CHAPTER - IV

PANAMENISMO:

THE POLITICS OF DISCONTENT
The Good Neighbour Policy was a political initiative of the United States that aimed at mitigating the generic suspicion of Latin American countries towards the North American leadership. The United States' Latin American policy, in the first quarter of the twentieth century was characterised by active military interventionism, subversion of political institutions of Latin America and denigration of territorial integrity so as to keep the region within the effective sphere of American influence. The Latin American countries, on the other hand, in spite of being resentful of the American way of handling Latin American policy, were never collective in their approach nor they ever seriously attempted counter initiative to the United States hegemonistic approach.

In the 1930s however, the war preparation in Europe changed the political realities and encouraged a new dynamics of alliances and counter alliances as a result of
which the United States started perceiving the southern
neighbours as essential allies. Uniting the western
hemisphere to expel the war designs of the axis, and if
needed, using the resources and infrastructure of the region,
to mount offensives, was the need of the time. In this
context, F.D. Roosevelt's Good Neighbour Policy was a
broader policy framework to the whole of Latin America and
Caribbean which also incorporated specific policy changes
and modified approaches suitable to individual countries of
the region. Along with President Roosevelt's political
friendship, the United States' Secretary of State Cordell Hull
worked towards integrating Latin America through creating
populist economic policies and drawing up military
agreements so that the whole region will collectively respond
to external exigencies.

Latin American raw materials received favoured
position in the United States. The United States
manufactured products and some farm exports benefited
from preferred treatment in the southern markets. The
United States occupation troops began leaving Central
America. It was a major policy reversal of the United States
Towards Latin America. Along with internal improvements, the initiative for collective security received added attention from the United States. President Roosevelt, while drawing attention of the western hemispheric countries to the ominous developments taking place elsewhere, like rearmentation of Germany and the Japanese aggression of Manchuria, wrote personal letters to all the heads of states of Latin American countries urging them to take stock of the implications of the emerging situation which might endanger the security and stability of the region and proposed that an inter-American conference be held "to determine how the maintenance of peace among the American Republics may best be safeguarded". It was in this atmosphere, the Inter-American Conference for Maintenance of Peace was held at

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1 It is of interest to note that, followed by the economic depression, the war preparation in Europe necessitated the United States policy changes. In the 1930s, the Inter-American conferences were dominated by preparing Latin America to have collective security agreements. Also, the Latin Americans found the situation suitable to press for legal initiative to curb the United States' military interventions in the region. In this context it is of special interest to note the developments of the 7th International Conference of American States, held on 3rd December 1933, Montevideo, Uruguay, where, excepting Costa Rica, all the twenty American Republics participated. Problem of intervention was one of the main agenda. Here the General Convention of Inter-American Conciliation of 1929 was adopted. Again, the Convention on Rights and Duties of States was of special significance because, it was the first inter-American legal instrument to establish the principle of non-intervention. Article 8 of the convention read that "No State has the right to intervene in the internal or external affairs of another." Latin American countries found the situation suitable to bargain with the United States for a more honourable and responsible policy. For details see The Inter-American Relations: A collection of Documents, op.cit., p.41. Also see, Inter-American Institute of International Legal Studies, The Inter-American System: Its Development and Strengthening, (New York: Oceana Inc., Dabbs Ferry), 1966, pp.xxvi-xxvii.
Buenos Aires, Argentina, between 1-23 December 1936, and the Conference adopted the Convention of Non-Intervention of the Montevideo conference and established the first step towards a collective security system which subsequently was perfected at Rio Treaty of 1947. The United States' desire to take along the western hemisphere nations in its effort to combat the emerging threat of war, finally came to a reasonable shape during the first of the regional Foreign Ministers Consultative Meeting. Panama being in the centre stage of the United States collective security paradigm was projected as the strategic pulse of the region and accordingly needed stepped up security cover to protect the waterway from the enemies war designs. Added to this, certain developments in the canal zone like the projected axis initiative to build secret airstrips close to the Panama canal was viewed with added concern. These developments led to

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2 1936 Buenos Aires Conference in addition to the Convention for the Maintenance, Preservation and Re-establishment of Peace, adopted a Declaration of Principles of Inter-American Solidarity and Cooperation which stated that every act susceptible of disturbing the peace of America, affects each and every country and justifies the initiation of the procedure of consultation. Two years later, the Lima Conference held during 9-27, December 1938 adopted the "Declaration of the Principles of the Solidarity of Americas". Popularly known as the "Declaration of Lima", the document is said to be one of the most important statements in the history of Inter-American relations. While the inter-American initiatives addressed to the security mechanism of the western hemisphere, the Latin American countries took the opportunity to bargain with the United States for a motion of non-intervention, as a result of which, the US motion was amended to incorporate condemnation of intervention by either a continental or extra-continental power. For details see Inter-American System, op.cit, pp. xxvi-iii.
the organising of the Foreign Ministers Consultative Committee to meet at Panama City on 23 September 1939.3

Panama and Good Neighbour Policy

The Good Neighbour Policy was a policy of convenience adopted by the United States to balcanise the western hemisphere against the impending threats of European conflicts. Given the strategic location, Panama remained in the forefront of the United States attention mainly for two reasons, one, the Panama canal that was vital in the context of the war. The second reason was rather embedded in history and was of emotional nature for President F. D. Roosevelt. His great uncle William H. Aspinwall had built the Panama Rail Road in 1850s which became the first milestone towards the canal venture. Again, his cousin T.R. Roosevelt took the historic step of building necessary political conditions for the building of the inter-oceanic canal in Panama which became the cross roads of the Americas. As a

3 During the war, the American States held three regional consultative meetings, the one in Panama was first. The meeting in Panama was dominated by judicial, political and military problems including the subversive activities by the Axis agents in the region. For details see Ibid.
result of his historic family bond with Panama, he believed that the United States should act as "a trustee for all the world" in maintaining the canal. 4

President Roosevelt had taken personal interest in Latin American affairs in general and evidently Panama was his special focus. Along with the war cloud becoming thicker in Europe, the canal zone as a zone of strategic importance received growing attention from the United States. The zone, along with the Guantanamo naval base in Cuba and the Hawaii naval base provided a two ocean naval corridor to the United States to monitor sea movements of war from both the directions. While Guantanamo naval base in the Caribbean, provided necessary facilities to monitor the European naval movements, the Panama canal was a pacific choke point that allowed the United States the leverage to patrol the naval corridors of Pacific while supplementing the requirements to the Guantanamo base. The inter-American legal mechanism provided the United States with sufficient teeth to cordon off the western hemisphere from the effects

4 Walter LaFeber, op.cit., p.85.
of the war and extended adequate military preparedness in the region.

The Panama canal was vulnerable to air attack. The locks of the canal that helped elevating or lowering the ships, are vital in the functioning of the canal and any damage caused to the lock system are to render the canal dysfunctional. In addition to this strategic deficiency of the canal, efforts on the part of the Axis power to interpolate in the region under varying pretexts with a view to gain foothold in the strategic locations, apparently developed a complex security scenario for the region. This made Panama the focal point of the western hemisphere policy of the United States. As a result of this, Panama got a preferred attention by the US prior to the World War II. The Hull-Alfaro Treaty of 1936 which is discussed at length earlier, became a necessity of the time for the United States.

The Panamenismo

Since the beginning of 1903, the people in Panama started resenting the United States presence in Panama
irrespective of the fact that the United States made them independent and provided them a semblance of economic prospect by building the inter-oceanic canal in their country. First of all, the resentment was rooted in the political and economic areas where the country began to experience the overriding presence of the United States. More than the political and economic reasons, there was also a psychological discontent among the Panamanians as the country, even after becoming independent, virtually became a protectorate of the United States. The agonising presence of the United States in Panama gradually assumed a nationalist posture. The United States' continuous denial of the legitimate nationalist aspirations of the Panamanian people further consolidated and intensified the anti-American sentiment in Panama and germinated the seeds of Panamanian nationalism.

It is interesting to analyse the growth of Panamanian nationalism in the context of the country's social structure which had certain distinct and different features than the neighbouring Central American countries. The canal enterprise, to a large extent directed the orientation of the
country's economy and accordingly influenced the nature of the class structure in Panama. At the top of the social hierarchy remained the creamy layer of 'rabiblanco -- the white-tails' who expanded their traditional dominance from the agrarian sector of Panama to the newly emerged commercial opportunities in the canal zone. They were the oligarchs who effectively controlled the political power of Panama and shared their economic and political vision with the United States.

