to 28,686 in 1942.⁴²

Like other republics in the region, Panama suffered shortages of shipping, essential supplies, and foodstuffs. Thousands of additional acres were given over to the cultivation of rice and corn, with thousands more devoted to the cultivation of abaca,⁴³ while the Rubber Reserve Company agreed 1942, to buy all surplus rubber production till 1946.

Panama's exports were also disrupted and the tourist trade ruined, and most of the projects which had stimulated the economy were completed by the end of 1943.⁴⁴

⁴² Gold Roll, US worker, numbers also rose – from 3,511 to 8,550.

⁴³ Aka Manila hemp. Used to make naval rope, as the original source in the Philippines had been overrun. It had produced a local, though short-term economic boom for the region formerly used by the United Fruit Company to grow bananas. For more on the program, see <https://raytodd.blog/2025/10/11/panama-in-world-war-2-abaca-manila-hemps-important-role/>

⁴⁴ Work had been suspended both on the third set of locks at Miraflores and on the western portion of the Pan American highway towards the Costa Rican frontier, neither of which the US authorities by then regarded as a matter of military necessity. The US never did build any such thing, and it would be left to

However, in retrospect, the 1940s would be seen as a decade of progress for Panama. It saw the first Panamanian airlines (including COPA, which continues to this day), the start of the Colon Free Zone, the Social Security system, women get the vote, it won its first Olympic medals,⁴⁵ and the Baseball Major League was founded. On the other hand, it was from then that the *Policia Nacional* began to effectively run the country from behind the scenes.⁴⁶

In 1946, a Carnival of Victory was held (said to have been the best in the history of carnivals in the country).⁴⁷ President Jiminez Brin later issued a Decree making the annual pre-lent carnivals official, to be celebrated through the country each year. The Carnival had also involved communities from the Canal Zone, the US forces and other clubs, societies and groups, with an estimated 56 floats taking part in the parade.⁴⁸

The years immediately following the war saw an inevitable recession in Panama, this lasting to 1947. It was not only the US forces that saw a drawdown in numbers with the end of the war. An increase in number of employees of the Canal and railway had

Panama to fund and have built new, larger capacity locks after the 1999 handover – the new locks opening in 2016.

Latin America and the Second World War: Volume 2: 1942–1945 by RA Humphreys (Bloomsbury Academic, an imprint of Bloomsbury Publishing Plc, 1982): <https://dokumen.pub/latin-america-and-the-second-world-war-volume-2-19421945-9781474288248-9781474288262-9781474288255.html>

⁴⁵ A Panamanian of Jamaican origin, Lloyd La Beach, won two silver medals in the 1948 London Olympics. This was somewhat ironic, given the discrimination against West Indian Panamanians seen before the war and during the Arias Madrid and following wartime administrations.

⁴⁶ For a useful summary of the rise of what became, in 1953, the National Guard, see the briefing from the US Library of Congress: <http://countrystudies.us/panama/13.htm>
Between 1948 and 1952, it has been said that the National Police commander, José Antonio Remón Cantera, installed and removed Presidents seemingly with ease. Among his behind-the-scenes manipulations were the denial to Arnulfo Arias of the Presidency he had apparently won in 1948, the installation of Arias in the Presidency in 1949, and the engineering of his removal from office in 1951. In 1952, Remón Cantera became President himself.

For more, see <https://raytodd.blog/2025/10/11/panama-in-world-war-2-the-national-police/>

⁴⁷ <https://portal.critica.com.pa/archivo/03022000/opiayer.html#TOP>

⁴⁸ <https://www.elistmpty.com/2020/02/escenas-del-carnaval-de-la-victoria.html>

It might be noted that, until 1958, US forces also participated in Panama's independence parades each November, and certainly did so in the parades of November 1946. This participation was to end after protests by students and others were repressed after the 1958 parade of 3 November.

<https://www.elistmpty.com/2021/11/desfile-de-noviembre-de-1946.html>

begun in 1938 when the Third Locks Project had begun.⁴⁹ Even after the US entered the war and despite that project being suspended, wartime requirements had still demanded a continued increase of personnel. The workforce that had numbered 13,800 in 1938, reached a peak of 38,000 by 1942. By May 1950, the workforce had been reduced to some 19,600 employees (these figures include both US-rate and local rate – the “Gold” and “Silver” Roll – employees).⁵⁰



The photo shows a battalion of US Marines from the Rodman Naval Base marching down Central Avenue as part of the November 1946 parade.

In 1946, four US experts in economics reported on Panama's dependence on the Canal Zone, as well as its tax and tariff systems.⁵¹ Little was revealed to the Panamanian Government, for fear of causing upset, as it showed how reliant the economy was on the Canal Zone directly, and indirectly through such things as gambling and alcohol funded by US servicemen.⁵² In 1939, Panama had received around \$25 million from the Canal and Canal Zone, which reached a wartime peak of nearly \$100 million in 1943, falling back to \$69 million by 1945.⁵³ This compared to the annual payment paid by the US Government under the Canal treaties, which was just \$430,000.

