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THE UNITED STATES AND THE PANAMA CANAL, 1938-1947:
POLICY FORMULATION AND IMPLEMENTATION FROM 
MUNICH THROUGH THE EARLY YEARS 
OF THE COLD WAR 

DISSERTATION

Presented in Partial Fulfillment of the Requirements for 
the Degree Doctor of Philosophy in the Graduate 
School of The Ohio State University 

By 
John Andrew Cooley, B.A., M.A. 

The Ohio State University 
1972
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To my parents,

John William and Ruth Marie Cooley
PREFACE

One of the primary aims of this dissertation is to trace the perceptions that policy makers had of the strategic value of the Panama Canal from 1938 through 1947. Another is to examine policy formulation and implementation in light of those perceptions. The final aim is to follow the changes in perception, formulation and implementation and to discern how changes in one caused changes in the others.

One could approach these themes in several ways. The first would be to treat the canal as an isolated strategic entity. A second would be to deal with it essentially within the context of United States-Panamanian relations. A third, and the approach used here, is to examine the role of the canal in the framework of the general sweep of American foreign policy and the more specific one of hemispheric policy.

The weaknesses of this approach are three. First, it leads to a certain diffuseness. When one shifts from the general picture to an analysis of strategy and the canal, the elucidation of the general
necessarily suffers. The implications of broad judgments about the basic thrusts of American foreign policy are not fully explored and the reader is asked to accept some conclusions without conclusive proof. Second, the scholarship involving the area of general policy must necessarily be incomplete; many of the viewpoints rest upon the work of other scholars. All of this leads finally to a degree of unevenness. Certain assumptions and implications are stressed. Others, important to the conduct of American foreign policy in general but not particularly germane to hemispheric policy, are either neglected or given little explanation.

Yet the weaknesses of this approach are also its strength. Going from the general to the specific gives the reader a perspective that he would otherwise lack. Shifts in perception and implementation would make little sense without dealing with the events and policies that caused them. This is especially the case in the years from 1938 to 1947 when the events of World War II and the coming of the Cold War caused policy makers to change their views of the world, the hemisphere and the Panama Canal.

Since the canal bisects the Republic of Panama, relations with that country have been of constant importance to the United States in maintaining and
protecting the canal. Panama's political stability and international alignment were consequently of great concern to Washington. So United States-Panamanian relations form, in a sense, the first in a series of concentric circles of external factors determining policy perception, formulation and implementation.

The second level of analysis concerns United States-Hemispheric relations, exclusive of Canada. This was particularly true of the years under consideration since the United States had adopted a new approach, the Good Neighbor Policy, toward Latin America. The essential tenets of this policy were respect for national sovereignty, reciprocity and multilateralism. This meant, to some degree at least, that what the United States did in the rest of the hemisphere affected what it did in Panama, and thus had an influence on Washington's policies for protecting and maintaining the canal. The reverse was also true.

The final level of policy concerned the continents of Europe and Asia. Events in these areas caused definite changes in the perceptions of, and policies toward, the Western Hemisphere, Panama and the canal. And since the United States was not a militarily aggressive power, the changes in policy were reactive and strategically defensive. So while events in Europe
and Asia caused changes in Washington's hemispheric policy, the converse was not true in any significant way. Events and changes involving the canal and the first two circles often interacted and caused further reverberative events and changes in the hemisphere; they did not affect policy toward Europe and Asia.

All of this action, reaction and interaction, of course, took place over time. In this study, the Munich Conference of September, 1938 is the point of departure. This is so because that event led President Franklin Roosevelt to the realization that Hitler's Germany had become a potential threat to the United States. One of the initial reactions to this event was to begin fostering, in the spirit of the Good Neighbor Policy, a sense of multilateralism and collective response among the various American republics. Another American reaction was to begin building up the defenses of the canal. This meant acquiring lands outside the Canal Zone in the Republic of Panama and collaboration with that nation within the framework of the Good Neighbor Policy and hemispheric unity.

After Pearl Harbor and American entry into the war, a new set of operating principles came into play. In broadest terms, they were to deter Japan, keep Great Britain in the war at all costs, prepare the
United States for an active role in Europe and Asia, and to keep the war away from the Western Hemisphere. Although there was fear of an attack upon Latin America until late in 1942, neither Germany nor Japan really had the capability to launch such an attack. This meant a commitment of all possible United States resources and energy toward Europe first, and then Asia. The consequence of this policy for Latin America was being assigned a low priority status and so little in the way of resources was sent south of the border.

But because the threat to the Western Hemisphere was seemingly real enough during the first two years of the war, the United States felt compelled to spend some time to preserve unity. Latin American nations received just enough food and other resources to keep them stable and just enough arms and attention to make hemispheric unity and multilateral participation more than mere words. Panama was both part of this pattern and yet apart from it. As a sovereign American nation, it was involved in all the consultation. As territorial possessor of the canal, Panama often demanded more aid and displayed a greater sensitivity toward neglect than did other American nations. Confronted with this situation, the United States had to strive for an equation that would equitably balance adequate
defense of the canal, Panama's unique situation and the preservation of multilateralism.

During the final years of the war, Latin America was no longer threatened and so its defense was no longer a high priority consideration. And as an Allied victory seemed ever more imminent and as Washington concentrated its resources increasingly on active theatres, the nations of Latin America became ever more restless. They felt their sacrifices were unappreciated and demanded a greater diversion of resources to themselves at the very time the United States wanted optimal supplying of the active theatres.

This feeling of neglect was certainly evident in Panama, which felt it had sacrificed most to help the United States and received the least. Yet after 1943, danger to the canal was minimal and the existence of a two-ocean navy partially diminished the immediate strategic value of the canal. Again, the United States attempted to strike the right balance. But there was less urgency to do so, and as the string of delayed promises lengthened, Panama's sense of grievance deepened.

By the end of the war many American policy makers saw the Soviet Union as a hostile power. Latin American nations which had hoped for more aid and attention
now saw the United States embarking upon yet another crusade to preserve the "democratic way of life." Once again the Central and South American countries found themselves relegated to secondary status. Yet there was a change from their wartime role. Then, at least, the United States had consulted them in earnest and had attempted to guide them toward a particular course of action. Now Washington appeared to be verging toward dictating hemispheric policy to them, or, at the other extreme, of acting as though hemispheric matters were too unimportant for even superficial consultation.

Certainly, the fact that the United States saw the Soviet Union as a hostile power and turned its energies in that direction is of primary importance in understanding why Washington failed to return to its pre-war Latin American policy. But there were other reasons as well. First, the three men most responsible for shaping the policy - Roosevelt, Secretary of State Cordell Hull and Assistant Secretary of State Sumner Welles - had either died or left office by the time the war ended. And second, the wartime militarization of foreign policy and proliferation of bureaucracies that contended with the State Department for power both tended to weaken the influence that the diplomats had had in shaping American foreign policy.

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This meant that the department most dedicated to respect for national sovereignty and the multilateral hemispheric approach no longer monopolized the shaping of Washington's world view.

For Latin America, these developments meant two things. First, it meant that the United States found it was convenient to try to dictate hemispheric policy and tie the nations of the area to its policies through arms control and a regional collective security organization. And second, it meant that the Central and South American republics would not get the desired economic aid to help them cope with their poverty and lack of industrial development - aid which they felt they fully deserved.

In Panama's case, this shift in policy increased an already heightened Panamanian sensitivity about being too closely tied to the United States. That small republic's response was to demand that Washington give up its inactive bases on Panamanian territory. In 1947, after two years of negotiations, the United States did so. Once again, American policy was to strike a balance among all the elements concerned. And once again, it was events and conditions in the outer circles that forced the decision. First, there was the agitation in Panama. Second, the creation of the atomic
bomb and the enhanced prestige of air power both tended to downgrade the canal's importance in theory if not in practice. The existence of a two-ocean navy did likewise. And finally, to have kept the bases and engaged in so blatant a disrespect for another nation's sovereignty might have so aroused the other republics of Latin America that Washington could not have exerted its will upon them through the Organization of American States.

And so, policy formulation in 1947 greatly resembled that in 1938. All the same levels of importance and extraneous factors came into play. But the basic framework for decision had changed. In 1938, the principles of the Good Neighbor Policy had guided policy makers. By 1947, the events of the preceding decade had caused a return to the unilateral methods of the pre-Rooseveltian era.
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INTRODUCTION

The Panama Canal

In the 1930's, the United States adopted a policy of nonintervention, acceptance of equality and reciprocity in its dealings with Latin America. To be effective, the policy had to apply to all the nations of that area. This was so because the Latin American republics would regard any transgressions as a prelude to a return to past policies.

One of the severest tests of this Good Neighbor Policy came in Panama. The reasons were two. First, Panama bordered on America's inter-oceanic canal, a waterway vital to the security of the United States. Second, Washington had always assumed it could determine the direction of affairs in that republic. The Good Neighbor Policy challenged this later assumption; the confluence of the canal's strategic value, World War II and then the Cold War was later to challenge the Good Neighbor Policy itself.

Perceptions of the strategic value of the Panama Canal changed little between 1903, when the United States obtained the right to build it, and the late
1930's, when the threat of war loomed increasingly larger. Influenced by Alfred Thayer Mahan as well as following his own insights, Theodore Roosevelt had advocated a big navy. He said that "A nation such as ours cannot possibly play a great part in international affairs, cannot expect to be treated as a weight in either the Atlantic or the Pacific...unless it has a strong and thoroughly efficient navy."¹

For Roosevelt, the canal would serve two functions. First, it would increase commerce and American economic power by giving the East coast ready access to foreign markets on the West coast of Latin America. More importantly, it would increase the nation's naval power. A canal "would double the size of the fleet, since a single fleet, with a simple and short means of communication between the two oceans, could be, in fact, effective in both of them almost simultaneously." He added that America should both control and fortify the canal.²


More than thirty years later, Franklin Delano Roosevelt echoed his distant cousin. He wanted a large naval force for defense and made the canal the lynchpin of naval efficacy. "We have two coasts to defend against naval attack and communication between the two must be kept open through adequate defense of the Panama Canal."³

But if the two Roosevelts agreed on the strategic value of the canal, they differed greatly on policy toward the Latin American nations to the north and south of it. The method of the first Roosevelt was expressed in his corollary to the Monroe Doctrine. If a Latin American nation did not know "how to act with reasonable efficiency and decency in social and political matters," and if it did not keep order and fulfill its obligations, then the United States reserved the right to intervene and rectify conditions.⁴


⁴Annual Message of the President, December 6, 1904, p. XLI, Papers Relating to the Foreign Relations of the United States, Volume VI, The American Republic, 1904. Hereafter referred to as FRUS.
But unilateral intervention in Latin America had not worked to the best interests of the United States. For whatever reason, national defense or the institution of constitutional governments, the policy had generated only resentment and bad feelings toward the United States. If, as Theodore Roosevelt had said, intervention was necessary to protect the approaches to the canal, the policy failed miserably. It had made Latin American nations progressively less ready to cooperate with Washington, not more so.

Herbert Hoover attempted to reverse the trend with a good will trip to Latin America prior to his inauguration in 1929. The Reuben Clark Memorandum of 1930 all but disavowed the Roosevelt Corollary to the Monroe Doctrine. And Hoover allowed no new interventions. Yet when Franklin Roosevelt took office in March of 1933, the resentment and fear remained. His response was the Good Neighbor Policy.5

Roosevelt said that the policy was best described as "the simple process of agreeing that each nation shall respect the integrity and independence of the others." The process was hardly so simple, for there

5For a somewhat contrary opinion, see Alexander De Conde's Herbert Hoover's Latin American Policy (Stanford: 1951).
was a great deal of mistrust to overcome. In August of 1933, for instance, Roosevelt refused to recognize the leftist Cuban regime of Dr. Ramon Grau San Martin because it supposedly lacked popular support. The Grau government fell, a more conservative one took its place, and American recognition followed quickly. Roosevelt had not used the troops but neither he nor his emissary, Sumner Welles, had been at all neutral.  

The Montevideo, Uruguay, Conference of December, 1933 signaled the real departure from the past. At that meeting, Argentina's Foreign Minister, Dr. Carlos Saavedra Lamos determined to bring the subject of intervention into the open. When the vote on the non-intervention proposal came, Secretary of State Cordell Hull surprised many by agreeing to it. He reserved for his country only the vague right to intervene under treaty obligations.

By 1934, American troops had withdrawn from Nicaragua and Haiti, the final two places of occupation. In March of that year, Roosevelt signed a treaty with

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Cuba abolishing the Platt Amendment and the United States thus voluntarily agreed to relinquish its right to intervene in Cuba. Two years later Panama received a promise of non-intervention in treaty form. In 1938, Roosevelt aided in mediating an end to the Chaco War between Bolivia and Paraguay. Action had given substance to the ideal.

The events prior to 1938 added meaning if not urgency to the concept of mutual respect and outlook in the Western Hemisphere. Japan was ravaging Manchuria and the coast of China in the Far East. Hitler announced the rearming of Germany in 1935. Italy made war on an almost defenseless Ethiopia in the same year. The European powers took sides as Franco battled the Republican forces for control of Spain. Great Britain and France, both within and without the framework of the League of Nations, did little to restore peace and order. While not imminent, a general conflict seemed possible.

With economic recovery his main domestic goal and overriding problem, and the isolationism of the American people his frame of reference in foreign policy, Roosevelt set out for the Buenos Aires Convention in November of 1936. The American delegation had two goals. The first was to create workable
consultative machinery in the event that intra- or extra-continental disputes threatened the security of the hemisphere. The second was to get the nations involved to agree that a threat to the safety of one of them involved the security of the remainder.  

Roosevelt's speech to the delegates, stressing "vast armaments rising on every side" and the need for consultation resulted in a limited response. Argentina blocked the proposal for a permanent consultative body but the members did agree to meet if one or more of them were threatened. But Washington's achievement was not in this resolution. It was the American statement that it was renouncing unilateral intervention under any circumstances that stood it best in the long run. It is unlikely that any of the nations at Buenos Aires fully appreciated the threat the Axis powers posed for the future. So at this point, America's demonstrated willingness to respect completely the sovereignty of other nations probably did more to gain the ultimate cooperation of the Latin American nations than any resolution could have done. 


8 FDR speech before the Inter-American Conference for the Maintenance of Peace, December 1, 1936, pp. 559-60, in Nixon, ed., FDR and Foreign Affairs, Volume III.
The Good Neighbor Policy, Panama and the Canal

Theodore Roosevelt had forthrightly defined the relationship that an isthmian canal should have to the United States. "When that canal is built, it should be fortified and held by us, and in war it should be open to our warships and closed to those of any enemy." Roosevelt was to get his wish. The Hay-Bunau-Varilla Treaty of November 18, 1903 detailed not only the powers the United States would have over the envisioned canal but also over the newly independent Republic of Panama as well.9

By Article 1 of that treaty, the United States guaranteed the independence of Panama and agreed to maintain it. This gave Washington a pretext for intervention and Articles 2, 3 and 5 cemented the demise of Panama's sovereignty. Article 2 granted the United States "in perpetuity the use, occupation, and control of a zone of land" ten miles on each side of the canal except for the cities of Panama and Colon. The article went even further, however. The United States could

claim equivalent rights in any other lands or waters outside the Canal Zone if they "might be necessary for the construction, maintenance, operation, sanitation, and protection" of the canal.\textsuperscript{10}

Article 3 allowed "all the rights, power, and authority...which the United States would possess and exercise if it were the sovereign of the territory" over the lands and waters needed "to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power, or authority." By Article 5, Washington gained a monopoly of construction, control and maintenance of any transportation system traversing the isthmus. Roosevelt felt that it gave his country the right to exercise "the equivalent of sovereignty" in the Canal Zone.\textsuperscript{11}

In his 1903 annual message to Congress, Roosevelt said that "the means of transit across the Isthmus of Panama has become of transcendent importance to the United States." Article 126 of Panama's 1904 Constitution reflected the President's outlook. That

\textsuperscript{10}Diogenes A. Arosemena, \textit{A Documentary Diplomatic History of the Panama Canal} (Panama City: 1961), pp. 175-6. Hereafter referred to as \textit{A Diplomatic History}.

Article gave Washington the right to intervene anywhere in the Republic of Panama to preserve its independence and "to re-establish public peace and constitutional order in the event of their being disturbed." These two documents, the Hay-Bunau-Varilla Treaty and the Panamanian Constitution of 1904, governed relations between the two countries until 1936.¹²

In many instances, the United States attempted to further what it perceived to be the best interests of Panama and to be just in its dealings with that republic. But the onesided framework for the relationship proved to be unworkable. Panama's patriots were unable to accept the loss of sovereignty; its politicians were unable to resist creating imaginary threats to the canal so America would intervene in their behalf. So for over thirty years, Washington alternately appeared to be either the imperial oppressor or the neglectful ally of the nation it had created.

Throughout World War I, cooperation rather than disputation was the mode of relations between the two countries. With the end of the war, however, Panamanian hostility toward the United States increased. Finally, in 1926, authorities from Washington and Panama negotiated a treaty that would have restored at least a semblance of sovereignty to Panama. But the terms were far too nebulous for patriotic Panamanians and the treaty languished in the National Assembly. The attempt at pacifying Panama had failed and Hoover's sincere desire to improve relations was quickly dismissed.

Upon coming to office in 1933, Franklin D. Roosevelt, determined to reverse American policy, made two gestures toward settling Panama's grievances. First, he promised that American authorities would try to control smuggling from the Canal Zone into Panama, long a complaint of the merchants there. He also said he would look favorably on mediation of problems which had reached an impasse. The two statements did little to overcome an ingrained skepticism. Hull's statement on nonintervention at Montevideo and subsequent actions, however, tended to give credence to Roosevelt's protestations of a new policy. Yet it was not until 1936, when Washington agreed to replace
the Hay-Bunau-Varilla Treaty with a new one, that Panamanians could feel that the Good Neighbor Policy was something more than mere words.\[13\]

To be sure, the Hull-Alfaro Treaty of March 2, 1936 preserved strict control of the Canal Zone itself for the United States. But the more odious clauses about America exercising jurisdiction as if it were the sovereign were left out of the new treaty. The basic thrust of the document was to re-define the relationship between the United States and Panama in such a way as to remove almost all of the major Panamanian grievances with the 1903 treaty.

Articles II and VI dealt with America's right to take land outside the Canal Zone if authorities deemed it necessary for the defense and maintenance of the canal. By Article II, the United States renounced "the grant made to it in perpetuity by the Republic of Panama of the use, occupation and control of lands and waters...outside of the zone." Article VI omitted the phrase "by exercise of the

right of eminent domain" as regarded American activities in Panama. 14

There was, however, a hedge on territory outside the zone. "In the event of some now unforeseen contingency," if the United States needed lands or waters in addition to those already in use, the two nations agreed to agree "upon such measures as it may be necessary to take in order to insure the maintenance...and efficient protection of the Canal." 15

Article III increased the annual compensation to Panama from $250,000 to $450,000 annually, retroactive to 1934. Other provisions gave Panama the right to uninterrupted transit across the canal, nullified import duties on goods coming into the Canal Zone and gave Panama territory in that area to set up customs houses. That country also got the right to determine what persons could enter its ports, to examine merchandise in transit for customs purposes and to have equality of opportunity in making sales to vessels at terminal ports. In addition, the United States

14Department of State, Treaty Series Number 495 (Washington: 1939), pp. 2, 3 and 12.

15Ibid., pp. 4, 5 and 13.
agreed to increase surveillance of those suspected of smuggling American goods from the Canal Zone into the Republic of Panama.\textsuperscript{16}

The heart of the treaty, however, was Article X, which re-defined America's right to intervene in Panama. Formerly, Washington could intervene at any time it judged Panama's independence or the security of the canal to be in jeopardy. Now, in case of "an international conflagration" or the threat of aggression against Panama or the canal, the two governments would "take such measures of prevention and defense" as they thought necessary. But any such measures which affected territory under the jurisdiction of Panama would be "the subject of consultation between the two Governments." Theoretically, at least, the 1936 treaty terminated unilateral intervention. After thirty-three years of tutelage, Panama gained its sovereignty.\textsuperscript{17}

Speaking just after Pearl Harbor, Laurence Duggan said that "The most precious asset that the United States now has in the Western Hemisphere is the confidence and respect that one man of good-will has in another." Indeed, building on the respite Hoover had

\textsuperscript{16}Ibid., pp. 6-15.

\textsuperscript{17}Ibid., pp. 18-19.
given Latin America, Roosevelt, Hull, Welles and others managed to build up a reservoir of good will that held Washington in good stead during World War II. But in 1936 the job of forging hemispheric unity to meet the coming crisis was only half done.  

Roosevelt's statement at Buenos Aires that his country was adopting a stance of unqualified nonintervention was the capstone of the first phase of the new approach to Latin America. An especially poignant illustration that the policy was not mere words was the 1936 Hull-Alfaro Treaty. Policy makers were unanimous in their opinion that the Panama Canal was vital to the nation's security. Yet the United States had given up its right to intervene unilaterally in the land through which the canal took its course.

But nonintervention is an essentially negative policy. It gives only the illusion of sovereignty if the powerful nation does not deal with its weaker neighbors on a basis of equality. War exposes the

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strengths and weaknesses of national policy more than any other endeavor. And war was on the horizon. Japan plunged headlong in its conquest of China after 1937. Italy conquered Albania in 1938. Germany forced union on Austria in the same year. And then the democracies knelt before Hitler at Munich.

Roosevelt and others now recognized the Axis threat. The Buenos Aires resolution to consult now filled with meaning. Hemispheric unity, before just desirable, now became increasingly imperative. And unity required equality and reciprocity. The national interest demanded scrupulous adherence to the policy of recognition of sovereignty and acceptance of reciprocity. The United States would have to avoid the ever-tempting wartime expediency of the strong dictating to the weak. Given Latin American sensitivities, dictation spelled disunity. In the coming years, America could ill afford disunity. The test of a new policy, so essential and yet so different from the past, was at hand.¹⁹

¹⁹Men who worked with Roosevelt feel that the Munich Conference of September 1938, led him to a far more sober appraisal of the Axis threat. Hereafter, they contend, he was well aware of the potential danger to the Western Hemisphere and, ultimately, the United States. Samuel I. Rosenman, Working with Roosevelt (New York: 1952), and Robert Sherwood, Roosevelt and Hopkins (New York: 1948) are prime advocates of this viewpoint. James MacGregor Burns, Roosevelt, The Soldier of Freedom, 1940-1945, on the other hand, dates Roosevelt's real awakening with the fall of France in June of 1940.
CHAPTER I
MUNICH TO THE HAVANA CONFERENCE:
CLOUDS ON THE HORIZON

Preparations for Consultation

Samuel I. Rosenman, one of Roosevelt's trusted writers, said that "Munich convinced him (Roosevelt) that the foreign situation was heading to crisis, that it was far more important than the impasse in which New Deal legislation had bogged down." Yet Robert Sherwood, another writer and confidant, writes that these years were the heyday of isolationism, that "It was one crisis in Roosevelt's career when he was completely at a loss as to action to take." Desire to act but inability to do so, however, did not pertain to the Western Hemisphere.¹

In October of 1938 Roosevelt told a forum that "It is becoming increasingly clear that peace by fear has no higher or more enduring quality than peace by

the sword." Consequently the United States sampled Latin American sentiment as to organizing the Western Hemisphere against aggression, and found it favorable. The plan, then, for the upcoming Eighth International Conference of American states at Lima, Peru, was to let other nations take the initiative in matters of hemispheric defense. The American delegation would confine itself to issuing friendly generalities.²

Hull wrote the American delegates that recent events in Europe vastly increased the importance of the conference. But he instructed them to stress "above all, their (the other nations) material prosperity and their political security and that we entertain only friendly sentiments for them." The United States was not "to assume a role of leadership." Delegates were to "support only those proposals which would appear to be of common interest and which merit the unanimous approval of the American Republics." In short, since the other nations agreed with the United States, the latter should play a passive role and let the weaker

countries assert leadership. Washington thus could achieve its aims and also convince the other delegations that the United States wanted true reciprocity in its dealings with them.  

The conference approved resolutions on lowered trade barriers, (a favorite crusade of Hull and Roosevelt), political freedom and social justice. But the Declaration of Lima was its most significant and lasting achievement. That declaration affirmed the solidarity of the American republics in meeting aggression. And it went beyond the provisions of the Buenos Aires Conference in several ways. First, the delegates did not limit defensive cooperation strictly to peaceful measures. Second, the declaration seemed to be directed only at non-American threats. And finally, it set up a method for consultation. In the event that some occurrence threatened the hemisphere, the foreign ministers of all the American republics, excepting Canada, would meet to discuss joint action. Weaknesses in the resolution included the facts that there was no

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3 Undated instructions to delegates, pp. 53-4, FRUS, 1938, Volume VIII.
one agency to summon the foreign ministers and that cooperative defensive measures that came from consultation were to be entirely ad hoc in nature. The limitations were a small price to pay for unanimity.4

The need for consultation came quickly. Germany and Russia signed a non-aggression pact in 1939, securing Hitler's Eastern flank. This done, Hitler directed a "war of nerves" against Poland, with whom Great Britain and France had defensive alliances. The alliances held and appeasement died as the Stuka dive-bombers screamed over Warsaw on September 1, 1939. Two days later a state of war existed throughout Europe.

On September 3, Roosevelt declared American neutrality. But he said that the safety of the United States and the entire Western Hemisphere were bound up with the safety of the European democracies. September 8 brought a State of Limited National Emergency. The President then called for consultation among the foreign ministers of the American republics. Hull agreed, calling the war a definite "potential threat"
to the hemisphere. In this atmosphere, the diplomats met in Panama on September 23 to discuss a collective response.5

While Roosevelt feared Hitler, he still felt that the Allies could hold him at bay. So, from Washington's point of view, the primary reason for the Panama Conference was to keep the Americas out of war. Hull worried that extraneous proposals would divert the body from the task at hand and instructed his ambassadors in the hemisphere to "discourage discreetly any suggestions for the addition of questions" not pertinent to the conference. His fears were unfounded.

The chief desire of the foreign ministers was to keep their nations out of war. Toward that end, the Declaration of Panama set up a neutrality zone three hundred miles in width around all the American republics except Canada, now at war with Germany. The delegates also agreed to set up neutrality patrols to prevent and report violations. Welles believed that the neutrality zone would not only keep the hemisphere

out of war, but would help the Allies by enabling them to shorten protective patrols in the Atlantic.\(^6\)

An important but secondary question on the agenda was how to deal with economic dislocations the war was expected to produce. To solve anticipated problems in this area, the ministers formed an Inter-American Financial and Economic Advisory Committee. Each nation would send one representative to this permanent consultative body.

It was a wise response. In May of 1940 Assistant Secretary of State Adolph A. Berle wrote Hull that, if Germany comes to dominate Europe, "we must expect that German-dominated trade delegations will appear in various Latin American countries...for the purpose of working out barter arrangements. If done country by country, Germany might come to control the economies, and eventually the foreign policies, of important Latin American republics." A continuation of a united front approach, he counseled, was essential.\(^7\)

\(^6\)Hull to Chiefs of the Diplomatic Missions, September 6, 1939, p. 21, and Welles to Hull, September 28, 1939, p. 31, \textit{FRUS}, 1939, Volume V; and National Archives, 740.00111 A.R./508, October 3, 1938, Declaration of Panama.

With the fall of France in June, Berle spoke with more urgency. The cutting off of Europe, and therefore one-half of Latin America's export market, was sure to cause widespread economic distress. Again, he and Welles spoke out for strict adherence to a common front.

A State Department memorandum pointed out that Latin America had exported $1.07 billion in goods to Europe from 1936 through 1939. For nations heavily dependent on one crop (such as coffee, meat or sugar) loss of a market might mean economic disaster. There was the definite possibility of Germany moving in to purchase the surpluses and thereby exerting a controlling influence on these mono-export nations. The United States could approach the problem in one of five ways: purchase the material itself; stimulate greater inter-American trade; help Latin Americans to diversify their economies; persuade the nations to limit production; and finally, convince the American nations to stockpile crops and other material.  

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8 Emilio G. Collado, Division of American Republics Memorandum, June 10, 1940, p. 361, FRUS, 1940, Volume V.
Roosevelt and Hull wanted to stimulate diversification by creating an Inter-American Bank, but the Senate kept the bill in committee until President Harry S. Truman withdrew the proposal in 1947. Thus, at the time when Germany came to control much of Europe, the United States remained undecided on the method of dealing with economic dislocation in the Western Hemisphere. All that was decided was that effective measures would involve the multilateral approach.9

Speaking on the defense of the Americas in the spring of 1940, Berle said that tricks and shifting alliances were out of the question. Hemispheric defense was to be based on "the endless and often unspectacular work of so handling the relations of the American family of nations that they shall be secure, independent, and free, both in their economic and political life." It was a fair assessment of American policy up to that time.10

9Ibid., Hull to Roosevelt, July 3, 1940, p. 347.

10Berle to Herald-Tribune Forum, February 15, 1940, p. 166, DSB, Volume I, 1940, Number 34.
To the Joint Board of the Army and the Navy at the end of 1938, only one of the five Rainbow War Plans, the one envisioning a Japanese attack, seemed relevant to the Hemisphere. A five-month study ended in April of 1939 concluded, with respect to the Atlantic situation, that the threat to the Western Hemisphere was neither military nor immediate. But what disturbed planners most was the eventual possibility of the Americas confronting Europe and Asia dominated by the Axis powers. The scenario had Germany and Italy encroaching economically and politically on certain Latin American nations until they had reduced them to subservient status. Then they would demand military bases, especially in the Natal area of Brazil. From there, the Axis powers would branch out until the Panama Canal was in range.

And indeed, there appeared to be considerable justification for these fears. Sherwood says Roosevelt believed Latin America crawled with fifth column movements and propagandists from, or supporting, Germany and Italy. Berle spoke publicly of these conspirators propagandizing in an "attempt to organize groups within the countries for the purpose of influencing or
dominating their policies." But a major effort to combat Axis activities in specific countries such as Brazil or Argentina ran the risk of seeming unneutral and of offending countries who felt that control of aliens and their activities was not the task of the United States.11

The Joint Board more properly concerned itself with plans to combat conceivable military aggression. For the present, however, domestic considerations limited preparation to the drawing board. In theory, the Alaska-Hawaii-Panama-Puerto Rico line constituted the outpost perimeter for defense of the "main position," the continental United States. Roosevelt, and certainly the Army and Navy Departments, were insistent that American forces repulse an aggressor far at sea. So the primary function of these outlying bases was to protect naval installations, needed to give the fleet freedom of action. Of all these bases, Panama was the most important. The Joint Board report of May 1939

described the canal as "the Keystone in the defense of the Western Hemisphere." 12

The Air Board Report of June 1939 concurred. It advocated giving Panama the greatest overseas air strength of any base. The theoretical missions of this augmented force were two. Defensively, it would prevent another nation from bombing the canal. And offensively, it would deny a hostile power the ability to construct an air base within bomber range of the canal. 13

So when war broke out in 1939, the emphasis of American planners was on hemispheric defense. It did not change in any essential way. Although the War Plans Division recognized the possibility of a two-front war, the men involved felt that Great Britain and France would be able to hold their own against Germany and Italy.

The Army assumed it would have 280,000 men at its disposal in case of emergency. It foresaw the potential use of three expeditionary forces: one would go to the


Natal area of Brazil, one to the west coast of South America, and the final division would remain in reserve. If the War Plans Division suffered from strategic myopia, it was due more to shortage of funds than a lack of vision.\[14\]

In the canal area, the war in Europe stimulated a flurry of action. On September 5, 1939, Roosevelt issued a neutrality proclamation concerning the Canal Zone. Belligerent ships could remain in its waters for only twenty-four hours, including transit through the canal. No one belligerent could have more than three ships in the area, although up to six were allowed if three of the total were in transit through the canal. No troops or munitions could leave their ships. No belligerent aircraft were allowed in Canal Zone airspace. And finally, ships could make repairs in the Canal Zone only if the United States approved. In addition, Canal Zone authorities could inspect any vessel, put guards on it during transit or take control of it for the duration of passage through the canal.\[15\]

\[14\]Ibid., pp. 27-8.

\[15\]Press Release, September 5, 1939, pp. 213-14, and Executive Order Regulating Passage of Vessels through the Panama Canal, p. 216, DSB, Volume II, 1939, Number 11.
In October, Roosevelt released regulations governing flights over the Canal Zone. All foreign countries had to make prior application to the Secretary of State, giving the itinerary and purpose of the flight. It set the maximum number for a flotilla at twelve and specified that they use commercial air lanes. It also forbade transit of weapons larger than small arms, required that cameras be covered and designated proper landing areas and procedures.16

One year before the outbreak of the European War, Roosevelt had noted that the defenses of the canal had improved tremendously in the previous three years. "We are getting airplanes and submarines and antiaircraft guns and various other things, to make reasonably certain that in case of war...we shall be able to maintain the link of the Panama Canal" between the two oceans. Yet when war came, the defenses were not ready.17

Testifying before the House Military Appropriations Committee in June of 1939, Major General Gordon Craig, Commanding General of the Canal Zone, told the

16Ibid., Press Release, October 10, 1939, p. 232, Number 16.

members that although Panama "is the Keystone in the defense of the Western Hemisphere and must be made impregnable," there were only half as many men as needed to man admittedly inadequate coast artillery. He estimated that an increase of 6,400 enlisted men would bring the number up to the minimum needed and thereby free "mobile land, sea, and air forces for the performance of their regular missions."\textsuperscript{18}

In August of 1940 Representative J. Parnell Thomas of New Jersey reported on the defense of the canal. After giving the armed forces the mandatory commendation about doing the best they could with what they had and praising the morale of the troops, Thomas listed the defects. The Army lacked quantity in men, searchlights, and coast artillery and quality in modern infantry weapons. Thomas was more than a politician out to gain points by attacking the military. When war came to the United States, Canal Zone commanders would confess to the same.\textsuperscript{18}

\textsuperscript{18}The Congressional Record. Volume 84, 76th Congress, June 21, 1939, House of Representatives, p. 7644; and Volume 86, 76th Congress, August 19, 1940, House of Representatives, pp. 5099-5100.
But what military authorities felt would contribute most to the continued use of the canal in an emergency was a third set of locks. A May 1936 Act of Congress had empowered the Governor of the Canal Zone to investigate ways of increasing the canal's capacity and providing for better defenses. Using the report as a guide, in August of 1939 Congress authorized $277 million "for the construction of additional facilities in the Canal Zone for the defense of the Panama Canal and for increasing its capacity." As Canal Zone Governor Colonel Clarence S. Ridley saw the situation, that meant building an additional system of locks and constructing by-pass channels to connect the new set of locks with the existing canal. The challenge to this view came quickly.  

Senator Kenneth McKellar of Tennessee had long felt that a Nicaraguan canal would provide much better protection for the fleet than a third set of locks. Because, he said, an isthmian canal was the most strategic point the United States could possess, he

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introduced a bill authorizing $200 million for a Nicaraguan canal. He gave three reasons. First, he was "fearful that at some time the Panama Canal may be destroyed by enemy forces." Second, a Nicaraguan canal would be 600 miles closer to the United States and wouldn't require an elaborate treaty like the Panamanian one. And finally, he said, the present canal would be too small for battleships of the future.  

In the House of Representatives, Mr. Edward V. Izac of California led the fight against the third locks proposal. He asserted that the canal was really indefensible and that the $277 million would just create "better eggs in the same basket." His solution was the same as McKellar's. Representatives Leo E. Allen of Illinois and Roy Sandager of Rhode Island led the defense. They contended that the present canal was safe from air attack but not from sabotage. A third set of locks would not only provide an alternate route in case of sabotage but could accommodate larger ships. Sandager also challenged the $200 million figure that

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Izac quoted. The latter then admitted it would probably cost far more but said this additional security made the investment worthwhile.\textsuperscript{21}

The depression complicated the whole matter. It entered the debate in the form of the issue of the use of alien labor to build the third locks while so many in the United States were unemployed. The House quickly defeated a resolution to the effect that Americans be imported to do the work. But Senator John A. Danaher of Connecticut remained adamant. As finally passed, the third locks bill stipulated the use of American labor. Roosevelt signed the bill because it "will enhance not only our own security but that of this hemisphere as well." But he said that the resolution requiring American labor was at variance with the 1936 treaty and asked Congress to amend the bill during the next session.\textsuperscript{22}

The August 11 bill did not settle the issue. When Congress met in 1940, critics jumped to the fore.

\textsuperscript{21}Ibid., Volume 84, Part 10, 76th Congress, August 1, 1939, House, pp. 1938-9, 1026-28, 10722, and 10732-33.

\textsuperscript{22}Ibid., August 3, 1939, Senate, pp. 10925-26; and Rosenman, The Roosevelt Papers, August 11, 1939, p. 443.
Representative J. Buell Snyder approved the $39 million being mentioned as the sum necessary to improve defenses of existing facilities. He felt, however, that since the third locks program would not reach fruition for six years, the project begged further study. From his point of view, the new locks would be too close to the old ones. Francis Case of South Dakota ridiculed the present program and opined that bases far at sea were the answer. With such air and naval bases, no enemy could get close to the canal. Employing a half-truth, he quoted Assistant Chief of Staff, War Plans Division, General George V. Strong, as saying that the United States did indeed need bases far out to sea.23

Schuyler Otis Bland of Virginia answered the challenge. He based his rebuttal on a Navy Department letter containing the recommendations of Governor of the Canal Zone Clarence Ridley. Bland said Ridley's recommendations were not new, but that in view of the delays he had requested and received the latest armed forces policy views. In the letter, Ridley contended

that adequate defenses for the Canal Zone would cost only one-third of those for a Nicaraguan canal and would take six fewer years to construct. The greatest danger was from sabotage, not air raids. A vessel blown up in one of the locks would cause far more damage than any air attack. And this was precisely why the United States needed locks that weren't contiguous to the present ones. Also, if America had the third locks, no one but our Navy could use them "in time of war or even if an emergency were remotely possible."24

Bland then quoted General Ridley on urgency. "After conditions in Europe developed, it became necessary to proceed more rapidly. This third-lock project became a national defense feature more than a commercial feature, and it was necessary to speed it up." Bland also pointed out the unanimity of the armed forces on this matter and that the Committee on Merchant Marine and Fisheries had reported favorably on the third locks. Powers of New Jersey responded with familiar arguments about labor and the War Department

24 Ibid., p. 2134.
having too much power and money to spend. He added some­what spuriously that General Ridley's plea for urgency was invalid since hostilities had commenced already.²⁵

The third locks proposal thence reverted to the planning stages while already appropriated construction proceeded apace. With constant delays, completion came too late to aid the World War II effort and then the controversy over the desirability of a sea-level canal and consequent assumptions about the lack of need for an isthmian canal in the nuclear age made them irrele­vant to strategic thought.

The end of the 1939-1940 "phony war" and Germany's sweep through the coastal nations of Western Europe ended any chance that there would be a viable hemispheric defense strategic plan for the future. The defeat of France led the American military establishment to the conclusion that Germany would do likewise to Great Britain. This destroyed the basic assumption upon which the War Plans Division had predicated hemispheric defense; that assumption was that Britain would control the Atlantic.