Along with the growth of activities in the canal zone there also emerged a trading class who were not so fortunate like the minority oligarchs but were ambitious to prosper both economically and politically. Another class that grew in the process was the class of service providers. As the activities in the zone progressed, a whole range of new facilities like educational facilities, public transport, radio network services, maintenance work, public health etc. emerged and as a result, built a sizable service workforce. This class was mainly drawn from the interior provinces who migrated to Panama City and Colon in search of better economic opportunities. It is the combination of this trading
and service class, that was essentially tied to the canal zone, and constituted a potential political constituency of urban middle class. Along with extended activities in the zone, there also emerged a kind of growing consciousness and understanding of the gamut of political and economic scenario of Panama which hitherto had never happened. The anomalies of the existing social stratification in the country and the growing United States monopoly over the resources of Panama became more and more clear. Now, it is this middle class which nourished the Panamanian nationalism and gave a political shape and expression to it in mid 1920s.

While the United States' questionable influence in the zone provided the primary reason for the growth of Panamanian nationalism, it is the oligarchs exclusiveness, that strengthened their resolve towards political action. It is in this background, the political party of Accion Communal was formed in 1926. Since it was also opposed to the oligarchs, Accion Communal appealed to the vast middle class. The party had no racial inhibition as a result of which large mestizos provided the party with mass base.
In this context, the emergence of Arias brothers in the political squabble of Panama is phenomenal. Mestizos by birth, both the brothers, Harmodio Arias and Arnulfo Arias emerged with large political following in the provinces. As early as 1911, Harmodio the elder Arias, in a book, very strongly criticised the Monroe Doctrine. The other brother was equally vocal and critical of the oligarchs in the country. By 1920s, both the brothers were waging a dual fight, one against the United States and the other equally important against the oligarchy of Panama who naturally viewed the emergence of the Arias brothers as a threat to their political survival. With this committed and two pronged objectives, the Arias brothers took upon themselves to provide an acceptable form of government and became a natural choice for the leadership of the Accion Communal.

On 2 January 1931, the Accion Communal mounted a coup against the President Florencio H. Arosemena. The United States played a mediatory role and without resorting to intervention, allowed the elder Arias to take over the Presidency. It was a great victory for a political wing of Panama that brought into fore the nationalist sentiments.
that was growing around. President Arias welcomed a talk with President Roosevelt to lay a basis for easing the crisis. It is in this background that the 1936 Hull-Alfaro treaty was piloted where the United States accorded some political and economic concessions to Panama so as to contain the growing Panamanian nationalism.

Now that the war approached, bilateral cooperation between the United States and Panama received growing importance. Since Panama had barely come out of the economic depression, the country needed more and more of the United States initiative directed to revive the economy so that the growing Panamanian antipathy towards the US can be contained. The war helped the United States to address to this Panamanian trouble. The United States war preparation in Panama needed immediate upgradation of all facilities, improvement of communication network, expansion of bases to oversea security, fortifications and all that were required to face the approaching war. It was an expanded mobilisation of men and material to Panama that automatically injected vitality to the Panamanian economy. In the other side of the activities however, the United States
demanded more of land outside the canal zone so that military bases and other war related facilities can be built in the area.

Panama, it appears, cooperated with the United States on many matters of war and peace. However, further allotting of land for the military purposes turned out to be an irritation to the Panamanian nationalists. In 1939, the US War Department took a large area from the private citizens for building the Rio Hato air base. Again, they asked for ten of one acre base site land for air-tracking facility. The United States demanded that the base of such area should run into a lease of 999 years. 1940 being the year of Presidential election for Panama, the additional war base demand turned out to be a sensitive issue. The United States however, in utter disregard to Panamanian unwillingness to lease further land, simply occupied those areas and then asked the newly elected government to legalise the takeover. Though it was not in accord with the 1936 treaty, since the war was on, the United States took decisions on her own and even asked for more lands for military purposes.
In spite of the political hype over the good neighbour policy, as seen in the case of Panama, it only remained as a political instrument to unify the region under the leadership of the United States. However, as the collective security mechanisms were drawn up and the necessary war preparedness was available, the United States quickly reverted to the policies of force and intimidation to protect her interests in the region. Panama remained in the forefront of benefits through the good neighbour policy and now as the good neighbourliness began to fade, the isthmian country again became the casualty of the United States highhandedness.

Harmodio Arias became the officiating President of Panama after the 1931 coup. He however, won the Presidency next year and led the country to the 1936 treaty. Now in the early 1940s when the United States exercised the highhandedness and occupied the bases in total disregard to the understandings of the 1936 treaty, it apparently became the time for the nationalists to take up the Panamanian cause.
This time it was the younger Arias who had emerged as the leader. Arnulfo Arias not only had a mass base but had emerged as the effective radical voice in Panama against the twin targets of growing monopolistic power of the United States and the oligarchs. Better known in the streets of Panama as “El-Hombre -The Man”, Arnulfo Arias had a better political vision for Panama than his predecessors. Breaking with the oligarchic tradition, he advocated the ideological programme called the Panamenismo — the Government by Panamanians for the happiness of the Panamanian people. The newly elected Arias, along with his other programmes, gave a direction and shape to the bubbling Panamanian nationalism through the concept of Panamenismo -- a programme of radical social change. Arias planned a social security system, and introduced agricultural reforms. Spanish became the official language to discourage the migrants from the English speaking Caribbean which was a vexed issue that was bothering the radical political
force.\textsuperscript{5} Again, reportedly, the Germans and Italians obtained quick citizenship right in Panama through easy provisional naturalisation.\textsuperscript{6}

As far as the United States relation with the new Panamanian government was concerned, the new President wanted bilateral friendly relationship but demanded several of the Panamanian grievances to be redressed. Among the demands were US$25 million economic aid to Panama, building a bridge over the canal to connect eastern and western Panama, the return of the west Indies blacks to their islands, reverting the Panama City and Colon's water and sewerage system to Panama were prominent.

\textsuperscript{5} Since the beginning of the canal construction, scores of West Indian blacks were brought to the canal site for construction activities. Over a period of time however, these English speaking blacks accounted for a sizable population that were ready to work for lower wages and were sharing away jobs that were otherwise available to native workers. Also, the racial composition of Panama with the growing black population, threatened to make Panama appear as a country of blacks. It was therefore a growing political demand of the Panamanians that the United States stop importing black work force from West Indies. In 1939 while planning began for the construction of new third-lock system, the United States brought more Jamaican blacks. For details see A.R. Wright, "Defense Sites Negotiations Between the United States and Panama, 1936-1948" - Department of State Bulletin, XXVII (Aug. 11, 1952), p.217.

\textsuperscript{6} The "Man" of the street was mistakenly accepted by the United States at the initial stage as a friend. As Arias moved ahead, his own brother Hormodio also complained to the US Embassy that Arnulfo is using racketeering methods to gain control for totalitarian purposes. In 1940 the US Intelligence reported that Arnulfo had remained friendly with America till he became the Minister to Italy in 1934 where he served intermittently till 1938. Some observers linked his change to an audience with Hitler in 1937. The US Intelligence further reported that he had reached some understanding with Berlin and Rome Chancelleries. For details see Walter LaFeber, op.cit.,pp.92-7.
To the proposal of officially legalising the United States occupation of new bases outside the canal zone, Arias strongly demanded that the 999 year lease be dropped; the annual rent of Rio Hato air base be increased to US$30 million instead of a meagre amount of US$2400. Though the United States had not expected Arias to be belligerent to the US interests, it became more and more apparent that he was fast moving away from the United States expectations. President Roosevelt, rejected Arias' demands and instead threatened to occupy the bases. As a result of this duress, Arias grudgingly approved leasing of a small site. However, in August 1941, when Winston Churchill and F.D. Roosevelt announced the Atlantic Charter's promise of freedom and self-determination, the Panamanian leader was quick to interprete that finally President Roosevelt, recognised "the right of all people to adopt that government which is most in accord with their idiosyncrasies and their needs, and with the desire of their own people." Arias was distinctively in a rebellious course.

7 Ibid, p.96.
8 Donald Marquand Dozer, Are We Good Neighbours? (Gainesville, Fla:1959), pp.102-3.
President Arias with all his differences with the United States, his departure from the oligarchy of Panama and with his radical political initiatives, certainly distanced himself from the traditional power base and pressure groups of Panama. With the United States standing neutral, Arias on 9th October 1941 was deposed from his Presidency when he was away in Havana. The Supreme Court of Panama subsequently interpreted the change of power by saying that 'President Arias is reported to have deserted the Presidency'.