⁴⁹ For the story of the abortive project, see <https://raytodd.blog/2025/10/10/the-wartime-panama-third-locks-project/>

⁵⁰ The terms “Gold” and “Silver” were only officially dropped during the 1950s and a single pay scale for US and Panamanian workers was established. For more on the system, see <https://raytodd.blog/2025/10/10/panama-in-world-war-2-war-discrimination-and-segregation/>

⁵¹ *Panama's Receipts from the Canal Zone in relation to Her Foreign Trade and National Income*, a report by Findley warner (Embassy of the United States, Panama, 1943).

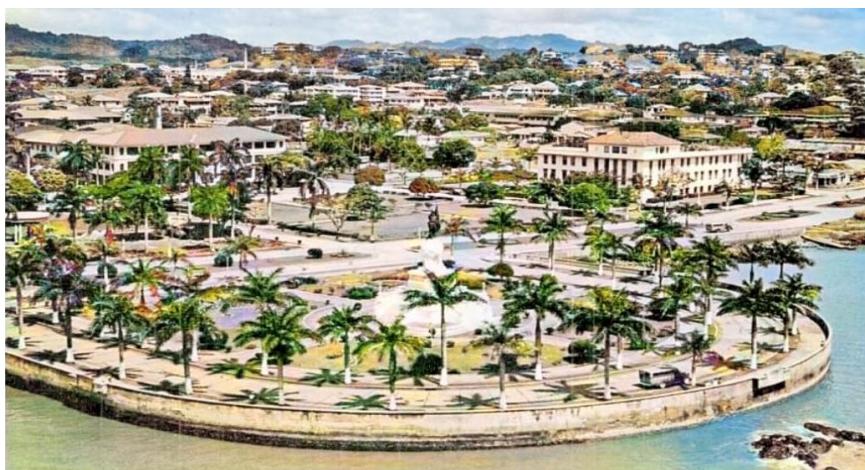
⁵² Liquor tax receipts in 1943 were over three times higher than in 1939. Betting at the racetrack was bringing in \$1 million a year in 1945. Even in 1950 beer was the most lucrative industry in Panama, and a monopoly, again largely consumed by US servicemen – the reduction in numbers resulting in consumption falling from 26 million litres in 1945 to 13 million in 1950.

⁵³ Much of the direct income from the Zone came by way of wages and salaries and, between 1940 and 1945, one in every eight persons in Panama worked in the Zone.

One of the greatest grievances of its business sector was the role of the commissaries in the Canal Zone, which by 1950 had a turnover of some \$30 million a year. Panamanian merchants felt they were losing out on business which should have gone their way. This would be one of the matters addressed by the Remon-Eisenhower Treaty of 1955.

In 1947, imports into Panama were valued at over \$75 million, with nearly \$58 million (or 77%) imported from the US, with much of the balance being of foodstuffs from Argentina and other countries in the Americas.⁵⁴

By 1950, Panama was still suffering from the aftermath of the postwar recession, and in the following decade policies and measures were put in place to diversify and promote the growth of the economy through the promotion of exports,⁵⁵ and the process of import substitution of agricultural and manufactured products. This would be assisted by included additional revenue from the Canal; equal pay for, and income tax from, Panamanian Canal employees; and agreement on the construction of what became the Bridge of the Americas.⁵⁶ The economic expansion between 1950 and 1970 saw GDP increase by an average of 6.4% a year, one of the highest sustained growth rates in the world.



Balboa Avenue, the then seafront of Panama City⁵⁷

⁵⁴ *The Republic of Panama in World Affairs 1903-1950* by Lawrence O Ealy (University of Pennsylvania Press, 1951).

⁵⁵ In 1950, Canal Zone purchases accounted for 59% of the country's exports.

⁵⁶ These flowed by the 1955 treaty.

⁵⁷ Now set back from the sea (and with a lot more traffic!). In 2009, a new garden promenade built on reclaimed land opened the length of the seafront, the *Cinta Costera*.

THE NEW US AIR FORCE

Until 1947, the air force of the US was a part of the US Army - as part of the Signal Corps (to 1918), the US Army Air Service or USAAS (1918-26), the US Army Air Corps or USAAC (to 1941), and the US Army Air Forces or USAAF. In all these forms it had a presence in the Canal Zone.

The USAAF Sixth Air Force, headquartered in the Canal Zone, was removed from the Panama Canal Department and reorganised as the Caribbean Air Command.

Meanwhile, the US Navy maintained its own air elements, including those of the US Marine Corps (from 1912). The US Coast Guard had its own air component from 1916, the year after the Coast Guard itself was established (the USCG being part of the US Treasury, though it operated as if part of the Navy during the war). The Navy had an air station at Coco Solo near the Caribbean entrance to the Canal, but operations there ended in 1950.