²⁵Ibid., pp. 2166-67.
Roosevelt and the State, War and Navy Departments now faced a two-front war. And though unfounded, they thought Hitler had military plans for the Western Hemisphere. On May 22, 1940 the War Plans Division adopted a new scenario. It predicted Nazi-inspired revolutions in Brazil and Mexico, and Japan making war upon the United States in Asia and the Pacific. Then Germany and Italy, having made short shrift of Western Europe, would turn on the Americas after establishing bases on the coast of West Africa.26

A joint Army-Navy memorandum for Roosevelt, entitled "Basis for Immediate Decisions Concerning the National Defense," urged a particular course of action. If Germany secured the French fleet intact, the United States would go on the defensive in the Pacific and move its major naval units to the Atlantic. This country would also cease giving aid to Great Britain until January 1941 when the fate of that island would be apparent.27


27 Ibid., pp. 36-7.
In the Western Hemisphere, the United States would engage in five ventures. First, we would occupy French, Dutch and Danish possessions. Second, troops would occupy strategic positions in the Caribbean, Central America and the Natal area of Brazil. Third, we would use armed force to sustain existing non-fascist governments. Fourth, selected Latin American nations would receive munitions. And finally, we should adjust economic relations between ourselves and Latin America with the utmost rapidity.28

On July 27, Roosevelt received and approved a War Plans Division memorandum which the State Department had revised. It set our hemispheric arms policy for the remainder of the war period. Mexico and Brazil would get enough munitions to defend themselves "against a major Axis attack from neighboring states, or from overseas, and against internal disorder, until United States armed aid can arrive in sufficient quantity to insure success." The Caribbean and Central American republics had only the task of preserving internal

stability. The remaining nations would receive arms after the others had enough strength to carry out their roles. 29

Providing arms to these nations was a difficult decision for the State Department. The Good Neighbor Policy championed hemispheric disarmament. Countries always seemed to be using arms for purposes other than the legitimate one of self-defense. Arms made for wars among nations, instability and revolution, and often for the repression of the people they were meant to protect. But in June of 1940, the Department's policy yielded to the greater threat. Roosevelt approved the new policy and the diplomats and warriors began hammering out procedures for bi-lateral consultation with the Latin American republics. 30

But if the United States was to furnish arms, then "The desired cooperation requires that the armed forces of other American republics should not only be trained in our methods and understand our plans and points of

29 Memorandum, July 27, 1940, p. 12-13, FRUS, 1940, Volume V.

30 Ibid., Welles to FDR, June 1, 1940, p. 7; and Welles to the American Ambassadors in the Latin American republics, June 15, 1940, p. 11.
view, but their officers should be brought into intimate contact with our officers." And, as many of these Latin American governments suffered from empty treasuries, the United States would finance the operation.

For the time being, at least, the State Department held the final word on arms shipments. Foreign nations were to make their requests first to the State Department Division of Controls. If the chief of that division found the requests "consonant with United States foreign policy aims," the representative would go through Army Intelligence and the Army and Navy Munitions Boards, which were to conduct the negotiations. Hull was then to review the requests a final time and pass judgment on their desirability. On July 11, he sent out instructions to inform the Latin American republics that the United States would begin holding bilateral talks starting in August.31

The other terms of the five-point plan presumed, in an emergency, a minimum of consultation. Or at the least, they seemed to foreshadow a multitude of bi-

31Ibid., Hull-Woodring Memorandum, March 12, 1940, p. 1-2; and Welles to FDR, June 21, 1940, p. 18.
lateral agreements. But this precluded what the State Department had worked for during the last eight years. Without hemispheric unity, patchwork agreements might easily lead to disaffection and provide fertile ground for Nazi-inspired uprisings. Adolphe A. Berle, reflecting State Department sentiment, said that, "the solid necessity is not one of setting up new legal and diplomatic conceptions, but of having arrangements made looking toward hemispheric defense. This ought to include conferences relating to military and naval cooperation." He added that while only the United States had the wealth and industrial might to implement these decisions, all the Latin American nations ought to agree upon them first. For the diplomats, the fight to preserve the multilateral approach came to be a war within a war.32

So as the hemispheric statesmen pondered their own problems and anticipated the defeat of Great Britain and a German move toward Gibraltar and thence to the jumping off point in North Africa, they arranged

to meet in Havana, Cuba late in July to consider action. Even if policy makers had not correctly perceived the immediate intentions of the Axis powers and even if Britain held on, the Americas had to plot some course through the future. For the war was closing in on the Western Hemisphere in other ways. The German pocket battleship "Graf Von Spee" had violated the neutrality zone near Uruguay in December of 1939 and the British had followed suit to trap it. But this was only the most spectacular of many infractions. A unified response was imperative.

For American statesmen, however, the frame of reference for the war had changed. If possible, the United States would avoid conflict. But that could be the guiding assumption no longer. The simple truth was that a peaceful hemispheric existence in a world ravaged by the Axis powers was not possible. The Havana Conference, in a sense, was a collective recognition of this fact.
Dealing with Panama

The depression and chronic financial instability of the Latin American countries spawned one of the major problems American policy makers faced in the 1930's. The speculative decade of the 1920's had created a tremendous debt to American investors. The depression reduced most nations' ability to service these loans. By 1934, Central and South American nations had defaulted on over $1.5 billion of United States bondholder's investments. Panama had defaulted on $91,878,100 and had $14,453,500 in default of interest. Demands for adjustment led to the creation of a Foreign Bondholders Protective Council in 1933. Vigorous negotiations throughout Latin America followed. Washington, ever solicitous of good-will and foreign markets to help the United States out of the depression, often steered the negotiations into a path judged by the bondholders to be more than equitable to the debtor nations.\(^{33}\)

\(^{33}\)J. Fred Rippy, *Globe and Hemisphere* (Chicago: 1958), pp. 62-66. Even after revision of the 1903 Hay-Bunau-Varilla Treaty, the balboa remained linked to the dollar and the two were still interchangeable and at equal value.
Under pressure from American banks and public utilities companies, the Panamanian National Assembly, in October of 1938, decided to issue 6 million balboas "guarantee bonds" bearing interest at three percent and maturing November 1, 1938. Panama would then use the proceeds to purchase the bonds, in default, from American bondholders. The State Department objected on two counts. First, American banks and utilities seemed to be forcing Panama to accept a loan from them to purchase the defaulted bonds. And second, due to the stipulations of the loan, it would amount to a reduction of the interest rate upon the defaulted loans. Both went against United States policy and Welles warned it could lead to enough agitation in the Senate to defeat the pending 1936 treaty.34

Hull advised leaving an aide-memoire with Foreign Minister Narcisco Garay, informing him that, due to rapidly moving events, American interests had not had time "to consider its bearing on their respective enterprises." Actually, Hull had been telling the

34 Flexer to Hull, October 10, 1938, p. 180, and Hull to Flexer, October 20, 1938, p. 811, FRUS, 1938, Volume V.
banks to halt the forced loans. He pointed out that the Securities and Exchange Commission had just vehemently attacked the redemption of bonds at a discount in the United States and said the State Department would not countenance a different policy abroad.\textsuperscript{35}

Then, since the banks forcing the loans had branches in the Canal Zone, Hull instructed the charge to tell Garay that American policy assumed the recently enacted bill was not "applicable to deposits payable at a branch or agency of an American institution when such branch or agency is located in the Canal Zone." At first glance, it appears that the State Department was trying to block a settlement which would have benefited Panama by paying off the old debt by contracting a new one with a lower interest rate. Actually, Washington was holding out for a settlement more favorable to Panama and one which would not tie it to American banks again.\textsuperscript{36}

\textsuperscript{35}Ibid., Hull to Flexer, October 24, 1938, p. 815.

\textsuperscript{36}Ibid., Hull to Flexer, October 28, 1938, p. 816.
Panama, however, felt itself in a quandary. According to American policy, it could neither default on the loans nor make a settlement. The Foreign Office responded by placing blame on the United States. Panama had resorted, it said, to the redemption of bond issues at depreciated prices because of the "failure of the United States to pay Canal annuities since 1933." Consequently, the constitutional fund for repaying debts lacked the capital to make a settlement. In reality, the United States had been paying $250,000 annually to Panama. Garay was referring to the failure of Congress to pass the 1936 Hull-Alfaro Treaty, which set the annual payment at $450,000 annually retroactive to 1933. In addition, Garay maintained, Washington had paid in dollars, not gold, and due to Roosevelt's devaluation of American currency, this robbed Panama of even more repayment power.37

Then too, when Canadian and British banks pulled out of Panama to force a settlement, the American banks involved began to curtail credit to Panama. This meant Panama did not get "the necessary credit for conduct of the mercantile operations from which the government derives a substantial portion of its revenues." Chase National Bank and the National City Bank of New York offered to resolve the credit impasse by establishing branches in the Canal Zone. The Federal Reserve Board ruled it legally permissible and the War Department favored the measure as a way to head off potential unrest. The Minister to Panama, on the other hand, advocated giving that republic the amount of accumulated credit for the annuities so that the United States could escape blame.\(^{38}\)

After the Senate ratified the Hull-Alfaro Treaty in mid-1939, Francis White, President of the Foreign Bondholders Protective Council, told Laurence Duggan of the Division of American Republics, that the United States should give all retroactive annuity payments to

\(^{38}\)Hull to Flexer, November 5, 1938, p. 818, and Corrigan to Hull, November 21, 1938, p. 819, *FRUS*, 1938, Volume V.
the Chase National Bank, which was now acting as fiscal agent for the group. He later reiterated to Hull his proposal that the entire $860,000 go to the New York bank. The State Department replied that when it gave the annuities to Panama, its task ended.

White persisted that the additional annuity money could be used legally for repayment by the United States under an obscure article of the new treaty. Berle rebuffed him with the argument that "$250,000 of the new annuity is equivalent to the former annuity and that the excess over that amount is intended as an additional grant to Panama made in consideration for grants made to the United States in the Treaty of 1936."  

The Panama contingent of the Foreign Bondholders Protective Council henceforth accepted the new approach to Latin America. It was clear that the State Department would not intervene on their behalf to secure undue recompense for their lost investments. Panama was most appreciative, especially when the bondholders agreed in the ensuing years to a greatly reduced principle and

39Duggan Memorandum, September 21, 1939, p. 752; White to Hull, September 26, 1939, p. 753; Berle to White, October 5, 1939, p. 754; and Berle to White, October 27, 1939, p. 757, FRUS, 1939, Volume V.
interest schedule. As of January 1945, the Council listed Panama in default of $15.6 billion with only $1.2 billion in default of interest.40

Another outstanding problem was the status of Panamanian labor in the Canal Zone. The 1903 Hay-Bunau-Varilla Treaty defined two categories, the "gold" and "silver" roles as they came to be called. Those on the "gold" role supposedly had more technical skills, received higher wages and were predominantly United States citizens. Those on the "silver" role did the menial tasks, got lower wages and were Panamanian with a mix of men from the Caribbean republics.

By 1904, it was a source of discontent to Panamanians. It remained so through the years. The Government of Panama had two main objections to the classification. The first concerned the wage differential. The standard American answer was that wage equality would result in creating a class of Panamanians who received wages vastly out of proportion to those without jobs in the Canal Zone, lead to disgruntlement of the

40Rippy, Globe and Hemisphere, p. 64.
majority and stimulate unnecessary inflation. The second objection was that the United States did not train more Panamanians in the technical skills necessary to go on the "gold" role. Washington's stock reply was that it would try harder.

The labor issue usually became prominent in periods of intense anti-Yankeeism or when America was apparently in a conciliatory mood. The years after the signing of the 1936 treaty were of the latter variety. What really initiated the new crisis, however, was the provision in the third locks bill that required the War Department and its contractors to hire only Americans. Garay wrote Ambassador William Dawson that on top of the present inequities, the new bill has "caused a painful expression here as excluding Panamanians from desirable employment." He added that it seemed to him and President Juan Demostenes Arosemena as contrary to both the letter and spirit of the 1936 treaty. Roosevelt, of course, felt the same, but had signed the bill on grounds of national security. 41

41 Dawson to Hull, August 5, 1939, p. 749; and Roosevelt's comments on signing House Resolution 5129, August 11, 1939, p. 751, FRUS, 1939, Volume V.
Roosevelt met President Augusto S. Boyd, the new Panamanian chief executive, aboard the U.S.S. Tuscaloosa on February 27, 1940 to discuss relations and to try to assuage the latter's sensitivities. Boyd said he desired three things: equality for his countrymen in hiring and wages; equality of opportunity for employment in the third locks project; and that the United States hire fewer blacks from Jamaica and the West Indies. Indeed, to keep competition out of Panama, the National Assembly had passed a bill in late 1938 prohibiting immigration visas to Chinese, Japanese, Middle Eastern ethnic groups and Negroes whose language of origin was not Spanish. But these promises did not cover the Canal Zone and Boyd desired some sort of satisfaction on American employment practices. Neither head of state was entirely successful in achieving his objectives.\textsuperscript{42}

But Roosevelt and the State Department were anxious to appease Panama. Duggan outlined the department's three major objections to the third locks bill

\textsuperscript{42}Duggan to Berle, March 5, 1940, 811F.504/238; and Corrigan to Hull, RG59, December 28, 1939, 819F.504/238, National Archives.
on March 16. First, the employment provision ignored "the legitimate interests and aspirations of Panama" and the fact that "the cooperation and good will of Panama are essential to the effective defense of the canal." Secondly, he noted the broader considerations "of hemispheric defense in which we are solidly joined by the other American republics." Duggas said they would watch the manner in which we fulfill our pledges and "be shocked should we, on account of domestic issues, fail to keep the faith." And finally, if nations near the canal lost trust in our work, their cooperation in defending it "could go up in smoke."\(^{43}\)

In June of 1940, Hull instructed Dawson to try to dampen sentiment by pointing out to Garay that the State Department and Roosevelt "have been unceasing in urging upon Congress legislation that will give Panamanians a better chance for employment in the third locks project." But it was not until late 1940 and early 1941, when the manpower needs for wartime industrial and military mobilization became apparent, that the provision on American labor gave way to necessity. The other grievances remained.

\(^{43}\)Ibid., Duggan Memorandum, RG59, March 16, 1940, 811F.504/238.
And then, while the State Department was extolling the efficacy of non-intervention and as Hitler's armies marched through the low countries and France, threatened civil strife drew the United States toward involvement in Panama's internal affairs. That the coming June, 1940 elections should have occasioned considerable political maneuvering was expected. The first to declare for the Presidency was Arnulfo Arias, a rather dashing figure with extreme nationalistic tendencies. By November of 1939, four major Panamanian parties had pledged support to him.¹⁴⁴

Then in late November came the news that President Arosemena's health was failing. Augusto S. Boyd, as First Designate, was in line to become President for the remainder of Arosemena's term. The followers of Arias, called "Arnulfistas," however, were said to be planning to prevent Boyd's return from a visit to the United States and to overthrow the existing constitution. Appraised of the situation, Welles wrote Dawson that "in view of the present world situation...any political disturbance or alteration of constitutional

¹⁴⁴Ibid., Dawson to Hull, RG59, November 17, 1939, 819.00/1957.
government...would present a very serious problem to this Government in connection with the safeguarding of the Panama Canal." He advised no course of action.\(^5\)

On December 16, Arosemena died and Second Designate Ezequiel Fernandez Jaen became "temporary Provisional President." The police took special precautions, although Panama remained calm. Then amidst rumors that the "Arnulfistas" would not condone Boyd's return, the intimation spread that the First Designate had the moral support of the United States. Washington put a bomber, for transportation purposes, at Boyd's disposal and did nothing to suppress the information. When Arias complained of unequal treatment, American military authorities refused to see him. Dawson reported that this snub broke the back of resistance to Boyd's return.\(^6\)

To oppose Arias, whose enemies called him a fascist, Dr. Ricardo J. Alfaro, whose enemies called him a communist, returned from Mexico for the election.

\(^5\)Ibid., Welles to Dawson, RG59, November 19, 1939, 810.99/1957a.

\(^6\)Ibid., Dawson to Hull, RG59, December 18, 1939, 819.00/1974.
He arrived on January 24, 1940 and went by train to Panama City. A huge demonstration for him turned into a brawl, which the "Arnulfistas" labelled as communist-inspired. Alfaro's supporters claimed that police-protected hecklers precipitated the conflagration.  

Alfaro's men, the "Alfaristas," asked Dawson on February 12 to have the United States disarm the police and supervise the election. Dawson said he would consult his home office. Hull wrote that Washington was "bound and determined by policy" not to intervene directly or indirectly in Panama's affairs. "Therefore, the supervision of the forthcoming elections or the disarmament of the National Police in connection with those elections are out of the question." 

In March, at the request of Arias and with the consent of President Boyd, "Arnulfistas" formed a 600-man National Civil Guard whose open aim was to support "the present administration and the candidacy of Dr. Arias." Many minor government employees joined the organization and, although not organized along military lines, the police armed its leaders.

47 Ibid., Dawson to Hull, January 29, 1940, 819.00/1987; and Dawson to Hull, RG59, 819.00/1986.

48 Ibid., Dawson to Hull, RG59, February 12, 1940, 819.00/1991; and Hull to Dawson, February 20, 1940, p. 1091, FRUS, 1940, Volume V.
Drawing a lesson from the Boyd affair, the "Alfarista" newspaper, *El Pueblo*, attempted to convince Panamanians that Alfaro was the choice of the United States. The paper ran articles under a fabricated Washington dateline to lend authenticity to its claims. The gist of its propaganda was that America was following the campaign with concern, supported Alfaro, might suggest the disarming of the police and that the War Department and New York financial circles would look disapprovingly on an Arias victory.49

In the middle of April, President Boyd came out openly for Arias. He took the latter on semi-official trips into all the provinces and declared the whole nation was behind Arias. Alfaro, with no money to support radio stations or effective daily newspapers, more and more took the approach that the government was interfering with his campaign. Possibly to counteract the impression that he was a "stooge" of the Boyd Government, Arias turned stridently nationalistic in his pronouncements.50

49 Dawson to Hull, March 18, 1940, 819.00/1999; and Dawson to Hull, RG59, April 3, 1940, 819.00/2001, National Archives.

50 Ibid., Dawson to Hull, April 9, 1940, 819.00/2001; and Dawson to Hull, RG59, April 13, 1940, 819.00/2006.
Increasingly, the United States became the focal point of the campaign. With Alfaro claiming American support and Arias trying to shuck his Boyd-chosen image, the "Arnulfista" press began to attack Alfaro and his stance bitterly. An incident, which back in March had drawn little attention, now leaped into the headlines. On the second of that month, American sentries had wounded two Panamanian policemen who had wandered off limits and became belligerent about their rights. The "Arnulfista" press now judged this incident an insult to Panama and accused Alfaro of betraying his own nation's police by letting himself become the political tool of the Americans. Simultaneously, the United States Army suddenly became the purveyor of lax morals, vile habits and poor discipline.51

Dawson's irritability clearly increased. He called the attack on the Army "one of the most scurrilous, basest, and most uncalled for libels...that could be imagined." And he reported that fascist organizations were lining up behind Arias. As far as the Ambassador

51Ibid., Dawson to Hull, RG59, April 20, 1940, 819.00/2007.
could tell, however, Arias himself was without blame.

Rumors spread that violence was imminent. Arias had the clear backing of the National Police and his own 800-man paramilitary organization. As instances of these groups breaking up "Alfarista" rallies increased, Alfaro supporters charged that such repression justified their arming themselves and resorting to violence if necessary. With both Arias and Alfaro suspiciously denying knowledge of clearly evident activities on the part of their cohorts, Dawson wired Washington for instructions on how to handle an insurrection.

With the elections only two weeks away and the chance of violence increasing, Hull outlined American policy to Dawson. First, military authorities were to admit all Americans to the Canal Zone and, above all, not let the disorder spread into that area. Second, the Army was to admit foreigners to the zone if they gave up their arms and submitted to voluntary internment for the duration of the hostilities. Third, if the

\[52\text{Ibid., Dawson to Hull, April 20, 1940, 819.00/2007; and Dawson to Hull, RG59, April 26, 1940, 819.00/2011.}\]

\[53\text{Ibid., Dawson to Hull, April 20, 1940, 819.00/2007; Dawson to Hull, April 26, 1940, 819.00/2001; and Dawson to Hull, RG59, May 4, 1940, 819.00/2020.}\]
canal or its safety appeared to be endangered, Washington would consult with the Panamanian Government directly. Finally, the Army could take no specific action outside the Canal Zone until it received instructions from both the War and State Departments. 54

On May 25, Alfaro removed the danger of conflict. He asked his supporters to boycott the polls and fled to the Canal Zone with a few close friends. Less favored adherents sought protection from reprisals in the jungles of the interior. With opposition to Arias removed and his paramilitary organization disbanded, the elections were entirely peaceful. Arias got 107,759 votes and Alfaro 3,022. Dawson felt that an entirely free election would have been much closer but with the same outcome. 55

More than internal difficulties plagued the State Department. While overt Axis political activity did not come to the fore until 1941, Japan, Germany and Italy had made their presences felt in Panama long before.

54 Ibid., Hull to Dawson, RG59, May 13, 1940, 819.00/2020.

55 Ibid., Dawson to Hull, June 2, 1940, 819.00/2047; Dawson to Hull, June 4, 1940, 829.00/2048; and Dawson to Hull, RG59, Undated, 819.00/2065.
When Japan began plying Panama's territorial waters ostensibly for the purpose of fishing expeditions in early 1938, Panama retaliated by restricting fishing in its waters to Panamanian citizens. Tokyo, in turn, seized three small Chinese-owned vessels of Panamanian registry. Panama thence forbade either nation to take out vessels in its registry.\footnote{Ibid., Corrigan to Hull, January 25, 1938, 819.628/42; and Corrigan to Hull, RG59, February 1, 1938, 819.628/44.}

At an economic display in connection with the Fourth Central American and Caribbean Olympic Games in Panama City later in 1938, Japan had by far the most imposing and extensive exhibit at the exposition. A special representative of the Exporter's Association of Japan was present, and travel firms displayed a plethora of tourist propaganda. In addition, the Nippon Trade Agencies sent out feelers to the Arosemena Government about Japan establishing a permanent sample display in Panama. Immigration statistics showed Japanese departures exceeding arrivals, with only those with a specific mission staying.\footnote{Ibid., Consul General Dudley G. Dwyre to Hull, Sample Exposition/1, February 28, 1938, 819.607; and Fayette J. Flexer to Hull, RG59, May 24, 1938, 819.5594/14.}
In May of that year charge Fayette J. Flexer discovered German interests negotiating with a Swedish company for the purchase of a 5000 hectare tract surrounding Pinas Bay and two other islands. The offer was for more than $30,000, which seemed inflated. An investigation demonstrated that the area had no agricultural potential, so the embassy asked the Swedish concern to see if the company was merely a screen for the German Government.  

General George V. Strong of Intelligence Division of the War Department G/S advocated buying the land to keep the Germans out. He said that during World War I, Germany had used the area as a radar base for directing naval activities against the Allies until Great Britain destroyed it. Strong added that none of the Germans who now proposed to colonize the area were Jewish, whom he thought would be the only people naturally leaving Germany. A State Department memorandum emphasized that "Pinas Bay is the only unobstructed, protected anchorage for deep draft vessels on the Gulf of Panama, and the ownership of property surrounding it, together with its outlying islands, is a matter of considerable

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58 Flexer to Hull, May 19, 1938, FRUS, 1938, Volume V.
interest to our War and Navy Departments." It further suggested contacting the Panamanian Government about a joint investigation.59

In June of 1938, the embassy confirmed that the Deutsche Bank was backing the Pinas Bay colonization group. Hull wrote that the War Department would probably want to rent the land in a pre-emptive action and asked Flexer to draw up a fair, five-year rental lease with a purchase option. On July 1, Hull said that the War Department now hoped that the Panamanian Government would purchase or expropriate the tract and that the Army would buy or lease it only as a last resort. Flexer communicated the request to Garay and Arosemena immediately. By September, the 5000 hectares were Panamanian territory once again. The type of cooperation envisaged for the protection of the canal in the 1936 treaty had worked. Washington extended its gratitude for compliance and Panama responded by extolling the virtues of bi-lateral rather than unilateral action.60

59 General George V. Strong, Chief, Intelligence Branch, MID, War Department, to George Butler, Secretary of the Inter-Departmental Liaison Committee, May 24, 1938, 819.52G31/10; and Cummings Memorandum, RG59, May 26, 1938, 819.52G31/11, National Archives.

60 Ibid., Flexer to Hull and Hull to Flexer, GH59, June 20, 1938, 819.52G31/18; and Hull to Flexer, July 1, 1938, p. 827; and Duggan Memorandum, September 30, 1938, p. 830, FRUS, 1938, Volume V.
After the outbreak of war in 1939, Panama again cooperated in preventing dubious interests from gaining a foothold on Panamanian soil. In November of that year a company of unknown origins with a capitalization of $750,000 sought the right to build a fish packing plant near the canal. It was to have a capacity of processing 300 tons of fish per day. The War Department felt that "The establishment in Panama of a fish packing plant... is inimical to the best interests of the United States in the defense of the canal." The Arosemena Government acceded to American desires and denied the request of the company.  

In the spring of 1940, as the Axis powers stepped up their propaganda drives, overt action became commonplace. Some were so blatant that the Boyd Government deported German aliens and Axis sympathizers. German professors in Panama's schools marched in the forefront. Richard Neumann, Director of the National Institute, a prestigious school, became so "assiduous a visitor at the German legation" that public opinion forced Boyd to give him leave of the country. The Italian fascists generally

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61 J. A. Crane, General Staff, to Selden Chapin, Foreign Liaison Officer, RG59, November 13, 1939, 819.628/56, National Archives.
proved to be both inept and ineffective. Consequently, they rated only loose surveillance. 62

From other nations too, came word of danger to the Panama Canal. The charge d'affaires in Colombia reported that German pilots formerly employed by SCADTA, a now nationalized German airline, had made frequent flights to the Bay of Cupica, a strategic point from which a small force could direct air attacks against the canal. He also noted that the stealing of a few planes to wreak the damage would be an easy task. He could report nothing definite but noted that these pilots frequently contacted Herr Walter von Simons, whom the German embassy financed. Von Simons, cultivating the friendship of the military and the newspapers, lectured incessantly that hemispheric solidarity, in the face of Yankee imperialism, was an absurdity. 63

The military attache in Buenos Aires reported that the Germans in one section of Argentina were organizing sabotage activities against the canal. Maximilian Gruhl, who conferred constantly with the

62 Ibid., Dawson to Hull, May 24, 1940, 819.00N/22; and Dawson to Hull, RG59, October 15, 1940, 819.00F/6.

63 Ibid., Gerald Keith to Hull, RG59, June 7, 1940 811F.812-Protection/167.
German embassy in Buenos Aires, headed the group. The plan was to send three or more interned vessels from the West Coast of South America through the canal with the object of obstructing it. Hull gave the information to General George C. Marshall and Major General Daniel Van Voorhis, head of the forces in the Canal Zone, the same day.\textsuperscript{64}

In September, a former Polish ambassador to the United States gave Welles a memorandum which catalogued Axis activities in South America. Welles termed the source "extremely reliable" and passed the information on to Roosevelt and the War and Navy Departments. The memorandum stated that while Axis activities pervaded Latin America, the strongest enclaves were in Argentina, Brazil and Peru. This was hardly new information but the extent of their power and plans was surprising. These groups, the source said, shared the common objectives of fomenting revolts and obstructing, if not destroying, the Panama Canal. Germany already had gathered vast amounts of information on canal activities

\textsuperscript{64}Ibid., Hull to Spurille Braden, RG59, June 19, 1940, 811F.612-Protection/172.
and defenses, so that they felt they could easily synchronize an attack upon it, probably by air. Japan, he said, had its forces scattered along the coast of South America in the form of small fishing villages. From near Lima, Peru, where the Japanese were strongest, the flying time to the canal was four hours. 65

So the potential threats to the canal were manifold: from eventual attack by the German or Japanese armed forces in an assault on the Western Hemisphere; from ships being deliberately scuttled or blown up in transit through the canal; from an uprising in Panama; and from hostile nationals directing a sabotage air attack from secret bases in South America.

In 1938, however, American policy had not yet geared to meet the threat. The Navy wanted to return radio base land it saw no need for. And as late as April of 1940, Representative Compton I. White of Idaho noted that the only ways to cross the isthmus were by canal and railroad. "I wonder why it is, with vital defenses on the Pacific side and on the Atlantic.

65 Ibid., Memorandum from the former Polish Ambassador to Sumner Welles, RG59, September 18, 1940, 819.00-N/35.
side of the isthmus, there is no highway between these defenses." The War Department had a standard answer. It would enable enemy troops to cross quickly the isthmus and might also increase the propensity toward civil strife in Panama. White said the exigencies of war invalidated this argument. One bomb, he contended, could knock out the railroad and then it would take eight hours to get defense forces from one end to the other.66

Actually, the Arosemena Government had constantly pressed for a trans-isthmian road as a stimulus to Panama's economy. Rebuffed on this, it sought roads to the interior which would link both potential air bases and the Panamanian interior to the heavily populated canal cities. One road, Arosemena said, connecting Chorerra, near the canal, and Rio Hato, would do both of these things and be a link in the long-proposed Inter-American Highway as well. In a private memorandum, the War Department admitted that the road would be "of

66The Congressional Record. Volume 86, Part 4, 76th Congress, April 3, 1940, House of Representatives, p. 3962; and Claude Swanson, Department of the Navy, to Berle, April 16, 1938, 819.74/350, National Archives.
strategic value to the defense forces of the Canal Zone." With considerable justification, it also pleaded a lack of funds.67

The State Department favored the project and Welles enumerated the reasons in a letter to Assistant Secretary of War Louis Johnson. First, Roosevelt had given a semi-pledge to Arosemena that the United States would build such a road. Second, it would give Panama a link to its interior, thereby stimulating its economy and displaying America as the good neighbor. Then he got to the heart of the matter. Welles said that the future would undoubtedly bring cases when Washington would need Panamanian cooperation in the planning and construction of projects for canal defense. "Accordingly, it seems to me that it would be extremely helpful, if we could accede to the present Panamanian request for cooperation in the reconstruction of the road. The actual cost to this Government, $1,460,713, in view of the larger issues involved, seems relatively unimportant." When the United States built its large air base

67 Chapin Memorandum, RG59, November 1, 1938, 819.154/452, National Archives.
at Rio Hato during the war, Panama got its road. By then, however, it seemed far less a gesture of magnanimity, than a case of expediency. The cost was also greater than predicted. 68

The trans-isthmian highway proposal suffered a kinder fate, at least in theory. In July of 1939 the War and State Departments agreed upon the road and so informed Panama. But the project got bogged down in a jurisdictional dispute between the two countries when a Joint Highway Board proved unable to function properly. So when Ambassador George E. Boyd presented his credentials to Hull in February, 1940, he proposed that Panama build a small section of the road and the United States the rest of it. Noting that his proposal had the approval of army and naval authorities, he expounded on how the road would aid Panama's economy and permit rapid movement and supply of American troops. His gambit to knock the proposal off dead center failed. It was not until 1942 that serious work on the road began. At least, however, agreement and pledges had come earlier. 69

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68Ibid., Welles to Louis Johnson, RG59, November 22, 1938, 819.154/455A.

69Ibid., Notter Memorandum, RG59, August 25, 1939, 819.154/481; and Ambassador George E. Boyd's Presentation of Credentials, February 10, 1940, p. 157, DSR, Volume II, 1940, Number 33.
Saboteurs, in the view of the military, presented little problem. Controlling them was merely a matter of adequate patrols and rapid mobility to the various parts of the zone. Welles agreed but said the solution went further. Controlling saboteurs, he ventured, was primarily a matter in maintaining a high degree of cooperation with Panama. Without that cooperation, the United States might not be able to keep the situation in hand.

Control of the air approaches to the canal was not so easily achieved. Immediately upon the outbreak of war, Roosevelt had issued a series of proclamations to regulate Canal Zone airspace and flight requirements. But the airspace over Panama and the nations around it did not belong to the United States. And since the neutrality patrol and hemispheric and canal defense required that American aircraft be able to reach a potential enemy force quickly, Washington needed the right to use that airspace.

Flights directly from the United States to the Canal Zone created no problem. The Central American nations involved had long since given permission for those. But now, in April, 1940, the War Department envisaged "a considerable increase" of flights "to various points within a radius of about 1,000 miles
from the Canal Zone." In Central America alone, officials predicted about fifty flights per month. A problem existed because the right to use airspace too often got delayed in red tape formalities. Flights from the United States required State Department contact with foreign nations. Flights extending outward from the Canal Zone meant requests by the Commanding General of the Canal Zone to foreign nations through the medium of the American missions in those republics. 70

What the War Department needed was "blanket permission" to use the airspace involved. The Central American countries had displayed their usual tractability thus far and presumably presented no problem. Mexico, Venezuela, Colombia and Ecuador were less willing to deal away their sovereignty so lightly. Before the United States approached these nations, however, the State, War and Navy Departments had to agree on a united front. The State Department was adamant about having advance notice of flights and of

70 General Dargue, War Department, Memorandum, RG 59, April 3, 1940, 811F.2310/41-4. National Archives.
being able to assuage the sensitivities of the various Latin American republics. The other two agencies saw diplomatic procedures as barriers rather than necessary channels.\textsuperscript{71}

The military rejected a proposal that the Canal Zone Commanding General work through the legation in each country. The War and Navy Departments got in turn, a negative reaction from the diplomats on attempting to get blanket approval for the flights. The final compromise had the Canal Zone Commanding General working through the United States embassy in Panama. After the General and the embassy conferred, the American mission in each country would then submit the agreed upon list to seek blanket permission on a monthly basis. The mission would give out all details of the flights when submitting the lists. This plan had the beauty of achieving military aims, keeping the State Department involved in the procedure and attempting to respect the jealousies of other nations about their sovereignty.\textsuperscript{72}

\textsuperscript{71}Ibid., Dargue Memorandum, April 3, 1940, 811F.2310/41-4; and Duggan to Thomas Burk, State Department, Division of International Communications, RG59, April 27, 1940, 811F.2310/55.

\textsuperscript{72}Ibid., R. Walton Moore, State Department Counselor, to Harry Woodring, May 27, 1940, 811F.2310/40-4; and Memorandum (Moore) to embassies in Colombia, Peru, Ecuador, Venezuela and Panama, RG59, Undated, 811F.2310/56.
The new Secretary of War, Henry Stimson, accepted the need to have the State Department involved in the procedure. He also acquiesced in the stipulations that the increase in the number of flights be gradual, that no one country receive too much attention and that the United States would grant Canal Zone airspace reciprocity to friendly nations requesting it. Except for Mexico, who fell into line after the attack on Pearl Harbor, agreements on this basis came with relative ease.73

These new airspace rights and the build-up of the American air force, however, did not complete hemispheric or canal defenses. In Panama, the United States needed tracts of land outside the Canal Zone. A few of the larger ones were needed to build up air fields to handle the increase both in the number of planes and the frequency of flights. Smaller plots would serve as bases for artillery searchlight emplacements. Others would be coordinating or observer outposts. And, obviously, the United States required the right of transit over Panamanian territory to reach these scattered and diverse military outposts.

73Ibid., Moore to Stimson, RG59, July 18, 1940, 811F.2310/56.
Under the Hay-Bunau-Varilla Treaty, securing land presented no problem. The United States had reserved the right to determine unilaterally what lands or waters outside the Canal Zone were necessary for defense of the canal. The 1936 Hull-Alfaro Treaty changed all of that. Now the United States and Panama, consulting jointly, would decide what was necessary for the defense of the canal. In effect, this meant Washington would submit requests to Panama for approval.

This provision was the main reason the Senate did not ratify the treaty until 1939. Originally, Senator Key Pittman, Chairman of the Senate Foreign Relations Committee, stated adamantly that the United States had to reserve the right to act unilaterally, for the new treaty gave America no rights for adequate defense. He pointed out that damage to the canal might come before the two countries agreed. The State Department, however, had convinced him by 1939 that an exchange of notes gave Washington the right to act first and consult later in an emergency. Thereafter, this importantly placed Senator became a supporter of the treaty.  

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Others, as Senator Peter G. Gerry of Rhode Island and Hiram Johnson of California were not so sanguine. They wanted to amend the treaty and insert a clause about subsequent rather than prior negotiation. Pittman and Tom Connally of Texas, an influential member of the Senate Foreign Relations Committee, defended the treaty. Reflecting administration views, Pittman said that "a lack of trust in the Government of Panama would destroy one of the greatest advantages we would obtain from the treaty; that is, not merely the promise of cooperation by Panama but the wholehearted, friendly cooperation of Panama in the protection of the Panama Canal." To support his contention, Pittman produced a letter from Foreign Minister Garay to Hull showing that Panama and the National Assembly understood the binding nature of the exchange of notes.75

When Hiram Johnson pointed out that we should not leave "control doubtful at a time when we need it most," Senator Robert LaFollette, Jr. of Wisconsin responded. He said an amendment would jeopardize our friendship with Panama. And if Panama turned against the United

75Ibid., July 25, 1939, Senate, p. 9903.
States, then we would have a whole nation of saboteurs with easy access to the canal. The Senate finally compromised on a resolution embodying Pittman's information on the exchange of notes. But the administration rallied its forces and the vote went 44-30-17 against it. The final business of that July 25, 1939 day was ratification of the Hull-Alfaro Treaty with no amendments or reservations. The vote was 65-16-15 in its favor. 76

It was none too soon, for by September the War Department was beginning to list its need of lands outside the Canal Zone. It included 19,000 acres at Rio Hato for an air base and several other tracts for smaller air fields, anti-aircraft guns, search lights and listening post emplacements. It made no final determination on how much land it would finally need but stipulated 999 year leases on what it did get. Four hundred thousand dollars in funds was presently available. A possible point of complication would be the number of people involved, and departments represented, in the negotiations. On the American side alone, Hull, Wood-

76Ibid., July 25, 1939, Senate, pp. 9904-07.
ring, Dawson, Stone and General Joseph Mehaffey, Governor of the Canal Zone, would take part. 77

Aware of America's need for bases, Panama used the occasion to bargain for two things. First, the Boyd Government asked the United States for one thousand Enfield Rifles so that Panama could help in defending the canal. Both the State and War Departments frowned on the request, viewing it as a possible contribution to instability or repression rather than defense. But they could see no way to avoid granting the request without offending Boyd and so provided the rifles. Second, Panama asked that the Canal Zone authorities provide equality of opportunity to its merchants and purchase food products outside the Canal Zone. In a letter to Garay, Hull professed sympathy with the request but said that the present emergency demanded a steady supply of food and that, in a previous experiment, Panamanian merchants were unable to meet this requirement. 78

77 Colonel R. D. Valliant, Quartermasters Corps, Department of War, Memorandum, RG59, September 6, 1939, 819.014/41, National Archives.

78 Ibid., Duggan Memorandum, March 21, 1940, 819.24/53; Finley Memorandum, May 3, 1940, 819.24/60; Dawson to Hull, February 1, 1940, p. 1114; and Hull to Garay, RG59, May 15, 1940, p. 1120; FRUS, 1940, Volume IX.
The two years before the defeat of France and the Havana Conference of July, 1940 were notable primarily for two things. First, the United States returned a measure of sovereignty to Panama and began to consider that nation's requests for aid and rectification of outstanding issues more seriously. The new treaty, a theoretical willingness to help Panama develop its roads and a sincere consideration of problems were all examples. Second, and primarily because of the first, the two republics developed a new working relationship. The basis for it was Washington's respect for Panama's sovereignty and Panama's appreciation of the canal's importance to the United States. Once both nations accepted these things, the relationship became symbiotic rather than antagonistic.