Arias was the logical product of the decades old anti-American sentiment in the isthmus. Though he commanded popular support in Panama, holding on to the power had however, different arithmetic to follow. Popular support could be one power base but, the oligarchs, the military and finally the United States had their respective share to the ultimate power in Panama and all the forces were actively employing their own mechanism to stay put to the reigns of power. In the process of the political melo-drama, though Arias was deposed, as a result of his mass base, he again resurfaced in the political frontlines and as a matter of fact, institutionalised the concept of 'Panamenismo' by provoking
the Panamanian nationalism and directing it against the United States. As a result of this, the Panamanian national self identity was more sharpened and shaped and virtually forced the United States time and again to have dialogue with Panama. The United States and Panama on 18 May 1942 finally signed the 'Defense Sites Agreement' which stipulated that the US would return the bases to Panama one year after the war ended. The 1942 agreement also agreed for economic compensation.9 One may note here that the incumbent President Guardia, as a gesture of his obligation to the United States for standing friendly during the military coup, granted all the 134 base sites to the United States. As a matter of fact, protest against the United States came not from the government but from the people whom Arnulfo Arias was leading or the people who were genuinely motivated to the cause of Panamanian national interest and were driven to establish what was termed the 'Panamenismo'.

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The Struggle Intensifies

By 1940s it was clear that Panama would never come to terms with the monopolistic presence of the United States in Panama. Panama canal had become a symbol of national identity and fighting to gain more and more control over the zone had not only become a major political target for the Panamanians, it had also grown to be the national obsession. The 1942 agreement did not satisfy the Panamanian demands. Looking at the events, it appears that the United States was never concerned to address to the real issues but was busy stoking at the surface troubles or on little trivials and handled the isthmian affairs with utter disregard, neglect and arrogance.

The presence of Jamaican blacks had already become a sensitive political issue. The United States however, continued to neglect and even worked towards further fomenting the issue. Again, though the United States, as per the 1942 agreement was supposed to wind up troops from all the bases that it acquired on the pretext of war, never bothered to do so as the treaty stipulated. Some of the
bases, the United States evacuated, whereas many she continued to occupy leading to a major political crisis in Panama. Panama thereafter never retracted from demanding what apparently appeared to be theirs. Till now there were only concessions and their demands had not been met. Now the nationalist tone that had gradually appeared and strengthened, found the new lease of strength and for the first time demanded the revision of the 1903 canal treaty. In other words, the momentum towards freeing the canal zone from the United States’ near colonial possession began to manifest in greater vigor and intensity.

10 As per the 1942 Treaty, the US was supposed to evacuate the bases in Panama by 1st September 1946 one year after Japan surrendered unconditionally. The United States however, dragged along and instead asked Panama to renew the leases. President Enrique A. Jimenez flatly refused. The United States returned over 100 bases but asked to continue in Rio Hato air base and 13 of the one acre sites. In fact, the war Department wanted that those bases be given for 30 years or more lease without any joint control with Panama. The United States virtually agreed to President Jimenez’s demand of economic aid but linked it to the lease. Finally in December 1947 President Jimenez struck a deal that Rio Hato lease would run for 10 years with an option for another 10 years and other leases would run for 5 years and the US only will have full control over the bases. The deal was sent to a specially convened session of National Assembly. But before it could get through, it got leaked to public and a nationwide protest began which is said to be a massive and direct affront with the United States when Panamanian nationalism forced the United States to agree with Panama’s terms. Students started rioting and one got killed in the fight with National Guard. On 16 December, 10,000 women and children demonstrated outside National Assembly and it spread around. In Colon, one American soldier was stabbed and situation soon became a national crisis. Finally, the National Assembly on 22 December rejected the treaty by 51-0, though the United States meanwhile had proposed to discuss specific economic issues. On Christmas day, the American troops began withdrawing and in the next three months they evacuated all the sites occupied after 1940. For details see Ibid. pp.82-4. Also for a better account see Walter LaFeber, op.cit. pp.98-101.
Panama Canal in the Post War Period

By the time the war ended, the strength and weakness of the inter-oceanic Panama canal had already been tested for over three decades and two potential wars that necessitated rapid movement of men and material across the canal had already demonstrated the high utility of the isthmian passage. In the peace time, the canal reduced distance and travel time for the international sea borne trade movements. In the war time, and in the 1930s when the war tension was building up in Europe, the canal not only was a sensitive war monitoring zone, it was, for the United States, a military out post of high value that augmented to the naval base of Guantanamo and provided for a corridor of sea patrolling to ward off war offensives both from the Caribbean waters and from the Pacific front. The extensive military net work in the Panama canal zone, along with the inter-American collective security mechanism that developed as a response to war, also overlooked the possible war design that were to emanate in the South American continent.
As a result of this strategic advantages, the Panama canal was considered to be vital for the United States. The culmination of war however, introduced new dynamics to the field of international relations. The active war of the early 1940s was substituted with the cold war syndrome that were to influence the course of international politics for the next four decades. As a result of the new developments, a complex global security dynamics emerged, wherein every move of the United States was matched to the strategic game plan of the Soviet block. At times, the US even responded to perceived threats by preemptive measures. In this development, the United States priority to Latin America also shifted. The good neighbours of the pre war period gradually became neighbours only, with goodness of the United States shifting to support those regimes in Latin America who were supportive of the US policy postures and were ready and willing to collaborate with the United States in expelling the so called export of revolution.

The United States in the post war period, began to redefine the policy approach towards Latin America. Franklin Adams Truslow, in a Council of Foreign Relations meeting in
1949, not only outlined a shift but provided an insight to the official shape of such posture. An investment banker and the Chairman of the Foreign Relations Council, Truslow explained as to how and what will guide the US policy assumptions towards Latin America, i.e. "A distinction should be made between totalitarianism and dictatorship. A dictatorship involves autocratic rule. But totalitarianism is autocratic rule plus total, absolute control of economic life, as for example, communism.... Totalitarianism we refuse to cooperate with ...with dictatorship we will."\(^{11}\)

Communism henceforth became the first enemy and the Soviet Union heralding the ideology of total control over the wealth of the nation and dictatorship of the proletariates, became the potential target. Latin America as a whole, responded with suspicion to the United States so called slogan against the communists. The real problem for Latin America was not communism nor the export of revolution; as rarely marxism posed a threat for them. On the other hand, the ideology appeared to be a radical reorientation of the resources of the state and promised better life and

\(^{11}\) Walter LaFeber, op.cit., pp.104-105.
economic prosperity which was so rare in Latin America. Marxism appealed to the larger masses of Latin America and appeared to be a viable alternative to them. As far as the governments of Latin America were concerned, including the reigning dictators, the United States' new policy approach did not bring any immediate threat to them as long as they were reluctant to cross swords with the United States. For the others, it was a signal of alarm. As a whole however, the United States proclaimed war against communism, provided the US an opportunity to identify selectively the growth of communism in Latin America and initiate necessary measures to topple such regimes and bring to power such political elements who would be favourable to the United States economic and political interests in the region. Apparently for this reason, when the Korean war started and the United States asked for help, there was no favourable response from even the dictators of Latin America.\textsuperscript{12} In another front, Latin America was also beginning to grasp the merits of the third force, the non-aligned group which was emerging to provide a way out from the pressures of cold war politics. One of the Panamanian news paper summed up the

\textsuperscript{12} Ibid.
new scenario suggesting that "North Americans should not expect help against communism from those [in Latin America] who have not yet learned the exact significance of the benefits of liberty and democracy which involve their very existence."\(^\text{13}\)

Within the broad political scenario of Latin America, Panama stood a unique position. For Panama, the war in Europe brought economic prosperity as a result of more and more war preparation of the United States in the canal zone. The canal zone started buzzing with activities like opening new bases and the required construction activities, improvement and upgradation of old ones, creating better security arrangements etc. All these activities employed people and needed more and more dollar investments. Also, the induction of more troops to the zone generated employment in the form of services like the supply of food items and other supplies. As a whole, war encouraged lot of activities resulting in a sudden growth of Panama’s economy. And all these activities that contributed to economic growth, began at a point of time when not only Panama but the

\(^{13}\) Ibid.
whole of Latin America was reeling under the pressures of great economic depression. For this reason, the economic growth registered in Panama appeared spectacular. As a whole, starting from the pre-war time, till the end of the war, the Panamanian economy was injected with the massive war investments of the United States.