The independent US Air Force (USAF) was created by the National Security Act 1947. The Army would continue to operate aircraft, sparking a dispute at the time of the Vietnam War over which types the Army could operate.⁵⁸ The Navy, Marine Corps, and Coast Guard would also continue as before.



F-80 Shooting Star jet fighter of the USAF over the Canal Zone in July 1948

What had been Army airfields would become Air Force Bases, with Albrook, close to Panama City, and Howard, across the other side of the Pacific Canal entrance, the most important.

At the Atlantic end of the Canal, France Field also became France Air Force Base in March 1948, but was deactivated on 1 November 1949 due to budgetary restrictions

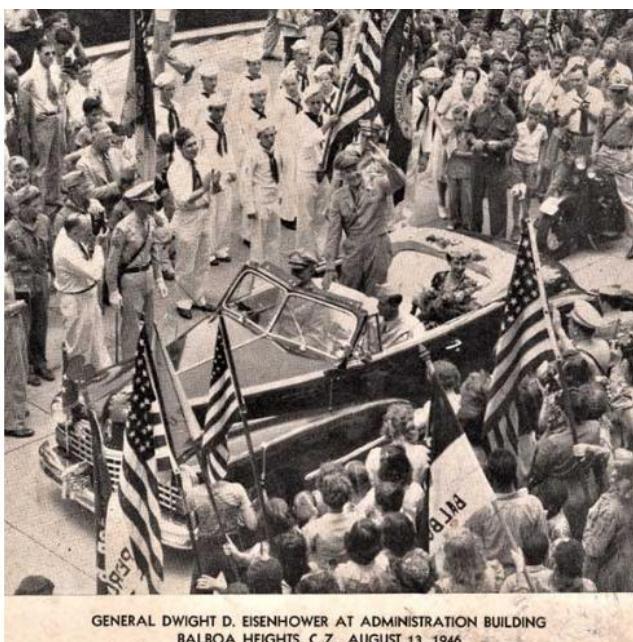
⁵⁸ Resolved by the Johnson-McConnell agreement of 1966.

and became Colón Airport, as a civilian airport but still being within the Canal Zone. However, the USAF retained jurisdiction over the airport until 31 December 1973, and occasionally used it as a satellite of Albrook.⁵⁹

Albrook Field had undertaken a training role during the war, something that it continued to perform until 1989. The Air Force School of the Military Training Center of the Panama Canal Department, located at the Panama Air Depot (PAD) at Albrook Field, had opened in 1943 to train Latin American Air Forces.⁶⁰ Until 1949, Albrook also continued to be used as the main airline terminal for Panama and the Canal Zone, but airline operations there ceased in 1949.⁶¹

EISENHOWER AND THE CANAL

In August 1946, General Eisenhower visited the Canal Zone, fresh from victory as Supreme Commander in Western Europe. At the wheel of the car carrying Eisenhower through Panama City was Colonel José Antonio Remón Cantera, head of the National Police and future President – and the other man whose name was given to the 1955 Eisenhower-Remón Treaty.



⁵⁹ https://military.wikia.org/wiki/France_Air_Force_Base

⁶⁰ <https://weaponsandwarfare.com/2019/11/18/panama-canal-zone-defences-ii/>

⁶¹ <https://www.czbrats.com/Articles/czp.htm>

Like a great many wartime Army officers, Eisenhower had served in the Canal Zone prewar. In 1922-24, he and his wife had lived at Camp Gaillard. He was then a Major of Infantry serving as Personnel Officer with the 20th Infantry Division of Puerto Rico.⁶²

Eisenhower next visited Panama in 1956, after agreeing the Treaty which had updated and further amended the terms of the original 1903 Treaty.⁶³ He also placed a wreath on the grave of Remón Cantera, who had been assassinated on 2 January 1955.⁶⁴

PANAMA: THE TURBULENT 1940s

The 1930s and 1940s had seen great political instability and unrest, beginning with a successful coup in 1931, then various factions vying for power, and growing nationalism, particularly among students. The postwar years were to be little better.

During the 1940s there were two main elements – anti-Americanism that saw its best expression in the popular rejection of the US continuing to have defence bases (or “mini Canal Zones”, as many saw them) outside the original Canal Zone; and the dispute between the liberals and the *anulfistas*. The latter were supporters of Arnulfo Arias Madrid, a leading figure in the 1931 coup and elected President in 1940 (only to be deposed, not for the last time, after a few months).