An early test of this new relationship would involve developing a procedure for consulting with Panama on lands and waters needed for the defense of the canal. The American parties concerned agreed on needs and procedures in early July. Earnest negotiations with Panama began in September after the deliberations of the foreign ministers of the American republics at Havana in late July, 1940.
CHAPTER II
TOWARD PEARL HARBOR

Consultation and Economic Defense

In the summer of 1940, it was difficult to visualize the United States escaping involvement in the war. Japan occupied coastal and much of inland China and was moving into French Indochina. A German defeat of Great Britain seemed imminent, with all the implications that event held for control of the Atlantic. The Joint Planning Board expected a Nazi move on Gibraltar and thence to North and West Africa, with its jumping off spots to the Western Hemisphere. So with their world torn by an ever-menacing war to the East and West, the foreign ministers of the American republics, at the request of the United States, met in Havana, Cuba for a ten day conference.

Secretary of State Hull addressed the delegates on July 22. He said that the American nations had done everything possible not to get drawn into the war.
"But it had been increasingly clear that in the vast tragedy which has befallen large portions of the earth, there are dangers to the American nations as well, which it would be suicidal not to recognize in time and to prepare to meet fully and decisively." Neutrality was no longer viable because the threats were too real.¹

Although with less sense of urgency, the other American republics readied to follow American policy. The foreign ministers, reacting to constant exhortations about a united front, adopted a stronger collective security resolution. Article XV read that an attack upon one "shall be considered as an act of aggression" against all the signatories. Hull judged it the most vital point of the conference, for other defense measures would flow readily from this common agreement on the nature of the threat and how to meet it.²

Another obvious problem was the status of the European colonies in Latin America when France and the low countries suffered defeat. Seemingly, as the con-

¹Hull Address at the Havana Meeting of Foreign Ministers, July 27, 1940, p. 42, DSB, Volume III, 1940, Number 57.

quering nation, Germany would acquire control of them. The Nzais would then have gained a foothold in the Western Hemisphere without even a minimum effort. Manifestly, the American nations could not accept such a situation. They resolved the problem by agreeing that when the home country fell, the Americas would exercise a joint trusteeship over the colony until the end of the war or until return to the colonizing nation became feasible. The qualification of the Monroe Doctrine was evident. Instead of unilaterally invoking the "no-transfer" clause, the United States preferred to make it a joint effort and thus strengthen the unified approach.  

Displaying somewhat less unanimity, the foreign ministers decided only to "recommend" to their governments that they attempt to control Axis activity in the hemisphere. These weaker resolutions urged control of political activity by foreign diplomatic or consular agents, vigilance over immigration procedures and police supervision of the activities of foreign extra-

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3 Hull Address at the Havana Conference of Foreign Ministers, July 27, 1940, pp. 42-3, DSB, Volume III, 1940, Number 27.
continental groups. They also asked for suppression of any subversive activities directed or assisted by foreign governments, groups or individuals.4

One major problem remained. Due to the war and concomitant economic dislocation, surpluses were accumulating. Something had to be done so that countries could market their surpluses, hopefully in accord with liberal principles of international trade. Hull praised the work being done but said it was not enough. To come to grips with the mounting problem, he put forth four proposals. First, the Americas should strengthen and expand the Inter-American Financial and Economic Advisory Committee, which had been created in September of 1939. Second, they should create facilities to handle surpluses. Third, there would be commodity agreements fair to both sides. And finally, he made a vague statement about all the proposals being consonant with improving the living standards of Latin Americans.5

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4Mecham, The United States and Inter-American Security, p. 89; and Hull to the United States Missions in Latin America, June 17, 1940, p. 180, FRUS, 1940, Volume IX.

5Hull Address, July 27, 1940, pp. 44-5, DSB, Volume III, 1940, Number 57.
The Havana Conference preserved and strengthened the principles of unity and reciprocity of consultation. Because of its wealth and power the United States would emerge necessarily as the senior partner. But when war came, Latin America willingly followed Washington. The solution to the problem of economic dislocation, however, would not wait sixteen months.

While the conference was still in session, Roosevelt asked for legislation to help Latin America finance the marketing of surplus products. Pointing out that the war had cost these nations forty per cent of their normal world market, he asked Congress to give the Export-Import Bank $500 million increased lending power. Anticipating the argument that this would hurt American producers, he said that a cutthroat price war would hurt them more.6

Assistant Secretary of State, Adolphe A. Berle, defended the proposal in November. He said the European experience proved "that a strong economic power can weaken and perhaps even crush a smaller nation by ruining its markets, destroying its trade, creating

6FDR to Congress, July 22, 1940, p. 303-5, in Rosenman, ed., The Roosevelt Papers.
distress within the country, and then using that pressure to upset its governmental institutions." Expansion of Export-Import Bank credits had helped avert this by stabilizing markets. And the Inter-American Financial and Economic Advisory Committee had done yeoman work in stimulating inter-American trade and helping keep the freight rates reasonable. Yet Berle worried that, with increased demands for shipping in the Atlantic, transportation of goods would become a major hemispheric problem. 7

In Central America, so close to the canal, Hull felt that the shipping shortage created an impossible situation for certain republics. Their primary exports were bananas and coffee and their market was the United States. "Failure on the part of the United States to lend a helping hand would have resulted in economic and social collapse." No one ever really solved the shipping problem, especially after Pearl Harbor. Crisis piled on crisis. But always before it reached the point of ultimate crisis, the Allies diverted just enough shipping to stave off economic disaster. 8

7 Berle radio address on "The Defense of the Western Hemisphere," November 22, 1940, pp. 446-47, DSB, Volume III, 1940, Number 74.

8 Hull, Memoirs, p. 219.
With an eye on both the long and short runs, the United States encouraged the expansion and especially the diversification of industry and farming in Latin America. In the short run, Washington induced countries to produce strategic materials and make themselves more self-sufficient. In the long run, the goal was to build up the Latin American economies on the assumption that peace was tied to economic well-being. Raymond H. Geist, Chief of the Division of Commercial Affairs, said the United States was willing to put "the vast experience that we have acquired in developing our resources and industry" at their disposal. "We wish to make available to them all the processes by which we have raised the standard of living in this country." He added that America would give more attention "to the possibilities of buying from other countries" since the United States fully recognized that economic health and peace depended on trade being reciprocal.  

The efforts to get the Central American and Caribbean republics to manufacture rubber was typical. More rubber would alleviate their own and possibly the American shortage. And it would give the country a

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Raymond H. Geist Address on "Cooperation with our Neighbors," May 6, 1941, pp. 744-46, DSB, Volume IV, 1941, Number 98.
start in developing a new and permanent industry. Bilateral economic agreements, however, usually covered more than one industry or crop. The May 6, 1941 United States-Haitian Treaty was, again, representative. Washington pledged itself to "a long-term program of cooperation in the development of Haitian agriculture and economy." The central feature was "a broad program of rubber developments." Other projects included "an increase in banana plantings, cocoa improvement, small handicraft industries and the planting of oil crops, spices, drug plants and food and fiber plants." The Export-Import Bank was to provide $500,000 in credits and the National Bank of the Republic of Haiti would oversee the various projects. Significantly, the Haitians held a majority, and the Americans a minority, on the bank's Board of Directors.\textsuperscript{10}

The rubber projects never lived up to expectation and the attempts to raise the standard of living in Latin America obviously failed. But economic dislocation severe enough to tear apart the social and governmental fabrics of those republics never came about either. So in that sense, the economic defense of the hemisphere

\textsuperscript{10}United States-Haitian Treaty, May 6, 1941, p. 751, \textit{DSR}, Volume IV, 1941, Number 98.
was a success. There was, however, another side to economic defense. This involved both preventing Axis powers from getting hemispheric raw materials and seeing that the United States did get them.  

As a first step, Roosevelt created the Economic Defense Board in July, 1941. To a large degree, this was a response to Japan's getting copper in various South American nations and Germany's buying silver from Mexico. The plan was to subsidize Latin American firms so they wouldn't sell quartz, platinum, diamonds, mica and other important minerals and ores to the Axis powers. To take up the slack, Washington began purchasing all sorts of minerals, as well as manila fiber, optical lenses, quinine sulphate and tungsten from these nations and then stockpiling it.  

At times, the situation demanded less sophisticated procedures. The bauxite mines of Dutch Guiana furnished more than sixty percent of American requirements and were hence quite important to defense. But Germany had

11Hull, Memoirs, p. 1142.

12Executive Order 8939 and Rosenman footnote, July 30, 1941, p. 294, in Rosenman, ed., The Roosevelt Papers.
overrun the low countries and while Queen Wilhemina had escaped to London to preserve Dutch sovereignty over the colony, she was unable to contribute to its defense. The queen haggled over a procedure for American control while clandestine German groups operating out of Brazil represented a potential threat to the mines. When the mines really appeared endangered, pressure-laden consultation with Wilhelmina led to American troops moving in quickly. Brazil aided by patrolling its borders with Dutch Guiana. And the mines were safe.  

As Cordell Hull had said so often, however, trade was a two-way street. It was fine for the Latin American nations, as they did by November of 1941, to cut off trade in raw materials with the Axis powers. And it was fine that the United States made up for the loss of trade income. But nations do not live by exports alone. As the sources of their imports vanished, and as they and the United States turned their economies toward the means for waging war, the American republics found themselves without many necessities. They had depended on

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importing them and could no longer do so in sufficient quantity despite having cash on hand.

Increasingly, their only source became the United States. But Washington had embarked on a program of restricting both exports and home consumption of goods not necessary for the war effort. Roosevelt and the State Department appreciated Latin America's problem. They could not solve it. As in the case of shipping, the United States diverted only enough from the war effort to keep dissatisfaction at a manageable level. It could not have been otherwise. And Welles, representing the United States on the Financial and Economic Advisory Committee, did excellent work in explaining that American policy was aimed at hemispheric defense and not at tying Latin America economically to his country.14

Protecting the Approaches to the Canal: The War Nears

By May of 1940, Roosevelt was stressing to the American people how Germany threatened the Western Hemisphere. He started out by saying the world had come much closer together militarily by the mere fact

14 Sumner Welles Address on "Export Licensing and Priorities Matters," November 21, 1945, pp. 54-7, DSB, Volume IV, 1941, Number 108.
of weapons systems advancement. And since he expected Hitler to move south, the Atlantic offered scant protection. "The Azores are only 2,000 miles from parts of our eastern seaboard and if Bermuda fell into hostile hands it would be a matter of less than three hours for modern bombers to reach our shores." But that was for illustration. No one really anticipated a direct attack on the United States. The Natal area of Brazil was a more likely target. From the coast of West Africa, it was only 1,500 miles to Brazil. That would put the canal and hence America itself in direct danger. The war was coming closer all the time. "An effective defense...requires the equipment to attack the aggressor on his route before he can establish strong bases within the territory of American vital interests."\(^{15}\)

The central point was to defend the United States. Policy, however, had long since linked American defense to hemispheric defense. Roosevelt went further. "When we speak of defending the Western Hemisphere, we are speaking not only of the territory of North, Central and South America and the immediately adjacent islands;\

\(^{15}\) FDR Asking for Additional Defense Appropriations, May 16, 1940, pp. 198-200, in Rosenman, ed., The Roosevelt Papers.
we include the right to the peaceful use of the Atlantic and Pacific Oceans. That has been our traditional policy."16

On the far Atlantic side, Roosevelt thought that controlling the Canary Islands, the Azores and the Cape Verde Islands were necessary to effect this policy; on the near side, it was the island chain running from Newfoundland through Bermuda and Trinidad to the Natal area of Brazil. The Pacific defense line ran from Alaska out to Hawaii and back to the Panama Canal.

Within this perimeter, the Joint Board defined the Panama Canal as "the most strategic spot in the world today." With the reality of a two-ocean navy still in the future, America needed the canal to protect its vital interests in both oceans. The prelude to an attack on the United States, the board opined, would be the destruction or crippling of the canal. So to a large extent, defense of the hemisphere meant defense of the canal.17


In agreements made later with Prime Minister Winston Churchill at Argentia, Roosevelt formalized his ideas about seizing the island chains of the far Atlantic as a defensive measure. Fortunately, Hitler never sent his armies to West Africa and there was no need for occupation. It was fortunate because it was unlikely the United States had the troop strength to occupy more than one of the three relevant chains effectively. 18

Washington gained the right to fortify the near-side islands through Great Britain's misfortune. The Nazi submarines, already in the summer of 1940, were sinking British ships at a high rate. Churchill desperately needed destroyers to combat them and came to Roosevelt with the request. This put the latter in a quandary. He wanted both to aid Britain and to build up American naval forces.

On September 2, 1940, the two nations revealed the compromise. In return for fifty supposedly over-age destroyers, Great Britain gave the United States island security on the near side of the Atlantic. Roosevelt got, in the exchange, 99-year leases for

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naval and air bases on Newfoundland and Bermuda. For the destroyers, Churchill pledged never to surrender or scuttle the British fleet and granted leases to Washington on Great Exhuma Island in the Bahamas, Jamaica, Antigua, St. Lucia, Trinidad and Georgetown, in British Guiana. Regarding security, each side had given less and gained more. Roosevelt, for his part, felt the agreement overcame the weakness that from Newfoundland to Trinidad, the United States had only three bases. And that, he said, "is a definite operating handicap." In the spirit of hemispheric unity, Hull announced the United States would make the facilities available to the other American republics for "common defense."19

On the Atlantic side, Cuba, Haiti-Dominican Republic and Fernando Noronha, an island off Brazil required consideration. Puerto Rico, as an American possession, presented no difficulties. The big need on the Haitian island was not for a base, but to keep hostilities between Haiti and the Dominican Republic.

19Roosevelt, FDR, His Personal Letters, September 7, 1940, p. 196; and FDR to David I. Walsh, Chairman of the House Naval Affairs Committee, August 22, 1940, p. 1120, DSP, Volume III, 1940, Number 63.
at a minimum. Fighting had broken out in the mid-1930's and feelings had not abated. Ambassador Ferdinand L. Mayer advocated a military mission. He said it would be "a certain real assurance against hostilities on this island which could have only the most undesirable repercussions throughout Pan America and create a position of special embarrassment to us." The latter situation existed since Roosevelt had mediated an end to the conflict. Mayer added that it would also tend to stabilize conditions. Hull and the War Department being amenable, a mission arrived on September 16, 1938.20

In March of 1939, the Haitian Government offered Washington the right to build as much protective works as it wanted in the Bay of Gonaives or elsewhere. Mayer thought that Haiti's reason for the offer was fear of the Dominican Republic but said he recommended a small base with room for enlargement. Hull wired back that this would require both negotiations and appropriations, the latter being doubtful. Also, "the attendant publicity with its possible repercussions both in the

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20 Mayer to Hull, June 11, 1938, p. 644; and Hull to Mayer, June 16, 1938, p. 645, FRUS, 1938, Volume V.
United States and abroad, especially in the other American republics, need scarcely be developed." American policy went against establishing military and naval works in time of peace unless the United States had prior rights or the place had "great strategic value." When Haiti persisted, offering even a mutual defense pact, and it looked as if Mayer was behind the move, Hull called a halt. He acidly wrote Mayer to carry out policy only and to make it "now unmistakably clear" that American policy would allow neither bases nor a pact with Haiti.\(^{21}\)

Cuba, too, presented problems by talking about an alliance. Welles wrote that it would not "assist in advancing the defense arrangements of this Hemisphere" and would be "readily misunderstood" in many countries. President Fulgencio Batista did not quit. In June of 1941 he said war was coming ever closer and that the United States would need airfields on Cuban soil.

In July, the State Department decided that while the War and Navy Departments contemplated no extensive Cuban projects, some sort of cooperative defensive agreement with Cuba was needed. The cost could be kept at a minimum and it would "give the Cubans a sense of participation in Hemispheric Defense." Welles admonished Ambassador George Messersmith "to avoid such undesirable features as lease provisions, sole United States jurisdiction, alienation of foreign territorial sovereignty, and the like." So in the lesser strategic areas, as Cuba and Haiti, American policy was to foster a sense of involvement and cooperation but to keep actual participation at a minimum. During the war, Cuba obtained $3.7 million in lend-lease aid and Haiti, $1.1 million.22

The final potential island base, Fernando Noronha, received more attention. In April of 1940, Roosevelt laid out his plans to Harold R. Stark, Chief of Naval Operations. He wanted immediate conversations with Brazil to make it "definitely certain" that no European

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22Ibid., Welles to Messersmith, June 16, 1941, pp. 102-3; Messersmith to Hull, June 19, 1941, p. 106; Walmsley, Assistant Chief, Division of American Republics, Memorandum, July 14, 1941, p. 111; Welles to Messersmith, July 25, 1941, pp. 112-15; Welles to Messersmith, July 18, 1941, p. 117; and Hull to Castro, December 9, 1941, p. 320, 1941, Volume IX.
power would use the base. He noted that one side of the island permitted aircraft landing and that the air field there was in excellent condition. In case of emergency, the United States should be able to do one of two things; one, to occupy the island with sufficient force to repel any land, sea or air attack; or second, to destroy the air field so that neither land nor amphibious planes could use it. Happily, Washington never had to act.

On the Pacific side, the United States moved to build up its Alaskan, Hawaiian and Canal Zone defenses with increasing rapidity. But both the Galapagos Islands, off Ecuador, and Cocos Island, off Costa Rica, received studied neglect. Costa Rica and Ecuador each made offers to the United States for use of their islands, Washington rejected them both.

William H. Hornibrook, Ambassador to Costa Rica, wrote Welles in January of 1938 asking whether Cocos Island "would not be of interest...in connection with plans for the defense of the Canal Zone." Taking the same approach as in the Haitian case, Welles wrote him

\[23\text{Roosevelt Memorandum to Stark, April 30, 1940, p. 1016, in Rosenman, ed., The Roosevelt Papers.}\]
that "it was the definite policy of this Government not to acquire further territory on this continent" and that military authorities had concluded "that Cocos Island was of no importance from a strategic point of view."^{24}

Welles was not entirely correct. When questioned about the matter by the Senate Military Affairs Committee on American policy there, Hull wrote Chairman Morris Sheppard that while the United States saw no need for Cocos, "any endeavour on the part of any foreign power to purchase or lease the island or to use it as a naval or military or air base under whatever terms would be a matter of immediate concern." In short, it was of no strategic importance as long as Costa Rica held the island. Otherwise, it would be a definite threat to the canal.^{25}

A report that German interests were after the island proved false but by the end of the year, Hornibrook was writing Hull that Major General David L. Stone, Canal Zone Commanding General, had toured Cocos Island

^{24}Welles Memorandum, January 28, 1938, p. 418, FRUS, 1938, Volume V.

^{25}Ibid., Welles to Senator Morris Sheppard, February 13, 1938, p. 419.
and said "that its purchase or lease is absolutely vital to the defense of the Panama Canal." In April of 1939, the Costa Rican Minister, Ricardo Castro Beache, told Laurence Duggan that Axis aggression so overshadowed the fear of American imperialism that his people would not object to Washington using the island for defense of the canal. Duggan told Beache he appreciated his concern but pointed out that American policy required only that it not pass to a third party. The minister assured him it would not. Once war came, the United States did station a few men on the island for surveillance purposes, but did it jointly with Costa Rica and never formally leased the island or established a major base there.\(^2\)

There remained the Galapagos Islands. In the interests of hemispheric defense, Ecuador frequently offered them to the United States as bases. In March of 1939, Roosevelt set forth American policy. As with the other islands, the Galapagos were of no military use to the United States. But they presented an advantageous jumping off point for Japan. So "under

\(^2\)Ibid., Hornibrook to Hull, December 29, 1938, p. 371; Duggan Memorandum, April 5, 1939, pp. 520-21; and Hull to Hornibrook, November 13, 1939, p. 521, 1939, Volume V.
no circumstances" should they pass to a foreign power. The solution, Roosevelt said, was to put them in a Pan-American trusteeship, make them a scientific preserve and "prevent their use for military purposes." 27

Two months later Welles wrote that the situation had changed. The War and Navy Departments now thought that, due "to the great advances which have taken place in military and naval science and to the general world situation," the United States should acquire the Galapagos Islands. And a House of Representatives Resolution now authorized Roosevelt to enter into negotiations with Ecuador for the purpose of buying or leasing the islands. The President, however, held out for preserving Charles Darwin's exploration fields as a scientific preserve. 28

In April of the following year, Ecuador announced it was willing to give up the islands as a natural preserve to the Pan American Union, but only if it purchased the islands outright. Hemispheric considerations gravitated against this, for Peru and Ecuador were in the midst of a boundary dispute. The United

27 FDR to Welles, March 25, 1939, pp. 871-872, Roosevelt, FDR. His Personal Letters.

28 Welles Memorandum to FDR, May 6, 1939, pp. 633-34, FRUS, 1939, Volume V.
States feared that the money would be used for arms, and Peru would become disgruntled. On these grounds the State Department successfully blocked Ecuador's apparent gambit for arms.  

In June, 1940 a retired naval commander, Paul F. Foster, applied to the Export-Import Bank "for a loan with which to exploit sulphur deposits which are alleged to exist on Albermarle Island, one of the Galapagos chain." The bank, and the War, Navy and State Departments approved wholeheartedly. No record exists either of sulphur extraction or of naval prodding to Mr. Foster, so one is left to speculate. It is certainly possible that Foster offered himself as unofficial observer of the islands. If so, he had outlived his task by June of 1941. In that month, the United States, Ecuador and certain other nations established a joint patrol of the Galapagos Islands and the need for either observers or bases ceased.

While the United States was securing the sea approaches to the canal, war came closer. The Battle

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29Ibid., Welles Memorandum to Duggan, April 26, 1940, p. 851, 1940, Volume IX.

of Britain, Hitler's anticipated move to the south and increased submarine warfare all tended to orient Washington toward a primarily Atlantic policy.

This movement toward an Atlantic-first policy served the United States well. Yet the isolationism of the American people meant that changes would have to come in reaction to events, rather than in anticipation of them. This, in turn, meant that preparation labored within the same confines.

America's reaction to the outbreak of war in 1939 was neutrality in deed, if not in thought. As early as his annual message to Congress in January of 1939, Roosevelt had said that "There comes a time in the affairs of men when they must prepare to defend, not their homes alone, but the tenets of faith and humanity on which their churches, their government and their very civilization are founded." At the urgings of the War and Navy Departments, especially after September, 1939, Roosevelt sought greater and greater appropriations for preparation. In this endeavour, he largely failed. When America entered the war in December of 1941, it would have far from the necessary numbers of men and amounts of material. And American reluctance
to prepare physically for war shaped both policy and military planning.\textsuperscript{31}

Yet after June of 1940, the United States was decidedly unneutral in both deed and spirit. September brought the destroyers-bases deal with Great Britain. January of 1941 saw joint talks between American and British military personnel, highly provocative for a nation not at war. Then came lend-lease. But considering the magnitude of the threat, America took halting steps indeed.

Roosevelt defined this policy as neither war nor appeasement. He said that our foreign policy had three aims. The first was "to keep this country out of war." The second was "to keep war as far away as possible from the shores of the entire Western Hemisphere." And finally, "our policy is to give all possible material aid to the nations which still resist aggression, across the Atlantic and Pacific Oceans." As the President publicly judged the situation, aid to the Allies would not drag us into war but keep us out by having other nations defeat Japan and Germany. What-

\textsuperscript{31} FDR Annual Message to Congress, January 4, 1939, p. 2, in Rosenman, ed., \textit{The Roosevelt Papers}. 
ever his private thoughts, these public ones determined the parameters of American policy. 32

But isolationism and a lack of appropriations did not hinder policy changes completely. On January 6, 1941, Roosevelt said that the United States would never "acquiesce in a peace dictated by aggressors and sponsored by appeasers." And although he changed his mind about escorting convoys in the spring months, the President announced on May 10 that American troops would go to Greenland. The purpose was to help Britain get material through the German submarine net in the Atlantic. In a sense, this was for hemispheric defense since it would keep war at a distance by enabling Britain to fight on. It was also evident that America was slipping into the war, for it was now apparent that Britain alone could not prevent an aggressor's peace. 33

April 25, 1941 brought the extension of neutrality patrols to aid Britain and to defend the hemisphere. A month later, Roosevelt proclaimed an Unlimited National Emergency. His justification was that "what started as

32 Ibid., FDR Address in Cleveland, Ohio, November 2, 1940, p. 546.

33 Ibid., Annual Message to Congress, January 6, 1941, p. 667; and Announcement of American Troops being sent to Greenland, April 10, 1941, p. 97.
a European War has developed, as the Nazis always intended it should develop, into a war for world domination." The war, he said, "is approaching the brink of the Western Hemisphere itself." To prevent fruition of German aims, the United States must deny the Axis powers control of the seas and "give every possible assistance to Great Britain."\(^{34}\)

Then, in June, Hitler directed his armies toward the east and the Soviet Union. Roosevelt immediately extended moral support and lend-lease to Russia. Few thought that Stalin's chances were good, but the attack brought a breathing spell. Germany was neither going to invade Britain nor move to the south and thence to the Western Hemisphere. The Battle of the Atlantic raged on, however, and by September the United States was in an undeclared naval war with Hitler. In August, Roosevelt and Churchill met off Newfoundland to discuss strategy and publicize allied war aims. The question now was obviously when and not if the United States would enter the war.

\(^{34}\)Ibid., 738th Press Conference, April 25, 1941; and Proclamation of an Unlimited National Emergency, May 27, 1941, pp. 181-191.
No one thought that Japan presented nearly the threat that Germany did to the Western Hemisphere. While policy makers incorrectly assumed the two were in collusion, they saw Japan's aims as primarily regional and as far less dangerous to the hemisphere. But it was Japan that let slip Washington's dogs of war. In the early morning hours of December 7, 1941 Tokyo foolishly unleashed the military and economic might of America on Germany and then herself.

Military planning, in the mean time, while assuming the worst, had flowed necessarily from policy. The military demise of continental Europe stirred Admiral Stark to action. Discussions with Frank Knox, the new Secretary of the Navy, led to a revised definition of national policy. As the primary objectives, he and his staff numbered, in descending order, "preservation of the territorial, economic and ideological integrity of the United States, plus that of the remainder of the Western Hemisphere; the prevention of the disruption of the British Empire...; and the diminution of the offensive power of Japan, with a view to retention of our economic and political interests in the Far East." They then drew up War Plans A (hemispheric defense) through D (a two-ocean front war). Stark and the others
saw "D" as the most likely but said that policy and appropriation dictated an emphasis on "A." 35

The Army having joined in, the Army and Navy gave Roosevelt a joint estimate on January 3, 1941. After consultations with Knox, Stimson, Hull, Marshall and Stark, the President handed out his directive on January 16. First, he said the Navy should remain on the defensive in the Pacific and not attempt to bolster the Asiatic fleet. The heart of the fleet would stay at Pearl Harbor. Second, Roosevelt ordered the Navy to continue its patrols in the Atlantic and to prepare for convoy duty. Third, he said the Army should avoid aggressive action until it was fully prepared to undertake it. For now, the Army should concentrate on helping friendly Latin American governments deal with fifth column movements. And finally, the President wanted as much aid as possible to Great Britain, even in the event of simultaneous military action by Germany and Japan. 36

The report of the ABC conversations held with Britain from January to March reflected this policy. The ABC-1 report concluded that the primary task of the

36Ibid., pp. 95-96.
United States, before going on the offensive against the Axis powers, would be to secure the Western Hemisphere against Axis intrusions. An annex to this United States-British Commonwealth Joint Basic War Plan assigned areas of responsibility. In the Pacific, America was to see after the islands westward to the Japanese home islands, excluding the Philippines and other territory in the path of Japan's southward advance. The Atlantic area included Greenland and territory west of longitude 30°. In all cases, the role of the Army was strictly defensive. Only the Army Air Force, given the task of destroying Axis sea communications, was to engage in offensive action. All this, of course, was to take place after American entry into the war.37

The fear that Hitler was about to move south evaporated with the invasion of Russia. The United States would not have to send troops to the Azores or the Natal area of Brazil. The August Newfoundland Conference reiterated the previous division of responsibility and set up a division of labor for escort operations. Along with an estimate of American production requirements, the Joint Board shortly thereafter

37Ibid., pp. 97-100, and Sherwood, Roosevelt and Hopkins, pp. 277-91.
submitted a final pre-war strategic priorities report.

In a sense, planning now lagged behind policy, the implications of which predicated the United States' going on the offensive against Germany and possibly, Japan, if that nation refused to quit its aggression. To be sure, Plan D assumed this very thing. But Plan A (hemispheric defense) was devoid of offensive operations. And Plan A was what the United States had as a viable plan at the outbreak of war. Lack of money, men and material determined this to a large extent. But the Intelligence Division of the General Staff added to the misconception. Until October and November of 1941, G-2 underestimated the capacity of the Allies to resist and held that a German move to West Africa, Dakar and then the Western Hemisphere was imminent.38

Except for increased aid to Britain and the realization that the United States would have to go on the offensive against the Axis powers eventually, strategy changed very little between the Havana Conference and Pearl Harbor. The core of American strategy remained

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38Sherwood, Roosevelt and Hopkins, pp. 415-17; and Burns, The Soldier of Freedom, pp. 140-41.
hemispheric defense. The Navy was to protect the seas and vital island possessions. The Army was to defend the land mass as best it could. In short, the Army had responsibility for protection of the land approaches to the canal. The Axis threat being what it was, the State Department shared the task.

Barring an immediate German attack, the land approaches presented three problems. First, to combat Axis propaganda and intrigue. Second, to keep the Latin American nations satisfied that Washington had their best interests in mind. And third, to integrate those republics into the war effort.

Secretary of State Hull, at the Havana Conference, had urged the Latin American nations to take steps to combat the threat of subversion and propaganda. In October, Roosevelt said that Axis propaganda was attempting to divide the American nations by playing on ethnic feelings, claiming democracy was decadent and trumpeting the military successes of Germany as the harbinger of the future. Later he condemned Axis emissaries for trying to pit capital against labor, stirring up hatred of the United States, playing on racial and religious animosities and exploiting man's natural abhorrence of war. He asked Latin American nations to control this
misinformation and implored American radio and motion picture companies to counteract it by disseminating honest information about the United States and its goals.39

In January of 1941, Nelson Rockefeller's investigating committee reported that many employees of United States companies or their affiliates in Central and South America were known members of local anti-American organizations. He said much of it was unwitting and being corrected but advocated increased vigilance. The State Department noted that Germany was maintaining economic representatives in nations with which it had no trade and promised surveillance by American embassies. At the end of the month, the German Foreign Office leveled a well-publicized blast at Roosevelt. It said the ocean made war between the two continents impossible and that Washington was trying to scare Latin Americans to further its own imperialist aims.40

39Hull Address at Havana Conference, July 22, 1940, p. 45, DSER, 1490, Volume III, Number 57; and Address on "Hemispheric Defense" in Dayton, Ohio, October 12, 1940, pp. 462-66; and FDR Fireside Chat on National Security, December 29, 1940, p. 638, in Rosenman, ed., The Roosevelt Papers.

From Colombia, Ambassador Spurille Braden reported in July that the Minister of War thought "a rapid German victory over Russia might swing many Latin American governments directly into the Nazi orbit." Braden added he had found a lot of evidence to corroborate the view. And although he later reported that the Pope's refusal to endorse Germany over Russia had diminished pro-German sentiment somewhat, the Ambassador felt the danger was potentially as strong as ever. This and other mounting evidence led Roosevelt to create the Office of Coordinator of Inter-American Affairs under Nelson Rockefeller. Its function was to refute Nazi propaganda and subversion as well as to present a more favorable image of the United States. The reason for its existence was that the President believed fifth column activities directly threatened Latin America. To help carry out the program, he announced that NBC and CBS were building 200 local radio stations to rebroadcast programs. In addition, the film industry agreed to produce and make available movies, documentaries and newsreels which depicted American life and policy in a favorable light.\(^4\)

\(^4\) Braden to Hull, July 2, 1941, pp. 13-14; and Braden to Hull, July 25, 1941, pp. 15-16, \textit{FRUS}, 1941, Volume VII; and Executive Order 8840, July 30, 1941, pp. 300-305, in Rosenman, ed., \textit{The Roosevelt Papers}. By Executive Order 9532, President Truman converted the CIAA into the Office of Inter-American Affairs on April 10, 1946.
Nazi propaganda was so pervasive, however, that neutralization rather than eradication became the goal. In October, Roosevelt lent his considerable weight toward that effort. He said that intelligence had given him two documents. The first was a revised map of Central and South America drawn up by Hitler's Government. In place of the fourteen separate and independent nations of those two areas, the map showed five new states. "And they have also arranged it that the territory of one of these new puppet states includes the Republic of Panama and our great life line - the Panama Canal." The other document revealed "a plan to abolish all existing religions - Catholic, Protestant, Mohammedan, Hindu, Buddhist and Jewish alike...In the place of the churches of our civilization, there is to be set up an International Nazi Church" for the purpose of inculcating Nazi tenets. Rockefeller and the CIAA gave the "documents" wide play in Latin America. To counteract isolationist sentiment, Roosevelt did the same in the United States.  

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One of the most serious problems the State and War Departments faced was that of watching airlines partially owned by German interests or having German employees. In November of 1938 the War Department, with Roosevelt's approval, put forth three major objectives. The first was the "elimination of commercial airlines owned, controlled, or manned by Axis nationals, and their replacement by United States or locally owned companies." The other two dealt with the development of facilities to aid hemispheric defense. The final two presented no serious obstacles. The first did.43

The solution was to make Pan American Airlines Washington's secret emissary. With United States backing, that company agreed to buy or drive out any airline with Axis personnel or connections. In Ecuador, the German controlled airline SEDTA appeared dangerous. Pan American set up a rival airline and drove it out of business. The situation in Colombia was not so easily resolved.

In that nation SCADTA emerged as the villain. Pan American, owning eighty percent of the stock, 43Conn and Fairchild, Framework of Defense, pp. 238-39.
quickly purged the German interests but not key employees. The Germans tried then to set up a company called ARCO airlines. The Colombian airline, Avianca, agreed to buy out ARCO and also expressed a desire to take over SCADTA. President Santos wanted an immediate transferral. The United States, however, envisioned "some sort of arrangement leaving Pan American in control of management during a transition period. This would permit an orderly and safe turnover of management to Colombian personnel and would ensure completion of the de-Germanization process."\(^4^4\)

Hull wrote Braden that "since our primary interest in this Colombian aviation matter is to insure the safety of the Panama Canal, we would with reluctance see an arrangement agreed upon that left uncertain the problem of the elimination of the German personnel in SCADTA." He said that as long as the situation existed, the uninterrupted operation of the canal, "which is of interest not only to Colombia and the United States, but to all of the American republics, remains insecure." Hull instructed Braden to tell Santos that Washington

\(^4^4\) Hull to Braden, February 20, 1940, p. 724, FRUS. 1940, Volume IX.
understood the Colombian desire to own its own airline system and that his government would support any gradual liquidation of Pan American's interests in SCADTA. But the United States would tolerate neither divided authority during the transition period nor anything less than total de-Germanification before Pan American turned over the airline.\textsuperscript{45}

Braden reported that Colombia remained adamant about buying fifty-one percent of the stock and no one, as yet, had presented an alternative. And while SCADTA was rapidly replacing German personnel, he felt American employees were still necessary to supervise flight schedules and prevent planes from deviating from flight courses. The impasse continued but Santos did try to reassure the United States about the safety of the canal. He offered to install additional facilities, leave military guards at airports, volunteered the support of Colombian military aviation and said he "would immediately instruct Avianca to discharge all German pilots" if the United States went to war. He further said that Avianca would fire all German personnel who had lived in Colombia for less than five years. But "those with roots

\textsuperscript{45}\textit{Ibid.}, Hull to Braden, February 2, 1940, pp. 124-26.
and connections in Colombia by reason of longer tenure ought to be retained" until war came. 46

Santos continued pressing the issue. He said he would instruct the Colombian directors that the defense of the canal was a "paramount concern." He pointed out that harm to the Panama Canal would be not only "politically disastrous" but economically as well, since closure would disrupt southern Colombian trading patterns. On February 28, 1940 Hull wrote that the State, War and Navy Departments were satisfied with Santos' assurances and that preliminary sale negotiations could begin. 47

A final fear was that former SCADTA employees might try "to rejuvenate ARCO or to establish other local lines on terms ostensibly very favorable to the Colombian Government." So Hull wanted a Santos promise that Avianca would be the official national airline of the country and that he would discourage any domestic lines from trying to compete with Avianca. Santos agreed and the two parties consummated the sale in


47 Ibid., Braden to Hull, February 22, 1940, p. 732; and Hull to Braden, February 26, 1940, p. 734.
early 1941. True to his promise, Santos turned Avianca over to Pan American after Pearl Harbor. With the end of hostilities, Colombia regained her national airline.  

The Nicaraguan experience provided a typical example of how the United States managed both to cultivate good relations with Latin American nations and also to draw back when friendship with a government threatened to embroil it in domestic affairs. As early as 1938, Nicaragua's President, Anastasia Somoza, had entered the controversy over the third locks proposal for the Panama Canal. Somoza proposed, as an alternative, the canalization of the San Juan River. When American military authorities dismissed the project on both fiscal and strategic grounds, the Nicaraguan Government pushed the proposal as one that would aid its economy and prove Washington's pretensions to being a good neighbor.

In May of 1939, Roosevelt entertained Somoza during a trip to the United States. "Acting entirely on his own volition," he agreed that if a survey of a canal

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48 Ibid., Hull to Braden, June 15, 1940, pp. 734-35; and Braden to Hull, June 17, 1940, p. 735.

49 Ibid., Meredith Silson to Welles, January 14, 1939; and Gerald A. Drew, Division of American Republics, Memorandum, February 16, 1939, p. 724, 1939, Volume V.
route showed that a feasible draft barge canal could be constructed, the State Department would enter into negotiations. Complications arose since Costa Rica shared part of the river; American ardour for the project soon waned. But by 1940, Costa Rica and Nicaragua had worked out their differences and the United States was left with an unwanted promise. Deciding it could weasel out of the project but not the obligation, the State and War Departments settled on a costly survey to demonstrate that the whole project lacked feasibility. In this way, America avoided offending Nicaragua and managed to get out of a pledge given with little foresight.50

The possibility of intervention came in April of 1940 when the Somoza Government appeared to be in domestic trouble and intimated it might ask the United States for help. The expected proposal was that Washington take over either the National Guard or Nicaragua's finances. This would have tied the United States to Somoza, and in times of such severe international turbulence, made it most difficult for opposition to him to survive. Hull and the State Department rose to the

50Ibid., Duggan to Nicholson, May 26, 1939, p. 735; and Hull to Nicholson (with extended footnote), October 3, 1939, pp. 740-47.
occasion. Stressing the close and cordial ties with the government in Managua, Welles pointed out that, while willing to give advice, Washington could not tie itself to any particular individual or faction. Welles then directed the American Minister there to point out the impossibility of the United States being able, or desiring, to intervene.

Arms policy was another facet of trying to balance good will and national interest. The War and State Departments had set arms policy toward Latin America after the debacles of May and June, 1940. Only Brazil and Mexico would get enough aid to defend themselves and possibly contribute in a military way to the war effort. The sea and land nations near the canal were to receive only enough to maintain internal stability. The rest were to divide up what was available after the United States dealt with its primary needs. The choice had been between an arms policy that would enable Latin American nations to contribute to the war effort either through a direct contribution or an indirect one of lending support by keeping things quiet on the home front. Washington, at the special urging of G-2, opted for the latter.51

Consequently, the Army held talks with their Latin American counterparts in August and September of 1940. In May of the following year, Admiral Stark invited the naval chiefs of all the South American countries to consider cooperative measures against the Axis powers. The Central American and Caribbean nations fell under direct United States naval protection and could contribute little. When the conference met, Welles was on hand to stress that "in our unity lies strength." It was wise that the State Department constantly reiterated the theme of hemispheric unity for military talks often tended toward expediency and could have offended Latin Americans by seeming to be dictation rather than sincere requests for a cooperative effort.\(^{52}\)

Along with supplying a limited amount of arms and holding consultation talks, the United States also brought Latin American officers to American military schools and sent missions and attaches to the other nations of the Western Hemisphere. As of February, 1941, forty-five junior officers from these republics were attending three military schools: twenty-nine

\(^{52}\)May 8, 1941, p. 553, DSR, 1941, Volume IV, Number 98.
were at the infantry school at Fort Benning, Georgia; nine went to the artillery school at Fort Sill, Oklahoma; and seven studied coastal artillery at Fort Monroe, Georgia. And by December of 1941, either attaches or missions represented the United States in all of the Latin American capitals. These programs had the dual purpose of replacing Axis military influences and promoting closer, and hopefully better, relations with our allies in hemispheric defense.53

Panama was to test the American commitment to unity. It was in that nation that Washington had to both insure the preservation of unity by respecting Panama's sovereignty and to prepare to defend the strategically vital canal. There were to be moments when both seemed mutually exclusive.