However, as the war ended, many war time investments automatically stopped flowing leading to the beginning of another phase of economic recession which also similarly plagued war ravaged Europe. Secondly, as discussed earlier, given the refusal of the government of Panama to renew many of the bases, proliferation of bases not only halted but many such bases faced closure leading to further withdrawal of economic activities. Further more, as the war ended and the good neighbours began to desert the neighbourhood, the United States economic aid package was hard to come to inject vitality to the depressed economy of Panama. The war led economic bubble had already burst.

In this situation of economic down trend, when there was nothing that appeared to be providing the rigour that
Panama needed, nor was there any 'Marshall Plan' extended to Latin America or Panama, the Panamanian economy was left with no option than to look upto the canal zone as a matter of last hope.

It was the economic prosperity of the pre-war and the bargaining opportunity of the war period that had generated anti-American sentiment and now, the economic depression again revived what is called the ever sensitive issue of the United States control of the Panama canal which otherwise used to be believed as a potential economic life line for Panama. The United States presence in Panama, it was felt, was the main reason for the Panamanian economic ruin and the most effective anti-American sentiment now emerged not only from the middle class but also from those who took early advantage of the educational facilities that slowly emerged along with the activities in the canal zone. While President Harmodio Arias should be credited for establishing the National University in Panama in 1935, more credit goes to him that he not only established an institution but built an academic centre that became the most suitable centre for congregation of the students who mostly hailed from the
middle class and were quick to respond to anti-American slogans. Students being a resourceful media to carry forward the anti-American propaganda, the university virtually became the most effective institution or apparatus to represent the Panamanian national aspiration. That is where it was left to the students to carry forward the flag of Panamanian nationalism in the next two decades.

It is crucial to take note here that when the Panamanian nationalism was getting more and more intensified against the United States, the political scenario at this juncture ran into confusion and also a long spell of uncertainty and manipulation. Thanks to the National Guard and its top brass, the entire constitutional process of Panama was virtually hijacked and was opened to the pick and choose of the military.\textsuperscript{14} The political melodrama that

\textsuperscript{14} In 1948, Panama faced the Presidential election. Arnulfo Arias the 'Man' after being deposed from Presidency now resurfaced again as the Presidential candidate against the ruling party candidate Domingo Diaz. Arias, riding on the Panamenismo wave apparently won the election by 1500 votes. At this point however, the supporters of the official candidate attacked the election board and there was political violence between the contesting groups. At this juncture, the chief of National Guard Jose Chichi Remon, popularly known as Chichi Remon, took the matter into hand and suddenly many of Arias votes disappeared from ballot box and Domingo Diaz was declared elected. The supporters of Arias, upon demonstration were beaten off to silence. Remon was a political phenomenon at that time and in course of time, he graduated himself to be the head of the state of Panama. However, it was the same Remon whom in the process of downsizing the National Guard's growing influence, Arias, in 1941 had expelled from the country. Now at the helm of National Guard, Remon not only decided as to who should be president but put Arias also behind bars. For details see Walter LaFeber, op.cit, pp. 106-07.
unfolded after 1948 however continued for quite sometime. Various factors and forces, as has been discussed earlier, played their own political game in Panama. All of them in their respective ways also utilised the institutions of the country for their own political and economic interests. It was now the turn of the military. Domingo Diaz, after winning the election through the fraudulent support of Remon, as a matter of obligation, opened lucrative commercial opportunities for his own family and also for the king maker Remon. Unfortunately however, in August 1949 Diaz suddenly died and the first Vice-President Daniel Chanis assumed power. Chanis even before being settled as President was shunted out of power by the National Guard.  

In the whole episode, the United States played virtually

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15 The Supreme Court of Panama declared unconstitutional the business (cattle slaughter monopoly) that Diaz had given to his own son and Remon. Now, when Chanis wanted to uphold the Supreme Court ruling, he was surrounded by the National Guard in the Presidential Palace and he resigned. It is believed that National Guard had apparently informed the US Embassy in Panama before staging the palace coup against Chanis. President Chanis was succeeded by Vice-President Roberto Chiari who also was the cousin of Remon. It seems that Chiari could not withstand the opposition to his presidency and was about to give in to the pressure of Chanis. He was asked by Remon to quit. It could not be more interesting to note that the pace in which Presidents were brought in and thrown out, merely indicated the collapse of constitutional process. It was only National Guard with Remon as its chief that decided what is good for Panama and the nationalist band was suppressed. Remon in the ensuing political succession, finally astonished every body by again bringing back Arnulfo Arias, the arch rival as the President. It was a marriage of convenience for the nationalist and the military supremo. For details see Ibid, pp. 106-13.
no role except in remaining informed of the volatile political developments. However, when Arias was brought back to power, the Americans were alarmed and were quick to take all possible steps to assess the nationalist leaders' moves. For the United States, it was the totalitarianism in Latin America that was of concern but not the other forms of government. So the change of Presidents to the tune of three Presidents in one week was not a matter of concern for the United States. However, when suddenly Arias was again catapulted to power, the United States did not approve of the move and also did not recognize Arias government. Remon, however, in order to nullify the non-recognition, again called for election board of 1948 which initially had declared Arias as the winner and this time suddenly the board again found sufficient votes that helped Arias to be officially declared to be elected.

The non-recognition policy of the United States was merely a plea to discourage Arias and his nationalist elements to come to power. Had the situation been that unfavourable, the State Department would have certainly advised for US marines to land to set the political order in
Panama and would have found the ongoing political confusion as attempts to subvert the due constitutional process of the country. This time however, the United States was saved of this unpleasant military action as their embassy, after careful observation noted that, given the kind of political compromise Arias has agreed to, he no more represents that old ideological configuration and with the time and again failures, he has mellowed down to acceptable level.

The political process of the post war period if observed carefully, represented a distinct competition among the three political forces that were vying to make headway by suitable means. The first was that of the oligarchs who were wanting their legacy to continue so that the interest of the class and their economic prosperity would be safeguarded. The second power group was the military which acted as an institution that represented political power and sharing the dividend from the control of economic resources of the

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16 The US embassy although this political developments was only officially declaring that, the democratic process of Panama be encouraged. However, when finally Arias became President, being ever suspicious of Arias' political moves, the US ambassador in Panama suddenly declared the situation as "... a complete challenge of democracy and represent extra-ordinary double-crossing in every respect" and he called it "a misuse of force which should be challenged." For details see Ibid.pp.109-10.
country. The military junta represented no political ideology. The third force which was nowhere when the country seceded from Colombia and emerged as a product of the time was the nationalists. Nationalism had become a popular political platform that enlisted everybody except the minority oligarchs and the military. The nationalists of Panama represented a radical political approach that bordered the communist ideology. However, there was a distinct ideological dichotomy that divided the two: the nationalism was a populist approach whereas the later was a philosophy. The Panamanian nationalism headed by Arias, in the contemporary political spectrum, could best be compared with the Peronismo of Argentina that quite effectively guided the Argentine political course in the 1940s.

In Panama, though the nationalist elements were active, Panama being a small country with numerous other difficulties, the forces could not assert themselves as effectively as it happened in Argentina. On the other hand, the nationalist platform was time and again manipulated by both the oligarchy as well as the military to either catapult themselves to power or to take away the leadership of the
nationalist platform to themselves. As a whole however the nationalism factor played a crucial role in the Panamanian politics.

When President Arias for the second time became President in 1949, it was apparently his political strategy to further consolidate his position and build up a strong political base for himself so that he can effectively curb the wings of the National Guard. The building of a political empire however met with resistance. Arias suspended Panamanian constitution that had been adopted in 1946 and wanted to destroy the National Assembly and the Supreme Court which had provided legal blessings to his opponents in 1941 to depose him from Presidency. The moves however, back fired and Arias was out again from the Presidency for the second time.17

The 'Panamenismo' however continued. After Arias was deposed, finally Jose Remon himself became the President of Panama. Remon this time, not only relied on his military friends support, in order to build a support base and

17 Ibid.
popular political career, he initiated mass oriented popular programmes. The mass appeal that Peronismo had achieved in Argentina, appears to be the guiding factor for him to chalk out his political strategy in Panama where, he not only activated agricultural and economic developments, but also embarked on tax reforms and similar other programmes. Apart from the popular programmes, he also launched his wife Cecilia Remon for socio-political activities in the interior provinces of Panama so that he can effectively get into the political nerve of the people.\textsuperscript{18}

The post war Panama, apart from going through political uncertainty, as discussed earlier, also represented Panama's near economic bankruptcy. To initiate reform programmes and developmental activities, the ambitious military turned politician needed financial backup without which neither reform programmes were viable nor could there be opportunity for Remon to build a lasting political base.