While it was the *Policia Nacional* under Remón Cantera who helped depose Arias Madrid during the war, it would be the same man, in his new role as “kingmaker”, who would see to it that Arias Madrid would be appointed President once more (under

⁶² <https://www.govinfo.gov/content/pkg/GOVPUB-W79-3b59939cfb73d8fb3063544811a2e293/pdf/GOVPUB-W79-3b59939cfb73d8fb3063544811a2e293.pdf>

⁶³ <https://www.encyclopedia.com/humanities/encyclopedias-almanacs-transcripts-and-maps/eisenhower-remon-treaty-1955>
<https://www.laestrella.com.pa/nacional/publicando-historia/180701/nacional-remon-amistad-historia-eisenhower>

⁶⁴ For more on Remón Cantera and the role of the *Policia Nacional*, see <https://raytodd.blog/2025/10/11/panama-in-world-war-2-the-national-police/>

dubious circumstances) in 1949 – only to be deposed again, this time in more violent events, in 1951.⁶⁵



Panama City in 1948

Arias Madrid had replaced the country's original Constitution in 1941, this was itself replaced in 1946, only for Arias Madrid to once more return to the 1941 one in 1951. When Arias Madrid departed, so the 1941 Constitution was replaced in turn by the 1946 version. This time the 1946 Constitution remained in place until the military coup in 1968, and a new Constitution in 1972.⁶⁶

In 1948, the elections saw violence and fraud, once more seeing Arias Madrid pitted against a liberal alliance. Weeks passed without the results being released, leading to more protests and violence. The National Assembly tried to resolve the situation, and appoint its choice, but the *Policía Nacional* stepped in and saw another candidate "elected". However, this new President died in August 1949, with the First Vice-President taking over the office. He then demanded Remón-Cantera's resignation, who in turn called for the new President to stand down. However, the National Assembly refused to accept the President's resignation, so the police chief did a deal with Arias Madrid, with the result being that, in November 1949, the Electoral Board managed to find that Arias Madrid had, in fact, been elected. It would be 1956, before a postwar President finished the full four-year term.⁶⁷

⁶⁵ Remón Cantera obviously decided that, after all, he was the best man to be President, and was duly elected in 1952.

⁶⁶ For a lot more on the Constitutions, see <https://raytodd.blog/2025/10/11/panama-in-world-war-2-a-story-of-three-constitutions/>

⁶⁷ Ernesto De la Guardia, elected following the assassination of Remón Cantera.

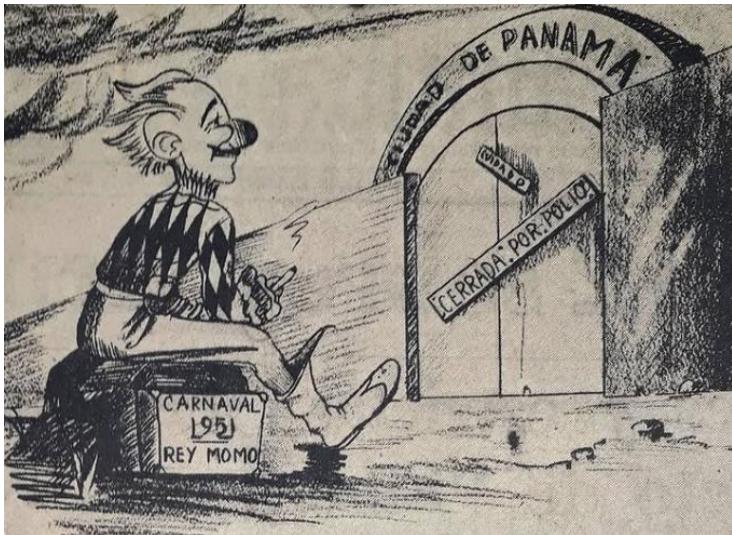
Despite all the unrest, and the continuing popular anti-Americanism, Panama continued to maintain close security ties with the US. It was one of the 20 original signatories to the 1945 Act of Chapultepec, binding the countries of Latin America and the US to a mutual defence agreement by which all were to respond to an external attack against any other enemy. In 1947, it signed the Rio Treaty,⁶⁸ which also provided for mutual defence against external attack, but further bound the signatories to peaceful arbitration of disputes arising among member states, and the Organisation of American States (OAS) followed in 1948.



The photograph shows the National Police central headquarters in Colón, August 1944. Located behind the Municipal Palace and Cathedral Church, as well as offices it contained stores of arms and ammunition, file rooms and dormitories. In 1945, it suffered an armed attack by the so-called "Independent Youth", a faction of the Authentic Revolutionary Party. It was vacated for new barracks elsewhere in 1945.⁶⁹

⁶⁸ The 1947 Inter-American Treaty of Reciprocal Assistance.