Trouble with Panama

Elected in June of 1940, President Arnulfo Arias proposed a new constitution for Panama in October. It purported to increase the presidential and congressional terms of office from four to six years and allowed government-sponsored monopolies. Reflecting Arias'}

53Ibid., Press Release, February 14, 1941, p. 183, Number 86.
especial hatred of blacks, the constitution set immigration quotas by race instead of nationality and put them at extremely low levels for blacks and orientals. In addition, it appeared that certain sections would affect the 1936 treaty and make it more difficult for the United States to get land for bases outside the Canal Zone.  

At the end of the month, Ambassador William Dawson reported that Harmodio Arias, brother of the President and editor and publisher of the Panama American daily, had broken with his brother. And while Arias was in complete control of his administration and totally dominated the National Assembly, opposition to him was on the increase. Two natural sources existed. First, the "Alfaristas," who claimed they had lost in June due to governmental interference. And second, the conservative elements in the business community and their political cohorts who detested Arias' nationalistic foreign and domestic policies.

Arias' programs generated a measure of hostility as well. His zeal in pushing the new constitution became a source of general antagonism. Although many

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54 Dawson to Hull, RG59, October 22, 1940, 819.00/2085, National Archives. The Constitution went into effect in January, 1941.

55 Ibid., Dawson to Hull, October 22, 1940, 819.00/2085; and Dawson to Hull, RG59, October 30, 1940, 819.00/2087.
supported its contents, they resented his attempts to railroad it through the assembly. The colored population, of course, disliked his notions of racial superiority. Dawson also claimed that the impression that Arias was hostile to the United States hurt him since public opinion "generally supports United States international stances at present." Reports that his days were numbered spread; although his political machine was basically intact, it represented neither the masses nor the upper class.  

Harmodio Arias gradually emerged as the focal point of opposition to his brother. He said, however, that he would wage his fight on the pages of the Panama American and would always refuse to condone violence. In Dawson's opinion, this doomed any attempt at forceful overthrow. The ambassador continued to maintain a posture of abstinence in Panama's internal affairs but it was becoming increasingly evident that the United States would be glad to count an Arias overthrow among its blessings.  

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56 Ibid., Dawson to Hull, RG59, October 30, 1940, 819.00/2087.

57 Ibid., Dawson to Hull, RG59, December 14, 1940, 819.00/2093.
The opposition, however, was ineffective. Arias moved to consolidate his power with ease. In December, he sacked the head of the Panamanian police force and five other officers. Arias supporters replaced them. And then, while not endorsing the Axis powers, Arias began to emulate their internal policies and mode of government. 58

When unofficial American criticism crescendoed, Julio E. Briceno, Counselor to the Panamanian Embassy, spoke out. He said that the press was after Arias and was creating "false impressions" of him and his policies. Actually, said the apologist, Arias despised totalitarianism and was "totally committed to democracy." He had, after all, served in the French Armed Forces in 1939. He had left only because he felt the need to serve his own nation. As for the canal, Arias appreciated the benefits it gave to Panama and fully intended to remain on good terms with the United States. 59

Like Lady Macbeth, Briceno protested too much. On July 1, 1941 Arias, using dubious tactics, removed the two most independent and liberal members of Panama's

58Ibid., Dawson to Hull, RG59, December 21, 1940, 819.00/2094.

59Ibid., Speeches of Senor Julio E. Briceno, Counselor for the Panamanian Assembly, RG59, May 4-8, 1941, 819.00/2123, 2124, 2125.
Supreme Court, Dr. Domasco A. Cervara and M. A. Grinaldo. Arias lackeys replaced them. The following day he told his brother to editorialize more favorably toward totalitarian governments and threatened to take control of the Panama American. The anti-Arias and independent newspapers began postulating that he was a fascist and directing his policies to favor the Rome-Berlin Axis. Although he was apparently in contact with those who supported Germany and Italy, no firm evidence existed to corroborate the charges. 60

On October 9, 1941 former Minister of Government and Justice Ricardo Aldolfo de la Guardia, with the help of the Panamanian police, overthrew Arias and installed himself as President. Arias left the country in clandestine fashion while the new government arrested 75 of his supporters. Included among them was his avowedly pro-Nazi secretary, Antonio Asiza and several other cabinet members. Only those who fled to the interior escaped the dragnet. 61

60 Ibid., Wilson to Hull, July 21, 1941, 819.00/2134; Personal Wilson letter to Hull, July 1, 1941, 819.00/2134½; and Wilson to Hull, RG59, August 27-30, 819.00/2068, 2069, and 2070.

Guardia asked Dr. Francisco Villalez, Arias' special envoy to Germany, to leave Panama and declared Erik O. Cerjack Boyna, a member of the German legation active in Nazi activities, persona non grata. He also annulled the law requiring six months service in a Panamanian civil army and disbanded the Cubs of Urraca, a fascist-like organization. In addition, school teachers and employees of restaurants, hotels and other service industries no longer had to wear special uniforms.  

Wilson warned of weaknesses in the new Guardia Government. First, there had been no clean sweep of personnel in the civil service or police force, where fascist tendencies still existed. Second, Arias still had some support and could return to make trouble. Next, the Third Designate, Anibal Rios, had made statements about making a bid for the presidency in the near future. And finally, Guardia was refusing to return to the 1940 constitution.

The Axis powers and their propagandists throughout Latin America, meanwhile, charged the United States with engineering Arias' removal. Hull issued an immediate

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62 Wilson to Hull, October 23, 1941, 819.00/2182; and Wilson to Hull, RG59, November 14, 1941, 819.00/2201, National Archives.
denial. "I state clearly and categorically for the record that the United States Government has had no connection, direct or indirect, with the recent governmental changes in Panama." He admitted that the rebels had asked for help. But the embassy had told them that, under no circumstances, would Washington interfere in "the internal affairs of other countries," and that no favors or inducements could change this policy. The German newspaper, Boersen Zeitung, said that Hull's statement was "an attempt to insinuate that world public opinion should regard so open a demonstration of Yankee imperialism as an hallucination...So much American magnanimity at one swallow is nauseating."

America's hands, however, appeared clean. Yet policy makers could not have been but glad to see the Arias regime overthrown for it had presented considerable obstacles in preparing for the defense of the canal. 63

With Arias' tendencies toward authoritarianism, and with paramilitary organizations and friendships with Axis sympathizers guiding him, German and Italian propaganda had labored under few restrictions. On

63 Hull Statement, October 11, 1941, p. 676, DSB, 1941, Volume V, Number 121; and Morris (in Berlin) to Hull, October 18, 1941, 819.00/2170, National Archives.
January 17, 1941 Ambassador Wilson issued his report on the matter. 64

As the United States had done little by way of propaganda, Great Britain's propaganda was the only foil to Germany. But the latter's material far surpassed Britain's in volume and "somewhat in quality." As Italy had just started its operation, Wilson felt unable to assess it. Germany's main tool was a daily newspaper printed in Spanish. Put together from radio bulletins, it was "well-edited, flashy and to the point." In addition, Berlin supporters put out a weekly propaganda sheet of photographs, pamphlets, periodicals, translations of Hitler's speeches and postcards. 65

"To follow them, one would think that German victory is only a matter of brief, bothersome delay, while England slowly crumbles, and while the United States, harried by labor troubles and opposition political leaders, flounders in confusion." Conquered territory always came off as much better ruled under

64Arias to FDR, January 7, 1941, p. 12, DSB, 1941, Volume IV, Number 81; and Wilson Propaganda Report to Hull, January 17, 1941, 819.00P/5, National Archives.

65Wilson Propaganda Report to Hull, RG59, January 17, 1941, 819.00P/5, National Archives.
the Nazi "New Order." Wilson felt that while German propaganda was fairly dangerous now, if Germany pulled off more victories, "its effect might suddenly blossom" into a definite and concrete threat. 66

Britain's propaganda, he said, needed to be translated into Spanish more often. In addition, it made for tedious reading and appeared with relative infrequency. British pamphlets about the status of the church and labor under Nazi rule seemed to have the greatest effect, although frequent German denials blunted their impact somewhat. In summation, the Allies were losing the propaganda battle. 67

Freedom of the press often hurt the United States as much as helped it. The CIAA was just getting started when Senators Burton K. Wheeler and D. Worth Clark dropped their bombshell. They pronounced the Good Neighbor Policy a failure in winning Panamanian support for U. S. policies and said other means were needed to counteract German propaganda. Their solution was to occupy all of Latin America and Canada. Giving either a back-handed compliment to Roosevelt or a slap at the

66 Ibid., Wilson Report to Hull, RG59, January 17, 1941, 819.00P/5.
67 Ibid., Wilson Report to Hull, RG59, January 17, 1941, 819.00P/5.
peoples of the Americas, they declared, "It probably would not be necessary to fire a single shot to take control of this whole hemisphere." Denials by Roosevelt and Hull did little to assuage a temporary arousal of Latin American opinion.68

In October, the New York Times reported that the Nazi groups on the isthmus were well-organized and well-financed. Nine hundred Germans lived in Panama and a great majority were said to support Hitler. Led by Cernak Boyna, a German who was "on good terms with Arias," they were said to be engaged in special surveillance expeditions under the guise of exploring the agricultural possibilities of Chiriqui Province. The connection with Germany was clear. That nation's charge d'affaires in Panama, Hans von Winter, doubled as Boyna's assistant.69

Arias' connection with whatever Nazi organization existed was unclear. His connection with paramilitary organizations for Panama's young men was quite clear. He openly supported the Cubs of Urruta and the Panamanian Youth Association, both of which had a heavy sprinkling

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69Ibid., "Axis Propaganda Gains in Panama," October 11, 1941, p. 4.
of Axis sympathizers. The American Ambassador and his staff put them under surveillance for engaging in "undesirable political activities" but stopped short of protesting their actions to Arias.70

Everything changed when Guardia became President. He immediately disbanded the Cubs of Urruta and later did the same to the Panamanian Youth Association. His administration also did yeoman work in stifling Axis propaganda and controlling the German population.71

The Arias Government had also made it difficult to prepare canal defenses adequately. One area of disagreement came over the composition of the board set up to control Panamanian aviation. A 1928 exchange of notes provided for a Joint Aviation Board with five members, three of them American. The Panamanian Minister of Government and Justice received the honorary function of presiding over it. Then a mistake in the wording of the agreement came to light which gave Panama the right to have five members on the board. However, since both nations assumed a three-two split, the error went uncorrected. That is, until research by one of Arias' researchers revealed the mistake.

70Wilson to Hull, RG59, October 30, 1941, 819.00/2187, National Archives.

71Ibid., Welles Memorandum of Conversation with Ambassador Ernesto Jaen Guardia, RG59, November 27, 1941, 819.00/2197.
followers revealed the mistake and Panama demanded five members and hence control of the board.  

A three-three proposal was unsatisfactory to Panama and Arias moved to make the error permanent by having it written into the 1941 constitution. That document further stipulated that membership of the board be determined by position. The Arias list included the Minister of Government and Justice, the Minister of Public Health and Development, the Secretary of the Ministry of Health and Justice, two other Panamanians, the Commanding General of the Canal Zone and the ranking naval official stationed there. The United States protested leaving out the Governor of the Canal Zone, then General Glenn Edgerton, who advised the other two not to accept their positions until the matter was resolved.

Naval, War and State Department officials in the Canal Zone appealed to Hull to have the Governor included on the Aviation Board. Stimson argued vehemently for the inclusion of the Governor on the grounds that he "is vitally concerned with matters which come

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72 Ibid., Charge Muccio to Hull, RG59, April 21, 1941, 819.7961/269.

73 Ibid., Muccio to Hull, RG59, April 22, 1941, 819.7961/267.
before the Board involving questions of national defense and administration." Hull agreed and issued instructions to hold to the three-three interpretation.74

On June 5, Arias told Ambassador Wilson that he recognized the mistake and would rectify it. As of November, Panama was still temporizing on including Edgerton's position. President Guardia said the delay was due to doubts as to whether his nation could constitutionally appoint the American members to the board. Then Guardia reversed himself. First, he said that Panama had the constitutional duty to help the United States protect the canal. And second, he now said the three-three agreement was prior to the new constitution and therefore valid. By the time of the Japanese attack on Pearl Harbor, the Joint Aviation Board was functioning but not yet completely settled in its composition.75

The year 1941 also saw earnest defense preparations for the canal. On January 9 and 10 the Navy and Army respectively set up unified defense commands, with the Army's being located in the Canal Zone under General Daniel Van Voorhis. And as the United States tied itself

74 Ibid., Muccio to Hull, April 25, 1941, 819.7961/266; Wise to Dawson, May 5, 1941, 819.7961/269; and Stimson to Hull, RG59, May 16, 1941, 819.7961/275.

75 Ibid., Wilson to Hull, June 5, 1941, 819.7961/276; and Legal Aid Memorandum, November 7, 1941, RG59, 819.7961/277.
ever more firmly to the Allied cause, use of the canal took on increased importance as a form of aid short of war. The State Department felt that "Increasing attention is being directed toward the Panama Canal as a possible weapon to be used in the present international conflict. One of the Axis powers has been moving a considerable amount of tonnage through the Canal." In light of this, the Department began considering, in February, a policy of restricting the use of canal facilities.76

When considered, all factors pointed toward such a policy. First, the canal was "a valid element in our national defense" and yet was jeopardized since potentially hostile nations could use it. Second, Germany and Italy sent more tonnage through it than Great Britain and hence somewhat offset the American policy of aid to London. Finally, the other American republics seemed amenable to such restrictions on warring nations.77

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76 Ibid., Memorandum of Finley, Bonsal and Welles Conversation, RG59, February 20, 1941, FW811F.812 Protection/257.

77 Ibid., Memorandum of Finley, Bonsal and Welles Conversation, RG59, February 20, 1941, FW811F812 Protection/257.
To accomplish the desired goal and protect the immediate sea approaches to the canal, Roosevelt issued five executive orders. These established "defensive naval areas around the islands of the Pacific and Culebra Island in the Caribbean, forbidding the entrance into those areas of any ships except United States public vessels unless authorized by the Secretary of the Navy." But none of this was truly effective as long as the Axis powers had access to the canal. The stumbling block to this and further restriction of facilities was Rule 1 of Article III of the Hay-Pauncefote of 1901 between the United States and Great Britain. That rule established that "the canal shall be free and open to the vessels of commerce and war of all nations observing these Rules, on terms of entire equality." 78

To get around this provision, the United States consulted with the South and Central American governments about letting Great Britain establish a naval force in the Caribbean to intercept non-American ships carrying contraband to the Axis powers. They agreed and Great Britain did so in March. The United States

78 Ibid., Memorandum of Finley, Bonsal and Welles Conversation, RG59, February 20, 1941, FW811F.812 Protection/257; and Arosemena, Diplomatic History, p. 134.
further compromised the treaty by giving lend-lease aid to Britain in the Canal Zone. All violations of the canal's neutrality, the measures were consonant with the higher law of keeping Great Britain in the war if at all possible. 79

While supporting these measures, Panama tended to frustrate American war plans in other ways. The first concerned the arming of merchant vessels and the second involved the need for bases outside the Canal Zone. Both pitted wartime necessities against the tenets of the Good Neighbor Policy and hemispheric unity. In each case, the latter ultimately determined policy.

In June of 1941, Roosevelt authorized the United States to aid in arming pro-allied foreign flag merchant ships. The Navy Department quickly offered Panama low-angle guns to be mounted on some 83 Panamanian flag vessels. That nations' laws did not prohibit this course of action, but the Arias regime dallied. When officials pointed out that each of the 83 were at least partially American owned, they received no answer. 80

79 Ibid., Memorandum of Finley, Bonsal and Welles Conversation, RG59, February 20, 1941, FW811F.812 Protection/257.

80 Hull, Memoirs, p. 1048.
Then in early October, Arias, after initial but belated agreement, prohibited the arming of ships bearing the Panamanian flag. Complying with Arias' policy, the State Department asked that the Navy discontinue any installations of armaments then in progress and remove armaments already on ships. The Navy agreed and the guns came off. The events of October 9, however, reversed Panama's position. The Guardia Administration asked for the guns for merchant ships and for help in mounting them. The Navy carried out the request immediately.81

For its cooperation, Panama requested, under provisions of the Lend-Lease Act, three small launches equipped with modern machine guns. Guardia claimed it was crucial to the defense of the canal, since, with them, his nation could "keep a careful check on all the individuals who might attempt to enter Panama surreptitiously from the neighboring republics of Colombia and Costa Rica." Admiral Jacob Sadler deemed their contribution to defense as negligible, cited important shortages elsewhere and advised against the grant.82

81Ibid., pp. 1048-49.
82Wilson to Hull, RG59, November 18, 1941, 819.34/1, National Archives.
Guardia followed this request with another for 200 Thompson sub-machine guns. Although not needed, Ambassador Wilson urged positive action on the grounds that it would "help cement relations" with the new regime. The War Department fought it. Foreshadowing the future, Colonel Matthew Ridgway said that "the defense of the Zone and the surrounding country is a matter which the United States Military authorities wish to handle themselves." He also feared that the use of lend-lease would establish an unfortunate precedent and the rest of Latin America would begin asking for weapons which they would never use for defensive purposes.

To show that Panama was taking the defense issue seriously, Guardia created a Civilian Defense Committee. Its functions were to build bomb shelters, organize voluntary civilian air-raid warning groups, increase the number of volunteers to fight fires caused by incendiary bombs and study measures to avoid a food shortage. The President cited two benefits from his program. First, it would make the Panamanian people...
realize the potential danger. And more importantly, it would free American military personnel from peripheral tasks and allow them to concentrate on crucial defense projects. No amount of softening up, however, could change the War Department stance. Panama got neither guns nor launches. Guardia did get a small quantity of farm machinery, supposedly to lessen the drain on American foodstuffs.  

American military officials, meanwhile, had narrowed the possibilities of danger to the canal to two: sabotage, and air attack from an aircraft carrier or a hostile base in a neighboring country. Rumors of both were constant. The Minister to Costa Rica feared that planes at Sabana Airport and belonging to the British-controlled TACA airline, might be highjacked and used to attack the canal. The Mexican naval attache heard of a German-Italian plan to sabotage the canal. Edward W. Scott, the Arias-deported editor of the Panama American, said that Nazi influences were "a large Trojan horse growing on the banks of the Panama Canal."  

84 Ibid., Wilson to Hull, November 22, 1941, 819.20/39; Hull to Wilson, January 7, 1942, 819.24/84; and Wilson to Hull, RG59, December 4, 1941, 819.23/741.  

The War and Navy Departments took steps to forestall any hostile action against the canal. Authorities worked out an agreement with TACA in late 1940. A stimulated attack on the canal led to tighter security. The Army strengthened coastal artillery at each end of the zone. Air and naval patrols were extended farther out to sea. Balboa and Cristobal authorities barred all unauthorized personnel from the piers. Blackouts were total. And Van Voorhis warned that hidden guards would fire without warning on Canal Zone intruders.86

These measures, however, constituted only a shoring up of existing security measures. The real need was for bases on Panamanian soil. The War and State Departments had started to negotiate for them even before the July, 1940 Havana Conference. In November of that year Arias was saying his nation was ready to cooperate in canal and hemispheric defense, but that he saw drawbacks to a bases deal. Roads going from the Canal Zone to the bases would facilitate smuggling and hurt Panamanian merchants. Any enemy would no doubt target military

86 "Ready for Canal Attack," January 20, 1941, p. 4; "Army Limits Panama's Pier Use," June 1, 1941, p. 3; "No Trespassing at Canal," November 24, 1941, p. 3; and "Alert at Canal Zone," December 8, 1941, p. 9, New York Times.
installations and Panama might suffer a great deal. Ninety-nine year leases would not do. Four to six was all he could give. In addition, Panama had to retain jurisdiction over civilians in these areas. In return for such cooperation Arias thought the United States ought to take up some of Panama's long-standing grievances and agree to build a trans-isthmian highway. 87

Ambassador Dawson presented the War Department's case to Arias. Van Voorhis' statement said that the bases were "an absolute necessity." And this was so because the Army had to control the enemy as far as possible from the canal and deny him access to it. He countered Arias' point about targets rather lamely. His point was that the enemy wouldn't attack temporary bases and so Panamanian territory was safe. 88

Getting down to specifics, Dawson enumerated Van Voorhis' requests. First, he wanted auxiliary fields and housing at five points and emergency ones at seven. To "detect the approach of planes at a great distance," he required seven aircraft warning service stations.

87 Dawson Memorandum of Conversation with Arias and Van Voorhis, November 9, 1940, pp. 1076-78, FRUS, 1941, Volume VII.

88 Dawson to DeRoux, RG59, November 25, 1940, 711F.1914/160, National Archives.
Forty-six searchlight positions in the vicinity of the Canal Zone would provide the necessary illumination for anti-aircraft batteries. To provide access to these positions, he wanted land to build roads with a ten foot width. Panamanians could use these except in time of emergency. On Melones and Bona Islands, the Army would build observation stations. Van Voorhis held out for ninety-nine year leases but agreed to return them sooner if they no longer had value.  

Dawson offered a road twenty feet in width between Madden Dam and Panama City as inducement, but warned Foreign Minister De Roux not to make excessive demands. He stressed that hemispheric defense, not American greed, dictated the extent of land required. Both Arias and De Roux expressed disappointment, pleading only the desire for just compensation. They said, however, world conditions gave them no choice but to cooperate.

In proclaiming the new constitution on January 2, 1941, Arias interjected another element into the dispute. He said that Panama had passed through the tutelage stage, but that the United States Army training center at Rio

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89 Ibid., Dawson to De Roux, RG59, November 25, 1940, 711F.1914/160.

90 Hull to Dawson, December 28, 1940, p. 1086; and Dawson to Hull, December 30, 1940, p. 1088, FRUS, 1940, Volume VII.
Hato was a grim reminder of the past. The United States had established it on a private tract and had never thought to ask whether the Government of Panama recognized the transactions. He conceded that military developments had made bases outside the Canal Zone indespensable and that he would cooperate. Arias finished by warning that cooperation "cannot and should not signify unrestricted cessation of sovereignty or jurisdiction."91

Arias' Ambassador to Washington, Dr. Carlos Brin, shortly thereafter said he hoped the State Department would reconsider its offer and grant more than the previous rental fees it had set forth. The original offer, he said, was hardly in line with "the burdens, dangers, and moral sacrifices" which Panama would have to endure. He also insisted that Panama retain jurisdiction over American civilian personnel anywhere outside the Canal Zone. Dawson assented to the notion that a six-year lease would be more in line with the 1936 treaty than a ninety-nine year one. He remained

unconvinced, however, that Arias' talk was just for
domestic consumption and that the United States would
get its bases.92

Hull wrote to his ambassador that although he
didn't know how long Washington would need the lands,
he concurred with Dawson's estimate that ninety-nine
years was excessive. In addition, "the Department
tentatively believes that an annual rental rather than
a lump sum payment would form a better basis for
negotiations."93

On January 24, Brin told Welles that he thought a
conversation with Roosevelt would facilitate an agree­
ment. When queried by Welles, Brin said Panamanian pub­
lic opinion was against granting the bases unless Panama
got a lot in return. He added that ninety-nine year
leases would turn his nation into "an armed camp for a
century." Welles replied that he appreciated the latter
point but Panama had to recognize that methods of war
had changed. The Ambassador then got to the heart of
the matter. As tangible benefits, his government wanted

92 Hull to Dawson, January 7, 1941, pp. 414-15, FRUS, 1941, Volume IX.

93 Ibid., Hull to Dawson, January 9, 1941, pp. 418-19.
a tunnel under the canal to relieve congestion at the ferry crossing, donation of Panama Railway Company land to his nation, removal of the railroad station in Panama City, which was impeding improvements, and "the immediate relinquishment of the aqueducts and water works to the Government of Panama."\(^9\)

On the last day of the month, Welles talked with Brin again. He said Roosevelt wanted to see him but was too busy. He also relayed Roosevelt's judgment that "the world situation was grave and speed in turning over to the canal authorities the defense sites necessary was of the utmost importance." Brin replied by asking for more. He claimed military commissaries were destroying business, military vehicles were tearing up Panama's roads, and that justice dictated that the United States advance to Panama the canal annuities for the next fifty years.\(^9\)

By February, Panama was playing the injured party. How, Arias asked, could he go to the National Assembly with a proposal to give away land when he had nothing to show for it? De Roux accused Washington of responding to his January 7 aide-memoire with an ultimatum

\(^9\)Ibid., Welles Memorandum of Conversation with Dr. Brin, January 24, 1941, pp. 419-20.

\(^9\)Ibid., Welles Memorandum of Conversation with Dr. Brin, January 31, 1941, p. 421.
rather than reason. And he doubted seriously if Roosevelt was too busy to see Brin, another slight against his country. His final ploy was that only an Arias-Roosevelt conference could unravel the Gordian knot now.96

Arias' next move was to make Article Ten of the 1936 treaty the framework for the agreement. If made only under Article Ten, the United States would have to give up the bases as soon as the threat of aggression passed. Hull ordered the carrot and stick approach. He told Dawson to remind Arias of his promise and duty to cooperate and, at the same time, to inform him that Roosevelt would see his Ambassador.97

Roosevelt must have felt certain he could win Brin over, for on February 11, he asked Congress to appropriate a supplement of $680,118,000. to the Army budget. Part of it was to be air defense money for the United States and Alaska. The rest was for "cantonments, airfields and strengthening the defenses of the Panama Canal." There is no record of the meeting but evidently

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96 Ibid., Dawson to Hull, February 6, 1941, p. 423; Dawson to Hull, February 13, 1941, p. 425; and Dawson to Hull, February 14, 1941, p. 426.

97 Ibid., Dawson to Hull, February 14, 1941, p. 425; and Hull to Dawson, February 17, 1941, p. 428.
Brin asked for as much as he could get. 98

On February 25, Hull ordered Dawson to deliver an aide-memoire that bordered on an ultimatum. The document granted that Panama should retain its sovereignty over land under lease but said the United States should have jurisdiction over everyone except Panamanian citizens. "If the agreement does not prove satisfactory for the maintenance, sanitation or efficient operation of the canal or for its effective protection, the United States reserves the right to request the Republic of Panama to grant exclusive jurisdiction to the United States over the desired areas." Using stronger language, it said the United States had to have the sites without delay. 99

Three days later, Dawson wired Hull that Arias and De Roux were taking steps to complete the deal. On March 5, Arias both gave in and held out. He said that in view of the urgency of the situation, Panama was permitting the United States "to commence the necessary military preparations." The actual agreement came later

98"Work Relief Cut By Defense Hiring," February 11, 1941, p. 13, New York Times; and Memorandum of Brin's Demands, February 18, 1941, p. 431, FRUS, 1941, Volume IX.

99Hull to Dawson, February 25, 1941, p. 434, FRUS, 1941, Volume IX.
and Arias insisted on three conditions. First, that Article Ten of the 1936 treaty be the framework. Article Ten said that immediately at the end of the "present European conflagration," Washington had to evacuate the bases. Second, the United States must give "adequate compensation." And third, Panama would retain jurisdiction over all civilian personnel on the base. On the final point, De Roux hedged a few days later, granting the United States jurisdiction over cases having to do with "acts of espionage or sabotage that might endanger the military installations."100

A March 26 aide-memoire thanked Panama for "appreciating the urgency of the situation" and for making the sites "immediately available." But American policy makers remained adamant on two points. They agreed, as before, to negotiate under Article Ten of the 1936 treaty. In addition, however, they maintained that Article Two, which dealt with an "unforeseen contingency," had to be part of the package. Second, the United States refused to give up jurisdiction over its own citizens. And joint policing was impractical especially since the

100 Ibid., Dawson to Hull, March 5, 1941, p. 436; De Roux to Dawson, March 10, 1941, p. 437.
Panamanian legal structure wouldn't allow the arrest and punishment of "unauthorized persons for trespass." 101

At the end of the month, Hull wrote Dawson that although he didn't want to make the negotiations more difficult, he could not "emphasize too strongly that prompt occupation of the defense sites is now essential." He instructed Dawson to give Van Voorhis' occupation schedule to De Roux and Arias. To make it all official, a Panamanian administration member should "accompany the detachments to the various sites and there make formal transfer of them." At the War Department's request, Hull put a ten day limit on beginning the process. 102

On April 4, Brin, Welles, Lawrence Duggan and Phillip Bonsal met to discuss extra-monetary compensation for Panama. The State Department saw no objection to turning the water works at Panama City and Colon over to Panama if that nation agreed to a fair purchase price. Instead of a tunnel under the canal, American representatives said Roosevelt wanted to improve the ferry


service. The United States also agreed to move the railroad station in Panama City, give Panama the railroad lots in the same city, try to import labor satisfactory to Panama and forbid military police, except in emergency, to carry lethal weapons when on Panamanian territory. 103

The Arias Government held out for more. It wanted a better arrangement on the water and sewage systems, a tunnel when possible and more ferries immediately, restriction of black immigrants as laborers in the Canal Zone, cheap electric power from the Madden Dam plant, an indemnity for the interruption of highway traffic when American troops used the roads, a highway built to Rio Hato and three oil storage tanks at Balboa. Hull tried to impress on Brin and De Roux, now in Washington, that hemispheric defense and the defeat of Hitler had to take priority. But Panama evidently felt that this was the time to strike, and her emissaries refused to subordinate their demands to the war effort. By the middle of June, Welles was telling Roosevelt that giving in

103 Ibid., Bonsal Memorandum of Conversation with Brin, Welles and Duggan, April 4, 1941, pp. 442-45; and Department of State to Panamanian Embassy, May 7, 1941, p. 446.
was worth it to us "to prevent trouble." His only stipulation was that concessions or money for projects be somehow "in our own defense interest."\(^{104}\)

By July, the American position was crumbling. A July 8, 1941 memorandum to Panama's embassy revealed the United States' giving in on everything but rental fees, the issue of paying for road repairs and jurisdiction on the base sites. Arias was so delighted he wanted to make the memorandum public. Hull demurred until they reached "agreement on all important points." Significantly for defense purposes, construction at the base sites continued without interruption.\(^{105}\)

The Guardia Government which came to power in October proved to be equal to that of Arias in seeking benefits for Panama. Two months after both nations entered the war, negotiators were still at loggerheads over two important points. The first involved Article Two and the "unforeseen contingency" provision. The United States still wanted this article included in the framework of the agreement so it could maintain the bases after the war if necessary. The second concerned

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\(^{104}\) Ibid., Panamanian Embassy to Department of State, May 20, 1941, pp. 449-50; Hull Memorandum of Conversation with De Roux and Brin, May 29, 1941, p. 451; and Welles to FDR, June 19, 1941, p. 451.

\(^{105}\) Ibid., Department of State Memorandum to the Panamanian Embassy, July 8, 1941, pp. 456-60; and Hull to Wilson, August 5, 1941, p. 464.
rental fees. Panama was holding out for $100 per hectare, slightly more than an acre per year. The United States deemed this exhorbitant, pointing out that the canal cost only $450,000 per year, while the bases would cost $700,000. The American position advocated paying nothing for public lands and reimburse the Panamanian Government for expropriation of private lands. The War Department was less than enthusiastic about most of the provisions and urged a firm stance on the final two. 106

On March 9, Guardia said he would rather see negotiations break down than include the "unforeseen contingency" clause. He claimed legitimately that it would leave the whole question of evacuation to a future agreement. To break the impasse, he suggested a formula stating that the lands revert to Panama one year after the signing of the peace treaty unless the two governments agreed on a reason for America to retain them. He also stated that Panama would accept a one dollar per hectare per year rental on public lands if the United States would pay $100 per hectare for

106 Ibid., Bonsal Memorandum to Welles, February 5, 1942, pp. 581-82, 1942, Volume VII.
private lands. The hitch was the big air base at Rio Hato, which was private land. This alone would have cost the United States over $500,000 a year.\textsuperscript{107}

Ambassador Wilson gave the War Department view the following day. He told Foreign Minister Octavio Fabrega that the development of aerial warfare and the tendency toward undeclared wars had changed things irrevocably. The United States just could not protect the canal without retaining some of the sites after the war. The War Department, he said, insisted on keeping "certain auxiliary air fields and particularly aircraft warning stations." Privately, Wilson urged Welles to complete the treaty quickly. He said the friendly Guardia Government was losing prestige "because of its inability to announce the benefits which Panama will get in return" for the sites.\textsuperscript{108}

The War Department especially wanted the huge air base at Rio Hato as a permanent facility. Consequently, they had Welles suggest negotiating a separate agreement to cover it. Wilson wired back that there was "no

\textsuperscript{107}Ibid., Wilson to Hull, March 9, 1942, pp. 584-86.

\textsuperscript{108}Ibid., Wilson to Hull, March 10, 1942, p. 597; and Wilson to Welles, March 16, 1942, p. 598.
possibility whatsoever" of Panama agreeing to this. With this advice in hand, the United States gave up on trying to include the "unforeseen contingency" provision and Panama relented on retaining jurisdiction over persons on the base sites. Only the rental formula remained unsolved.109

By the end of April, Wilson was begging the department for a speedy resolution. "Incidents involving members of our armed forces are constantly taking place and the general Panamanian attitude towards the United States, which has hitherto been most friendly, is beginning to change and an atmosphere of criticism and complaint is being created." He added that the people felt Panama was the only Central American nation with nothing tangible to show for its sacrifices. Hull offered one last compromise but authorized Wilson to accept Guardia's formula if his own was unacceptable. It was, the last block disappeared and the two nations signed the agreement on May 17, 1942.110

109 Ibid., Welles to Wilson, April 15, 1942, pp. 603-604; and Wilson to Hull, April 16, 1942, p. 604.

110 Ibid., Wilson to Welles, April 25, 1942, p. 605; Hull to Wilson, April 28, 1942, pp. 606-607; and Wilson to Hull, May 13, 1942, p. 609.
Months before, however, Pearl Harbor had jerked a dallying America into World War II and galvanized public opinion into the greatest wartime unity it had known in all the years of the republic. Now all the industrial and military might of the nation would turn to the grim task of defeating the Axis powers. And significantly, the southern flank remained secure. Non-intervention, reciprocity and the cultivation of unity had made it so. Probably it is too much to say that the outcome of the war hinged on the United States not having a third front. Most assuredly, hemispheric unity prevented a longer war. A diversion of military forces to the south to prevent Nazi activity or bases there would have delayed our expeditions in Europe and Asia and given the Axis powers time to retrench.

Not only continental defense but also the protection of the Panama Canal, which the War Department had called America's "single most strategic point" would have dictated the diversion. The new approach to Latin America, the Good Neighbor Policy, averted the necessity. But that policy was now on the verge of facing its greatest test. Would the United States succumb to the strains of war and return to an older unilateralism or would it seek to preserve its newer and unique approach to foreign relations that had stood it so well?
The war in the Western Hemisphere proved to be entirely a naval conflict in the Caribbean and Atlantic. No Axis troops or planes ever reached its shores. And except for one brief foray after Pearl Harbor, the Japanese threat that many predicted never materialized.

Consequently, before American entry into the conflagration, naval efforts concerned the neutrality patrols in the Atlantic and Pacific, and aid to Britain in ferreting out German submarines and convoying her supplies in the Atlantic. The only thing that changed after entry into the war was the degree and intensity of the fight against the submarines. The neutrality patrols, quite logically, ceased to exist.
CHAPTEIII
WORLD WAR II: THE FIRST TWO YEARS

War in the Western Hemisphere

On September 6, 1938 Chief of Naval Operations William D. Leahy announced the formation of the Atlantic Squadron. Along with Army and Navy aircraft, this junior adjunct of the fleet held responsibility for enforcing the 1939 Neutrality Proclamation of Panama. It was hardly adequate for keeping hostilities out of the 300-mile zone drawn around the hemisphere. But until June of 1940, naval warfare in the Atlantic gave no hint of what was to come. Until then, only isolated incidents, usually creating indignation against Germany, were the rule.

Indeed at the beginning of 1940, the situation seemed well in hand. The German Navy and magnetic mines to the contrary, Great Britain was losing less than one ship out of every 750 in convoy. In March, sinkings dropped fifty percent to 100,000 tons per month. Then in mid-June, the situation changed. By that time Denmark, Norway, Holland, Belgium and then
France had left the war, conquered by the Nazi war machine. German submarines no longer had to operate from bases inside the confines of the North Sea. Admiral Doenitz instructed the building of bases stretching from Norway to the Bay of Biscay. As well as giving Germany's submarines greater range, the conquests also enabled the Luftwaffe to join the effort at strangling Britain.\(^1\)

The loss in tonnage shot up to over 500,000 tons in June and then higher in the summer months. Germany loosed the "Bismarck," which promptly sunk the 42,000 ton battleship HMS "Hood" and mauled HMS "Prince of Wales." Britain was desperately short of destroyers to do battle with the submarines and to escort her convoys. The Destroyers-Bases deal of September, 1940 only partially remedied the situation.

Although the Joint Board of the Army and Navy had adopted hemispheric defense as a military reflection of policy, America's role in the warring world had been unclear at the beginning of 1940. The spring of that

year left illusions of a "phony war" still-born, and the United States began to act. On June 19, Roosevelt signed a Two-Ocean Navy Bill. It called for an increase of 1.3 million tons worth of combat vessels. Shortly thereafter, Frank Knox and Henry Stimson succeeded Charles Edison and Harry Woodring as Secretaries of Navy and War. These two brought not just forceful leadership to their departments but a whole raft of highly competent subordinates.

In actuality, American policy became aid to Britain at the risk of war. The United States took over an ever more active role in combating the submarine. Roosevelt contemplated extending the Neutrality Zone and actually did barter fifty destroyers to Churchill's England. In October, Knox ordered formation of the Fleet Force under Rear Admiral Hayne Ellis to assist England in the Atlantic. The effort showed results. By the time fall arrived, sinkings had declined to a manageable level.2

For hemispheric defense, rapidly becoming outmoded as a viable policy, the Destroyers-Bases deal gave the United States a new operating theatre stretching from Newfoundland to the mouth of the Amazon River. In the canal area, the Bahamas became a secondary patrol plane base, forming a chain that gave the United States command of the two Caribbean entrances, the Florida Straits and the Windward Passage. Jamaica and Antigua spawned bases for patrol planes, submarines, destroyers and cruisers. Bases at Trinidad closed the hitherto open southern gateway to the Caribbean and made protection of tankers carrying oil from the Dutch West Indies easier.3

March of 1941 brought both lend-lease and a stepped up German assault on British shipping. Roosevelt responded to the latter by authorizing naval yards to repair British shipping, gave them ten Coast Guard cutters and seized Axis and Danish ships interned in American ports. When Hitler extended the Atlantic war zone, Roosevelt did the same to the neutrality zone. Troops went to Greenland, which came under temporary American control. August saw the Atlantic Charter, and

3Ibid., pp. 25-34.
the following month pitted the United States against Germany in an undeclared naval war. The destroyers USS "Kearney" and "Reuben James" went to the bottom of the sea. And on the other side of the globe, Japan finalized plans for the secret attack that brought American officially into the war.