\textsuperscript{18} Ibid.
The ready weapon available to redress this tricky economic morbidity was to turn to the canal zone, ask the Americans to review the US-Panama relation and finally activate the ever responding 'Panamenismo' which will atleast help enhancing the political fortune of the President by directing the economic frustration towards the North Americans. Around the time Remon became the President, Ernesto Castillero Pimental, the noted Panamanian historian published a historical analysis of Panama-United States relations which not only criticised the 1903 canal treaty and its arbitrariness, but also argued that Panama shift observing its national holiday on November 3 to either November 10 or 18 when the uprising began against Spain.19

The Presidency of Remon in that regard, provided an active opportunity to demonstrate the temporarily inactive or passive Panamanian nationalism to take the centre-stage of Panama's politics and gather the nations vitality against the Americans so that the long pending grievances of Panama can be redressed.

19 Ibid.
Panama on the Way to Treaty Revision

It is in this background, Panama and the United States in early 1950s again came to a stage of taking stock of their respective positions in the canal zone and agreed to discuss the dissenting factors. For the United States, the primary concern was the growing Panamanian hostility. In 1953 both the countries formally started negotiation. The opening of the Panamanian negotiation with the United States was a historic national event. President Remon asked the newly elected President of the United States Dwight D. Eisenhower, to discuss a new treaty concerning the canal zone. It was a matter of coincidence that Eisenhower had spent three years of his military career in the canal zone in the 1920s when the trouble between the two countries were beginning to intensify as a result of the United States numerous interventions against Panama. Having lived in the zone of contention, Eisenhower had a first hand understanding of the functioning of the canal zone. He was apparently sympathetic to the Panamanians from the very beginning. As a matter of his personal good will for Panama, he agreed to Remon, to initiate negotiation so that the hostile
atmosphere that was building up in the post war period can be eased.

President Eisenhower's familiarity with the canal zone and his sympathy towards the cause of Panama had its own limitation too. The canal zone was not only considered as a prize possession for the Americans, it had, over the period, become a matter of prestige for the United States which prevented the US leadership to give in to the demands of Panama. As the President, Eisenhower had a daunting task of not only protecting the American advantageous position over the canal zone, but also to ensure that the United States is not bullied or embarrassed by the Panamanians. Keeping in mind the political risk involved in being conciliatory to Panama, President Eisenhower agreed to open negotiation with Panama but made it very clear to Remon that the negotiation be not costly to the United States.

The Panamanian leadership apparently agreed to this American condition and President Remon, in reply to President Eisenhower's demand, wrote back saying Panamanians do not intent to “affect fundamental rights of
the United States”, but do hope to bring those rights “into harmony with the rights of Panama”. By bringing the two countries’ rights over the canal zone to a harmonious position, Remon as well as many Panamanians seemed to have demanded for a just and honourable distribution of rights for both the countries in the canal zone. Panama, as President Remon expected at the first instance, should have a larger economic share of the canal enterprise and not a mere economic aid-package to tide over the present financial crisis. As far as the political facets of Panamanian demands were concerned, Panama had already grown intolerant of the United States predominant position over the canal zone which needed to be harmonised by growing Panamanian involvement in the canal affairs.

Negotiations began in 1953. It was an all out effort for the Panamanians to organise a strong political momentum in favour of the Panamanian demands. In the momentum, the most spectacular aspect was the public send off that was given to the negotiating team that left for Washington in August 1953 for canal negotiation. All Panamanians were

20 Ibid.
urged to take part in this “appointment with the father land” and responding to the call, thousands of Panamanians poured into the street for the occasion. The gathering also witnessed the participation of the President, six ex-presidents, cabinet ministers, government officials, provincial delegates, students from schools and university with placards that boldly demanded “negotiation without surrender”.21

Panama presented as many as twentyone demands. Foremost of all, in the economic front, Panama demanded that $430,000 canal annuity agreed in the 1936 treaty be raised to either 20% of the canal’s gross revenue or $5 million whichever is larger. In the political front, Panama demanded that, the Panamanian flag be flown in the canal zone, wherever the American flag was flown. Secondly, Panama’s sovereign control over the canal zone be restored which directly hinted at the lessening of the United States’ dominant position in the canal zone. Thirdly, the duration of the United States treaty rights over the canal zone be reduced to 99 years. All other demands referred to more and

21 95th Congress, 1st Session, “Committee on Foreign Relations United States Senate”, op.cit.,p.6.
more of economic and political leverage to Panama but certainly they were of lesser magnitude in the political bargaining though they had economic and political implications.

The first four demands however, directly reflected at the fundamental character of the 1903 canal treaty and acceptance of it meant the American economic and political defeat against the tiny Central American republic of Panama. Against Panama's demand of 20% of the gross canal revenue, the United States counter offered US $ 1 million each year for ten years for the housing sector of Panama and other political demands were rejected by the United States.

Remon shot back with his rallying cry "Neither Alms nor Millions, we want justice". The negotiation deadlocked. For the past half a century, Panama had initiated her anti-American struggle and now they had virtually reached to a point of no return. President Remon's canal negotiation in this context was a forceful platform not only to rally the Panamanians around him but to nullify

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22 Walter LaFeber, op.cit, pp115-20.
opposition to his presidency and direct the country's attention to the canal zone and to the permanent adversaries of Panamanian prosperity – the Americans.

Panama in the Context of Regional Politics

It is a matter of interest to note that, at this juncture when Panama was becoming more and more resentful of the United States near colonial possession in Panama, the United States was worried over the communist penetration in Latin America. The fundamental difference in policy approach was that, Panama looked for a just and amicable solution for her own problems whereas the United States wanted that the Latin American countries should forget their basic problems and their resentment towards the United States and gather under the United States leadership to fight against the growing acceptance of the communist ideology and communist designs.

700 kms. away from Panama canal, Guatemala slipped into the hands of a regime that was not favourable to the
United States. In 1951, Jacobo Arbenz succeeded José
Arevalo’s government and in order to improve the economic
lot of Guatemalans, he initiated, among other programmes, a
package of agrarian reforms which directly conflicted with
the United States’ United Fruit Company’s economic
interests in Guatemala. Initiatives to control foreign direct
investment in Guatemala to free the Guatemalan economy
from the shackles of foreign dominance invited the United
States resentment to the Arbenz government. Immediately
the Arbenz government was identified as a communist
government and was projected as a threat to the peace and
security of the western hemisphere. Eversince the Arbenz’s
government ventured into the area of United States interests
and wanted to redefine the agrarian shape and structure of
Guatemala, it came under the classification of totalitarian
government. The United States, in order to protect her
economic interest in Central America, not only projected the
Arbenz government as a threat to Latin America, but also
wanted that other Latin American countries should equally
condemn the Arbenz government and work towards its
removal. The instrument, the United States chose to give legal sanctity to the anti-Arbenz initiative was the OAS.  

Panama however, utilized the OAS Platform at Caracas, Venezuela towards enhancing the Panama’s prospect of getting a better deal in the canal negotiation. Panamanian delegation led by Cecilia Remon, the outspoken and politically active wife of President Remon who like most delegates, condemned the United States policy towards her own country and discussed the kind of discrimination the United States had perpetrated in the canal zone. For Cecilia Remon, priority was the canal negotiation and not the spread of communism in Latin America or the growth of revolutionary government in the neighbouring Guatemala which the Americans felt, was a Soviet design to sabotage the canal operation which is only 700 kms. away from Panama. At home, President Remon followed up his wife’s attack at

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23 The United States wanted to convert the OAS into a platform to attack the growth of communism and wanted that all the Latin American countries should multilaterally declare that any such growth in western hemisphere be considered as a threat to the peace and security of the region. Most of the Latin American countries however openly described this as an attempt of the Americans to intervene in the internal affairs of any country that does not conform to the American expectation. Though the United States’ Secretary of State, John Foster Dulles finally managed to way lead the OAS in favour of the US proposal, yet, he also agreed to discuss the economic issues on a special conference. For details see Jerome Slater, The OAS and United States Foreign Policy (Ohio State University Press: USA), 1967, pp.115-33.
Caracas by declaring that, shortsighted United States policies in Latin America allowed communist propaganda to have an "effect it would not have under ordinary circumstances".  