⁶⁹ <https://www.elistmopty.com/2021/01/frontispicio-del-cuartel-central-de-la.html>



In 1951, the annual carnivals were cancelled due to a polio epidemic which had hit Panama in September 1950. This cartoon appeared in January 1951

COCO SOLO AND THE NAVY

The Naval Air Station at Coco Solo was run down after the war, with operations ceasing in February 1950, and disestablished in the following July. The whole Coco Solo Naval Base was deactivated in 1957, becoming the Coco Solo Annex to US Naval Station Rodman (which was at the other end of the Canal) – Coco Solo was then no longer used for Navy vessels, but it remained a housing area for civilian employees of the Canal until the 1990s.⁷⁰

Coco Solo was at the Caribbean entrance to the Canal. Rodman, built in 1943, was at the Pacific entrance, across from Balboa. This latter continued in use and, until 1999, served as the hub for all US naval activities in Central and South America. However, the base's role waned after the 1960s, but it was nevertheless retained until 1999. When the US transferred control of the Canal Zone to Panama, the base was renamed as the Vasco Nuñez de Balboa Naval Base and was used to this day by Panamanian forces.⁷¹ The neighbouring PSA Panama International Terminal, one of the smaller container terminals, opened in 2010.

⁷⁰ <https://ufdc.ufl.edu/AA00022175/00001/pageturner#page/57>

⁷¹ In 2025, US forces returned to use the base (on a strictly temporary basis), under an agreement for cooperation and training between US military and Panamanian security forces.

THE WAR EMERGENCY ENDS

In February 1950, President Truman signed an Executive Order which revoked Executive Order No. 8232 of 5 September 1939, which had transferred control of the Canal and Canal Zone from the Governor to the Commanding General.⁷² The transfer of the Canal to the Governor by the President took effect upon the execution of that transfer on 1 July 1951.⁷³

In 1951, President Truman issued new and strict regulations for safeguarding the defences of the Canal.⁷⁴

THE PANAMA CANAL ZONE REORGANISED

Until the 1940s the Canal had been the responsibility of the US Army, administered by a Governor, but a Governor who was also an Army officer, and answerable to the Secretary of War.

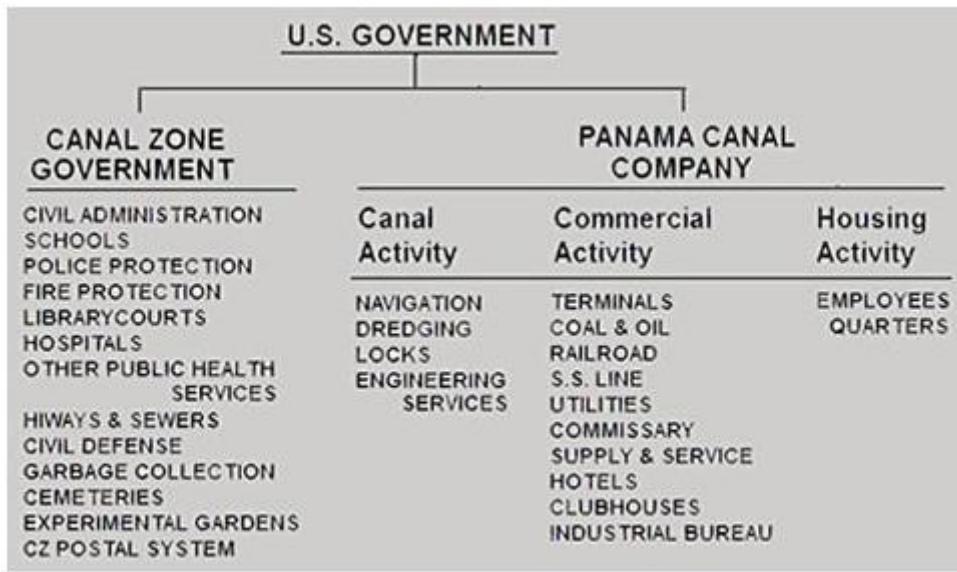
In 1947, President Truman appointed the Hoover Commission on Organization of the Executive Branch of the Government to recommend administrative changes in the US federal government. One of its recommendations was ignored by Truman, to transfer the Canal from the jurisdiction of the Army to the Commerce Department. However, other changes that it proposed were followed, including a reorganisation of the government of the Canal Zone.

In 1950, Truman began a far-reaching reorganisation of the Canal and requested Congress to complete the process by unifying its operation under a single new Panama Canal Company, allowing it to retain ship transit tolls.

⁷² <https://www.presidency.ucsb.edu/documents/executive-order-10107-revocation-executive-order-no-8232-september-5-1939-relating-the>

⁷³ <https://law.justia.com/cases/federal/district-courts/FSupp/143/539/1417672/>

⁷⁴ <https://www.newyorker.com/magazine/1951/09/22/dry-run>



The new organization as of July 1, 1951. (LRC)

This followed the 1950 report from the Bureau of the Budget, which had recommended that the operation of the Canal itself and all related business enterprises be transferred to the Panama Railroad Company. This was a US Government-owned corporation which already conducted most of the business enterprises related to the Canal, such as the docks, stevedoring etc, in addition, of course, to the passenger and freight railway operations. This recommendation was passed on to Congress, and implementing legislation was enacted in 1950, becoming effective on 1 July 1951. The Company was renamed the Panama Canal Company.⁷⁵ Civil government and administration of the Canal Zone itself remained separate (see the illustration above).