The first few months of 1942 brought an appalling loss of shipping. Merchant ships had to leapfrog down the Atlantic coast by day. Cape Hatteras provided especially easy hunting grounds for Nazi submarines, living up to its graveyard reputation. The Caribbean action started with a shelling of the oil refineries of Aruba, just off the Venezuelan coast. Sinkings increased from an average of one a day in January to three a day in May. By June, despite accelerated production of merchant shipping, there were twelve percent less ships using the area.⁴

Trade with Latin America was badly disorganized as officials diverted shipping from New York City to New Orleans to relieve congestion. The fact was that the Navy had a higher priority area than the Caribbean and South Atlantic. The all important task was to keep

⁴Ibid., p. 93; and Albion and Pope, *Sea Lanes in Wartime*, pp. 268-69.
the main line to Britain open. In this task, the United States was extremely successful. And by the end of 1942, as more and more German submarines nestled permanently on the ocean floor, the hemispheric shipping problem improved. In November of that year, for the first time, ship building matched sinkings. It was all improvement after that.5

The French Islands of Guadalupe and Martinique presented special problems, as Germany could have used them for submarine supply, refueling and information. In addition, a part of the French fleet was anchored there. The United States couldn't patrol the area constantly and so sought an agreement. Admiral Georges Robert, military governor of the islands, and Vice Admiral John H. Hoover were on the verge of a settlement by May of 1942. But then initial Vichy resistance to the Allied invasion of French North Africa caused Robert to break off negotiations and claim he was taking orders only from the Petain-Laval Government.6


6Karig, The Navy in World War II, pp. 149-56.
The United States retaliated by declaring an embargo against the island, which proved incapable of supporting its population of 600,000 without outside help. In the spring of 1943, Hull ceased negotiations and turned the whole issue over to the Navy Department. The Free French provided the way out by sending Henri Etienne Hoppenot to Martinique. Robert accepted Hoppenot as Governor on July 14 and the final gap in hemispheric defense closed.  

In April of 1943, meanwhile, the Caribbean Sea and Gulf of Mexico enjoyed their first complete immunity from German submarine operations. But Dönitz did not neglect this vital route for the supply of strategic materials for long, and in July, he unleashed a ten boat Caribbean blitz. It ended in disaster for Berlin. The ten sunk only 16,231 tons of shipping, and five U-boats went down themselves. Two more unaccountably never made it back to Europe.  

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8Morison, The Atlantic Battle Won, pp. 188-98.
Later in the year one submarine from a nuisance raiding party planted fifteen mines within four miles of the Panama Canal, but the American Navy easily disposed of them. Then in November, the German submarine campaign had an upsurge. In that month, three U-boats sunk more shipping than had the ten in two months. One of the reasons Germany could work as successfully as it did in the Caribbean was the American fear of a Japanese air, surface or submarine attack on the Pacific side of the canal. It was far from clear in 1943 that Japan was incapable of such an effort after the Battle of Midway, and no one cared to risk a second Pearl Harbor at the Panama Canal. Consequently, retrospect reveals an inordinately large amount of defense on the Pacific side.\(^9\)

During the first two months of 1944, no submarines operated in the Caribbean. Then, in March, Germany began another series of nuisance raids which slowed down a reduction of American forces in the area. The invasion of Normandy, however, signalled the beginning of the end. After that, the seas around the canal returned to their pre-war tranquility.\(^10\)

\(^9\)Ibid., pp. 199-200.

\(^10\)Ibid., pp. 297-98.
Operation of, and transit through, the Panama Canal reflected the rise and fall of the submarine menace. The fiscal year 1938 figures show that 5,903 vessels went through the canal, providing revenues of $23.7 million. Nationality usage figures were: United States- 1788; Great Britain- 1502; Germany- 361; and Japan- 261. For the fiscal year ending June 30, 1941 transits were down to 4,727 and revenues to $21.1 million. For the first full year of United States participation in the war, the fiscal year ending June 30, 1943 there were 1822 transits and revenues were $7.4 million. The United States, excluding military vessels, sent 755 ships through the canal, Great Britain sent 491, and Germany, France, Italy and Japan, for obvious reasons, had no vessels use the canal. 1943-44 was the nadir, with but 1,562 transits and $5.5 million in revenues. It was not until the fiscal year ending June 30, 1947 that transits went above 4,000.\(^{11}\)

Unity and the Approaches Secured

In his January 6, 1942 Annual Message to Congress, Roosevelt warned against waging war in a defensive

\(^{11}\)Annual Report (for fiscal years 1938, 1941, 1944 and 1947), pp. 5, 12 (1938); 8 (1941); 6, 10 (1944); and 6 (1947).
spirit. "As our power and our resources are fully mobilized, we shall carry the attack against the enemy—we shall hit him and hit him again, wherever and whenever we can reach him...We must keep him far from our shores, for we intend to bring this battle to him on his own home grounds." So while Roosevelt was urging an offensive war and British and American officials were meeting to work out military strategy, the Foreign Ministers of the Latin American nation met in Rio de Janeiro, Brazil to consider measures to keep their countries secure. In fulfilling this obligation, they ironically made themselves expendable, for it was their task to cement the unity that would put their nations far down on the priority list for material and attention from the United States.¹²

The American aim at the January 15-28 conference was to get its fellow republics to reaffirm solidarity in three areas: first, that they would construe an attack against one as aggression against all; second, that they pledge themselves to cooperate until the end

of the war; and finally, that they would agree that their governments sever diplomatic relations with the Axis powers. If possible, Hull would also try to get them to condemn Axis aggression, sever commercial and financial relations with the Axis and resolve to control subversive activities and give priority to producing needed strategic materials for hemispheric defense.\(^ {13}\)

Argentina, backed by Chile, balked at the resolution aimed at severing diplomatic relations. Hull felt the time was ripe to force the issue. If the Argentines would not go along with the resolution, then it was time that nation went its own way. Welles, however, counselled an approach that would preserve unanimity. The Under Secretary's view carried the day and the United States settled for a watered-down resolution which merely "recommended" that the republics break relations. In light of Axis aggression, the Argentina-Chile stance was no doubt exasperating to Washington, although less so for Chile due to domestic politics and proximity to Japan. But the Welles approach seemed wise to many hemisphere statesmen since unity depended on solidarity.

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\(^ {13}\)Welles to Hull, January 22, 1942, p. 33; and Welles to Hull, January 25, 1942, p. 40-41, \textit{FRUS}, 1942, Volume V.
At any rate, Chile broke relations with the Axis powers within a year. Argentina held out until near the end of the war, in 1944. ¹⁴

Argentine recalcitrance continued throughout the conflict and was a constant source of irritation to the State Department. At a Conference of Police and Judicial Authorities held in May of 1942 in Buenos Aires, that nation sought to block formation of a Police Union to trade information and combat subversion. And the resolution to "enforce vigorously existing laws against subversive elements acting in favor of the Axis powers" drew scant support from the host nation. Ambassador Norman Armour reported that the conference "terminated in an atmosphere of open hostility toward the Argentines, with even Chile deserting her at the end." ¹⁵

Argentina also opposed efforts to control Axis propaganda and cut off trade with the Axis nations. By August of 1943 Hull again felt that the United States had taken enough. In that month, he refused even to consider an Argentine request for arms, which that

¹⁴Mecham, The United States and Inter-American Security, pp. 210-12.

¹⁵Armour to Hull, June 5, 1942, pp. 50-51; and Armour to Hull, June 11, 1942, p. 53, FRUS, 1942, Volume V.
country claimed was necessary for its security due to Brazil's building up its armed forces and upsetting the South American balance of power. Significantly, however, American policy always stopped short of penalizing the Edelmiro J. Farell-Juan D. Peron Government in such a way that might cause Argentina to give real support to the Axis nations. Washington constantly managed to stay on the line bordered on the one side by appeasement and on the other by exorcism.  

The other republics proved extremely willing to cooperate. Although opposed by the War and Navy Departments, the Rio Conference gave birth to an Inter-American Defense Board. This body, composed of military personnel from the American nations, was to meet in Washington and study, discuss and recommend measures necessary for hemispheric defense. To improve vigilance against espionage, sabotage and subversive propaganda, the Foreign Ministers created an Emergency Advisory Committee for Political Defense. Comprised of seven members and having its permanent headquarters in

16 Ibid., Hull to Armour, May 2, 1942, p. 116; and Acheson to American Missions, August 4, 1942, p. 125; and Mecham, The United States and Inter-American Security, p. 212.
Montevideo, Uruguay, the body was to coordinate the efforts of the entire hemisphere. 17

The Rio Conference was indeed a promising start in preserving wartime unanimity. But war brings inevitable tensions between the military and diplomatic phases of its conduct. America's stated role was that of the Good Neighbor. Yet, increasingly, military matters seemed to eclipse those of diplomacy. Hull complained that while "scarcely any large-scale military operations could be undertaken that would not have diplomatic aspects," the State Department got cut of contact with military operations abroad. Hull spoke with Roosevelt about the necessity of involving the State Department in policy decisions "several times" but never really got anywhere. Stimson felt equally at sea on crucial policy matters and with a double sting to his pride since he was Secretary of War. He said that although he, Knox and Hull held weekly strategy meetings, Roosevelt relied more and more on the Joint Chiefs of Staff, and that their meetings became little more than a clearing house for information. 18


Latin America was not a main theatre of action by any means. Yet there, too, it appeared that a militarization of policy might transpire. Ambassador Arthur Bliss Lane wrote from Costa Rica that he had doubts about the military's understanding of the Good Neighbor Policy and that it was trying to usurp State Department functions.  

The Inter-American Defense Board (IADB), which was supposed to coordinate Latin American with worldwide military policy, received little attention. The State Department had envisioned the IADB as a body to coordinate the war effort in the Western Hemisphere and to provide a common channel for the exchange of information. For Lieutenant General Stanley D. Embick and Vice Admiral Alfred W. Johnson, American representatives to the board, it was a graveyard assignment. The policy of the Army and Navy was to prevent the board from deliberating on any topic that could be satisfactorily resolved through bilateral negotiations. Consequently, only peripheral matters came to its attention.  

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19 Bliss to Hull, RG59, November 5, 1941, 819.00/2245, National Archives.

At one point, communication was so bad that Latin American nations felt that the United States planned to permanently occupy the various bases in the Western Hemisphere. Welles termed it a "misconception" and said that, under Article 15 of the Havana Conference, the agreements could not extend "beyond the present emergency." Questioned further, he said this policy applied to agreements with every independent Latin American republic. The only exempt bases were those obtained from Great Britain. The latter, of course, did not worry the American republics.21

In the Western Hemisphere, however, fears about the militarization of the Good Neighbor Policy proved unfounded. A good balance between diplomatic and military policy existed throughout the war. Much of the credit must go to Hull, Stimson, Knox and then James Forrestal, who managed to keep each other appraised of their respective area policies and successfully attempted to minimize differences. The most fundamental reason for harmony, however, was that Latin America was not a major theatre of battle. Had it been so, the Western...

Hemisphere would not have escaped the militarization of national policy that took place in those active theatres.22

So while differences existed, and tensions were commonplace, the Good Neighbor Policy formed the framework within which the United States carried out hemispheric defense. The arms policy is illustrative. Immediately after Pearl Harbor, the War Plans Division outlined U.S. goals and procedures. First, the Army was to take all possible steps short of jeopardizing the security of the United States and the Panama Canal to reinforce the defenses at Oahu. Second, the Army was to take immediate action to put sufficient forces in the Natal area of Brazil to deny it to Axis forces. And finally, it was to take all practical measures to increase the security of the canal.23

The Navy, expecting a Japanese attempt at take-over, advocated putting all available resources in Hawaii. Marshall, although acknowledging the strategic importance of Oahu, insisted that the Panama Canal and

22Hull, Memoirs, p. 1110; and Stimson and Bundy, On Active Service, p. 563.

the Pacific Coast have a higher order of priority. He pointed out that, at any rate, the Navy was in no shape to guarantee the safety of troops in the Pacific. Although Knox and Forrestal agreed with Marshall, Admiral Stark's recommendations won the day.\footnote{Ibid., pp. 164-65; and Robert Greenhalgh Albion and Robert Home Connery, Forrestal and the United States Navy (New York: 1962), pp. 85-86.}

The basic problem was that, due to manpower and material shortages, limited options were open to the Army. After the Oahu decision, proposals included the complete relief of British soldiers in Iceland, an expeditionary force sent to Brazil, occupation of the Azores or Cape Verde Islands and reinforcing either the Philippines or the Dutch East Indies. At best, the Army could have managed two of the six.

The Arcadia Conference, as well as setting forth the grand strategy for the war, also settled the issue of what the Army was to do. That conference committed American soldiers to the relief of British troops protecting the Dutch West Indian Islands of Curacao and Aruba, vital because of their large oil refineries.\footnote{Conn and Fairchild, Framework of Defense, pp. 168-71.}
On the Atlantic side of the hemisphere, prognosticators clung to the possibility of an Axis attack until late 1942; on the Pacific side, until mid-1943. Yet, in one way, military policy indicated a lessening of fears long before that. By February of 1942, the Army was saying that, except for the Natal area of Brazil, Latin American republics, not United States air and ground forces, held responsibility for protecting vulnerable installations.  

But to protect these installations, these countries needed arms. The United States, though, had such great need of arms in other places after Pearl Harbor, that little was available for Latin America. The Battle of North Africa compounded the scarcity, for Roosevelt claimed that it removed the threat of an attack on Latin America. Yet the requests for arms poured in from the south.  

As determined before the war, only Mexico and Brazil received much war material. The rest were allotted only enough to insure solidarity. When El Salvador, for instance, requested 1,000 submachine guns, the State

26Ibid., pp. 203-204.

Department frowned on it as more likely to create instability than stability. A memorandum said that the need for them "has been 99 percent eliminated by the course of events." Arms might now go toward purposes "not consonant with United States foreign policy." The memorandum advocated giving only material designed to stimulate the economy. Desire to preserve unity caused a brief wavering but then it appeared that the guns "may be desired for the repression of civil disorders." A negative decision ensued quickly.28

In fact, by 1943, the military was beginning to return certain installations to the cooperating countries. In April of that year, for instance, General George H. Brett agreed to a proposal to transfer a small base at Puerto Barrios, Guatemala, back to that country and to withdraw the American forces. The State Department concurred, adding that it would counteract Latin American fears that the United States was not going to leave, even after the conflict. The War Department wanted only

28 Bonsal Memorandum to Cabot, July 9, 1943, p. 308-09; Cabot Memorandum to Bonsal, July 12, 1943, p. 309; Walter Thurston to Hull, July 21, 1943, p. 310; and David M. Key, Acting Liaison Officer with the War and Navy Departments, Memorandum, July 23, 1943, p. 311, FRUS, 1943, Volume V.
to keep a small, temporary American force there to train the Guatemalans. 29

In combating the economic and political threats posed by the Axis powers, Washington was more solicitous of its allies to the South. The Rio Conference had passed resolutions about promoting economic defense and the United States took the lead in promoting concrete action. In May of 1942, a conference of the central banks of the hemisphere adopted a policy "for the uniform handling of bank credits, collections, contracts of lease and consignments of merchandise." In that same month the United States stepped up the amount of materials sent to Latin America to fill various needs. 30

Then in July, national representatives met to draw up a hemispheric defense plan. The conferees resolved to cut off trade with Axis and Axis-dominated nations, to report violations of this policy and to prevent this trade whenever possible. Lesser resolves included not engaging in security transactions that would benefit the enemy, not letting inimical firms liquidate their

29 Ibid., Charge Gerald A. Drew to Hull, April 13, 1943, pp. 343-44.

30 April 16, 1943, Number 148, pp. 383; and May 2, 1943, Number 149, p. 393, DSB, 1943, Volume VIII.
assets, forcing transfer or total liquidation of recalcitrant alien enterprises and exchanging information to facilitate successful action.\textsuperscript{31}

Latin America also agreed to priority in making strategic materials available to the United States and often sacrificed consumer-oriented industries to do so. From the American republics, Washington got 35 percent of its copper, 20 percent of its tungsten, 25 percent of its zinc, 20 percent of its lead and 35 percent of its antimony. The State Department constantly maintained that, in turn, the United States had to "provide them with the materials that they need to maintain their economies in a healthy condition."\textsuperscript{32}

Consequently, although oil became an especially dear commodity, the United States did its utmost to hold to an equitable distribution of it and other resources throughout the hemisphere. At times the situation was reversed. Certain nations would have a glut of one particular product and no market for it. When possible, as in hemisphere-wide agreements on

\textsuperscript{31}Acheson to the American Missions, August 4, 1943, pp. 59-73, \textit{FRUS}, 1943, Volume V.

\textsuperscript{32}Lawrence Duggan Address, "Foundations of Inter-American Solidarity," January 3, 1942, pp. 8-10, \textit{DSB}, 1942, Volume VI, Number 132.
coffee, Washington agreed to buy up at least part of the surplus in order to keep the price at a high level.\textsuperscript{33}

The islands of the Caribbean presented an especially acute problem. In the spring of 1942, enemy submarines came to the area in force. The Axis powers were attempting to destroy the petroleum and bauxite sea supply lines and to sever the islands from their source of food and other essential materials. Shipping was in such short supply that schooners were employed to carry food and labor from island to island. These ships offered easy prey for the submarines, who sailed at will into the undefended harbors where they destroyed shipping at anchor and occasionally shelled the ports.\textsuperscript{34}

Since the islands were almost exclusively dependent on shipping for food, the stockpiles quickly diminished. The Dominican Republic and British Guiana found themselves without bread at one point. In Puerto Rico, the police intervened to quiet disturbances among

\textsuperscript{33}Ibid., July 6, 1942, Number 159, pp. 620-21; and January 7, 1942, Number 134, p. 72, 1942, Volume VI.

\textsuperscript{34}Ibid., Excerpts from Anglo-American Caribbean Commission Report, December 18, 1943, p. 435, 1943, Volume VIII, Number 234.
long lines of people waiting to make purchases. Prices rose sharply as the supplies lessened. Some island populations verged on starvation.35

On March 9, 1942, after consultation with Churchill, Roosevelt announced the formation of an Anglo-American Caribbean Commission to be staffed by three members from each nation. Certainly the bulk of shipping and protection had to go to protect the North Atlantic route to Great Britain. But conditions were growing desperate in America's lake and Washington could ill afford starvation in nations so close to home. Clouding the issue and concealing the true conditions there, Roosevelt said the commission was to do both long and short range planning to better social, economic and political conditions in the area.36

Newsmen questioned him closely about the implications of this planning and, also, about a policy of administering the possessions not only of Great Britain but also of France, the Netherlands, Venezuela and Colombia. Those of France and the Netherlands, he

explained, came under the Havana Conference resolution on territories of occupied nations. The others, he said, "have been a liability to the Nations to whose sovereignty they belong." In addition, being "small and exceedingly poor," someone had to care for them.  

Whatever the rationale, action came none too soon. Experiencing food shortages and other privations, undermining the morale of the Caribbean peoples became a favorite exercise for Nazi propagandists. The radio tirades from Europe found somewhat fertile ground and the possibility of establishing an Axis base in the Caribbean was not beyond the pale of reality. Nightly broadcasts from the United States offset the German gains to some extent but only supplies could insure stability and the maintenance of an anti-Axis front.  

To meet the shortages, the commission organized a West Indies Schooner Pool. It had enough shipping capacity at its command to care for almost all the essential requirements of the smaller islands. To provision the larger ones, the Allies temporarily diverted

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shipping to the Caribbean. To assure safety, planners developed an emergency land-water route from Florida through Cuba, Haiti and the Cominican Republic to Puerto Rico. A feeder line went from Cuba to Jamaica. Further relief came with the stimulation of local economies. New agronomy techniques and marketing programs all contributed to a thirty percent increase in the region's food production.39

When rationing periodically failed and the cost of living threatened to get out of hand, officials adopted stringent measures. One method was the purchase of a commodity by the local government and its resale at cost. Another was to purchase the scarce food or material and then give it away, destroying any inflation post-haste. The least effective method was to abandon or lower tariffs. By 1943, the Caribbean Islands had ceased to represent a potential chink in the Hemispheric armor. While not good, living conditions had become tolerable.40

To deal with subversion and propaganda, the ministers at Rio created the Emergency Advisory Committee

39Ibid., p. 437.

40Ibid., pp. 437-38.
for Political Defense. Its purpose was to control sabotage activities "directed by extracontinental forces against the ideals and security of the Western Hemisphere."\textsuperscript{41}

Since the United States meant to engage in unilateral protection of the Panama Canal and other really vital bases, the major task of the committee was to keep the populations of the republics quiet by cutting down on Nazi propaganda. Except in Argentina and Chile, the local governments, with the EACPD's help, managed to root out the most threatening activities. The biggest problem was radio broadcasts. Hull wrote that the important task here was "to accomplish the total severance of telecommunications circuits between the American republics and Berlin, Tokyo and Rome."\textsuperscript{42}

In January of 1942, Argentina, Brazil and Chile all had relay stations located on their soil. By May, only Argentina and Chile had them. This was more than enough, however, since even one would suffice to beam propaganda all over Latin America. In addition to trans-

\textsuperscript{41}\textit{Tbid.}, Press Release, April 9, 1942, p. 322, 1942, Volume VI, Number 146.

\textsuperscript{42}Hull to Winant, Ambassador to Great Britain, January 21, 1942, p. 108, \textit{FRUS}, 1942, Volume V.
mitting propaganda, the equipment in Chile sent out vital information regarding the movements of individual ships and those in convoy. The problem was serious enough that, weighing military against political considerations, Hull asked the ambassador there to bring the matter "forcefully" to the attention of the Chilean Government. 43

In July, Hull termed the situation "urgent." He said that continuation of the situation was nullifying all the counter-propaganda efforts in the hemisphere and was "extremely detrimental to hemispheric defense." A committee resolution in September to locate the clandestine radio stations and destroy them dissipated into empty words echoing across the pampas. Not until late 1943 and early 1944, when the outcome of the war became clearer, did the Chilean and Argentine Governments move to stop these Axis information services. And up to 1943, State Department officials worried that the propaganda might sway popular opinion in the two

nations toward the Axis powers. To its credit, the United States saw greater advantage in preserving unity than in engaging in secret unilateral action for military reasons.  

In one way, however, the United States sought to avoid the multilateral approach to the EACPD. Welles instructed the American representative, Carl B. Spaeth, to orient the committee toward working on a dispassionate analysis of enemy propaganda rather than trying to counter it. When Spaeth complained that lack of intelligence information threatened to cripple the committee's work, Welles revealed the reason. He said the United States and Great Britain preferred to handle the counterpropaganda effort themselves. This unilateralism stemmed not from high-handedness but from a fear of intelligence leaks. Were the United States to promote multilateralism in this phase of hemispheric defense, it would have to supply secret information as requested. The possibility of leaks hence made multilateralism unfeasible.  

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44 Ibid., Hull to Armour and Bowers, July 11, 1942, p. 129; Hull to Dawson, November 1, 1942, pp. 100-101; and EACPD Resolution, RG59, September 11, 1942, 710 Consultation (3)A/213, National Archives.

45 Welles to Carl B. Spaeth, May 28, 1942, pp. 81-83; and Spaeth to Duggan, October 5, 1942, pp. 94-95, FRUS, 1942, Volume VI.
In a sense, the whole concept of multilateralism was a facade. If one looks beneath the veneer, it seems obvious that the United States, as leader of the anti-Axis coalition, was engaged in an almost unilateral hemispheric policy. When it had vital military bases or strategic points, as at the canal, defense was an American venture. South and Central American nations contributed only permission for Washington to carry out policy. In political and economic defense, the United States directed the efforts. Even joint military operations, such as training and reconnaissance, were bilateral, meaning that Washington called the shots. Only in areas of peripheral importance, as the analysis of Axis propaganda, was the effort multilateral. Essentially, Latin America's task was to keep the hemisphere quiet so the United States could engage in more important tasks elsewhere.

But necessity, not desire, dictated policy. And two facts dominated reality and hence necessity. First, the Axis powers threatened Latin America. Even though fears of a German plan for an immediate invasion were unfounded, any realistic long-run prognostication offered a great deal of reason for fear. Had hostile powers controlled two continents, the security of the
Western Hemisphere would have become jeopardized. Second, the United States was the only nation with the military and economic resources to fight all the Axis powers effectively. Seen in this light, Latin America's second class wartime status appears more the result of United States resource needs than of Yankee neglect or high-handedness.

Indeed, where there was not a common acceptance of wartime necessity, the now-established principles of non-intervention and reciprocity held sway. During the dark days of March, 1942, for instance, the Venezuelan Attorney General, Dr. Manrique Pacinins, informed the State Department of difficulties his government was having with Shell, Gulf and Standard Oil of New Jersey. Venezuela's goal was to increase its share of the profits and to set new "operating and tax conditions which would be just and fair to the industry." Standard Oil evidently guided negotiations for the others and was refusing to give up oil rights acquired in the past. Pacinins warned that if negotiations continued to lead nowhere, "then court action is the only alternative." The Mexican settlement of 1941 had not escaped notice.46

46 Ibid., Livingston Satterthwaite, Division of American Republics, Memorandum, March 26, 1942, pp. 743-44.
When no solution appeared imminent, Phillip Bonsal, Division Chief, called in Wallace Pratt, Vice President of Standard Oil, for consultation. He politely told Pratt that the rights his company clung to were out of date and the conditions of the original agreement far from equitable. Shortly thereafter, President Medina wrote Roosevelt that his patience was wearing thin but that he would send Venezuelan representatives to explain his country's position.47

The head representative, Pacinins, told Welles that Venezuela had no intentions of expropriation. Welles said the Department had urged the companies to compromise but could do no more. And although in sympathy with Venezuela, he was glad there would be no expropriation, for "anything that would interrupt this essential war service during the period of the war would constitute a grave danger to the Allied nations." Roosevelt followed this with a reiteration of Welles' statement on the need for oil and stressed that the United States would seek no "undue or unreasonable privileges or rights" for American companies.48


48 Ibid., Welles Memorandum, August 28, 1942, pp. 748-49; and Roosevelt to Medina, September 14, 1942, p. 750.
While publicly putting the emphasis on the need for a continued supply of petroleum, privately the State Department blamed the oil companies for the impasse. As if sensing this, Venezuela employed independent American petroleum experts to expedite some settlement. When no progress had come by November, however, Medina's impatience led him to claim the oil as a Venezuelan resource and to hint at expropriation. To forestall this possibility, he claimed, he was instructing the Venezuelan legislature to draft legislation to cover an agreement. He emphasized that the American oil companies would get a hearing before the legislation passed.49

When the State Department made no signs of intervening for a settlement favorable to the companies, Standard Oil relented. Its representative approved the draft law and claimed it would benefit both parties as well as stabilize the situation. Venezuela, with State Department backing, had carried the day. Presi-

49Ibid., Max Thornburg, Petroleum Adviser, Memorandum to Bonsal, Duggan and Welles, September 23, 1942, p. 751; Corrigan to Welles, October 29, 1942, p. 752; Charge Flack to Hull, November 17, 1942; and Hull to Flack, December 26, 1942, p. 754.
dent Medina, having made his point, now slowed the legislation to avoid the appearance of railroading and so the official settlement did not come until 1944.50

In other nations too, the United States went out of its way to preserve the unity that enabled unilateral American action. In Nicaragua, it involved building a road to help unify the country. The dream of an inter-American highway running from Alaska to Tierra del Fuego had become a stated goal of the United States in the 1930's. But the project lacked impetus south of the Rio Grande and World War II found only sections of the road through Central America completed. To insure access to the canal, the Army built a series of temporary military roads between the various completed sections. And there the dream stood until Nicaragua's President, Anastosio Somoza, perceived the opportunities the situation presented.

On February 28, 1942 he wrote to Roosevelt advocating a road linking Nicaragua's east and west coasts. Somoza cited a number of reasons as to why it would be

50 Flack to Hull, January 6, 1943; and Corrigan to Hull, January 23, 1943, pp. 809-10, FRUS, 1943, Volume V.
beneficial to both sides. First, the United States had the necessary equipment close by to carry out this task of hemispheric defense. Second, he mentioned how Roosevelt, with no doubt good reason, had decided against the canalization of the San Juan River. In addition, this road would unify Nicaragua and lessen chances of a separatist revolt that could endanger the Panama Canal and hamper the war effort.  

Roosevelt looked favorably on the request and passed it on to the State Department. Officials there, feeling Nicaragua had some claim on the United States due to the failure of the canalization project and desiring to promote satisfaction with American leadership, asked the War Department for military justification. The Operations Division of the General Staff gave two reasons. First, the road would increase internal stability "and so minimize the possibility of trouble with disaffected elements." Second, the highway would be useful if the United States had to intervene to protect the canal or because "of an attempted uprising by the enemy nationals." On August 18, 1942 Roosevelt

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51 Somoza to Roosevelt, February 28, 1942, pp. 568-69, FRUS, 1942, Volume VI.
authorized $4 million from his Emergency Fund to help Nicaragua begin the task.\textsuperscript{52}

In the case of Costa Rica, the United States ran into a reluctance to control Axis funds and properties. Until March of 1943, Costa Rica equivocated on blocking $141,000 worth of Italian funds held by the Spanish Minister. Then it tried to take advantage of the United States' program of buying up certain amounts of surplus coffee from over-productive nations in Latin America. At the beginning of the war, Washington had put out a Proclaimed List of Supposedly Axis-oriented firms and forbade its citizens to do business with them. Latin American nations pledged compliance but employed no sanctions. What Costa Rica attempted to do was buy coffee at a reduced price from a Proclaimed List owner and then sell it to the United States for a profit.\textsuperscript{53}

Rather than bring it to the attention of one of the multilateral economic defense committees, the State Department dealt with the issue on a bilateral basis. Costa Rica protested that the inclusion of the firm on

\textsuperscript{52}Ibid., General Dwight Eisenhower, Assistant Chief of Staff, Operations Division, Memorandum, April 2, 1942, p. 570; and Roosevelt to Somoza, April 7, 1942, pp. 573-75.

\textsuperscript{53}Minister Scotten to Hull, March 13, 1943, p. 101; and Scotten to Hull, March 26, 1943, pp. 102-03, \textit{FRUS}, 1943, Volume V.
the Proclaimed List was unjustified but said it would expropriate the coffee before selling it to the United States. Washington was cool toward the idea and suggested expropriation of the coffee lands. The Costa Rican Government complied, thereby winning half the battle on its protest and the entire one on getting the United States to buy the coffee. The State Department, in turn, had helped to preserve unity by downplaying the issue and avoiding hemispheric embarrassment to Costa Rica. 54

When instances of American conciliation to preserve unity came to light, protest often came from those who thought Latin America should follow our lead without question. In March of 1943, Senator Hugh A. Butler of Nebraska attacked the Good Neighbor Policy in general and our Latin American spending policies in particular. He objected to the central American military road and the proposed spur in Nicaragua, the work of the Anglo-American Caribbean Commission and the policies of the Inter-American Committee for Political Defense. Actually, the United States spent only $1.7 million on

54 Ibid., Scotten to Hull, March 26, 1943, p. 1023; and Scotten to Hull, April 20, 1943, p. 104.
all of Latin America for the 1941-43 period. This included funds for cultural relations and exchange programs, regular State Department appropriations and expenses of the committees for economic and political defense. Spending for military purposes was more.55

The thrusts of such attacks were usually two-pronged. First, that Latin American nations were in the war, too, and should back the United States without qualm. And second, that Washington was being too soft in its dealings with nations who were contributing little to the war effort. Rebuttals, though necessary, were useless. The payoff had come in the latitude allowed the United States in acting outside the multilateral framework to prepare the hemisphere for war.

The United States, Panama and the Canal Zone

One place that the multilateral facade freed the United States for unilateral action was in Panama, site of the canal. In spite of temptations, respect for the principles of sovereignty and reciprocity prevailed. The Panamanian political situation, for instance, was an ever troublesome problem. Protection of the canal required stability. Yet instability constantly threatened.

55December 18, 1943, Number 234, p. 443, DSB, 1943, Volume VIII.
A March, 1942 Army intelligence report stated that Arnulfo Arias and his supporters, "undoubtedly pro-Axis in sentiment and anti-American in view," sought to make political capital out of every Guardia miscue. The Arias people were especially quick to accuse the administration of giving away Panamanian sovereignty in its various dealings with the United States for canal security. Accusing Guardia of having chosen the wrong side as an ally in the war, the "Arnulfistas" appeared to be plotting a return to power. In addition, it looked as if Harmodio Arias, editor of the Panama American, had set his sights on the presidency and was fomenting discontent. G-2 concluded that "the gravity of the situation requires no comment."

Throughout the first half of 1942, the Army fretted constantly. The repetitious attacks on Guardia's supposedly slavish cooperation with the United States seemed to be gaining a measure of credibility with Panamanians. Then a plethora of large posters urging support of the "One in Exile" and "Death to the Traitor Guardia" appeared. To Army officials, all this portended

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56 Wise Memorandum on Army Intelligence Report, RG59, March 7, 1942, 819.00/2273, National Archives.
a bleak future. Ambassador Wilson, on the other hand, felt that Guardia was becoming "more and more popular." He reported that with all the orthodox parties endorsing him, Guardia was rapidly "consolidating his political position." In fact, there seemed to be a ground swell rising from both the masses and the political parties that the President remain in office until 1947, two years beyond his constitutionally allotted time.  

By the end of the year, Wilson was not so sanguine. In late October, twenty-seven of thirty-two National Assembly deputies proclaimed that in view of the international crisis and Guardia's good record, they would not elect Presidential Designates in 1943. The embassy opined that the President had arranged the declaration through exercising pressure and thought it would lead to discontent. And, indeed, the end of December brought a report of a plot to oust Guardia and his government by electing a First Designate and then getting the President out of the country.  

57Ibid., Wilson to Hull, RG59, March 27, 1942, 819.00/2274.  
58Ibid., Wilson to Hull, RG59, July 13, 1942, 819.00/2289.  
59Ibid., Wilson to Hull, November 2, 1942, 819.00/2302; and Wilson to Hull, RG59, December 22, 1942, 819.00/2308.
January of the new year, 1943, saw Guardia foiling a $200,000 "Arnulfista" plot to buy off the deputies and use the First Designate-absence-from-Panama ploy to topple him. Significantly, the National Police had remained loyal. There would be no First Designate now and Guardia could remain in office constitutionally for at least two more years. Wilson doubted the opposition would stay quiet, however. Having failed to achieve their means legally, "force plays" might be expected.60

By August, Army Intelligence and Wilson were reading the situation differently again. When G-2 reported that Guardia was rapidly losing power, the ambassador disputed this "emphatically." He said that Guardia had the loyalty of the National Police and that his policy of avoiding political agitation and activity was serving him well. The President, for instance, refused to let officials of his administration attend a self-given birthday party for a cousin, Ernesto de la Guardia, who was proclaiming himself a Presidential candidate for three years hence.61

60Ibid., Wilson to Hull, RG59, January 6, 1943, 819.00/2311.

61Ibid., Wilson to Hull, RG59, August 21, 1943, 819.00/2332.
Wilson probably read the situation more accurately, for a revolt at the end of August failed. Dr. Jose Pezet, former Vice President and Minister of Education in the Arias administration, headed the effort. Pezet, in fact, had worked for Guardia as Ambassador to Costa Rica until June of 1943. Then he resigned his post, apparently of his own volition, and engaged in trying to gain control of the National Police through bribes and promises of promotion. Caught in the act, Pezet and fourteen accomplices went to jail, having been denied bail for a minimum of three months. Claiming sole responsibility, Pezet said the revolt would have been bloodless and "within the letter of the constitution" since Guardia had come to power illegally. Guardia evidently felt the revolt presented little threat for he took no special precautions or measures in even the immediate days after the abortive attempt.62

Nonetheless, to shore up the administration, the United States thereafter provided three Panamanians, Paul Jiminez, Augusto S. Boyd, Jr. and Luis Garcia de Paredes, with ten tons of paper per month to start

a newspaper which was to be both pro-American and pro-Guardia. Pointing out that the two other daily newspapers were pro-American but anti-Guardia, the embassy and the State Department agreed that the President should have an organ of his own.  \(^{63}\)

Another issue used to give Guardia greater standing in the eyes of his countrymen and to demonstrate American good faith in bargaining was the transfer of the water and sewer systems of Panama City and Colon, as well as some Panama Railroad Company land, to Panama. The efforts of Roosevelt and the State Department to settle the matter as quickly as possible, however, ran into Congressional and Panamanian snags.

Congress failed to consider the transfer until late in the summer of 1942. Roosevelt wrote to that body that Panama had "promptly and wholeheartedly" accepted its obligations when war came. As an example, he pointed out that Panama had allowed the United States to occupy base sites even before the two nations had agreed on vital points. As a consequence, Roosevelt said that the time had come for the United States "to

\(^{63}\)Muccio to Hull, RG59, October 1, 1943, 819.24/705, National Archives.
make certain concessions which have been desired by the Republic of Panama over a period of years." In particular, he mentioned three things. First, that Panama get the water and sewage systems in Colon and Panama City. Second, that the United States, through the Panama Railroad Company, relinquish its extensive real estate holdings in those cities except when they were "essential to the operation and protection of the Canal." And third, that the United States liquidate the $2.5 million Export-Import Bank credit to Panama for their share of construction of the Chorrera-Rio Hato Highway, "a road essential to our defense requirements."^64

In the Senate, Robert A. Taft, Robert Gillette, Gerald Nye, Hiram Johnson and Arthur Vandenberg led the attack. They especially wanted to know why the agreement wasn't embodied in treaty form. They claimed that the 1936 treaty with Panama, the Base-Sites agreement, and now the concessions to Panama were usurping the powers of the Senate. With Tom Connally leading the way, however, the Senate voted down Nye's resolution to put the concessions in treaty form. On Decem-

^64Roosevelt to Congress, August 13, 1942, pp. 699-701, DSB, 1942, Volume VI, Number 164.
ber 4, that body passed the whole administrative package by a comfortable margin. But Congress adjourned before the House of Representatives took it under considera-

The State Department felt Panamanian reaction did little to speed passage. Newspaper reaction in that country to the Senate subcommittee hearings was uniformly hostile. Taking the tack that Washington owed Panama the concessions, editors of the Star and Herald, the Nacion and others provided ample ammunition for Senator Gillette's attacks on the agreement. As Gillette dug deeper, he came up with witnesses claiming that Panama had squandered its Export-Import Bank credit and that its laws were unfair to minority groups. Requested to do so, the Guardia Government, nonetheless, made little effort to explain the situation to Panamanian newspapers. Guardia's comment that Congressional adjournment without passage was a great blow to his prestige exasperated the State Department. Yet the department's officials also remained understanding as to the necessity of Guardia's not appearing to be

getting less than a good bargain, especially in light of the late 1942 barrage of anti-American propaganda.66

In April of 1943, the House of Representatives turned its attention to the matter. The opposition centered its argument around the assumption that giving up the land and water and sewage systems would endanger defense of the canal. Administration spokesmen said not making the concessions would antagonize Panama and bring even greater danger to the canal. Pointing out that the United States needed "a maximum of loyal cooperation and assistance" from Panamanians, Representative Rogers of Massachusetts said that "the risks which Panamanians face are greater than those of the inhabitants of many parts of the United States. The maintenance of the morale of the population...is of real importance to us in our war effort."67

66 Bonsal Memorandum, October 13, 1942, p. 615; Welles to Wilson, October 13, 1942, p. 616; Hull to Wilson, December 16, 1942, p. 618; and Wilson to Hull, December 17, 1942, p. 618, FRUS, 1942, Volume VI.