Chapin-Fabrega Treaty of 1955

The continuous arm twisting finally resulted in the 1955 treaty agreement which is not very important in terms of what it conceded or what it did not. However, while analysing the Panamanian struggle to gain control over the canal zone, the 1955 treaty appears to be a water mark that symbolised the end of an era of protest and the beginning of an all out war against, what may be called the unjust domination of Panama by a foreign power. After nearly two years of struggle spearheaded by President Remon, the Foreign Relations Minister of Panama, Octavio Fabrega and the US ambassador to Panama Seldon Chapin signed the "Treaty of Mutual Understanding and Cooperation, 1955" on 25 January 1955.  

As far as the economic demands were concerned, articles of the 1955 treaty instead of awarding millions or alms, settled down to give US $1,930,000 as the annual canal annuity.\textsuperscript{26} Secondly, the government of Panama was given the right to levy taxes to the Panamanians working in the canal zone.\textsuperscript{27} Parity of wages between the different grade canal workers was promised to be established by initiating similar basic pay structure. The United States canal employees were agreed to be receiving same basic pay with their Panamanian counter parts along with additional perks as suitable for a foreign posting by the US federal laws and pursuant to this, the Panamanian workers wages were also increased.\textsuperscript{28}

In the political side, the United States surrendered its monopoly right over the isthmian rail road enterprise and the high ways network outside the canal zone.\textsuperscript{29} Also, the United States gave up its right of sanitary maintenance and regulation in the Panama City and Colon; and also transferred some property in the stated areas to Panama.\textsuperscript{30}

\textsuperscript{26} See article I of 1955 treaty in the appendix 'C'.
\textsuperscript{27} Ibid. Article II.
\textsuperscript{28} Memorandum of Understanding.
\textsuperscript{29} 1955 Treaty, article IV & V.
\textsuperscript{30} Ibid.
The canal government also promised to make all purchases in Panama itself subject to the discretion of the purchasing authority. The US also agreed to build a bridge across the canal at Balboa.

In return of all the concessions, the United States got a 15 year lease on a military training area in Rio Hato base outside the canal zone admeasuring an area of 19 thousand acres.

President Remon's initiative in the canal negotiation was a bold step towards achieving Panamanian sovereign control over the canal zone. Though it was originally meant to legitimise Remon's political authority in Panama and to accord his regime with popular support, yet, Panama canal being a very effective rallying point to direct the growing Panamanian nationalism, the leadership in Panama very impressively utilised it to a popular political end. Though president Remon was assassinated in the same year, yet, his slogan, "neither millions nor alms" became the future slogan for Panama and the uniformed man behind it became a

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31 Ibid. Article XI & XII.
32 Ibid. Article VIII.
legendary nationalist and the source of inspiration to the future negotiators of Panama.

Panama Wakes Up to the Suez Crisis

The 1955 treaty, with what was conceded to Panama reduced the intensity of Panamanian anti-American stance forthwith. However, it was a very temporary cessation of conflict. Elsewhere, the international political atmosphere was boiling up which had direct bearing on the course of Panama canal affairs. In 1956, the Egyptian President Abdul Nasser nationalised the Suez canal much to the chagrin of the United Kingdom and France. Egyptian attempt to nationalising the Suez Canal Company however, had its beginning in the early cold war period when the first serious attempts to win over friends, to strengthen economic and strategic options were put to test in West Asia. The delicate balance of power of the Arab world, in the process of mounting military and politically hostile platform against the Soviet Union and its likely expansionism, laid the basis of
Suez crisis by fomenting a nationalist sentiment among the Egyptians.

The Baghdad Pact of 1954 not only tilted the West Asian balance of power in favour of Iraq by directly offending the Egyptian aspiration in the region, but also sharpened the Soviet Unions interest in the region, and threw the entire West Asia into a theatre of power contest for the decades to follow. The termination of the Anglo-Egyptian treaty of 1954 which saw the British withdrawal of troops from the Suez canal zone, now left Egypt alone to defend the canal zone and protect it primarily from Israeli offensive.

From the beginning of 1950s, the Suez issue which was brewing up with tension, was also a flash point of observation for the Panamanians. The Suez crisis took a serious turn with Nasser nationalising it on 26 July 1956 followed by French-British call for military action to avenge the Egyptian action. It is fascinating to note the United States role as a mediator. Having temporarily defused a similar crisis at home, the United States very strongly advocated for negotiation, conferences of all user countries of
the canal and all means of pacific settlement of dispute. However, the Americans unmistakably declared Nasser’s action as “Seizure of the Canal”.33

Panamanians had many things to learn from the Suez crisis though they had very little scope for enacting a similar nationalisation act against the United States. First and foremost, Panama seems to have carefully watched the unfolding of the Suez crisis to draw precedence. Secondly, Panama very actively scrutinised all the United States official statements, press releases, other discussions or State Department official’s off hand remarks pertaining to settlement of the Suez crisis that reflected the possible duality of the American policy postures or provide some basis for future canal bargaining. Above all, Nasser’s bold step to nationalise the Suez Canal Company was a challenge to the established imperial order of the ‘west’ which was encountering more and more confrontation from all over the

33 To a large extent, the nationalisation of Suez Canal Company by President Nasser was a reaction to mishandling and neglect of Egyptian feelings by the West. It was further fomented by unfavourable alignments that virtually forced Egypt to this drastic step. For a detail understanding of the politics of Suez crisis see M. Mahmood, Soviet Policy – Towards the Arab-Israeli Conflict 1947-1988 (New Delhi: Gian Publication, 1989), pp.36-56. Also see M.S. Agwani, Contemporary West Asia (New Delhi: Har-Anand Publication, 1995), pp.211-31.
While mediating the Suez crisis, the Secretary of State, Dulles among his many suggestions, also proposed the option of internationalising the Suez canal. Also a 22 nation canal user conference was convened to settle the Suez crisis.\textsuperscript{34} Dulles however, in an attempt to preempt Panama finding a platform, publicly declared that they will represent the Panamanian interest in the 22 nation Suez conference. Panama protested heavily declaring that “the United States did not speak for Panama”, and added that “under no circumstances would its canal be placed under international control.”\textsuperscript{35}

It is interesting however, to note the unprecedented American preparedness to delink the Suez canal issue from the Panama canal affairs. The United States’ Department of State, White House, Pentagon and Army worked in perfect coordination to delink the two canal affairs; and extensive diplomatic instructions were also issued to all the US

\textsuperscript{34} The 22 Nation Suez Canal Conference was held in London between 16-23 August 1956.
\textsuperscript{35} Walter LaFeber, op.cit. p.122.
diplomatic missions in Latin America so that, policies are put in suitable order.36

Prior to the London Conference, at the instruction of the Acting Secretary of State, Hoover, the Bureau of Inter-American Affairs, prepared a 'position paper' on the two canal issues and came out with six fundamental legal differences between the status and functioning of the Suez canal and that of the Panama canal.

First, the Suez Canal Company was holding a private concession and Panama canal zone rested on public treaty. Secondly, the Suez canal was operated by Suez Company registered in Egypt but the Panama canal zone was given as a grant to the United States and was operated by the US governmental agency. Thirdly, Suez canal was an integral part of Egypt whereas Panama had granted exclusive

36 After reviewing the situation in Panama, the Acting Secretary of the Army, on a memorandum to the Secretary of Defense, Charles E. Wilson dated 31 July 1956 appraised him of the possible fall out of Suez crisis in Panama and the Panamanian threat of taking the Panama canal issue to the Permanent Court of International Justice and urged that possible repercussions of the Suez development be kept in mind and "... this is important in order that this Government avoid being placed in a position of adopting contrary position with respect to the two areas which might be used as a lever against us at a later date by Panama in contesting our complete unilateral jurisdiction and control of the Panama Canal Zone". For details see "Memorandum From the Acting Secretary of the Army ([Finucome] to the Secretary of Defense(Wilson)". Foreign Relations of the United States 1955-57 (Dept. of State Publication 9513) vol. VII, pp. 282-86.
jurisdiction to the US over the canal zone. Fourth, the Suez canal concession was for 99 years expiring in 1968 whereas the sovereign rights, power and authority over the Panama canal was granted to the US in perpetuity. Fifth, the Suez canal status was initiated by a multilateral treaty and Panama canal is governed by a bilateral treaty agreement. Finally, the Suez canal construction, financing and management was international in nature whereas, the Panama canal construction, financing and management is done by the United States.