The government of the Canal Zone had been informally referred to as the “Canal Zone Government” when, in fact, it had actually been an independent agency simply known as “The Panama Canal”. Following amendments to the Canal Zone Code, from 29 September 1950, the civil administration was to be formally named the “Canal Zone Government”. The same Executive Order as mentioned above brought the necessary changes into effect from 1 July 1951.

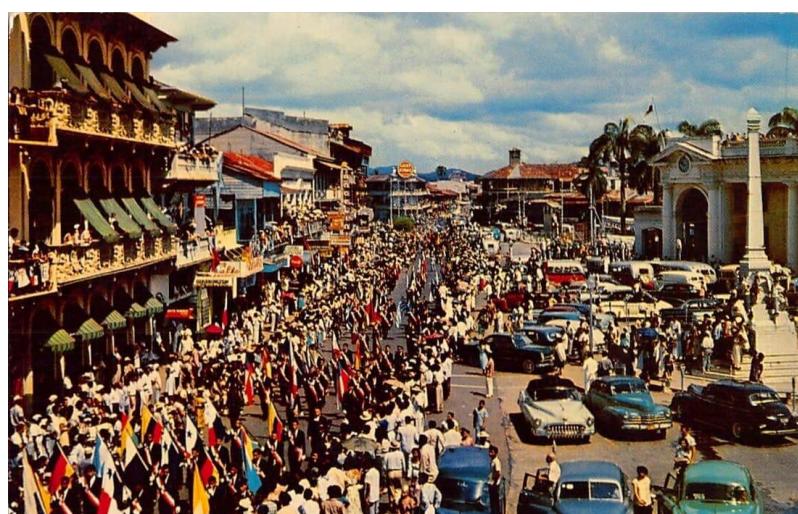
⁷⁵ <https://history.state.gov/historicaldocuments/frus1952-54v04/d633>
<https://www.usni.org/magazines/proceedings/1950/april/professional-notes>

The tolls, which had been kept artificially low before the war, so as to boost US GDP, were judged insufficient in 1950 to meet the expenses of the new organisations. Therefore, legislation allowed for the tolls to be adjusted, prescribing a formula for establishing the required tariffs.

Other changes, in this case to apparently counter one of the longstanding complaints of the Panamanians, saw, from January 1951, the terms “Gold Roll” and “Silver Roll” officially abolished. However, the latter workers would still be paid at a “local rate” and, although wage rates were revised, these continued to be lower. The 1955 Treaty would return once more to the question of equal pay and labour discrimination in favour of US employees.⁷⁶

During the 1950s, further concessions would be made, with a single pay scale (though, at least into the 1970s, there were various means whereby it appeared US workers would be better off than their Panamanian counterparts), and Spanish was made an official language in the Canal Zone, alongside English.⁷⁷

One thing that did not change until much later was that most of the military population of the Canal Zone consisted of single men. In the past, enlisted men had even been barred from being married. For this reason, the military accommodation at bases was dominated by barracks, large dormitories.



*Panama City
Independence Day parade,
4 November 1948*

⁷⁶ <https://panamahistorybits.com/htmfiles/2014-08-14P.pdf>

⁷⁷ <https://tile.loc.gov/storage-services/master/pnp/habshaer/cz/cz0000/cz0013/data/cz0013data.pdf>

THE FIRST JAPANESE SHIP POSTWAR

In December 1950, the New York Times marked the first passage of a Japanese ship through the Canal since July 1941, when a vessel loaded with scrap metal made a transit on 10 December.

BIRTH OF THE NOTORIOUS SCHOOL OF THE AMERICAS (AND THE JUNGLE WARFARE SCHOOL)

During the war, Panama had increasingly been used as a training area for US and friendly forces from Latin America. This included such things as providing combat training to Brazilian Air Force fighter pilots who would be deployed to Italy. At the outbreak of World War 2, the Mobile Force in Panama was seen as the primary element of the US Army with experience in jungle operations. During the war itself, the Caribbean Defense Command expanded jungle training operations, training replacement troops for use in the Pacific theatre. Training camps for the purpose were established, and the first 60-day training cycle was completed in March 1943. Later a more challenging base (with more realistic jungle environment) was established near Fort Sherman at the Caribbean end of the Canal.⁷⁸



School of the Americas at Fort Gulick

Postwar, jungle training continued in Panama and, in its various incarnations there the US Army Jungle Warfare School used Fort Sherman and the Pina Range Complex. The

⁷⁸ At the time, the Fort Sherman Military Reservation covered over 50 square miles of jungle, but also had an extensive infrastructure for logistics and transport, making it an ideal location for a jungle training school.

sites could accommodate such things as live fire, demolition, airborne insertion and small boat operations. Initially undertaken at a lower level, the 1950s would see much increased training activity, with Jungle Warfare Training Center (JWTC), later the Jungle Operations Training Center (JOTC).