The opposition countered with the well-worn arguments about the instability of Latin American nations. Calling the canal "one of the most important outposts of the United States," Representative White wondered how anyone could advocate surrendering the water system on which six Army outposts depended, to a potentially unstable country. The strongest rebuttal was a statement showing that the War and State Departments both approved the measures. The resolution passed and went back to the Senate for final consideration. 68

Nye had not yet given up. He said the Good Neighbor Policy was like "Santa Claus in a good many respects" and wondered how the agreements protected property rights of American citizens in Panama. Connally countered by explaining that the latter objection came under prior agreements and wasn't an issue at all. Nye then resorted to statements about "divesting ourselves of practically all we have left in the Republic of Panama." The only reason for hurry was so that Panamanian legislators "could all go home and say that they got on Uncle Sam's gravy train." The Senate defeated his amendment to postpone a vote and then empowered Roosevelt to make the concessions. 69

68Ibid., pp. 3333-34.

69Ibid., Volume 89, Part 3, 78th Congress, April 26, 1943, Senate, pp. 3744-55.
In working out the final arrangements, the United States expressed a desire to keep the water and sewage systems in New Cristobal, a suburb of Colon where most Canal Zone employees lived. Panama's Foreign Minister, Dr. Octavio Fabrega, said there was a chance this could be arranged. He added, however, that it "would be more readily acceptable and understood by Panamanian opinion" if the United States would turn over the $500,000 surplus resulting from revenues collected in the Republic of Panama. State Department research showed the sum was actually greater than $900,000. Bonsai cautioned Wilson against even discussing it with Fabrega and said it would be both illegal and a mistake to turn the revenues over to Panama.\(^7^0\)

By July, Panama had backed down on asking for the surplus revenues, and the United States on the Cristobal water and sewage systems. That issue settled, Dr. Fabrega said his country felt slighted on the amount of land it was to receive from the Panama Railroad Company. Welles countered by producing the documents delineating

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\(^7^0\) Wilson to Bonsal, April 21, 1943, pp. 653-54; Bonsal to Wilson, May 5, 1943, pp. 656-57; and Bonsal to Wilson, May 17, 1943, pp. 657-58, \textit{FRUS,} 1943, Volume VI.
the property earmarked for Panama. He pointed out that "there was no indication that a transfer of the lands in Panama City currently being used for railroad purposes, was contemplated." 71

The War Department contended that the United States, in fact, should make no changes in the location of the railroad station and adjoining yards. It adopted the stance because "the necessity for handling large amounts of incoming freight consisting of defense materials makes it highly inadvisable to interrupt the transportation program." The State Department concurred and Bonsal informed the Panamanian Ambassador that neither country could justify the disruption of traffic "or the diversion of critical materials needed for the war effort." Panama agreed and the two decided on postponing a solution until the end of hostilities. 72

Supplying arms to Panama proved to be another instance where the war effort, keeping Panama satisfied and the need for internal stability all tugged in different directions. In terms of the war effort, no

71 Ibid., Wilson Memorandum, July 28, 1943, p. 661; and Welles to Wilson, August 4, 1943, p. 663.

one attempted to justify sending arms to Panama. The country just was unable to contribute in any meaningful way. Keeping Panama satisfied so that the United States could better prosecute the war, on the other hand, did justify sending some arms to that nation. As for the preservation of stability, it was a case of providing enough weapons to prevent or put down an insurrection but not enough so that any one group would feel strong enough to attempt a coup d'etat and threaten stability.

Before American entry into the war, Washington had looked disapprovingly on Panama's requests for sub-machine guns and launches. Now, in the interests of cooperation, the War and State Departments reversed their positions. Ambassador Wilson, however, had gained the reputation of promoting good relations through the dole conduit. Consequently, the two departments decided to keep the quantity at an absolute minimum so as not to wet Wilson's appetite.73

The most pressing question was just how to supply Panama. Since it had no Army, the country couldn't get arms through lend-lease. And the War and Navy

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73 Memorandum of Conversation among Wright, Wise and Daniels, RG59, December 31, 1941, 819.24/79, National Archives.
Departments proved unwilling to commit themselves on supplying either the motor launches or the sub-machine guns. They finally decided, in March of 1942, to instruct the Commanding General of the Caribbean area and the Commandant of the Fifteenth Naval District to supply them out of the arsenals as best they could.

For the United States, it was a perfect way out. Washington had acceded to Panama's requests in principle but knew it could justify indefinite postponements on the grounds that the arsenals had been largely promised to various other theatre commands. Panama, on the other hand, saw American compliance in principle as an opening. Claiming that Panama's strategic location put his country "in the greatest danger," Ambassador Jaen de la Guardia asked for 150 Thompson machine guns, 30 heavy machine guns, 30 light machine guns, 1000 Springfield rifles, 1.5 million rounds of ammunition, 1800 revolvers, 4 trucks and a 200-ton launch.74

The State Department considered only the request for small arms but asked Ambassador Wilson to ascertain Panama's needs so that it could form a coherent arms

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74Ibid., Guardia to Hull, RG59, April 17, 1942, FW819.24/225.
policy toward that republic. Wilson perceived little threat to Panama's stability or security that the United States could not handle. He did, however, advocate an increase in the size of the National Police force to extend patrol work in certain areas. "In particular, the black-outs in the terminal cities have been the cause of a wave of lawlessness, house-breaking, and thievery, and an increase in the size of the police force is needed to deal with this situation."  

The War Department concurred with Wilson's appraisal and thenceforth Panama received small arms for the purpose only of fighting crime. Even when the Colt Fire Arms Company discovered a surplus in water-cooled machine guns, the State Department refused permission to sell them to Panama.  

By the end of the year, Washington had begun to curtail shipments of even side arms. The reason was that the judgment of the embassy came to be that President Guardia was leaning on the police, who were becoming increasingly repressive, for support, rather than

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75 Ibid., Frederick Exton, Division of Exports and Defense Aid, to Wise, April 24, 1942, FW819.24/227; Wise to Wilson, April 30, 1942, 819.24/123; and Wilson to Hull, RG59, May 9, 1942, 819.24/136.

trying to stimulate support by favoring wise and beneficial programs. Indeed, it was not until December of 1943 that Panama received even small quantities of side arms. And these came only because Panama mounted a campaign that complained of neglect. More than anything else, the arms were to keep Guardia and his supporters quiet.77

To prevent instability and sabotage, the situation regarding American aid was reversed. Discounting an attack on the canal via a Nazi invasion of Brazil, policy makers perceived the main threat to the waterway in terms of political instability, fifth column movements and sabotage. To prevent the latter, the War Department increased the number of guards on ships using the canal, tightened restrictions and expanded patrol duties in the Canal Zone. To alleviate political instability, the State and War Departments decided on giving preferential economic treatment to Panama.78

In January of 1942, Generals Marshall and Andrews agreed that it was important "that Panama get priority preference on certain essential materials." Ambassador

77Ibid., Muccio to Hull, November 18, 1942, 819.24/742; Muccio to Robert McGregor, Division of American Republics, December 10, 1943, 819.24/768; and McGregor Memorandum to Bonsal, RG59, December 21, 1943, 819.24/769.

78Annual Report (for Fiscal Years 1942, 1943 and 1944). pp. 49 (1942); 38, 95 (1943); and 38, 107 (1944).
Wilson agreed and Welles wrote Marshall to thank him for his cooperation, adding that shortages "would adversely affect morale and prepare the ground for 5th column movements." In principle, the War Department professionals held out until February against special treatment. By the end of that month, however, department policy was that "the special relationship of the Republic of Panama to the security of the Canal and the resulting specific interests of the United States in Panamanian morale and economic stability are obvious and justifying exceptions."79

At first, though, bureaucratic confusion and the demands of war thwarted the policy. The State Department, War Production Board, Board of Economic Warfare, and War Shipping Administration were all subject to demands that sent them in different directions with different priorities. That the Department of State had not yet, in May, effected any solution was a grim reminder of its inability to control wartime foreign policy. In June, Welles and Hull agreed to the procedures of the other

79 Welles to Marshall, January 3, 1942, 819.24/78; and John J. McCloy, Assistant Secretary of War, to Welles, RG59, February 28, 1942, 819.24/111, National Archives.
bureaucracies. In reality, this meant a lower priority for Panama and further delays. Their motivation for doing so was the situation in Panama. Having received promises in January, the disagreement "has placed the President (and Panama) in an embarrassing situation and has created a serious internal problem." The fact was that the demands of the defense agencies in the Canal Zone to care for increased personnel had depleted Panamanian merchants' stocks to almost nothing. 80

Yet agreement did not bring immediate relief. In July the commercial attache to Panama reported that nation on the verge of a "tire famine." He said the lack of tires was undoing the Guardia Government's best efforts to ration them. Commercial stockpiles reached an all-time low. Newspapers which were "aggressively pro-democratic" found themselves without enough paper. Even reconditioned motion picture equipment to present films "sympathetic toward the problems and policies of the United States Government" were lacking. Farmers in

80 Ibid., Wise Memorandum, May 4, 1942, 819.24/167, and Hull to Wilson, June 5, 1942, RG 59, 819.24/149.
the interior were short on machetes since the military was buying them on a first preference basis. 81

In August, with Hull's approval, Ambassador Wilson wrote directly to the Chief of the American Hemisphere Exports Office. He argued that American interests near the canal were "infinitely more important than our interests in any other part of Latin America." Wilson warned that a "disgruntled and resentful" Panama "could create a situation in which subversive activities, sabotage of the Canal and defense installations, and espionage" might become prevalent. It was hardly in our best interests, he said, for Panamanians to receive half-laden cargoes bringing only "British whiskies" and "90% British goods of the luxury and semi-luxury class." Hull claimed the goal was not to pamper Panama but a "sort of freezing of the merchandizing status quo." At present, however, supplies were below the pre-war level. 82

In November, the Board of Economic Warfare announced that it had approved a great deal of material


82 Ibid., Wilson to Raundel, August 28, 1942, 819.24/251; and Hull to Wilson, RG59, September 1, 1942, 819.24/679A.
for shipment to Panama but that the War Shipping Administra-
tion had control over arrival time. The latter agency pleaded a critical shipping situation. Meanwhile, the embassy reported shortages in fuels, transportation vehicles and agricultural equipment. The problem was now reaching the very infrastructure of Panama's economy.\textsuperscript{83}

It was not until June of 1943 that EEW and WSA found the time to tackle Panama's problem. The important thing was to come up with an orderly replacement procedure for depleted stocks. A new plan encouraged Panamanian importers to place orders three months in advance and suggested that forward buying of items essential to the economy be extended to six months. Wsa also promised to discourage the British Embassy from importing such large quantities of scotch and gin. By August, the new plan was working well and Panama thereafter got essential imports on a regular and adequate, if not ideal, basis.\textsuperscript{84}

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\textsuperscript{83} Ibid., Welles to Wilson, November 5, 1942, FW819.24/250; Wilson to Hull, February 20, 1943, 819.6353/77; Welles to Wilson, March 6, 1943, 819.6363/77; and Sowell to Hull, RG59, April 16, 1943, 819.24/513.

\textsuperscript{84} Ibid., Hull to Wilson, June 1, 1943, 819.24/561A; Wilson to Hull, June 12, 1943, 819.24/568; Raundel to C. B. Driscal, President, Meadows Wye and Co., Inc., June 24, 1943, 819.24/635; and Sowell to Hull, RG59, August 17, 1943, 819.24/649.
Some problems, however, persisted. The low production of Panamanian agriculture was the most serious. It was not that Ambassador Wilson and the State Department got caught unaware. Once again, the scarcity of shipping was the bottleneck. Almost all efforts to bring in foreign farm machinery to increase yields and efficiency stumbled on the shipping problem.

May of 1942 and the end of the dry season came without Panama receiving any equipment to help relieve agricultural shortages. Once again, the WPB and the WSA were the holdups. And once again, Guardia claimed mistreatment. He contended that Panama was "part of the military defense area of the Canal Zone" and should get special preference. While accepting the need for haste, the War Department was unwilling to treat all of Panama as an adjunct of the Canal Zone. Its reason was that Guardia would use the classification as a reason to get all sorts of unnecessary things for his country and create a rat hole for vital war materials. 85

Three months brought no relief. The Acting Commercial Attache, Malcolm R. Hooper, reiterated that

85Ibid., Wilson to Welles, RG59, May 28, 1942, 819.24/165.
the agricultural situation was becoming increasingly desperate. First, people were leaving the land for Canal Zone defense jobs. This meant fewer people producing food. Second, the influx of foreigners to Panama for defense employment had swelled the population at the very time when food production was decreasing. The repercussions were not encouraging. Greater urbanization was leading to more crime and the shortages meant "the possibility of the successful introduction and spread of subversive activities." 86

By the end of October, Ambassador Wilson's patience was wearing thin. He wrote Hull that "Ten months have passed including one planting season, and practically nothing has been received of the $325,000 of agricultural machinery allocated to Panama for 1942." He said "the net result approaches a complete fiasco" and that it was causing "increased manifestations of exasperation." 87

Hull advised Wilson the department was doing all it could. Yet it was not until February of 1943 that the farm implements and machinery promised for 1942

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87 Ibid., Wilson to Hull, RG59, October 23, 1943, 819.24/231.
started to arrive in sufficient quantity to offset the
drain on farmers and the increased population. Even
then, Wilson warned of failure unless the United States
could come up with a large number of machetes. As he
pointed out, sophisticated machinery was of little use
until farmers could clear the land. That Wilson was
refraining from his tendency toward over-generosity is
reflected in his estimate for Panama's 1943-44 require-
ments. If the original allocation arrived, he felt only
$125,000 additional worth of equipment would solve the
problem completely. 88

In matters of defending the canal, the Guardia
Administration was at its complaint best. It put into
effect an 11:00 P.M. blackout and, after a few months
of laxness, cracked down on violators. Guardia expressly
prohibited the use of illuminated signs and required
commercial establishments open after 11:00 P.M. to have
dark drop-curtains. The use of flashlights after that
hour meant confiscation. He forbade after-dark lights
which were visible from the streets or which cast a
reflection that could be seen from the air. During a

88 Ibid., Hull to Wilson, December 2, 1942, 819.24/
273B; Wilson to Hull, February 18, 1943, 819.24/455; and
total blackout, the government prohibited lights of any nature. The penalties for violators were five to ten dollars and five to ten days in jail.\(^89\)

The National Police aided the Army in patrolling the Canal Zone boundaries and meted out stiff penalties for transgressions. At the behest of the State Department, the Panamanian Office of Censorship prohibited all international radio-telephone calls by any personnel of potentially hostile missions or consulates. The list included Egypt, France, Finland, Ireland, Iceland, Iran, Latvia, Lithuania, Portugal, Spain, Sweden, Switzerland, and Turkey. The office also contributed a great deal in the effort to control Axis propaganda, balking only when internal politics and not the war effort were the issues involved.\(^90\)

Only in the dispute over the makeup of the Aviation Board did Panama display recalcitrance. And this was largely illusory. The basic issue was whether or not the Governor of the Canal Zone would sit on the body. Once the base sites agreement reached completion, the

\(^89\)Ibid., Wilson to Hull, RG59, January 6, 1942, 819.20/41.

\(^90\)Ibid., Wilson to Hull, September 5, 1942, 819.751/1; Selden Chapin, Liaison Office, Memorandum to War and Navy Departments, January 7, 1943, 811F.812Protection/339; and Byron Price, Director, Office of Censorship, to Hull, RG59, May 18, 1943, 819.711/15.
Army felt a need to press its case. The reason given was that the Aviation Board might want to deal with regulations governing base site aircraft use.\(^91\)

The State Department, on the other hand, was reluctant to bring up the matter. This was especially so since, in practice, the situation was "completely satisfactory from the point of view of the Army." So it was a case of the Army's not trusting Panama in the future, while the State Department had great faith Panama would do nothing to obstruct the defense of the canal. Joint consultation between the two departments produced the agreement not to raise the issue then, but also not to let it remain "dormant too long." In effect, it was a State Department victory for indefinite postponement.\(^92\)

An October, 1943 incident revealed the Army's fear as unfounded. Early in 1942, the War Department had declared the Canal Zone as off limits to foreign military aircraft and refused aircraft the right to go in or through the zone without landing there. By late 1943, the Guardia Administration felt the danger to Panama

\(^91\)Ibid., Wise to Walmsley and Bonsal, RG59, May 23, 1942, 819.7961/278.

\(^92\)Ibid., Welles to Muccio, June 30, 1942, 819.7961/279; and Wilson to Hull, RG59, August 21, 1942, 819.7961/280.
had lessened considerably. So when the War Department, desiring to control future flights from an expected proliferation of civil aircraft, asked for tighter controls, Panama protested. As Guardia viewed the situation, there was no need for more control that might hamper the development of Panama's anticipated airlines. Significantly, however, the administration backed down gracefully when the United States claimed the new restrictions as essential to defense of the canal.\(^9^3\)

The first two years of the war proved to be the zenith of cooperation and understanding between the United States and Panama. Indeed, this was the case for relations with all of Latin America. After 1943, American policy considered the sensitivities of its Western Hemisphere neighbors less and less. Much of this was due to the receding importance of the area and to the demands of active war theatres in other parts of the world. Much of it came, also, from the natural breakdown of niceties during a war. But this new trend also reflected the State Department's loss of control.

\(^9^3\)Ibid., Wise Memorandum to Bonsal and Cabot, RG59, October 19, 1943, 819F7961/173.
over the making of foreign policy. This loss was due to more than the wartime ascendancy of the military. Illustratively, Department officials began to postulate a post-war world based on primarily diplomatic procedures. They never really grasped the fact that the military would not fade into its pre-war role of an American Cincinnatus.

No two nations interests ever completely dovetail. But those between the United States and Panama had done so to a remarkable degree during the first two years of the war. To be sure, Panama had given more than it received but Washington, too, made sacrifices. Not always able to allocate as much of the war material as it wanted to its junior partner, the State Department remained ever solicitous of Panama's needs and desires.

But as the Western Hemisphere receded in importance, two things happened. First, as Panama saw the danger lessen, it felt the time had come for the United States to make good on deferred promises. Washington, on the other hand, tended to feel that there was a diminishing need to divert aid to Panama and an increasing one to get all possible material to active theatres. These two differing perceptions of the world situation, along with a weakened State Department, tended to tear away at the relationship so painstakingly worked out in the previous decade.
CHAPTER IV
WORLD WAR II: THE FINAL YEARS

The Western Hemisphere: Atrophy of Importance

By 1944, the Axis powers were on the defensive. Except for submarine raids, economic hardship, and a few instances of German and Italian sabotage, the Western Hemisphere escaped unscathed. The price of safety was neglect. It was, however, to be a neglect suffered by the impotent. It would be United States interest in Latin America's aspirations and friendship that would atrophy, not the interest in their political alignment. The reasons for the atrophy were two: the priority of active war threatres; and the shrinking role of the State Department in the formulation of foreign policy.

Secretary of State Hull was baffled and hurt when Roosevelt excluded him from the decision-making process. "It seemed manifest to me that, in numerous important instances, the Secretary of State should sit in on the President's war councils, particularly on those of a combined military and diplomatic nature, for it was
obvious that scarcely any large-scale military operation could be undertaken that would not have diplomatic aspects." Even for a President who wished to be his own Secretary of State this procedure seems peculiar, for Roosevelt was convinced that political settlements should be based on diplomatic and political principles rather than on military achievements. And even if the diplomatic corps were only to implement policy, it could hardly do so if it was unaware of the reasons for basic decisions.¹

Dean Acheson, who served variously as Assistant and Under-Secretary of State during the war years, depending on his relations with Roosevelt, felt that the fault was at least partially the Department's. Writing of the American departure from isolationism and the global scope of American interests during the war, Acheson wrote that "the Department had no ideas, plans, or methods for collecting the information or dealing with the problems that this situation presented." The frequent meetings among the War, State and Navy Departments gave only "the illusion of activity," for

¹Hull, Memoirs, p. 1109.
they dealt with peripheral issues. Combined with the pressures of wartime expediency and Roosevelt's proclivities to make foreign policy in the White House, this inability of the diplomatic corps to adjust to new conditions took it further and further from the center of power and decision making.²

It seems then, that Latin America, assigned a role of minimal importance, should have presented the State Department with the opportunity to demonstrate a little imagination or to be policy implementers in at least one area. Most historians have so assumed. To a degree, this was the case. It was, after all, the diplomats who made the final decisions on arms shipments to Latin America. And it was they who, above all, insisted on the multilateral reciprocity inherent in the Good Neighbor Policy.

But it never quite added up to the State Department's formulating or controlling the Latin American policy of the United States. One of the reasons was that, in most instances, Washington used the multilateral approach to enable it to act unilaterally.

²Acheson, Present at the Creation, pp. 16-17.
This was certainly the case in Panama where, the United States having assumed the role of protector of the hemisphere, it alone decided what measures were necessary to protect the strategically vital waterway. It was also the case in securing the land and insular approaches to the canal.

Since only the United States had the resources to take on this role of protector, the unilateralism was, to a degree, inevitable. And the multilateral facade served both protector and protected well. But the fact was that the State Department had sole responsibility for only the multilateral facade. To an increasing extent, the other wartime agencies and the military dominated the direction and scope of unilateral action. Having become an adjunct or supplement to foreign policy in the rest of the world, the diplomats were hard-pressed to maintain their position of primacy in Latin America.

The whole situation boded ill for the future. While the military vied for power with the State Department over policy in Latin America, Roosevelt was proclaiming the virtues of a United Nations to keep the post-war peace and insure regional tranquility. In that organization, "all the Nations of the world - large and small - will have to play their appropriate part
in keeping the peace by force, and in deciding peace-
fully the disputes which might lead to war." In his
January 6, 1945 State of the Union Message, the Presi-
dent said that "Peace can be made and kept only by the
united determination of free- and peace-loving peoples
who are willing to work together - willing to help one
another - willing to respect and tolerate and try to
understand one another's opinions and feelings...
International cooperation on which enduring peace must
be based is not a one-way street." Even allowing for
Roosevelt's views on a strong big-power security coun-
cil and the major powers being responsible for peace
in their areas, he was advocating essentially a return
to the pre-war precepts of the Good Neighbor Policy
but with a global emphasis.  

Ironically, the State Department, which he had
done so much to emasculate, shared his views whole-
heartedly. They represented, after all, standard
Latin American policy. Speaking to a group studying

3 FDR Address to the Democratic National Conven-
tion in Chicago, July 20, 1944, p. 203; and Annual
Message to the Congress on the State of the Union,
January 6, 1945, pp. 498-99, in Rosenman, ed., The
Roosevelt Papers.
the Dumbarton Oaks proposals, a State Department official said the department wanted "to stress the essentially democratic nature" of the United Nations. The Security Council's function "is not one of domination but rather one of leadership and responsibility." Departmental releases constantly reiterated the desire to maintain and strengthen the multilateral approach to common problems. 4

Indeed the relative forebearance which the United States displayed toward the Axis-oriented government in Argentina seemed to presage a return to pre-war policy. The American position that Argentina must divest itself of fascist-oriented policies before joining the family of nations hardly seems extreme. Acting Secretary of State Edward R. Stettinius' instruction to the American missions in November of 1944 that "the time has come to press our views directly and energetically to obtain general agreement with the other American republics on our Argentine position"

4 Benjamin Gerig, Associate Chief of International Security and Organization, to Groups Studying the Dumbarton Oaks Proposals, November 12, 1944, Volume XI, Number 281, 1944, pp. 565-66; and January 7, 1945, pp. 4-6, January 14, 1945, pp. 54-60, Volume XII, Number 289, 1945, DSB.
was more in the spirit of consultation than dictation.  

Working against this return to the pre-war policy was the increasing dominance of the military in the making of foreign policy. This trend stemmed not so much from an attempt by the Departments of War and Navy to militarize policy as from the weaknesses of the State Department, the primacy of the military establishment during the war and Roosevelt's seeming inability to see that one approach or the other would eventually dominate policy decisions.

In the Dominican Republic, for instance, the Army and Navy seemed to be threatening the policy of nonintervention in domestic affairs. In June of 1944, Ambassador Ellis O. Briggs reported that Trujillo had discovered an extensive underground movement. "Claiming that communists composed the backbone of the movement," the dictator was taking "strong repressive measures." Briggs felt that Trujillo was still secure and played down the communist issue. He did, however, say the movement was "the greatest threat to him in years."  

5 Stettinius to the American Missions in the Western Hemisphere, November 20, 1944, p. 58, FRUS, 1944, Volume VIII.

By July, Briggs felt that "Trujillo's position has deteriorated to an appreciable degree." Although there was no love lost between Washington and the dictator, American policy was to use "scrupulous honesty in dealing with the Dominican Republic." The embassy would engage in neither the "promotion of his overthrow" nor in "endorsing Trujillo's dictatorship."^7

Two months later, the ambassador claimed that the Army and Navy were taking steps which ran counter to established policy. "They regard President Trujillo and his Government with great favor, which they often make no effort to disguise." Regarding the dictator's government as "the best of all Caribbean worlds" and remaining indifferent to his policies hardly constituted noninterference in Briggs' view. A department investigation and subsequent report "strongly agreed" with the embassy. It also hypothesized whether the time was not ripe "for a showdown on who runs foreign policy."^8

^7Ibid., Briggs to Hull, July 5, 1944, p. 1016; and Briggs to Hull, July 11, 1944, p. 1020.

^8Ibid., Briggs to Hull, September 5, 1944, p. 1022; and Bonsal Memorandum, September 12, 1944, p. 1025.
Instances such as the one in the Dominican Republic foreshadowed the with-us-or-against-us mentality of the post-war era. They also revealed the military's disinterest in staying within the confines of State Department policy. But more significant was the tendency to bind the Latin American republics militarily to the United States. And its inaugural came months before Yalta, Potsdam and the coming of the Cold War.

In a way, this desire of the military dovetailed with Roosevelt's concept of the United Nations and the role of the major powers in it. These nations were to hold responsibility for peace in their areas. Making the countries of Central and South America militarily dependent on Washington would certainly help to preserve the peace. It would be difficult to make war or even revolution if the United States refused arms and if the officers had been inculcated with American views on civilian control of the military and on the wisdom of foregoing aggressive conflicts. The new arms policy may also have displayed an early reluctance to trust the United Nations completely in keeping war out of the Western Hemisphere. It most certainly went against the multilateral reciprocity approach. The facade concept would soon wear thin - when one nation
attempted to tie others to its wishes so completely in peacetime.

In August of 1944, Stettinius informed the various American missions that the United States was going to propose bilateral staff conversations for "laying the foundation for continued military collaboration in the post-war world." The preliminary conversations were to "be conducted in light of the fact that the establishment of a general international organization with security functions is anticipated." The guiding assumption was to be that "the United States alone, or in collaboration with other powers, will maintain adequate armed forces to prevent any large-scale aggression against any part of the Western Hemisphere." Washington was to supply all the arms and introduce United States military missions into all the nations of Latin America. In addition, indicating that it was more for control than collaboration, Hull instructed officials to keep Latin American requests at a minimum since the roles of those nations would be miniscule in any crisis. Finally, it was decided that the Army and Navy would handle all negotiations of a substantive nature.  

9Ibid., Stettinius to American Missions in the Western Hemisphere, August 1, 1944, p. 105; and Instructions for Staff Conversations with Other American Republics, undated, pp. 107-10.
Some ambassadors, such as Spurille Braden in Cuba, were chagrined. They pointed out that the mode of conversations "would violate the fundamental law that the Department of State is charged with the conduct of foreign affairs." By the end of August, Hull was writing to Leahy and Roosevelt urging procedural modifications. He argued that the heads of mission knew most about their countries and "should be in a position to guide the conversations within proper channels." Hull added that this was crucial since these negotiations "may have substantial effects on the political relationship between the United States and these countries." 10

As the Department of State now evaluated the situation, the purpose of the staff conversations was to replace the nearly-expired lend-lease agreements "with something guaranteeing military collaboration." By convincing the Latin American countries to accept only United States arms and military missions, it hoped to accomplish three things. First, "to prevent

10 Ibid., Braden Memorandum to Hull, August 4, 1944, p. 111; and Hull to Leahy and Roosevelt, August 24, 1944, p. 113-15.
arms races and the unwelcome consequences arising therefrom." Second, "to replace German and Italian personnel and thereby to combat the ideology which may have been, in some instances, instilled in the armed forces of Latin America." And third, "to increase the effectiveness of inter-American collaboration." ¹¹

Obviously, what was at stake was not the type of program, but who would control it. On September 20, James Forrestal, now Secretary of the Navy, and Stimson informed Hull that they largely agreed with him on keeping the ambassadors informed as to the progress of negotiations. This was not what Hull had suggested. The State Department saw itself in disagreement with the military on at least three points. First, Stimson and Forrestal had not acceded to the idea of the resident ambassador guiding the conversations. Second, the Department perceived no need for embassy representatives to sit in on the bargaining sessions. And finally, the military had not agreed to the diplomats' handling the entire procedure in Cuba,

¹¹Ibid., Norman Armour Memorandum, September 5, 1944, pp. 118-19.
Colombia, Mexico and Panama, which for local reasons the State Department thought it wise to do.\(^{12}\)

Neither side changed their positions. So by the end of October, Stettinius informed Stimson and Forrestal that his department could not accept their position. Further, he added that since the impasse seemed fixed, he was referring the whole matter to Roosevelt so that he might assign areas of responsibility. The military evidently felt that the President would rule against them on the important issues and so gave in to the State Department on procedural matters. But the coming of the Cold War would make it a hollow victory indeed, for the diplomats were soon to become instruments for carrying out military policy.\(^{13}\)

The armaments distribution policy during the final years of the war paralleled that of the anticipated staff conversations. At the end of 1943, Admiral Leahy gave Hull and Roosevelt the findings of

\(^{12}\)Ibid., Forrestal and Stimson to Hull, September 20, 1944, pp. 121-22; and Norman Armour Memorandum, October 5, 1944, p. 123.

\(^{13}\)Ibid., Stettinius to Stimson and Forrestal, October 30, 1944, p. 126; and Norman Armour to Stettinius, December 7, 1944, pp. 127-28.
the Joint Army and Navy Board on the American republics. That board was of the opinion that events had removed any major threat to the Western Hemisphere. Only Axis submarines were worthy of "our serious consideration." And since defense establishments were "adequate to meet the situation," the Board recommended cutting off lend-lease to Latin America.  

The justification the board gave was nearly identical to State Department policy. The uncontrolled acquisition of armaments would lead to feuding and rivalries. Consequently, the United States should embark on a program of arms control and standardization in Latin America. On February 29, 1944 Acting Secretary of State Stettinius wrote that "We are in complete agreement with the view implicit in the report."  

Sufficiently recovered from illness, Hull returned to active service and disputed the methods of the Board. While agreeing with the objectives, he took

14 Leahy to Roosevelt and Hull, December 30, 1943, pp. 88-89, FRUS, 1943, Volume VII.

15 Ibid., Leahy to Roosevelt and Hull, December 30, 1943, pp. 90-91, Stettinius to Leahy, February 29, 1944, p. 93, 1944, Volume VIII.
the broader view and advocated assuaging Latin American sensitivities. Hull, at least, had not succumbed to the tack that genuine cooperation was no longer needed to give the United States a firm basis for unilateral action. He said that the proposed statement, as a basis for refusing lend-lease materials, would "create problems of a very serious nature which might go far to undermine our relationship with those republics."^{16}

Again at stake was the issue of control. The State Department had fought hard in 1940 and 1941 to retain the final say over lend-lease. The Joint Board position now negated that control. It gave the diplomats control over cash transactions only. In view of the changed strategic position, this seemed absurd. They felt that they should have more, not less, power now that Latin America seemed out of danger. Berle worried that, military protestations to the contrary, the War and Navy Departments would see only the military point of view and end up supplying enough arms to put military cliques in power and cause civil wars and insurrections.^{17}

^{16} Hull to Leahy, May 10, 1944, p. 97, FRUS, 1944, Volume VIII.

^{17} Ibid., J. F. McGurk, Acting Director of the Office of American Republic Affairs, Memorandum, August 4, 1944, p. 99; and Berle Memorandum, August 5, 1944, p. 100.
Embracing this viewpoint, Hull again wrote Stimson and Forrestal to stress that lend-lease involved important political considerations and could "gravely affect" relations with our neighbors. "I am of the opinion that, now that any major threat to the security of the hemisphere has been largely removed, considerations of foreign policy should prevail in decisions respecting allocations." He added that his department would consult the Joint Chiefs of Staff at once if the "threat of aggression is so acute that foreign policy considerations must be set aside." Going upstairs, Hull reiterated his position to Roosevelt.18

Once again, the military apparently decided, even before Roosevelt intervened, that the State Department had the upper hand. In the middle of October, Forrestal wrote Hull that the Joint Chiefs of Staff had decided to continue present lend-lease policies. He said the military "perceive no objection to according controlling weight to State Department policy in the determination of the order of priority in point of time of issues of equipment among the American Republics."19

18Ibid., Hull to Stimson and Forrestal, August 17, 1944, p. 101; and Hull to Roosevelt, August 28, 1944, p. 102.

19Ibid., Forrestal to Hull, October 16, 1944, p. 114.
The State Department thus beat back two attempts of the military to take over what the former considered its domain. But in the process, some give became noticeable. Compromising on one's position of power always means this. And it was precisely this that the State Department was doing. In addition, the foreign economic policy of the United States, well-intentioned as it was, did little to aid a return to the Good Neighbor Policy.

When the dominant nation in an area promotes free trade and free enterprise, or any economic system for that matter, as its basic goal, the weaker nations have little choice but to follow. In the post-war era, as the United States both neglected Latin American economic needs and imposed its own will, this was especially true. Those republics could choose but one side in the battle of the titans and proximity made the choice. As a consequence, even in the immediate post-war years, Latin America found itself increasingly bound to United States funds and the adoption or retention of economic systems based on capitalism and a lack of planning.

To be sure, Washington had been trumpeting these precepts as the best of all possible economic worlds for a long time. And Latin America had become a
favored target for the practical application of reciprocal trade and foreign investments during the 1930's when Roosevelt and Hull were searching for markets for American goods and capital. The war experience brought two changes. First, the United States developed a sense of responsibility for Latin American economic well-being. No doubt many also saw the area as a resource hedge against future depressions. And second, the idea that hemispheric peace and prosperity were inseparable gained increasing favor with Roosevelt and the State Department.

In April of 1945, Roosevelt wrote O. Max Gardner of the Office of War Mobilization and Production that "Victory without the use for abundance of the powers we have developed in production for war, would be, indeed, a hollow victory. We must plan security and abundance together....Similarly, abundance at home depends upon organization for abundance, order and security in the world." Berle said it was both morally right and in the nation's own self-interest to help Latin America industrialize and diversify. And, putting in a plug for democracy that was to fall by the wayside with the advent of the Cold War, Berle
opined that "you cannot operate a sound industrial plant on the peon system."\(^{20}\)

Roosevelt's letters and the State Department's communications are full of such sentiments. And had hostility between the United States and the Soviet Union not emerged so full blown, many plans for hemispheric post-war military security and economic prosperity might have worked. But that hostility warped American good intentions into a policy that stressed the need for complete loyalty to American military and economic concepts while ignoring the pressing needs of Latin America.

### Panama: A Sense of Malaise

In Panama at the beginning of 1944, the embassy reported that Guardia was having his difficulties. Charge John Muccio felt that the "Arnulfistas" and the various unorganized malcontents presented few problems. But Harmodio Arias, the influential editor of the *Panama-American*, was trying to cause friction

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between the administration and potential opposition groups. This, Muccio thought, did not augur well for the future. For Arias was going all out to discredit and embarrass Guardia by playing up student strikes and publishing the results of obviously skewed anti-administration polls.\footnote{Muccio to Hull, February 17, 1944, 819.00/2349; and Muccio to Hull, RG59, February 22, 1944, 819.00/2350, National Archives.}

Muccio also said that the Panamanian situation presented fertile ground for Arias. Several members of the cabinet had gotten the presidential bug and were refusing to cooperate with Guardia. As these dissident members began to take longer and more frequent vacations, the administration became increasingly less able to function effectively. This meant the President was relying more and more on the National Police, who fully appreciated their pivotal position and had become pretty high-handed in their methods. In addition, the feeling had set in that the administration was tied up with pandering to the United States and Panamanian businessmen. To this, the
population was attributing Guardia's inability to control the cost of living, a major source of dissatisfaction.22

In the March through May months, Guardia made something of a comeback. He managed to pressure the most recalcitrant members of his cabinet to resign and also got them to praise his administration and pledge loyalty to it. Muccio reported that the new appointees were both pro-Guardia and pro-American. He termed them "very happy choices." Feeling new strength, Guardia announced he would remain in office until 1947 "to complete his programs and sweep out the bad works of the old regime." In that year, he would step aside and devote himself to insuring free and honest elections.23

The embassy warned about accepting illusions of democracy in Panama, opining that the political mentality and experience to support such a form of government were lacking. Guardia was doing what he did only

22Ibid., Muccio to Hull, February 18, 1942, LaGuardia, RicardoAdolfo/42, and Muccio to Hull, RG59, March 2, 1944, 819.00/2351.

23Ibid., Muccio to Hull, March 17, 1944, 819.00/2353, and Muccio to Hull, RG59, May 30, 1944, 819.00/2361.
because the National Police supported him, a precarious situation at best. By June, Muccio reported that the administration's "mass support, never broad, is narrowing." There was little chance of a forceful overthrow, however, since the businessmen and National Police seemed happy. In addition, the large number of jobs somewhat outweighed the inflationary situation.24

Beginning in October, the situation began to change. In the middle of that month, the Fifth National Convention of the Socialist Party convened to urge closer relations with the Soviet Union, an end to racial discrimination and a new constitution that would have meant elections and a possible end to the Guardia Administration. The new Ambassador, John Warren, cautioned against fear of a communist movement but thought the convention showed more widespread dissatisfaction with the government than had been assumed. Much of it, he thought, was due to the end of the war being in sight and the consequent release of pent-up frustrations.25

24Ibid., Muccio Memorandum to Bonsal, June 6, 1944, 819.00/6-64; and Muccio to Hull, RG59, June 9, 1944, 819.00/2366.

25Ibid., George H. Butler, Counselor of Embassy, to Hull, October 18, 1944, 819.00/10-1844; and Warren to Hull, RG59, November 8, 1944, 819.00/11-844.
November was a month of considerable discontent and December brought the crunch. On December 25, the First National Congress of Panamanian Youth met to discuss its country's problems. The composition was hardly youthful but its pronouncements were expectedly anti-administration. This particular group advocated no demonstration of discontent but talk of one was rife.  

On December 28, Arias' Panama-American carried a manifesto signed by ten of the thirty-two members of the National Assembly demanding the election of a First Designate in January. On the following day, the entire cabinet, except Guardia's brother, resigned. The President responded by suspending the constitution and all legal freedoms and set up a junta to rule the republic.  

The Panama-American, the day before the junta forced it to suspend publication, called Guardia's action illegal and demanded that he resign. A student rally did the same. Nearly all the cabinet

26 Ibid., Butler to Hull, December 13, 1944, 819.00/12-1344; and Warren to Hull, RG59, 819.00/12-1344.  

27 Ibid., Warren to Hull, December 28, 1944, 819.00/12-2844; and Warren to Hull, RG59, December 29, 1944, 819.00/12-2944.
members and those representatives of the National Assembly opposed to the junta, fled to either the Canal Zone or the interior. American authorities put United States armed forces on full alert and restricted personnel to the zone. Military police and beefed-up shore patrols enforced the orders.  