The above mentioned position paper, along with necessary instructions were sent to all the United States diplomatic missions in Latin America and even the Secretary of State, Dulles in his meeting with his British counterpart before the London Conference, discussed the same position of the United States and reiterated that "they should avoid any precedent or step which might result in demands for the consideration of the internationalization of the Panama canal"
in the UN or OAS forums".37

President Eisenhower, while further clarifying the official position of the United States, in an interview before the London Conference, declared that “Suez Canal became an international waterway as a result of the treaty of 1888. This was completely unlike the Panama canal which was strictly national undertaking carried out under a bilateral treaty.” It seems, the same day the President met Dulles where, in the course of conversation concerning the Suez and Panama canal issue, the following exchange took place “I mentioned to the President that there was some indication that Panama was getting into contact with Egypt. The President indicated considerable annoyance and stated that if we left the Panama canal zone we would take the locks with us. He again reverted to a suggestion that he had made once or twice before that we should consider the desirability

37 The position paper was sent to all the Latin American missions of the US, repeated to 33 other posts, pouched to 15 additional posts and also sent for information to Ottawa. See "Circular Telegram from the Secretary of State to certain Diplomatic Missions", Ibid. p. 287.

For Dulles meeting with Selroyn Lloyd, Foreign Secretary of Britain held on 1 August 1956, see "Memorandum From the Deputy Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State", Ibid. pp. 287-90. This memorandum indicates that a prior meeting of the staff of the State Department had been held earlier on 2 August and the subject had been discussed. The same then was transmitted to 20 Latin American missions vide circular airgram 1281, 9, August.
of building an alternative route in Nicaragua so that we could not be subject to blackmail.\textsuperscript{38}

It appears that the repercussion of Suez crisis over the Panama canal issue was greatly minimised by active American lobby, discussion and negotiations at various levels and stages to win over the decision making process in Panama. The local elements in Panama who actively propagated nationalisation, internationalisation or other radical measures, in fact substantially influenced the Panamanian government to take suitable course confirming to the nationalists aspirations and demands. Accordingly Panamanian ambassador in Rome who also was accredited to Cairo, had been officially encouraged to stay touched with the Egyptian government for drawing possible mileage out of the issue.\textsuperscript{39} Also, the Ambassador of Panama in London was

\textsuperscript{38} The exchanges between Dulles and President Eisenhower is reported in the “Editorial Note”, Ibid.p.291. Eisenhower’s reference to an alternative canal route in Nicaragua is discussed subsequently.

\textsuperscript{39} A meeting took place on 9 August 1956 between the United States Assistant Secretary of State, Henry Holland, the US Ambassador to Panama, Julian Harrington and the President of Panama, Ricardo Arias Espinosa, Acting Foreign Minister of Panama, Molino Harmodio Arias and Dr. Octavio Fabrega where, as per Holland, Molino indicated that he had directed the Panamanian Ambassador in Rome to maintain contact with Egyptian government. See “Memorandum of a Conversation, Panama City, August 9, 1956” Ibid.,pp.292-95.
apparently quite active throughout the crisis to monitor the developments.\textsuperscript{40}

Panama inspite of being in a favourable ground to give vent to her nationalist aspirations, had obvious reasons for restraint. First, the military strongman Remon who guided the temporarily silent and suppressed Panamenismo to the stage of the 1955 treaty was assassinated days before the treaty was signed leaving behind not only a vacuum of leadership but a political confusion that centered around his First Vice-President Jose' Ramon Guizado, who immediately after Remon's assassination, was sworn in as the successor of Remon. Guizado however, after a city lawyer and the assassin of Remon was arrested, was suspended from the Presidency and placed under arrest for his possible involvement in the assassination of Remon. Again, the 1955 treaty till that time had not been ratified in the United States Congress and had remained as an apprehension for the Panamanian leadership that in the event of Panama taking a

\textsuperscript{40} The US Acting Secretary of State Hoover's telegram to the embassy of Panama saying "Foreign Minister (Panama) assures me Panamanian Ambassador London will be instructed to refrain from 'nuisance' statements and activities and act only in accordance with Foreign Office directives". For details see "Telegram 149 from Panama City, August 16". Ibid. p. 296.
hard step on the issue in the line of Suez developments, the ratification of the treaty would be imperilled.

On the other hand, the government of Panama was in great pressure from the nationalist elements, from within who wanted that the government must make best use of the Suez crisis. In this regard, a meeting held on 9 August between Holland, Harrington and the Panamanian political top brass, was a very effective meeting where Holland successfully prevailed upon the Panamanian leadership that Panama better cooperate with the US to take best advantage of the American goodwill.

The Suez crisis however, was a turning point for Panama. They had already exhibited their resentment of the American policy towards Panama and had reached to a stage to reject the American presence in Panama. Few concessions here and there and a package of American goodwill was not what the Panamanians were looking for. The government in Panama city might have agreed to cooperate with the Americans for the reasons best seen as political, but, the people in Panama always looked towards the canal zone as
an epitome of Panama's national prestige which by default had nearly been colonised. Again, in the global political spectrum, the 1950s unfolded a series of challenges to the old colonial powers and the Afro-Asian countries overthrowing the colonial spell, began to emerge as independent countries which also sharpened the nationalist feelings among others including the Panamanians too. Away from the block politics of the post war period, the growth of non-alignment movement in the 1950s further added a new dimension to the international relations and opened yet another door for the third world countries to openly voice their resentment against the contemporary world order.

**Operation Sovereignty**

The period from 1958 to 1964 is the most violent period of the US-Panama relations. The 1955 treaty provided an immediate relief and was an improvement over the 1936 treaty in terms of concessions. However, the real issues like parity of jobs, equal wages for equal work, opportunity for the Panamanians to take advantage of the commercial
potentials of the canal zone which were among the core of the issues, were not addressed in the 1955 treaty. The Panamanian economy, beyond the scope of political control, manifested itself. The employment in the canal zone dropped from 30,000 in 1945 to 12,000 in the second half of 1950s and the overall employment in the rest of the country decreased correspondingly which was bound to reflect on the independent functioning of the canal government.

Highlighting the dismal economic scenario and the continuous rejection of Panamanian demands and aspirations, the Panama city university students, in May 1958 launched what was called "Operation Sovereignty" which finally culminated in the flag riot in 1964 signifying a period of very effective Panamanian protest against the United States that finally resulted in the United States agreeing to negotiate an entirely new treaty with Panama.

The university students entered into the zone peacefully and planted some fifty Panamanian flags at different strategic locations in the canal to signify that Panama has as much or even more right over the canal zone.
as the United States has. But to their dismay, the canal police immediately removed the flags triggering further trouble and demonstrations in other parts of the country that left ten students dead.\textsuperscript{41} Having hardly recovered from distancing Panama from the Suez crisis, President Eisenhower sent a fact finding mission to Panama which was not only assigned to advice the President on the Panamanian developments, but was also to visit other Latin American countries in an effort to improve the US-Latin American relationship that was getting too much obsessed with communist enemies of the region. And it was Milton S. Eisenhower, the President's brother who was assigned this fact finding task.\textsuperscript{42}

The operation sovereignty continued in 1959 and on the Panamanian independence day on 3 November, a group of students led by Ernesto Castillero Reyes, one of the

\textsuperscript{41} The Panamanian police, Guardia Nacional intervened along with the canal police to ward off the demonstrators and in the melee ten students died of sniper shots. See Ibid. p. 126.

\textsuperscript{42} Milton Eisenhower recommended to carryout the promises of the 1955 treaty and the MOU; a low cost housing programme to ward off the slums next to the posh American dwelling places that symbolized the sharp contrast and proposed to accommodate the Panamanian demand of displaying their national flag at least on select locations in the zone on ceremonial occasions. Though Eisenhower seemed to have been favourable to the Panamanian flag flying as per the recommendation, the army and the champions of the American right over the canal zone group screamed of surrender of American sovereign rights to Panama. The housing proposal never attracted governmental attention though it was of sense. For details see Ibid.pp.127-29.
leading historians of Panama and Aquilino Boyd, a diplomat, entered the canal zone again to plant flags. This encouraged more and more students to enter and re-enter the zone leading to clash with the canal police, arrest of students which triggered more and more people to come to the street heralding the beginning of a full riot in Panama city. The target of the protestors was American vehicles, buildings, their flag or anything that symbolized the United States presence in Panama.

Next day, visibly disturbed over the developments in Panama and the recurrence of the spurt of violence directed against the United States, in a press conference, the President observed that “In a way it is a little bit puzzling to me, especially since each treaty modification gave a greater degree or level of rights to the Panamanians”.