The School of the Americas was originally established in 1946, initially as the Latin American Center - Ground Division, being renamed the US Army Caribbean School and based at Fort Gulick from 1949. From 1946, more than 57,700 officers, cadets, and NCO from the US and over 20 countries in Latin America were trained at the School. It would adopt Spanish as its official language in 1963, having increasingly changed from a straightforward establishment attempting to instil professional standards and tactics in Latin American forces, to what US administrations saw as a vital tool of the Cold War in suppressing what was seen, and portrayed, as the communist threat.

On 21 September 1984, the school suspended operations in Panama in compliance with the terms of the 1977 Treaty, after the Panamanian Government requested its removal. It was relocated in 1984 to Fort Benning, Georgia and, due to negative

publicity, the School in 2001 was cosmetically renamed the "Western Hemisphere Institute for Security Cooperation".

According to a 1995 Los Angeles Times editorial, "*it is hard to think of a coup or human-rights outrage that has occurred in [Latin America] in the past 40 years in which alumni of the School for the Americas were not involved*".⁷⁹



⁷⁹ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2246205

1953 - 50 YEARS A REPUBLIC

In 1953, Panama marked its 50th anniversary as a republic, albeit one still divided in two by the Canal Zone. To mark the occasion a large sign with the dates "1903-1953" was installed on the eastern slope of Ancon Hill, ironically within the Canal Zone and overlooking the Canal Administration in Balboa. It seems that it was placed by the US authorities – and was not mentioned in the review the official program of commemorative events, presided over by President José Antonio Remón Cantera between 30 October and 5 November. Panama City had by this time swollen from 18,000 inhabitants in 1903 to over 200,000.⁸⁰



AN ATTEMPT TO RESOLVE ISSUES – THE 1955 TREATY

The 1955 Treaty – properly called the Treaty of Mutual Understanding and Co-operation (accompanied by a Memorandum of Understandings Reached) was ratified by the US Senate on 29 July 1955.⁸¹ This was remarkable in that the last attempt to amend the terms of the original 1903 Treaty with Panama had taken three years to obtain such ratification.

From the US perspective, the three most important elements of the new Treaty were –

⁸⁰ <https://www.prensa.com/historias/el-cerro-ancon-y-el-medio-siglo-de-panama-como-republica/>

⁸¹ <https://elfarodelcanal.com/tratado-remon-eisenhower-un-peldano-hacia-la-soberania-total/>

- an increase in the annuity payable to Panama for the Canal and Canal Zone;⁸²
- concessions made by the US in surrendering former treaty rights in certain matters; and
- effects of the above concessions on the interests of US citizens residing in the Canal Zone, and employees of the US Government and others there.

From a Panamanian perspective, the aim was to resolve a number of longstanding grievances, and to change the relationship between the US and Panama into something more like a partnership, and so more to the liking of Panamanian nationalists.⁸³

Panama would now be entitled 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.⁸⁴

The problem (as Panama perceived it) of commissaries in the Canal Zone, which existed both for the US forces and civilian employees, would finally be addressed. Purchases made in commissaries were to be limited to residents of the Canal Zone, US citizen employees in the Zone, and members of US forces. Items from Panama would be exempt from the “Buy American Act” if for sale in the Zone,⁸⁵ and the US would end supplies to ships passing through the Canal. In addition, imports into the Zone of certain luxury and tourist items would be banned, to avoid competition with Panamanian suppliers.⁸⁶

⁸² Originally \$250,000 under the 1903 Treaty, increased to \$430,000 by the 1936 Treaty, and now increased again, to \$1.93 million.

⁸³ The 1936 Treaty, drafted during the Roosevelt “Good Neighbor Policy” period, had made some moves in this direction.

⁸⁴ The 1903 and 1936 Treaties had previously granted tax exemption to all three groups.

⁸⁵ This was a 1933 Act which required the US Government to give preference in purchasing to US-made products

⁸⁶ However, it did not agree that everything needed in the Canal Zone, except for military materials, should be bought from Panamanian sources. The Canal Zone also had to close several businesses seen as of marginal importance, including meat-processing plants, and industrial lab, and an ice-making enterprise.

Journal of Interamerican Studies and World Affairs (Vol 12 No 3, July 1970).

The most important element, in terms of workers in the Canal Zone, was the end of the separate “Gold” and “Silver” pay schemes, with a single pay scale for both US workers and others.