By January 4, the immediate crisis had evidently passed, the restrictions ended and the armed forces reverted to the normal wartime alert status. On the following day, eighteen former cabinet members and assemblymen met in the interior and named a First Designate in exile. Guardia seemed to feel his position weakening and formed a new coalition cabinet with the promise of elections and a Constitutional Congress to draw up a new document. The coalition moved quickly to allay American fears by promising "close and cordial" relations with Washington and pledged "all our possible effort to defend the Panama Canal."  


Amidst further signs of discontent, the coalition of six parties supporting Guardia's new administration pledged themselves to hold fair and honest elections. To counter fears of a developing collective dictatorship, they reversed plans for a nationwide rally to show support for their coalition and the upcoming elections. By March, all but eight of the former exiles felt safe enough to return. Their only penalty was being stripped of their official governmental positions. The May elections for representatives for the Constitutional Congress came and went without incident. On June 16, that group met to begin deliberations and quickly named Enrique A. Jiminez as temporary president. The crisis had now obviously passed without threat to the canal. 30

It was against this backdrop that Washington continued to make defense preparations for what the State Department still termed "the most valuable single economic and military asset of the United States." Because of this concern, in both the final years of the

war and the subsequent ones, Panama would fare better than the rest of Latin America. In the post-war era, there would be considerable pressure to line up firmly on the side of the free world without recompense, but the perception of Panama as a vital spot would mean far greater American awareness of its sensitivities and responsiveness to its problems. At least until the 1950's, Panama still merited good neighbor treatment in the most enlightened sense of the policy. And during the last years of World War II, that nation certainly received, in comparison to its neighbors, a high degree of understanding attention.31

The events of December, 1944 and January, 1945 found the United States maintaining a scrupulous hands-off attitude. Immediately after Guardia dissolved the Assembly and suspended the constitution, one opposition group took refuge in the Canal Zone Tivoli Hotel. Remaining aloof, Governor Mehaffey granted them sanction but allowed them no freedom to use the sanctuary as a

31Bonsal Article on "The United States and Panama," January 29, 1944, p. 125, DSB, 1944, Volume X, Number 240.
base to operate against Guardia. The President hinted to the embassy that he found the situation embarrassing. Publicly, the American stance was non-committal and by the book.\textsuperscript{32}

Privately, a different policy took shape. The embassy cautioned against "precipitate action that might aggravate the political situation," but also thought "it would be desirable if some means could be found in the comparatively near future to inform the group at the Tivoli that accommodations are no longer available." On January 20, Stettinius wired back that even this was too strong. The exiles had the legal right to stay there and the United States could not dislodge them in good faith unless the hotel rooms were vital to the defense of the canal. He thought it best just to let the situation die down.\textsuperscript{33}

In the middle of February, Guardia called on the embassy again. He said he "had reached the end of his patience with the ex-Disputados now residing at the

\textsuperscript{32}Warren to Stettinius, January 1, 1945, p. 1240; and Butler to Stettinius, January 15, 1945, p. 1240, \textit{FRUS}, 1945, Volume VII.

\textsuperscript{33}\textit{Ibid.}, Butler to Stettinius, January 19, 1945, p. 1241; and Butler to Stettinius, January 15, 1945, p. 1240.
Hotel Tivoli." He claimed they were using it as a base to stir up trouble against him, and that the United States, unwittingly and indirectly, was aiding them. When he demanded that the Panamanian Police be allowed to arrest them, Charge Donnelly informed him that he must ask formally for extradition. Donnelly added that American actions were in no way anti-Guardia but merely motivated by a respect for noninterference.  

General George H. Brett, Commanding General of the Canal Zone, was of a different mind. He wanted the exiles out of the hotel and urged Guardia to speed up extradition procedures. The President readily agreed, adding that "the request would be based upon criminal charges pending against them in the Republic of Panama." Acting Secretary of State Grew wired back immediately to proceed with extreme caution since everything had to be done according to exact provision of the treaties between the two nations.  

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34 Ibid., Butler to Stettinius, January 19, 1945, p. 1241; and Stettinius to Butler, January 20, 1945, p. 1242.

35 Ibid., Charge Donnelly to Stettinius, February 18, 1945, pp. 1242-44.
The night of the exchange of views between Donnelly and Grew, a bomb exploded in the car of two American Army officers, injuring one of them. Brett declared an alert, put further guards on the exiles and asked the War Department for a definite decision on "measures that should be taken against the politicians at the Tivoli." He termed the incident part of a "general terrorist conspiracy" that would not cease until the exile incident ended. The War Department backed Brett on bringing about the departure of the Tivoli group "as soon as possible." The military did, however, profess "deference to the State Department in the political field," and asked that, if expropriation was not feasible, measures be taken to control their activities more closely.36

On March 8, the entire group checked out of the Tivoli Hotel. Some took refuge in the Costa Rican Embassy and others returned to Panama. None received severe punishments. Temporizing had paid off for the

36 Ibid., Donnelly to Stettinius, February 19, 1945, p. 1246; and Grew to Warren (in Mexico City for the Chapultepec Conference), February 19, 1945, p. 1247.
United States. Had Washington turned the exiles over to Guardia in February, it would have sided with a declining star, for Guardia had had to submit to a coalition government by that time and was no longer the primary leader of Panama. By adhering strictly to the treaties, Washington had kept itself clear of a later charge of interference and possible bad-faith relations with the new government.

Other issues remained. That of discriminatory labor practices came to a head when the Mexican Marxist labor leader, Lombardo Toledano, intervened in the Panamanian situation. Again, the issue was that of the locals being on the lower-paying "silver role" and Americans generally being on the higher-paying "gold role." Toledano began exploiting the situation by a personally supervised investigation and then presenting a memorandum to Cordell Hull which listed the supposedly unfair practices. At first, the State Department evaded the issue. "The State Department has always maintained that the employment policy of the Panama Canal Zone is one for decision by the War Department. The Department of State's principal

37Ibid., Donnelly to Stettinius, March 8, 1945, pp. 1250-51.
interest has been in seeing that our international commitments with Panama are carried out."

The Department noted, too, that the Panamanian Government itself had done little complaining about the issue. And there was the standard argument that equality of pay would create intolerable inflation. Yet it also said that "Toledano could hardly have seized upon an issue that contains so many elements he uses so handily in pleading the case of the underprivileged Latin worker." Among others there was racial discrimination, "Yankee Imperialism," wage differentials, exclusive privileges for Americans and commissary regulations that seemed to work against Panama's workers. And the fact was that the entrance of Toledano into the field "takes the matter out of the hands of important local groups and makes it an issue of more than local importance." 

Still, the diplomats feared that any abrupt change in employment policy "in an area so strategically important as the Canal Zone might have most

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38 McGregor Memorandum, March 4, 1944, pp. 1440-41, FRUS, 1944, Volume VII.

39 Ibid., McGregor Memorandum, March 4, 1944, pp. 1141-42.
unfortunate effects during the war." There could be no doubt about the United States conforming to its commitments. But policy makers thought that "to proceed hastily to a fundamental reform of this practice" constituted "an altogether and far more serious matter." But Toledano had done his work. In May, the Panamanian Government made an official complaint of discrimination. 40

Charge Muccio worried about the effect of a recent pay raise given to Americans only. He said "the danger of violent reaction would become especially acute as those better educated and qualified Panamanians... until recently at parity with American citizens... begin to feel the sting of the allegedly discriminatory practices" which before had motivated only the professional agitators and the lower classes. Muccio pointed especially to the situation where even employees "within the same employment class receive one standard of treatment if Americans, and another if not." 41

40 Ibid., McGregor Memorandum, March 4, 1944, p. 1142; and Muccio to Hull, May 9, 1944, p. 1143.

41 Ibid., Muccio to Hull, May 9, 1944, p. 1143-44.
On June 1, Guardia made public a letter from General Brett claiming that the policy of equality of opportunity and treatment applied only to employees of the Panama Canal and Railroad Company. Leaving out all the other government agencies and projects seemed an obvious slight. A day later Acting Secretary Stettinius wrote Administrative Assistant to the President Jonathan Daniels that he was "most anxious that something be done to bring labor practices in the Canal Zone into conformity with our commitment to Panama." He suggested that Daniels go there immediately and investigate the situation.42

On June 3, Stettinius brought Stimson's attention to the matter. He said he appreciated the need to go slowly since "nothing must be permitted to interfere with the efficient operation of the canal." But Stettinius also pointed out that Toledano's entrance into the problem made it serious and that "it is obviously necessary that international commitments to which this Government is a party be respected."43

42 Ibid., Muccio to Hull, June 2, 1944, p. 1144; and Acting Secretary Stettinius to Jonathan Daniels, Administrative Assistant to the President, June 4, 1944, p. 1145.

43 Ibid., Stettinius to Stimson, June 5, 1944, p. 1446.
By August, Panamanian Foreign Minister Samuel Lewis, Ambassador Warren and General Brett were ironing out their differences. Brett agreed that in no case would he "permit a policy of discrimination of any kind against Panamanians to become apparent, if he could avoid it." If a difficulty arose that Brett and Lewis were unable to solve, they pledged to come to Warren and let it become "a subject of formal disputation between the two Governments." This was to be a matter of last resort, however, and the ambassador offered a willingness to help break any impasse. 44

To prove good faith, the United States consented in October to vacations on a basis of equality for Panamanians who had reached certain levels of salary. It was to be effective immediately. Two months later, Washington consented to consider, in principle, various grievances presented by President Jiminez and Foreign Minister Lewis. Among them were quicker vacations

44Ibid., Warren Memorandum of Conversation with Commanding General of the Canal Zone General George Brett and Panamanian Foreign Minister Samuel Lewis, August 11, 1944, p. 1458.
for "silver role" employees, the establishment of an office of complaints, overtime pay to be granted after eight rather than ten hours of work, elimination of salary discrimination between Panamanians and Americans performing the same task, and the end of color barriers. 45

Panama received other tangible benefits as well. In September of 1944, the United States agreed to help Panama build a cement plant. Part of the reason for the grant was the view that Panama had served as a "loyal ally" thus far. The other was that the canal would play a far greater role in the Pacific War than in the Atlantic one. Military needs would increase and so it was necessary to make Panama as self-sufficient as possible in construction materials. A basic assumption was that the plant would be in operation "before the war with Japan is ended." 46

At the end of October, both the Westinghouse Corporation and the Government of Panama requested clearance for the former to build a hydroelectric

45 Ibid., Warren to Stettinius, October 11, 1944, p. 1153; and Bonnie Farber, Division of International labor, Social and Health Affairs, Memorandum of Conversation with President Jiminez and Foreign Minister Lewis, October 15, 1944.

46 Jerome H. Stronger, Assistant Chief, Division of American Republics, to John H. Nelson, Chief, Projects Section, Requirements and Supply Branch, Federal Economic Administration, RG59, September 8, 1944, 819.24/9-844, National Archives.
generator in the city of David, which was short on power. The State Department recommended approval "both for political and economic reasons." It further asked the FEA and WPB to give the project "priority assistance." The following month, American agencies looked favorably on a request to help Panama build several prisons. Again, it was because Panama was loyal to the American war effort and also because in "those areas which are for the most part semi-wild, jungle, barren, or mountainous country, the only control over subversive elements and spies...lies with the natives and native police...The location of penal centers in these areas should furnish a nucleus for such coverage." 47

The matter of granting an Export-Import Bank loan to Panama to build an airport was an issue not as easily resolved. The State Department favored a loan of $6 million for an airport and one of $2 million for an adjacent hotel. It claimed to recognize, however, that the War Department had paramount interests

47 Ibid., Cabot to Nelson, October 31, 1944, 819.24/10-3144; and Howard B. Gill, General Superintendent, District of Columbia Penal Institutions, to Bonsal, RG59, November 11, 1944, 819.24/11-944.
in aviation and deferred to its stipulations. Stimson and General Arnold agreed in principle to the loan but set forth four conditions. First, the United States was to have "exclusive control over the defended zone." Second, Washington was to have full authority over quarantine matters at the new airport. Third, only Canal Zone authorities could handle air traffic to and from the Canal Zone. And fourth, the Joint Aviation Board was to oversee all traffic control procedures. 48

The first three offered no problem. That of the Joint Aviation Board did. In early 1944, the War Department began again its campaign to have the Canal Zone Governor included as a member. Panama held out, offering no explanation except that the board was not constituted that way. Consequently, the United States boycotted its meetings and hence prevented it from taking any action.

At the end of April, Panama expressed a willingness to reconstitute the board on the basis of the

48Ibid., J. D. Walstrom, Aviation Division, Memorandum to Morgan, Investment and Finance Division, RG59, March 31, 1945, FW819.7962/3-3145.
American understanding of the 1929 exchange of notes. While Guardia claimed canal protection as the motivation for his change in policy, the embassy correctly judged it as Panama's need for Washington's help in developing commercial aviation. Yet the issue remained unsolved until after the war. The United States first inexplicably refused to sit on the board and then the collapse of the Guardia Government in the spring of 1945 muddled the whole proposition again. Washington also turned down Panama's request for aid for an airport. 49

In the matter of securing war material, too, Panama's strategic location often enabled it to secure equipment and arms that its less important neighbors could never get. At the beginning of 1944, Panama asked for fifty jeeps for its police force. Liaison officer Orme Wilson instructed the embassy to discuss the proposal with Commanding General Brett. Charge Muccio said he "heartily" recommended "giving the Guardia Government at least some jeeps. As of now, he reported,

49Ibid., Welles to FDR, January 13, 1944, 819.7961/258; Muccio to Hull, April 22, 1944, 819.7961/284; Muccio to Hull, April 26, 1944, 819.7961/285; and Warren to Hull, RG59, July 7, 1944, 819.7961/7-744.
the Panamanian police had to hitch rides on United States Army vehicles and had become pretty sensitive about it. Muccio added that while General Brett "fully concurs" with the proposal, he wanted to scale the number down from fifty to fifteen jeeps and change the coloring to differentiate them from those of the Army. It was so done.50

Panama asked for guns only once during the two years and the War Department initially turned down the request. Even if a surplus existed, Stimson said that the armed forces needed the armaments "in the more active theatres of higher military importance." The State Department disagreed and felt it should "insist with the War Department that this armament be furnished to the Panamanian Government without delay." Two days later, on February 11, 1944, Stettinius wrote Stimson to that effect. His arguments were that the number involved was extremely small, that Panama was laboring the idea that guns were available and that

50Ibid., Hull to Wilson, January 29, 1944, 819.24/764A; and Muccio to Hull, RG59, February 13, 1944, 819.24/766.
the war effort would be aided by keeping Panama happy. The War Department reversed its stance, and on March 13, the Munitions Assignment Committee approved, along with the fifty jeeps, fifty .45 caliber sub-machine guns and 50,000 cartridges. 51

When it came to Washington's policy of preparing for post-war control of Latin America's arms and armed forces, Panama occupied an anomalous position. It had neither an army nor the need for large quantities of arms. This was the situation, of course, because the American Canal Zone forces were Panama's military establishment. In essence, what the United States hoped to do in the rest of Latin America was already an accomplished fact in Panama. Yet the State Department in 1944 was still holding out for as honest a multilateral approach as possible. Hence, Hull wondered at the wisdom of excluding Panama from the bilateral staff conversations. 52

51 Ibid., Bonsal to Wilson, February 9, 1944, FW 819.24/755; Robert B. Potter, Acting Secretary of War, to Hull, February 24, 1944, 819.24/776; and Berle to Morales, RG 59, March 13, 1944, FW 819.24/772.

52 Ibid., Hull to the Chiefs of the American Missions in the Western Hemisphere, RG 59, July 17, 1944, 819.24/7-1744#21.
Hull wrote Roosevelt and Leahy about the problem in August of that year. Describing Panama's position as "unique," he nonetheless thought it would be wise "to ascertain the plans and expectations of that government insofar as future military collaboration is expected." In addition, Hull thought "it is well to bear in mind that provision must be made in due course for arrangements following the termination of the Defense Sites Agreement of 1942." To slight Panama now might mean relinquishing valuable bases later. The wisdom of the Secretary's argument struck both men as valid. 53

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53 Hull to Leahy and Roosevelt, August 24, 1944, p. 115, RG59, FRUS, 1944, Volume VII.
CHAPTER V
INTO THE COLD WAR

Latin American Policy in Flux

Dean Acheson pinpointed the problems of post-war Latin America. "In that area of special American worry, the Good Neighborhood, there was plenty to worry about. Here Hispanic-Indian culture - or lack of it - had been piling up problems for centuries. An explosive population, stagnant economy, archaic society, primitive politics, massive ignorance, illiteracy, and poverty - all had contributed generously to the creation of many local crises, tending to merge into a continental one."

Yet Acheson's analysis, shared by so many, never became the focus of United States Latin American Policy. To be sure, Washington did extend aid to the nations in that area. But the amount was small and by no means was all of it earmarked to deal with

1Acheson, Present at the Creation, p. 257.
the region's most severe problems. Between 1946 and 1955, Washington extended $259 million in grants and $1.25 billion in credits. Aid to Mexico, Bolivia and Brazil accounted for 60 percent of all U. S. assistance. Brazil, with $21 million in grants and $575 million in credits received the most; and Dominican Republic, with $1.6 million in grants and nothing in credits, received the least. Expectedly, Panama, with $5.7 million in grants and $4 million in credits, gained the largest amount given to a Central American or Caribbean republic.  

But a paltry, misdirected air program does little to explain what happened to Washington's Latin American policy. Stimulated by a fear of communism as it was, the whole foreign air program must rank as an enlightened approach to an almost unsolvable and global problem. The changes in our Latin American policy, however, had little to do with economics. Lifting that region from poverty and ignorance never had been, nor possibly could be, a cardinal point in our foreign policy. The American aid program reflected accurately, but did not cause, the changes.

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2Rippy, *Globe and Hemisphere*, pp. 75-82.
Two fundamental events stand out as causes for the changed policy. They are the World War II experience and the rise of Soviet Russia, with its hostile and messianic ideology, as a major power. These two events, and the American response to them, tested the diplomats and stimulated American policy changes and the development of many new political perceptions.

The war was global in scope and total in nature. Because it was total, the United States mobilized not just its military resources but also its economic, political and social ones. And because the war was global, these mobilized resources reached nearly every part of the world. The instruments by which they did so were new or expanded agencies and bureaucracies. Virtually the entire federal executive branch duplicated itself on an international scale. Normally, the job of the State Department would have been to coordinate all these other agencies and to collaborate with them to form a unified foreign policy. But Departmental diplomats lost their positions of power and responsibility, partly because Secretary Hull refusal to defend the prerogatives of his department. Too late, the State Department tried to seize the reigns of coordinator. And so, frustrated in this ambition partly by their own lack of vision and partly by Roose-
velt's tendency to bypass them, the makers of foreign policy turned to planning the post-war world.³

Here again, the State Department miscued. It assumed a post-war world in which the United Nations organization would hold a place of primacy. Yet even had this been the case, the diplomats would have found their power circumscribed. For the fact was, that these new wartime agencies having come into existence, were reluctant to dissolve as long as the nation's interests remained global. The Department of Agriculture, the Public Roads Administration, the Department of Commerce and all the lesser bureaucracies were now operating on a world-wide scale they had never contemplated. So even though the State Department correctly foresaw a nation forsaking isolationism, it failed to grasp that all the international counterparts of the old domestic agencies would play a vital role in the post-war world. Demoralized and having little foresight, the State Department made little effort to reassert its control over them and hence over the diplomacy of the Cold War.

The rise of Soviet Russia compounded the tendencies inherent in the State Department's abdication of responsibility. Once decision makers presumed the Kremlin as hostile and as representing a threat to the United States, they had to formulate policies to meet that threat. Theirs was not exclusively a military response, although strength of arms was part of the ultimate framework. The Marshall Plan, the Point Four Program, Food for Peace, propaganda, intelligence, and foreign aid in general were all non-military in nature.

But along with these programs came a military response. It became the all-pervasive reality of post-war American foreign policy. No nation of consequence found itself untouched by American military planning. And the State Department, having lost control of policy during the war, was in no position to regain it after the conflict. Marshall and Acheson helped bring the Department in line with the new strategy but did not seek to perpetrate diplomatic control over it.

Whatever the causes of the Cold War, given American perceptions of the reasons for it, the new strategy was, until the Secretaryship of John Foster Dulles, both realistic and effective. But it had a runaway effect in areas of peripheral strategic value. Latin America was one of those areas. In that region, the
Truman Administration made no real attempt to coordinate military, economic and diplomatic strategy. Rated as an area of secondary importance, Central and South America received no large-scale economic aid. The grinding poverty that could have become the breeding ground for communism was ignored. Instead, United States policy became more and more disinterested and high-handed.

It was like World War II all over again. Latin America was out of the immediate danger zone and could contribute little to the U.S. effort. Therefore, its task would be to fall dutifully in line and back Washington. But one thing was missing. The State Department no longer controlled foreign policy. This meant there was no agency who could effectively lay the diplomatic groundwork for such a strategy and prevent an ever-rising chorus of antagonism. World War II, the zenith of the Good Neighbor Policy, had also laid the groundwork for its demise.

Chapultepec and Rio: Military Policy Defined

On the surface, American post-war policy represents a victory for the State Department tenets. The War and Navy Departments accepted the multilateral collective security approach that had worked so well
during World War II. They could even point to the bilateral staff conversations as a procedure which had stood the test of war and therefore warranted continuance. But there were two fundamental differences. First, the United States was directing the creation of a collective security apparatus that dealt with only an anticipated, obscure danger. This had not been the case during the war. And second, the whole policy lacked the diplomatic underpinning which unilateral action under a multilateral facade demanded.

The State Department, in its own way, contributed to this one phased approach to security. In December of 1944, it wrote a memorandum suggesting an agenda for the upcoming conference in Mexico City. First, the diplomats wanted the Western Hemisphere nations to consider further steps which might hasten the end of the war. Given the assumption that the war would continue for eighteen months after the defeat of Germany, it was a valid point. Second, the assembled nations were to deal with the problems arising out of the war and the transition to peace. First among these was not the discussion of war-born economic problems or an attempt to raise the standard of living in that region. What the United States wanted to receive primary attention were its own world security
plans and the relation of a regional collective security organization to those plans. So future military security became the framework for hemispheric relations.\textsuperscript{4}

On January 5, 1945 Secretary Stettinius informed the American missions that the United States would press for the agenda outlined in the December memorandum. Acting Secretary Grew followed this message with a communication warning the American diplomats to prepare their host nations not to expect bilateral conversations at Mexico City. These would come after the conference had decided upon the general makeup of the hemispheric security organization.\textsuperscript{5}

The heart of the Chapultepec Conference, which met just outside Mexico City from February 31 to March 8, was embodied in Article VII of the final statement. By that resolution, each nation pledged to consider an attack upon one as an attack upon all. The Conference did not resolve the issue of setting up the organization to carry out this purpose, postponing it until a later date. The conferees merely agreed

\begin{itemize}
\item[\textsuperscript{4}] Rockefeller Memorandum of Conversation with Acheson, Dunn, Clayton and Pasvolsky, to Stettinius, December 21, 1944, p. 83, \textit{FRUS}, 1944, Volume VII.
\item[\textsuperscript{5}] Stettinius to the American Missions in the Western Hemisphere except Argentina, January 5, 1945, p. 2; and Grew to Messersmith, February 5, 1945, p. 23; \textit{FRUS}, 1945, Volume IX.
\end{itemize}
to consider the creation of a permanent agency composed of representatives of each of the American General Staffs." Until that time, the Inter-American Defense Board would continue in existence. This agreement was actually a victory for the United States who had to beat back a well-supported Mexican resolution that the Conference immediately create a permanent body. The fact was that Washington had not yet decided exactly what form it wanted the new regional security body to take.⁶

The final draft also included the so-called "Economic Charter of the Americas." Considering the vast number of proposals made by Latin American nations to that effect, it did not occupy a very prominent place. The heart of the statement was that "higher levels of living is an indispensable factor in preventing the recurrence of war...At the same time, the (principle of) freedom of action in the economic field that underlies the institutions of political and personal liberty

must be preserved and strengthened." In addition, the involved governments were to pledge equitable treatment for foreign enterprise and capital, and encourage private rather than public enterprise. When the economic rhetoric of the Cold War boiled down to private versus state control, the whole Chapultepec charter, which served to tie the United States to unresponsive governments, became an albatross around the neck of American foreign policy.  

On August 31, 1945, Truman officially, if not publicly, ended the era of American peacetime isolationism. He told his cabinet "that the time had come to initiate a new military strategy. If we were to maintain leadership among other nations, we must continue to be strong in a military way... Our geographical security was forever gone - gone with the advent of the atomic bomb, the rocket, and modern air-borne armies." Though claiming great distrust of the military, Truman was giving ever more sanction to putting diplomacy within the framework of military policy, rather than coordinating military policy with the larger diplomatic objectives.  

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In this atmosphere of increasing military influence and perceived Soviet hostility, the State Department turned in 1946 to drafting a treaty for inter-American security. By September 19, the State, War and Navy Departments had produced a treaty draft. The organization was to operate within the spirit of the United Nations Charter, which allowed regional collective security organizations under Article 51 and in the event of a military emergency, immediate consultation under Article 53. The United States, as the only major military power in the hemisphere, would bear the brunt of defense responsibility. This meant it would also largely determine the composition and use of the new security apparatus.9

By the end of the month, however, the United States had decided to postpone a conference to formalize a regional collective security organization. The situation in Argentina dictated a delay. Truman, Braden and Acheson all felt that anti-democratic forces were still too strong there and that "our own position would be utterly compromised if we should

9Acheson to Braden, September 19, 1945, pp. 156-58, FRUS, 1945, Volume IX.
sign a treaty with the Argentine Government before the situation was cleared up or that Government changed." They also thought that signing the treaty "would greatly weaken the forces in Argentina opposed to the Government."\(^{10}\)

February of 1946 saw Washington beginning to hedge. Byrnes wrote Berle in Brazil that "If the American republics lack confidence in one of their number because the latter aided and continues to protect our enemies, they should openly declare that lack of confidence and not allow it to block constructive action." He added that the United States would no longer take the initiative in advocating postponement. But if Brazil wanted to do so, we would "certainly go along with it."\(^{11}\)

In August, the embassy in Buenos Aires reported that the Argentine Senate had ratified the San Francisco charter and Mexico (Chapultepec) Acts and the House of Representatives gave every indication of doing the same. In addition, the Government had

\(^{10}\) *Ibid.*, Acheson Memorandum of Conversation with Truman and Braden, September 29, 1945, p. 159.

\(^{11}\) Byrnes to Berle, February 6, 1946, p. 4; and Byrnes to Berle, February 15, 1946, pp. 5-6, *FRUS*, 1946, Volume XI.
started to move against undesirable aliens and enemy property. "We must accept these steps as taken in all good faith and it would be a mistake to question good faith anyway." After a time, the Truman Administration agreed and the Latin American republics finalized plans for the Rio de Janeiro Conference.  

One year later, in September of 1947, after months of deliberation, the nations of Latin America signed the Inter-American Treaty of Reciprocal Assistance. The Rio Pact, based on American nations of collective security, required a two-thirds consultation vote before action and was binding, except for the fact that no republic had to join in the use of force unless it so desired. The Bogota Conference of March, 1948 consolidated the informal Organization of American States and enshrined the principles of sovereign equality, nonintervention and consultation. The inter-American security system was an established paper fact.  

But while 1947 saw the official commitment to the new inter-American security system, the United States had begun tying the Latin American republics to

12 Ibid., Messersmith to Byrnes, August 24, 1946, p. 25.  

it militarily even before the end of the war. It was not so much a conscious effort to dominate the OAS that created the ties as it was the assumption that only Washington could supply the arms without bringing in a non-hemispheric power, and that only we could effectively forge and then lead the organization.

On May 16, 1945, Secretary of War Stimson wrote the State Department that bilateral talks were now in progress. Reversing a traditional stand, he said that "in order to retain the confidence of the other American republics and indicate the sincerity of purpose of the United States, it is most desirable that some interim allocation of equipment be undertaken." The Joint Chiefs of Staff wrote Truman to the same effect in June. When the President protested that all available material go to fight Japan, the State and War Departments collaborated to convince him otherwise. They were unsuccessful. 14

14 Stimson Memorandum to Arthur Warren, Director of the Office of American Republics, May 16, 1945, p. 241; The Joint Chiefs of Staff to Truman, June 21, 1945, p. 243; Grew to the American Missions in the Western Hemisphere, July 17, 1945, p. 244; Grew to Byrnes, July 18, 1945, pp. 245-46; and Byrnes to Grew, July 21, 1945, p. 246, FRUS, 1945, Volume IX.
The staff conversations went on, however, and the State Department now began to feel left out of the negotiating process. Writing for Byrnes, Arthur Warren advised the embassies to scrutinize the War and Navy Department's proposals carefully and to ascertain their probable effect on the financial and political structures of the countries involved. In November, Byrnes expressed second thoughts about the whole procedure. Noting that political and economic unrest continued to mount in Latin America, he wondered whether it was a good idea to have American officers identify with existing governments.15

The War Department retorted that these regimes were coming to feel "they cannot depend on our promises to furnish them with arms and training." Patterson said unless the United States went ahead with the program, Latin American governments would begin to look elsewhere for arms and our whole policy would fail. Byrnes said he appreciated the view but due to political instability, "we must proceed conservatively and with the greatest care in the shipment of arms."16

15Ibid., A. M. Warren to the American Missions in the Western Hemisphere except Argentina, September 11, 1945, p. 250; and Byrnes to Secretary of War Patterson, November 5, 1945, p. 255.

16Ibid., Patterson to Byrnes, December 7, 1945, p. 259; and Byrnes to Patterson, December 19, 1945, pp. 261-62.
1946 brought increased apprehension and then final defeat to the State Department. In January Undersecretary Acheson wrote Acting Secretary of War Kenneth C. Royall that his department was "extremely reluctant to approve the allocation of tactical aircraft to the other American republics." He predicted various groups would probably use them to seize power illegitimately and foment boundary disputes. This would cause us to lose the support of people dedicated to "peace and stable democratic government." "In the long run we must in large measure rely upon the support of those groups if our position of leadership...is to be maintained and strengthened." Royall wrote back that, with the war over and arms no longer in short supply, Truman had approved the program.17

In presenting the Inter-American Cooperation Act, which became House Resolution 6326, Truman said this interim program would enable the American republics to carry out responsibilities assumed by the Act of Chapultepec and the Charter of the United Nations. But he did warn that we should not build up military estab-

17Acheson to Acting Secretary of War, Kenneth C. Royall, January 4, 1946; and Royall to Acheson, January 6, 1946, p. 72, FRUS, 1946, Volume XI.
lishments "beyond what security considerations require."
State Department officials testifying before Congressional committees echoed the President's caution and pledged to seek disarmament in the long run.  

The President and the State Department, however, were evidently thinking on different levels. As the extent of the Interim Program became visible, the diplomats became increasingly apprehensive. Even though it was only an interim allocation, it would no doubt set the armament levels for implementing the Rio Pact. The armament level program would be permanent.

Braden outlined the Department's deteriorating position in December. He now objected to H.R. 6326 on four grounds. First, maintaining the arms purchased pressed upon Latin America's economic capacity. Armaments costs, he said, would weaken economies, "thus retarding social progress and perpetuating low standards of living, health and education - all conditions dangerous to hemispheric security." Increased arms might

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18 Truman to Congress, May 6, 1946, pp. 859-60, Number 359; Byrnes to House Foreign Affairs Committee, June 19, 1946, p. 1002, Number 362; 1946, Volume XIV; and George H. Butler, Deputy Director of the Office of American Republic Affairs, to the Senate Foreign Relations Committee, July 21, 1946, pp. 131-32, Number 368; 1946, Volume XV, DSB.
also aid in keeping dictatorships in power. Second, with Russia showing hostile tendencies, the stocks of surplus equipment were no longer adequate. Third, democratic-minded Latin Americans were displaying increasing hostility toward the program. And finally, the project didn't square with Washington's supposed role of leading the world toward disarmament in the United Nations.19

The fact that Secretary Byrnes and President Truman found it more and more difficult to work together probably helped to undermine the State Department's position. But that was more symptomatic than causal. In the final analysis, it was the loss of control over foreign policy by the State Department and the rise of a powerful and presumably hostile Soviet Union that did most to make Latin America neglected where it most needed help and forced it to follow the lead of the United States militarily, where it least needed help.

19 Braden Memorandum to Byrnes, December 16, 1946, pp. 108-10, FRUS, 1946, Volume XI.
The State Department: Something Old, Nothing New

Speaking over the National Broadcasting Company network in January, 1946, State Department officials outlined the United States' Latin American policy. It turned out to be a reiteration of the pre-war Good Neighbor Policy, devoid of new ideas. World War II had evidently served only to confirm the efficacy of that approach. Braden said that "Our policy of non-intervention in the affairs of the other American republics is fundamental and will continue." Emphasizing the multilateral approach and consultation, he continued that "we have no intention of taking any kind of unilateral action." 20

Economically, the United States would help Latin America to industrialize and seek a higher standard of living. Peace and prosperity, Braden maintained, were inseparable. On another occasion, Braden explained the means to the end. "The selective processes of society's evolution through the ages have proved that the institution of private property ranks with those of religion and the family as a bulwark of civilization." Except in the crisis of war, "government does

not belong in business." Neither "confiscations nor expropriations" sided economic development. So private enterprise constituted the method of uplifting Latin America economically.\footnote{Ibid., Spurille Braden to Executive’s Club of America on “Private Enterprise in the Development of the Americas,” September 13, 1946, pp. 530-40, 1946, Volume XV, Number 377.}

But Latin American nations were short on capital and long on need. Filling this need was to be the mission of United States' industry and capital. By either investing in native enterprises or building industries there, the American business and financial communities could engage in the worthy tasks of both making profits and advancing the industrialization of those republics. But investors had to be especially careful. The purpose of lending, private or public, should be to create a net increment to the economy of a borrowing nation. Therefore, loans should not be made, if they enable another government to acquire or displace existing efficient private enterprises, whether they be American in ownership or not.\footnote{Ibid., pp. 542-43.}

Along with these ideas, of course, went that cardinal principle of American international economic relations - free trade and the open door. Braden...
emphasized early in 1946 that "We have no interest in promoting increased industry and productivity in nations which intend to build self-contained, nationalistic economies." Using cultural exchanges and equitable economic dealings to show Latin America the benefits of such a policy, the United States "should seek to turn the region into a free-trading area."^23

If Latin Americans held any hope of massive United States aid for their economies, President Truman dashed those hopes in September of 1947. Speaking to the Inter-American Conference, he admitted that the dire situation in Europe had impeded a return to normal world economic conditions and the restoration of Latin America's normal markets as well. But the United States had limited resources and those would have to go to Europe. In addition, the problems of the Western Hemisphere were both smaller and different in nature from those of Europe. "Here the need is for long-term economic collaboration. This is a type of collaboration in which a much greater role falls to private

^23 Ibid., Braden and Briggs over NBC on "What is our Inter-American Policy?", January 13, 1946, pp. 29-30, 1946, Volume XIV, Number 341.
citizens and groups than is the case in the program designed to aid Europe." In effect, Truman was opting for a realistic deployment of finite resources. A Europe on the verge of collapse presented far greater dangers than a Latin America in the throes of its ancient grinding poverty.  

Again, however, the long-range thrust of the insistence on free trade and private enterprise did not work to Latin America's ultimate benefit. Lacking the technical knowledge to develop an economic infrastructure, the region was unable to use available capital effectively. As a result, the industrialization of the southern half of the hemisphere was limited to American-owned enterprises whose goals were profit rather than an even-handed development of those nations toward a "take-off" point. And then the Cold War so froze patterns of thought that the United States tended to regard aberrations from this mode of thought as defections from the side of the embattled democracies.

The State Department did manage, however, to uphold the principle of non-intervention in the immediate post-war years. It was not that communism was not an issue, for it was, but the guiding assumption was that the United States could best combat it by refraining from interference that might give local communists a pretext for complaining about Yankee imperialism.

Most of the communist parties in Latin America had been formed in the 1920's, but had limped along without much success until World War II. Once the Soviet Union sided with the democracies and received a favorable press in the Western Hemisphere, communism achieved a degree of respectability it had hitherto been denied. During the war, the movement claimed 375,000 members in Latin America and elected members to the various national legislative bodies. With the coming of the Cold War, however, identification with the Soviet Union was no longer an asset. Coupled with the resurgence of authoritarian regimes in the hemisphere, communist-related organizations suffered a rapid decline in both membership and popularity.25

The United States, sobered by Axis sabotage and intrigue during the war, spent considerable time and effort studying the movement. In the vicinity of the Panama Canal, the most feared communists were Toledano in Mexico and Blas Roca in Cuba. Toledano, who worked openly and within the existing governmental systems, provided relatively few, although persistent, problems. Roca engaged in more clandestine activities and was hence more difficult to keep under surveillance. Neither achieved more than irritant status.  

In some cases, hemispheric governments quickly seized on the fear of communism as an excuse for repression or for carrying out unpopular policies. As an example, on April 30, 1946 Charge George F. Scherer wrote Byrnes that President Rafael Trujillo had, in the last few months, "displayed an increasing concern about the possible penetration of communist influence into labor elements in the Dominican Republic." He assured Byrnes, though, that Trujillo's repressive measures would keep this part of the island "free from any significant penetration."  

26 Norweb to Byrnes, March 29, 1946, pp. 723-35; and Messersmith to Byrnes, April 20, 1946, pp. 51-52. FRUS, 1946, Volume XI.  

27 Ibid., Charge George F. Scherer to Byrnes, April 30, 1946, pp. 827-29.
By September, the embassy was reporting that the communists were holding public meetings in Ciudad Trujillo. Organized by local and Cuban party members, they drew small crowds. Scherer saw no danger in the movement. In fact, he believed that Trujillo had probably decided that he needed evidence of democracy in the Dominican Republic and "previous attempts at a controlled opposition have been unconvincing." He had chosen to permit the communists some limited activity because they were small in number and their presence would make him appear "extremely liberal." A month later, Trujillo reversed himself. Ambassador George H. Butler was somewhat exasperated. "Even sponsored opposition seems too strong a dose for the Dictator." 28

At the end of October, Butler feared that the situation might get out of hand. The communists capitalized adroitly on the repression and Butler wired that "present opposition to Trujillo may become the most serious he had faced." The workers were unable to distinguish between democracy and communism and the advocates of the latter were gaining support.

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28 Ibid., Scherer to Byrnes, September 25, 1946, p. 829; and George H. Butler to Byrnes, October 4, 1946, p. 830.
by pointing to repressions and the "hunger and misery of the masses." Consultation between the embassy and the home office produced the decision for "absolute non-intervention." It would not be in the interest of the United States "to support Trujillo against Communist-led opposition or to encourage the latter either."29

The fact was, that for the State Department and most Latin American nations, communism was not an important issue. But the American diplomats who perceived the truth were no longer in control of policy or were fearful of challenging accepted government truths. To those who did control the American response to the world around it, communism was an extremely important issue. And the global response set the parameters for the Latin American arena.

The perception of communism on this level was that it was hostile, monolithic and omnipresent as a threat. But in spite of the omniscience charge, the main thrust of the American response to Soviet Russia and its agents was Europe-oriented. It was only there that all the tools of Washington's foreign policy —

29Ibid., Butler to Byrnes, October 4, 1946, p. 830; and Butler to Byrnes, October 27, 1946, p. 831.
diplomatic, economic and military - came into play. The rest of the non-communist world received only military attention, usually in the form of American-dominated alliances.