The President's predicament however, was not limited to being surprised or puzzled over the Panama embarrassment. He was indeed playing a delicate balance between protecting the American interest albeit the hegemonistic presence of the United States in Panama while
trying to redress the Panamanian grievances which were largely genuine. In the domestic front, Eisenhower had reasons to fear the strong backlash from the so called champions of American treaty rights over the canal zone against the options of concessions to Panama and he was equally troubled to see the force and fierceness of the growing Panamanian confrontation.

At this crossroad of political decision making, President Eisenhower, having realized the crux of the trouble, unfolded a politico-economic package of very far reaching consequence to address the vexed U.S.-Panama relationship. In the economic front, to begin with, his brothers housing proposal was revived. The canal government was directed to make all purchases either from Panama or from the United States but not from third countries like Australia or New Zealand. These measures were supplemented months later by his famous nine point programme which subsequently was adopted as a new American policy approach not only to Panama but to the whole of Latin America to restore the Latin American faith on the American leadership in the region. In the political
front, for the first time, the delicate flag issue was handled favourably to Panama. President Eisenhower observed that “I do ... believe we should have visual evidence that Panama does have titular sovereignty” in the zone.43

In the context of the canal negotiation, the United States flag concession to Panama apparently alarmed many US foreign policy observers who perceived this development as a turning point, a fatal mistake on the part of President Eisenhower to concede to such a fundamental aspect. The Congress was bitterly divided over the flag issue and led by Daniel Flood, Democrat, Pennsylvania, rejected the concession by an advisory vote of 380-12. Flood and those who voted against the Panamanian flag flying in the canal zone were the champions of the 1903 canal treaty and were vociferous advocates of the American status quo ante in Panama.44

On the other side of the issue, many others like Milton Eisenhower, Congress woman, Leonore Sullivan and the head of the powerful sub committee on Panama canal, part

43 Ibid, p.128.
of the House Committee on Merchant Marine and Fisheries members believed that unless Panama is rescued from the discouraging economy, a political solution to the canal issue cannot be arrived at. None, however, agreed that the United States should ever entertain negotiation on the fundamental areas of 1903 treaty and believed that flying the flag of Panama in the canal zone would connote a political symbol and would whet the Panamanian appetite further as the economic morbidity continues. President Eisenhower, however, rejecting the Congressional advisory vote and the strong political opposition from within, declared in September that both the United States and Panamanian flag would fly together in some parts of the zone. There was hardly any guarantee that without entertaining any of these politically sensitive issues, the rising Panamanian aspirations could be contained. When President declared his historic flag concession, the time was only a month before the Panamanian independence day i.e. November 3 that had constantly inspired a new phase of protest. Street rioting and a fresh list of demands had always marked the event. That is where perhaps President Eisenhower declared a 9 point economic programme along with a charter of political
concessions so that the immediate tension in Panama can be addressed appropriately. He also appointed a new ambassador to Panama, who, along with the politico-economic package, also initiated a social initiative to win back the faith of people in Panama.45

President Eisenhower’s economic policy to Panama was the precursor to the declaration of ‘Alliance for Progress’ which like the Good Neighbour policy of the 1930s, again attempted to rebuild the American image in the western hemisphere and instead of the growing suspicion, create necessary condition for Latin American countries to accept and associate with the United States policy approach to the region. Announcing the ‘Alliance for Progress’ the charismatic and newly elected president, John F. Kennedy wanted to rescue Latin America from the so called threats of Castroism and communism by a massive socio-economic programme which was projected to initiate an evolutionary process of economic growth in Latin America than introduce

45 Joseph S. Farland was appointed Ambassador to Panama. Farland did a commendable work by initiating a policy of being in touch with the people of Panama and with a friendly approach and taking the ground reality into consideration, directed the ‘Alliance’ grant for suitable utilisation. Farland was subsequently chosen by the Panamanians as a friend of Panama. The Americans in the canal zone however were not too happy with the Farlands policies. For details see Ibid.pp.129-38.
any radical approach. President Kennedy's 'Alliance for Progress' was a projected 10 year, US$ 100 billion programme in which North and South were projected to benefit from both government and private capital pumped into the region. The measure thereby aimed to insulate Latin America from the communist designs.46

In the whole gamut of the plan, Panama was a case study of special attention. In the mid-1961, the first Alliance grant for Panama was to build 200 rural school houses and 150 miles of farm roads. An agricultural credit system was also planned. The 'Alliance' hoped to create a self sufficient agriculture sector so that migration from rural areas to cities do not take place and as a result, the spread of massive urban shanty towns are stopped which had been a major source of urban violence. From 1951 to 1961, the United States had granted only US $ 7 million as annual aid to Panama. Now with 'Alliance', between 1961-63 this aid package jumped to US $ 41 million. In addition to the

46 Integrating Latin America through the 'Alliance for Progress' was a major policy approach of the U.S in the 1960s. In the face of leftist movements gaining popularity in Latin America because of economic deprivation, Alliance wanted to win Latin Americans back to the United States leadership. For details see The Inter American System, op.cit, pp. 285-95.
package, the canal zone, through wages, sale of supplies, tourism etc. generated around US $ 65 million annually to keep the health of Panamanian economy sound.47

The 'Alliance' also had a wing of peace corps to support the socio-economic programme by providing required know-how to specific plans. Panama received 57 of such volunteers to help develop schools, health centres, rural cooperatives and similar such measures that involved the Panamanian rural folks for the management of their own resources towards a common development goal.

The 'Alliance for Progress' indeed ensured a chain of strong alliance measures and as far as Panama was concerned, indeed added a new dimension to the U.S.-Panama relationship. Ambassador Farland, seems to have handled the alliance mission very well in Panama and made the mission convincing by taking the Panamanians along. In fact, more than the alliance policy instrument or the pumping of alliance grants to Panama, it was ambassador Farland's participation in the grassroots issues of Panama 47

47 For Alliance grants to Panama see Walter LaFeber, op.cit., pp.132-35.
that elected him as one of the ten most popular men in Panama – a rare distinction bestowed on any American, particularly at a point of time when anything American was anathema in Panama.

Inspite of the ‘Alliance’ addressing to vital socio-economic issues that were crippling the Panamanian society, finally, it could not win them back totally as the problem had further deepened to a psychological level too. Here again, it was not the government of Panama that championed the fight for a fair canal deal, but a force of Panamenismo mostly representing the voice of the students, the middle class and the elements who were historically marginalised from the benefits of any socio-economic programme had now been the centre stage of Panamanian struggle against the United States.

Winning more and more control over the canal zone was no doubt the goal of the force that represented Panamenismo. Their driving force however, was their own marginalisation in the social stratification, the oligarchs opportunistic ownership of the economic resources of the
country and the American over dominance in the country. Another factor that was singularly responsible in keeping the Panamenismo at their boiling point was the lobby that represented a strong Americanness. Whatever may be the United States policy towards Panama, there used to be a strong American lobby that not only opposed any concession to Panama but took pride in having a canal zone in another country which was controlled by the Americans. This strong Americanness as opposed to the 'Alliance' was much reflected in the zonian American employees than anybody else. Anti-Panamanian sentiment accompanied by the zones luxurious life style ever stood as a point of visual distinction between the opulent Americans and the economically deprived Panamanians.

As a result of the series of troubles, when the United States conceded more and more to the Panamanian demands, the zonian Americans further consolidated their anti-Panamanian approach atleast to bring home the point that they are more superior a work force and hence cannot, by any means of legislation, be compared with the lesser rank of Panamanian workers. In that context, the symbolic
display of the Panamanian flag in the canal zone had received serious resentment from the zones American residents as it was a step that directly confronted their notion of American superiority. This sense of distinction was further shattered when a joint commission entrusted to discuss and resolve outstanding issues, on 10 January 1963 announced that the Panamanian flag would also fly at the civilian institutions in the canal zone. Contemptuous of this announcement, the parents and students of the zone's Balboa High School decided not to allow the Panamanian flag to fly in their institution.

In response to Balboa High School students and parents decision to disallow flying of the Panamanian flag, on 9 January 1964, several hundred Panamanian University students marched peacefully into the zone to protest. Trouble began and the Panamanian flag was torn apart, flagging off the worst ever flag riot that continued for four days; and within such a short time, virtually nullified the entire benefit that 'alliance' so far was building up in Panama. The net result of the flag riot, 20 Panamanians and 5 American soldiers died and more than 200 were left
wounded. As a matter of protest, Panama suspended diplomatic relations with the United States and taking the matter beyond the boundary of bilateral concern, appealed to the international community through the United Nations and also made a fervent appeal to the Latin Americans through the OAS, against what was termed as the U.S. aggression.