The US agreed to revise the boundary in the Colón area, returning some property to Panama, and it gave up its monopoly on railway and highway transportation across the isthmus. There was also an agreement to finally build the long-promised bridge over the Canal,⁸⁷ and the US forces regained access to the large base site at Rio Hato in the Republic,⁸⁸ from where they had been forced to move in 1948.⁸⁹

Panamanians would regard the new Treaty as at least a partial recognition and response to long-held grievances. It was seen in the US as being “*one of extraordinary generosity*”, but was nevertheless ratified by the Senate (although with many congressmen continuing to feel that only US citizens should occupy technical or administrative posts in the Canal Zone).⁹⁰

There would remain points of dispute, and growing tensions, and the spirit of the new treaty was not always followed.⁹¹ Separate schooling for non-US children in the Zone continued,⁹² and in 1956 the US Army issued a statement which attempted to explain that, despite apparent agreement on the basis of “*equal pay for equal labor*”, there

⁸⁷ This would finally open in 1962, though its opening was marred by protests, and there was even disagreement on the name – the US wanted the Thatcher Ferry Bridge, while Panama wanted (and eventually got) Bridge of the Americas.

⁸⁸ Significantly, the agreement for the lease of Rio Hato specifically stated that Panamanian sovereignty was not affected. There would be no more “mini Canal Zones”.

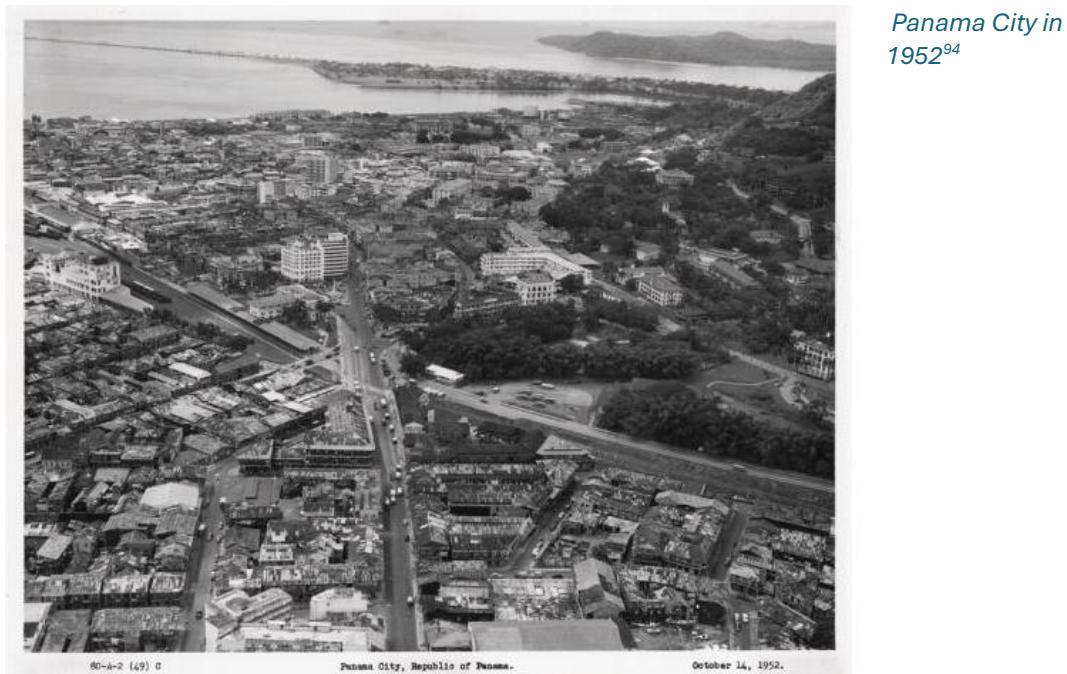
⁸⁹ It would be retained until 1970 when, during a period of deteriorating relations, Panama refused to renew the lease. It became a National Guard, later Panama Defense Force, base, and was attacked during the US invasion in 1989. It now the site of the Scarlett Martinez International Airport, work on which began in 2011. For more on the site, see <https://raytodd.blog/2025/10/11/panama-in-world-war-2-rio-hato-use-disuse-reuse-and-as-a-target/>

⁹⁰ The most persistent opponent was the US Citizens Association (USCA), which represented the 3,800 employed in the Zone. The American Federation of Labor (AFL) also objected to parts of the new agreement.

⁹¹ Congress would ignore the spirit of the Treaty by inserting appropriation measures stipulations that only US citizens could be employed in certain types of employment. Usually, President Eisenhower suspended those parts of the Acts, so as to comply with the Treaty.

⁹² In the 1970s, a visiting African-American Congresswoman commented that the Canal Zone reminded her of the Deep South.

would still be an 25% uplift that would apply to all citizens brought from the Continental US.⁹³



Ray Todd
Panama City
Republic of Panama
1 February 2026

⁹³ Reduced to 15% in 1964.

⁹⁴ "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>



A reminder of the wartime and the US presence, a pair of Quonset “temporary” buildings, still in use in the City of Knowledge (the former Fort Clayton) in 2023 (my photo)