At Chapultepec and Rio, the State Department served as executor rather than formulator of foreign policy. It re-entered the area of formulation in Latin America only when Marshall and Acheson brought it into line, at least on the upper levels, with a policy that had little time for the niceties of the Good Neighbor Policy. Panama, in this respect, was fortunate. The geographic fact that it formed the boundaries of the Panama Canal gave it strategic importance. And strategic importance meant Panama would not suffer the neglect of its neighbors. In Panama, enlightened self-interest required that the good Neighbor Policy prevail.

**Panama. The Good Neighbor Policy Prevails**

With the war over, Panama, under the leadership of President Enrique A. Jiminez, became more demanding in its dealings with Washington. The loyal partner now felt the need for more control over its own affairs. Quite logically, this heightened nationalism often
manifested itself in the form of anti-American outbursts and policies. Arnulfo Arias returned to Panama in October of 1945 and added to the feelings by stirring up sentiment against the United States. Arias no longer had the power to mount a threat to the Jiminez Administration but he evidently retained some power to influence policies.  

For its part, Washington too was examining an issue that would affect the fundamental structure of relations between the two republics. That issue was the strategic value of the Panama Canal. What precipitated the examination was the development of the atomic bomb and the Air Force doctrine that nuclear weapons had changed the character of war irrevocably. If air power was indeed to be the means of carrying on warfare, then of what use was a canal whose primary function was to facilitate conventional warfare? And even assuming some limited role for ground and sea forces, could not a single atomic bomb deal the canal irreparable damage?

30Charge Walter J. Donnelly to Byrnes, RG59, October 26, 1945, 819.00/10-2645, National Archives, and "Yankee Imperialism Denounced By Arias," October 15, 1945, p. 18, New York Times.
Whatever the answers in theory, the final answer to the first in the realm of the reality of the late 1940's was that the canal indeed had value; to the second, it was "no." But in 1945, the advent of the atomic age gave pause to developments based on the conventional wisdom. Governor Mehaffey ordered a halt to work on the third set of locks. Although excavation was almost complete and the lock ready for installation, Mehaffey said "new forms of warfare" necessitated a reappraisal.31

As finally framed, the question did not concern the need for the canal. Until 1949, when the canal was deemed as having only tactical importance, the Panamanian waterway retained its place on the list of areas judged to be strategically important. So the question became how to defend the canal. This goal, for all practical purposes, defined American relations with Panama. If the canal remained strategically important, then so did the land surrounding it. Panama still deserved high priority attention.

31 State Department Memorandum of Conversation with Governor Mehaffey, RG59, November 7, 1945, 811F.00/11-745, National Archives.
The debate over the canal continued on, however. On the one side were those who wanted to complete the third locks project and strengthen defenses in the Canal Zone, in Panama and on the land and sea approaches to the canal. On the other, were those who claimed that only a sea-level canal with one small lock to accommodate Atlantic and Pacific tidal differences would be of value in the atomic age.32

The reason this debate had validity in the late 1940's was the American concept of atomic warfare. Most important, military strategists labored under the assumption that the fission bombs dropped on Japan were a viable measuring stick for the future. Those bombs had a twenty kiloton yield. They could cause severe but limited damage. In addition, the number of bombs the United States possessed was not that great, being less than one hundred, and the airplane was the only known delivery system. The perfection of the fusion bomb, with its vastly increased yield, and the use of the guided missile as a delivery system, belonged to the future and did not figure in strategic formulation.33


All this preceded the Dulles strategy of massive retaliation and the Kissinger one of using tactical nuclear weapons in a graduated response designed to deter the Soviet Union more effectively. What it did mean was that the World War II experience provided the framework for developing an atomic strategy. The facts were that the number and yield of bombs and the type of delivery system limited the extent of damage one could inflict upon an enemy. Atomic weapons most probably could not destroy the Soviet Union's capacity to fight. That country was too large, its targets too many and the results of bombing not considered great enough to win by atomic weapons alone.

Yet an uncontested attack could inflict enough damage to cripple a nation and severely curtail its ability to fight. The atomic age was new in that respect. But the perceived limitations of the bomb and its delivery system made defense conceivable. Except among some Air Force personnel, who felt the bomb had vindicated their claims about air power being the only form of warfare for the future, military officials assumed defense to be possible and ground and naval forces to be still crucial. So command of the air and the destruction of the enemy's air force, on the ground or in the skies, remained as important as
they had been during World War II. 34

This meant the Panama Canal was still defensible. But because policy makers judged it as still having strategic value, they assumed their Soviet counterparts had the same view. What then was the best way to defend the canal? The Army claimed it was so important that the Soviet Union would send enough planes so that at least one would get through to bomb the canal. They would destroy a canal with locks, they reasoned, but not a sea level canal. The Navy, on the other hand, felt air defenses in Panama and far at sea could prevent a successful attack. They added that even successful penetration of these defenses did not spell disaster. Even assuming accurate bombing of the canal, which they doubted was possible, the admirals contended that the alternate lock system was a more than adequate safeguard. No doubt the Navy also wanted to insure itself a role in future wars.

Mehaffey, whom Congress named to head a study along with Secretary of War Patterson, favored a sea-level canal with the one lock to equalize the tidal

differences. General H. H. Arnold, head of the soon to be independent Army Air Force, said even a sea-level canal was vulnerable and urged air defenses far at sea. It soon boiled down to the Army against the Navy. The latter, with Captain Miles P. Duval leading the forces, wanted to keep the present setup with certain modifications. The Army came out for the sea-level plan.35

As expected, Mehaffey's report favored a sea-level canal. But by 1947, his clout as Canal Zone Governor had diminished. Proponents on each side in Congress brought in engineers, representatives from the Army and Navy and self-proclaimed military experts to support their particular point of view. Witnesses presented elaborate technical proposals and counter-proposals to Congressional Committees. In the end, the Navy won but the new Department of Defense used Air Force logic to justify the victory. In March of 1949, that Department of Defense released a survey stating that the Panama Canal was now of logistical rather than

strategic importance. The creation of a two-ocean Navy and air power had negated its value. Henceforth, the Panama Canal was to have its main and official importance as a highway for intercoastal shipping. This evaluation was probably the correct one. Yet the last two decades of intense American concern in Panama make it appear that the study was intended more to define an Army-Navy squabble out of existence than an attempt to answer basic questions about the canal's value.36

So for all practical purposes, in the immediate post-war years, Panama remained a nation of great concern to the United States. As such, communism in Panama tended to become an important issue. The embassy and its home office, however, never really saw the threat that the military claimed was there. As early as 1944, Ambassador Butler criticized military intelligence for labelling "everything leftist as communist and therefore subservient to the Soviet Union." This

he noted, did little to help the United States deal with the political realities in Panama.37

Only in the Canal Zone labor issue, that of the "gold role" versus the "silver role," did radical leftists make any headway. And that issue proved to be of eminently manageable proportions. During the war, those on the "silver role" had increased in number from twelve to seventeen thousand while those on the "gold role" had gone from five to six thousand. In October of 1944, exploiting the discontent among some of the laborers, Lombardo Toledano helped local communists form the Federacion Sindical de Trabajadores de Panama. Though small in number the FSTRP proved to be vocal and Toledano took it upon himself to voice their grievances.38

A rival union, the United Public Workers of America, an affiliate of the Congress of Industrial Organizers, set up in 1946, sapped much of the FSTRP strength but did not deter Toledano. At a meeting of

37 Butler to Hull, RG59, December 8, 1944, 819.00/12-844, National Archives.

the various hemispheric labor organizations in Mexico City in April of 1946, he condemned the United States for supporting racial and economic discrimination in Panama. Toledano's supporters then sponsored a resolution that would have allowed the communist-dominated International Labor Organization to intervene in the Panamanian situation. George Meany defended the American practices there and claimed the resolution raised the whole issue of communism versus free enterprise. On the final vote, Toledano lost soundly but the United States "took some verbal licks on the floor." 39

But while the FSTRP, which limped on until its demise, was unable to exploit the labor issue successfully, the Jiminez Administration did manage to get some concessions from the United States. The rough confluence of the Jiminez and Toledano accusations caused Truman to ask the State Department to examine the situation carefully and report to him. He especially wanted to know exactly how much influence Moscow had in Panama. Governor Mehaffey defended the existing

39 Alexander, Communism in Latin America, pp. 393-94; and Mullikan, Chief, Division of International Labor, Social and Health Affairs, Memorandum, April 13, 1946, p. 43; and Messersmith to Byrnes, April 20, 1946, p. 51-52, FRUS, 1946, Volume XI.
"gold role-silver role" system and said it was a bogus issue. The new ambassador, Frank T. Hines, did not see it that way and urged reform. The fact that only two percent of the "gold role" was non-American, he said, "cannot in my judgment be explained or defended." 40

Foreign Minister Alfaro complained that while the theory of the 1936 treaty regarding labor practices was good, "in practice it was not effective." Hines hinted to him about the creation of a joint board to consider complaints and classify employees. Alfaro said it would be a start. Other events were working to speed the process of compromise. The most important was the upcoming hemispheric labor conference in Montreal, Canada. 41

In the middle of July, Governor Mehaffey yielded to the wisdom of yielding tangible benefits to stave off future criticism. He announced a pay increase retroactive to July 1 that would cover almost all employees of the Panama Canal and Panama Railroad

40Wise Memorandum, January 23, 1946, p. 1149-50; Wise Memorandum of Conversation with Governor Mehaffey, Cochran and Braden, April 24, 1946, pp. 1154-55; and Frank T. Hines to Byrnes, May 6, 1946, pp. 1156-57, FRUS, 1946, Volume XI.

41Ibid., Wise Memorandum of Conversation with Hines and Alfaro, June 12, 1946, p. 1158.
Company, some twenty thousand in all. But on the basic issue of modifying the classification procedure, Mehaffey would not back off. 42

On July 22, Leonard Goldsmith, Director of the United Public Workers of America, visited Hines and Mehaffey. He said his CIO-affiliated union had over ten thousand Canal Zone employees as members and the backing of six million American workers. More to the point, he stated that the discrimination in Panama was "intolerable." It would be in the best interests of the United States, he intimated, to change the classification system to just "skilled" and "unskilled," and to offer greater job security and retirement benefits. Even after the expected criticism from the Montreal Conference poured in, however, the Governor claimed changes would "have no permanently beneficial effect." 43

The Montreal Conference had been similar to the one in Mexico City. Communist-front groups attempted to stir up trouble but found little support. Upon its conclusion, however, the State Department went to work on Truman to get the power to curb what it con-

42 Ibid., Hines to Byrnes, July 9, 1946, p. 1159.

43 Ibid., Hines to Byrnes, July 22, 1946, pp. 1159-60; and Mehaffey to Hines, September 18, 1946, p. 1161.
sidered Mehaffey's intransigence. The familiar and proven argument that cooperation begets cooperation won out. In November, the Governor found a labor relations expert assigned to him. And while there was no move to do away with the classification system immediately, the United States agreed to a joint board to study the problem and moved to bring more Panamanians into "gold role" status.\footnote{Ibid., Wise Memorandum on Montreal Labor Convention, September 25, 1946, pp. 60-61; L. B. Schwellenback, Secretary of Labor, to Byrnes, October 15, 1946, pp. 63-64; Acheson to Hines, November 5, 1946, p. 1163; and John D. Ohl, Special Assistant to the Secretary of War, to Braden, November 25, 1946, p. 1166.}

In other ways, too, the State Department moved to secure Panama's future cooperation in defending the canal. The transfer of water and sewage facilities, part of the 1942 Twelve Points Agreement, awaited only acceptance by the Panamanian National Assembly. Aid also came for slum clearance, the gathering of statistics and the building of a cement plant. And since there was no local firm to do so, the State Department went against standard policy and allowed the Public Roads Administration to contract for building several spur highways for Panama. In addition, the United
States agreed to help the Jiminez Administration build a commercial airport as soon as negotiations providing for air defense of the canal were completed. That came in 1946 when Panama agreed to a reconstituted Aviation Board.  

All was not as rosy as it appeared, however. In all these negotiations, it seemed as if Panama was demanding rather than engaging in a joint venture to both aid the republic and protect the canal. A State Department memorandum noted that "Panama appears concerned with economic benefit from the Panama Canal...and scarcely at all with the protection." This increasingly assertive sense of nationalism grated upon the State Department and incensed the military, which had become increasingly assertive itself.

The crunch over policy toward Panama came over the Base-Site Agreement of 1942. Other matters required only compromise. But there was no grey area in which to compromise the return of the base sites to Panama.

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45 Cochran Memorandum, May 18, 1945, pp. 1152-54; Wise Memorandum, August 28, 1945, p. 1260; and Byrnes to Stimson, September 1, 1945, pp. 1262-63, FRUS, 1945, Volume IX. Wise Memorandum, April 3, 1946, p. 1167; Wise Memorandum, December 3, 1946, p. 1173; and Byrnes to Hines, December 16, 1946, p. 1175, FRUS, 1946, Volume XI.

46 Howard C. Wilson, Division of Caribbean and Central American Affairs, Memorandum, March 16, 1945, p. 1258-59, FRUS, 1945, Volume IX.
That nation saw America's desire to retain them in the post-war period as a totally unnecessary emasculation of its sovereignty and demanded that the United States evacuate the bases. American military officials, on the other hand, saw those bases as absolutely necessary for the future protection of the canal.

The question was never whether the United States would try to effect its designs by bringing a more amenable government to power. Both the State Department and the military accepted that as a counterproductive policy. It was a matter of just how much muscle Washington would apply to get the desired end. Or a matter of how little. If, as policy stated, the Panama Canal remained strategically important, then what was the most beneficial way to deal with Panama? Was it to press Washington's case strenuously and then retire gracefully if defeated or was it to use America's considerable economic, political and military leverage to keep the bases at the risk of alienating Panama?

The United States had hoped to put off the base-sites issue until well after the end of hostilities. Panama would not accommodate this desire. The Jimenez Government consequently turned the bi-lateral staff conversations into a debate on the sites, a debate that did not end until 1948. On November 7, 1945, Foreign
Minister Ricardo J. Alfaro informed Hines that according to his interpretation of the 1942 agreement, Washington had to return the defense sites not later than September 1, 1946, exactly one year after the official Japanese surrender. He noted that while the United States had returned sixty-one of the over one hundred bases outside the Canal Zone, it still retained control over the larger ones and was actually engaged in expanding their facilities. This situation, he said, was intolerable.47

Hines reported that Panama attached special importance to the early return of the Rio Hato air base and the realignment of its runway, which at present cut across the National Highway and caused frequent traffic interruptions. Yet, at the same time, he said that the Army regarded it "as the most important defense site outside the actual Canal Zone," and that it wished to continue occupation "as part of the overall plan for the defense of the Panama Canal." In fact, Lieutenant General Willis D. Crittenberger, the new Command-

47Ibid., Donnelly to Byrnes, September 14, 1945, p. 1233; Acting Secretary Acheson to Hines, September 25, 1945, p. 1235; and Hines to Byrnes, November 7, 1945, p. 1237.
ing General of the Canal Zone, thought it probable that the Army would have to expand its facilities there.\textsuperscript{48}

While the Army continued to return nonessential bases to Panama, the War Department, on March 21, 1946 sent a "secret communication" to Byrnes. In it the military stated that they planned to keep a certain number of the bases outside the Canal Zone and asked the State Department's help in securing Panama's acquiescence. Hines' judgment was that the United States should begin negotiations immediately. If it failed to do so before September 1, Jiminez would probably accuse the United States of acting in bad faith.\textsuperscript{49}

At this point, evidently seeing that the United States wanted to retain some of its bases, President Jiminez moved to cash in on some of the vague promises made to his country in the 1942 agreement. Highest on his list was the building of an under-canal at Colon to make it easier for Panamanians to get across the Canal. Washington had agreed to this in principle in 1942 but said wartime demands made it impossible to accomplish.

\textsuperscript{48}Hines to Byrnes, November 9, 1945, pp. 1237-38.

\textsuperscript{49}Hines to Byrnes, March 25, 1946, p. 1095; and Hines to Byrnes, April 25, 1946, p. 1096, \textit{FRUS}, 1946, Volume XI.
at present. After the war, a private survey judged the whole project unfeasible and claimed that the twenty-four hour a day ferry service was more than adequate. 50

In the middle of May, Alfaro said he hoped all questions could be resolved by direct negotiation but was worried that Panama might have "to resort to arbitration or international justice." In addition, he put forth twenty tentative outstanding issues, "ten of which deserve preferential treatment." The United States agreed to a roundtable discussion and immediately went to work preparing a list of topics it wished to take up with Panama. Foremost among them was the retention of the bases the military wanted for defense of the canal. 51

On August 3, the embassy reported the Panamanian National Assembly as ready to go on record saying that it was "indispensable" that the United States return the bases. Two days later the State Department gave a requested study to the War Department on the desirability of returning three needed but non-critical air-

50Ibid., Wise Memorandum, May 1, 1946, p. 1097.

fields to Panama. Hines and General Crittenberger both advocated their prompt return and a speed-up in giving back other unnecessary bases. The home office concurred in this judgment, adding that it "would have a most salutary influence as regards future military and other requests of Panama by this Government."\textsuperscript{52}

September 1 saw Alfaro feigning surprise at the American Embassy. He said he hadn't realized until yesterday's note to Panama on Washington's intentions that it thought a state of international insecurity still existed. That note had said that a study had shown that the new weapons and military techniques which had come out of World War II required that the United States take measures "it had not anticipated with regard to the defense sites." Alfaro claimed no knowledge of such things but said he would listen to the American justification for this new turn of events.\textsuperscript{53}

Acting Secretary Will Clayton instructed Hines to issue a press release saying that, although no definitive peace treaty had yet ended the war, the

\textsuperscript{52}Ibid., Hines to Byrnes, August 3, 1946, p. 1101; and Braden to Secretary of War Patterson, August 5, 1946, p. 1102.

\textsuperscript{53}Ibid., Hines to Byrnes, September 1, 1946, p. 1106; and Hines to Byrnes, September 3, 1946, p. 1108.
United States recognized Panama's sensitivities and had already begun to return the bases. He was also to state, however, that new methods of warfare made it imperative to retain defense installations "not restricted to the Canal Zone." Consequently, with the utmost respect for Panama's sovereignty, Washington was asking for new negotiations to provide adequate defenses for the canal.\(^{54}\)

Alfaro returned to the embassy on September 10 to inquire why Washington had not challenged his interpretation of the termination date when he had explained it to the National Assembly in May. By waiting until the last moment, he said, the United States had put Jiminez in an extremely difficult position. While the President wanted to do what he could to protect the canal, the supporters of Arnulfo Arias, the communists and those with anti-American sentiments might be strong enough to topple his government unless he could somehow "save face."\(^{55}\)

\(^{54}\)Ibid., Acting Secretary Clayton to Hines, September 3, 1946, p. 1109.

\(^{55}\)Ibid., Charge William P. Blocker to Byrnes, September 10, 1946, p. 1110.
On September 11, the embassy informed Jiminez of its position. First, although the United States continued to hold the interpretation allowing for evacuation one year after the signing of the definitive peace, it would accept the Panamanian version. Second, Washington would return the sites in sixty days with the provision that "the bases would continue to be maintained by the military authorities of the United States." And finally, the two nations were to enter into "immediate and confidential conversations concerning the world situation and the necessity for the continued occupation of certain bases." Alfaro agreed to negotiations the following day. 56

The American position embraced four points. First, it refused to accept the Alfaro thesis that "the present occupation of some thirty unreturned defense sites is illegal." The second point called for a termination of the 1942 agreement and the negotiation of a future one on rather different terms. In addition, the United States pledged utmost respect for Panama's

sovereignty and agreed to be flexible on the length of the leases. Publicly, the War Department had been talking in terms of ninety-nine year leases. The State Department said it would settle for less. 57

On October 4, Hines telephoned the State Department to complain that he needed more freedom to negotiate. And although given assurances to the contrary, he feared the War Department was exerting too much influence on the State. A week later Acheson informed Hines that the War Department had presented a completely acceptable "long-term strategic plan for adequate security for the canal." He added, as only Acheson could do, that Hines should quit carping and get on with the job. 58

The long-term strategic plan, presented to Panama on October 14, was, as expected, a justification for having bases outside the Canal Zone. Air power and atomic weapons, it said, made these bases necessary. These bases would give the United States just the edge it needed to adequately defend the canal. Jiminez

57 Clayton to Hines, September 18, 1946, pp. 1114-15; Clayton to Hines, September 24, 1946, p. 1117; and Acheson to Hines, October 3, 1946, p. 1119, FRUS, 1946 Volume XI.

58 Ibid., Wise Memorandum, October 4, 1946, pp. 1120-21; and Acheson to Hines, October 10, 1946, p. 1122.
agreed to a three-month extension on the occupation of
the thirty bases but warned Washington that it would
have to negotiate the new proposals on Panama's terms.
In particular, he said the United States would have to
accept the Alfaro interpretation of the 1942 agreement.
To the State Department, Panama seemed more and more
recalcitrant.\textsuperscript{59}

November saw the embassy urging a policy of
conciliation, stating it would be "definitely impos-
sible" to negotiate a new agreement without at least a
technical acceptance of Alfaro's argument. Wise con-
cluded that the United States had but two options. The
first was to "sit tight" and then return the bases one
year after what Washington considered the signing of a
definitive peace treaty. This would mean no bases for
the future and increasingly strained relations with
Panama. The second was to give Panama "some face-
saving device" and work for a new agreement. Opting
for the second, he suggested an interim agreement
whereby both flags would fly over the remaining sites
and Panama could assign a liaison officer to each base.\textsuperscript{60}

\textsuperscript{59}Ibid., Wise Memorandum, October 25, 1946, pp.
1124-25; Byrnes to Hines, October 28, 1946, pp. 1125-
26; and Byrnes to Hines, October 28, 1946, pp. 1126-27.

\textsuperscript{60}Ibid., Collins V. Lansing, Jr., 2nd Secretary
of the Embassy, to Wise, November 5, 1946, p. 1131;
and Wise Memorandum, November 26, 1946, p. 1133-34.
Braden agreed with Wise and added further concessions. He said eighteen of the thirty-six remaining sites were non-essential and should go to Panama at once. Further, the United States should re-route the highway around the Rio Hato airstrip and train Panamanians to handle commercial flights when the new airport was built. The Army, however, subverted the plan by refusing to acquiesce in anything that implied divided authority or responsibility for canal defense. The State Department pointed out that the liaison officer and the flying of both flags were only symbolic, but it was to no avail.\footnote{Ibid., Braden Memorandum to Byrnes, December 19, 1946, p. 1136; and Almon R. Wright, "Defense Site Negotiations Between the United States and Panama, 1936-1948," August 11, 1952, p. 218, DSB, 1952, Volume XXVII, Number 685.}

But by the end of the year, Panama began hinting at acceptance of an agreement if the United States would promise certain concessions. Those included assurance of a market for certain Panamanian products in the Canal Zone, the building of a highway from Rio Hato to the Costa Rican border, the transfer to Panama of one of the docks at Cristobal, the right to sell, duty free, thirty million litres of Panamanian liquor in the United States annually and American
assurance of a transfer of a hospital to Panama. The State Department consented to discuss the issues but conceded nothing.62

By February of 1947, serious negotiations had not yet started and President Jiminez warned that something would have to give, as he could no longer tolerate this affront to his country. By April, there seemed to be only two issues preventing formal negotiations. The first was the length of the proposed lease. The United States was talking in terms of a thirty-year maximum, ten-year minimum and open option for renewal. For Panama, the parameters were a ten-year maximum, a two or three year minimum and consultation over renewal. The other issue was that of joint authority over the bases. President Jiminez said that recognizing Panama's joint authority would be the only acceptable way to handle things once the bases were returned. He stressed, however, that for all practical purposes, the United States would have a free hand in making military decisions. Assistant Secretary of War Howard C. Peterson spoke for the Army and said the proposal was

62Hines to Byrnes, December 28, 1946, pp. 1140-41, FRUS, 1946, Volume XI.
A month later, the two sides were sufficiently close on the outstanding issues to begin negotiations. To facilitate the proceedings, the United States continued to return bases, until, by November, only fourteen of the sites remained under American control. It was a prudent gesture, for sentiment against a new agreement with the United States began welling up in Panama toward a steady chorus of opposition.

Agreement finally came in December. The lease for Rio Hato, with its important air base, was to last fourteen years. The remaining sites had five-year leases. As for divided control, the negotiators provided for a joint commission to consult on the use of the bases, while leaving full military, technical and economic responsibility with the United States. Total annual rent, including payment to maintain roads used


by American armed forces, was $240,000.65

Both sides signed the pact and it went to the respective legislatures for ratification. It was never consummated. Alfaro, who had done most of the negotiating, did a volte face and turned on the agreement. The newspapers condemned it and students rioted against it. A general strike added to the clamor and Army officials restricted soldiers to the Canal Zone. But then the appropriate committee in the National Assembly brought in a favorable report with only minor reservations. The State Department quickly offered more economic aid as an inducement. The result was three days of rioting, culminated by demonstrators' taking over the National Assembly on the day of the vote, December 23. The legislators finally got police protection but the point was made. That body rejected the agreement unanimously.66


American recriminations were kept to a minimum. By mid-January of 1948, all but two of the sites reverted to Panamanian control. The final two, air bases at Rio Hato and on San Jose Island, were evacuated and returned the following month. The United States had not achieved its aims. But in Panama, at least, the Good Neighbor Policy had prevailed. Somewhat ironically, it did so because that country had strategic value. Less important republics rarely received the same consideration. Yet if a nation's resources and patience are finite, as those of the United States were, it was better to use enlightened policies in the places of great value than squander them elsewhere. The State Department, in this case - an important instrument of foreign policy, adhered to the dictum precisely.
SUMMARY

The return of the bases to Panama closed an exceptional period in both United States-Panamanian and United States-Latin American relations. In a sense, it represented an enlightened interregnum in American policy toward the nations to its south. With the end of the war, the default of the State Department, and the rise of the Soviet Union as a presumably hostile power, Europe, Asia, and the Middle East became areas deserving of American economic and military aid and intense concern.

But south of the Rio Grande, there was a return to normalcy. Washington's response to the rest of the world became dynamic; toward Latin America, it returned to the static. The Good Neighbor Policy became one of those golden ages that continued to be a point of reference but not of departure. And just ten years before its demise, its promise had seemed unbounded.

Indeed while Hitler in Europe was building a new order based on force in the thirties, the United States was building one in the Western Hemisphere predicated on its renunciation. By 1936, Washington has given up the right to intervene in the other American republics.
and pledged itself to respect of sovereignty and reciprocity in its dealings with those nations.

And action gave substance to the ideal. The troops came out of the Central American and Caribbean republics, Congress abrogated the Platt Amendment and Hull negotiated a treaty with Panama, that most crucial of nations, that finally gave to it most of the sovereignty it desired. Then the war came.

World War II made the United States, due to its vast human and material resources, the leader of the coalition fighting the Axis powers. The hope that America could avoid involvement died at Munich; the intense desire to avoid active participation most probably suffered the same fate when Germany conquered France in June of 1940. The Japanese attack on Pearl Harbor killed any remaining isolationist feeling and united the country in its determination to win the conflict.

After December 7, 1941, that determination became the all-encompassing goal of Washington's foreign policy. Latin America's role could only be minimal. That nations of that area had neither effective armies nor industrial societies to mobilize. Their tasks were the essentially passive ones of supplying important raw materials to the United States, rooting out Axis
influences and so directing their peoples that they would not constitute a hindrance to the war effort.

This passive role was no small contribution, however. Had one Latin American nation defected, a third front and prolongation of the war might have resulted. Yet in spite of early Axis successes in Argentina, Peru and Chile, there was no third front. Much of the credit belongs to the Good Neighbor Policy. If that policy did not make Washington appear the benevolent brother, it at least made Latin American republics fear Yankee imperialism less than the German variety.

Three years before the United States entered the war, the Latin American nations had accepted Washington's protestations about better and more equitable relations enough to follow the American lead in forging a response to the conflict. The United States, in turn, was careful to preserve the multilateral framework and to avoid offending Latin American sensitivities. The good-will gained by adhering to this multilateral framework of consultation gave Washington a great advantage. This policy engendered sufficient trust that the Latin American nations allowed the United States to act unilaterally in strategically important locations and situations.
The republic on the banks of the Panama Canal was such a location. Although dealing unilaterally with Panama under the multilateral facade, the United States held to the principles of the Good Neighbor Policy. Washington did not intervene to topple the Arias Administration even though Arias equivocated on loyalty to the Allied cause. And Panama, not the United States, set the parameters for the base-sites agreement. President Guardia, a man Washington was thankful to have as leader of Panama because of his pro-Allied views, received no special treatment to help him remain in power.

Finally, however, the Good Neighbor Policy succumbed to the bureaucratic revolution wrought by World War II and the perceived hostility of the Soviet Union. The State Department, bastion of the principles of multilateralism, reciprocity and respect for sovereignty, lost control of foreign policy. And the response to the Soviet Union, especially in Latin America, was military. Not especially vital, Latin America suffered the neglect of the unimportant. Their basic loyalties assumed, the republics of that area received dictation rather than cooperation and meaningful aid.
For a few years, Panama was the exception. Policy makers considered that nation strategically important enough to warrant a degree of reciprocity and respect. Acceding to Panamanian demands, the United States turned over bases deemed useful for defense of the canal. The hope was that the gesture would prove to be a short-term sacrifice for long-term cooperation. But then the questionable value of the Panama Canal in an atomic age and the increasingly bi-polar mentality that seized Washington put policy toward Panama in line with that toward its neighbors. By 1950, Panama had become a casualty of the Cold War rather than an ally in it.

The Good Neighbor Policy, as its formulators so often reiterated, was not an end, but a way of dealing with other nations. It never brought about a satisfactory solution to the economic, political and military dominance the United States continued to hold over the Latin American republics. It merely held out the promise that there might be a method to come to grips with those problems of dominance. That promise of uncircumvented sovereignty remains to be fulfilled.
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BIBLIOGRAPHIC ESSAY

The most useful records for this study were those of the State Department, located in the National Archives of the United States in Washington, D.C. Records are open through 1941 and closed after 1945. For the years 1942 through 1945, the researcher must undergo a security check and allow the State Department to review his notes. Those State Department records I used most extensively were correspondence between Washington and the American Embassy in Panama. They are located in Record Group 59, General State Department Records, decimal files 811F.xx and 819.xx. Another valuable, though unsorted and unconsulted, source is Record Group 84, Records of the Foreign Service Posts of the United States. The papers of Undersecretary of State Sumner Welles are also located in the National Archives.

The Army records section of the Modern Military Records Division of the National Archives houses Record Group 107, Records of the Office of the Secretary of War. Also available, and pertinent to an exhaustive study of this topic are the records of the War Plans Division, Plans and Operations Division of
the WDGS and the Adjutant General's Office. Likewise, the Air Force, through its Chief of the Public Information Division is willing to grant scholars access to various materials "relating to the air defense of the Panama Canal." These were unused for the dissertation but would be necessary for an exhaustive study of the topic.

In the Modern Military Records Division of the National Archives, Record Group 38 (Records of the Office of the Ch. of Naval Operations), Record Group 80 (General Records of the Department of the Navy), and Record Group 313 (Records of Naval Operating Forces) contain germane materials. In the Navy Operational Archives, as well, materials may be located under the following categories: 1. Action and other operational reports of naval forces; 2. War Diaries of Naval Forces; 3. Operational or strategic plans and orders; 4. Submarine War Patrol Reports; 10. Central Security-Classified Files of the Office of the Chief of Naval Operations; 11. War Plans Division; 26. Operations Division; and 62. Atlantic Fleet. Again, an exhaustive study would require using these materials.

Panama's National Archives are not open for this period and that nation's embassy in Washington was unable to speculate on when material for these years would be available.
Of the various government publications, I found, in descending order of helpfulness, the Foreign Relations of the United States series, the State Department Bulletin, the Congressional Record, and the Annual Report of the Governor of the Canal Zone to be most helpful. The Foreign Relations series runs through 1947, is published in yearly volumes and its content is determined by either geographical location or subject. The volumes I used most extensively were those entitled The American Republics. Each contained a representative sample of correspondence between the home office and the embassies along with a sprinkling of key policy-decision papers. In the case of Panama, at least, I found them to be reasonably representative of the tone and topical concentration found in the original papers in the National Archives. Excepting the years after 1945, I obtained the materials I could from the Foreign Relations series and then filled in the gaps with material from the original papers.

The State Department Bulletin was less a repository of hard information than an indication of how the diplomatic corps was thinking on certain issues at various times and of how policy manifested itself in different areas and on different issues. Used this way, the Bulletin provided a valuable backdrop to more
specific information concerning various events. The Congressional Record gave valuable though incomplete insights into the thinking of key men in the Senate and the House of Representatives. In the case of my topic, the losing side did most of the speaking and so the volumes were more instructive as to the views of vocal minorities than representative of administration policy. The Annual Report of the Governor of the Canal Zone offered occasionally useful statistics on canal operation and defense. It did not, however, mention or discuss controversial issues relating to defense or Canal Zone-Panamanian relations.

The Pan American Union Bulletin had its greatest value in illustrating the degree of consensus, or lack thereof, among the American republics. One has to clear away quite a bit of verbiage to make the bulletin usable even as background material.

Of all the various memoirs and reminiscences, those of Acheson, Braden, Forrestal, Hull, Rosenman, Sherwood, Stimson, Truman and Welles were most valuable. Except for Spruille Braden's Diplomats and Demagogues and Sumner Welles' A Time for Decision and Seven Decisions that Shaped History, one is struck by the constantly diminishing concern for Latin America as the war progressed and the ideological conflict with the Soviet
Union became acute. While Braden's memoirs touch only peripherally on the Panamanian situation, they are excellent for illustrating the wartime workings of the Good Neighbor Policy and the concern for the safety of the Panama Canal. Hull's Memoirs of Cordell Hull and Acheson's Present at the Creation are helpful in giving an overview that puts Latin American policy into the perspective of expanding American interests.

I found Samuel I. Rosenman's yearly volumes of the Public Papers and Addresses of Franklin D. Roosevelt most valuable in trying to understand Roosevelt's concepts of the conduct of foreign relations and how those concepts applied to Latin American policy. Edgar B. Nixon's Franklin D. Roosevelt and Foreign Affairs and Elliot Roosevelt's F.D.R. His Personal Letters were less helpful but worth consulting. Important monographs are Edward O. Guerrant's Roosevelt's Good Neighbor Policy, Willard Range's Franklin D. Roosevelt's World Order, and Bryce Wood's The Making of the Good Neighbor Policy.

In addition to the above-mentioned monographs, David Green's The Containment of Latin America and Donald Dozer's Are We Good Neighbors? need to be read in order to understand the evolution of the Good Neighbor Policy. Guerrant and Wood are mildly critical of
the policy while Dozer and Green are far more so. Dozer is traditionally revisionist while Green's book is an excellent example of new left revisionism.

In the area of general United States-Latin American relations, Samuel F. Bemis' *The Latin American Policy of the United States* is still the standard if outdated work. Other useful monographs are Adolf A. Berle's *Latin American Diplomacy and Reality*, J. Lloyd Mecham's *The United States and Inter-American Security, 1889-1960*, Dexter Perkins' *A History of the Monroe Doctrine*, and J. Fred Rippy's *Globe and Hemisphere*. Two books highly critical of Washington's postwar Latin American policy are John Gerassi's *The Great Fear* and Edwin Lieuwin's *Arms and Politics in Latin America*.

The field of United States-Panamanian relations has yet to find its historian. Books in this area generally fall into three categories: the usual places-and-peoples type of book that gives the reader almost no insight into important events and trends; tomes on the diplomatic background and building of the canal; and books so incredibly critical of the United States as to forfeit claim to serious consideration. In the first category would be John and Mavis Biesanz' *The People of Panama*, a sort of layman's psychological study of the Panamanian people and their characteristics.
In the second category, David Howarth's *The Golden Isthmus* provides excellent diplomatic background prior to 1903, but little more than a chronicle of the building of the canal after that year. In the final category are such books as William D. McCain's *The United States and the Republic of Panama* and Ricardo J. Alfaro's *Medio siglo de relaciones entre Panamá y los Estados Unidos*. A monograph dealing with both countries' motivations, their problems and the subsequent interreaction is sorely needed. The *New York Times* provided good day-by-day coverage of both the canal and Caribbean areas. Its articles were surprisingly accurate when it came to dealing with events that were largely behind the scenes. Excepting the diplomatic correspondence itself, reportage for the *New York Times* provides the best history of events in the Canal Zone and the best chronicle of United States-Panamanian relations in print.

For information on military planning prior to and during the war, I relied heavily on Stetson Conn and Byron Fairchild's *The United States Army in World War II, The Western Hemisphere*, a lengthy volume in a series done under the auspices of the Office of the Chief of Military History, Department of the Army. The work is impressive both for its conceptual framework and its
evenhanded approach. Of limited help was Lester D. Langley's *The United States and Panama, 1937-1941: A Study in Strategy and Diplomacy*, an unpublished University of Kansas doctoral dissertation. As the war in the Western Hemisphere was almost exclusively naval, I relied on monographs in that field for the bulk of my information. Among the most useful were Samuel Eliot Morison's *The Atlantic Battle Won, May, 1943-May, 1945*, Volume X of the *History of United States Naval Operations in World War II*, Robert G. Albion and Jennie B. Pope's *Sea Lanes in Wartime: The American Experience*, and Commander Walter S. Karig's *The Naval War in the Atlantic*.

For a good discussion of the effect of the atomic bomb in military strategy, Bernard Brodie's *Strategy in the Missile Age* is extremely valuable. Henry Kissinger's *Nuclear Weapons and Foreign Policy* was also helpful, as was the Atomic Energy Commission's Los Alamos Laboratory 1950 report on atomic weapons in offensive and defensive strategy. The *Congressional Record*, the *New York Times* and the *United States Naval Institute Proceedings* were of some aid in dealing specifically with the Panama Canal but the inter-service conflict over roles and missions pervades the sources and makes evaluation difficult.
There is a general dearth of relevant articles in the scholarly periodicals, and the weekly and monthly news magazines offer little more information than one can get from the newspapers. Even the scholarly periodicals with a Latin American focus, such as the Hispanic American Historical Review, contain nothing on Panama or the canal. Possibly, this is due to Panama's relatively short existence as a nation and the unique position it holds due to its ties with the United States.

On the other hand, the periodical literature does contain a great many articles that are valuable in coming to an understanding of the Latin American experience, general American policy toward the area, and the interreaction between the United States and Central and South America during World War II. The two periodicals most helpful in understanding the Latin American experience were the Hispanic American Historical Review and the Journal of Inter-American Studies in World Affairs. World Affairs, Foreign Affairs, the Political Science Quarterly, the American Historical Review, the Journal of American History, and the Annals of the American Academy of Political and Social Science all contained articles that, in a general way, better enable the reader to understand United States policy toward the area. Foreign Affairs, Military Affairs, and the
United States Naval Institute Proceedings are excellent sources for articles covering the World War II and early Cold War periods.

In addition to the lack of work on United States-Panamanian relations, historians need to explore the impact of World War II on policy toward Latin America. More traditional works treat the war era as an unimportant gap between the Good Neighbor Policy of the thirties and the changes brought on by the Cold War. Revisionist monographs, exploring what is seen as the sinister underpinnings of the Good Neighbor Policy, likewise tend to skip the war years for the more controversial period of the conflict with the Soviet Union.

Areas needing special consideration are the effects of the proliferation of wartime bureaucracies on foreign policy and the declining power of the State Department, with the attendant subtle shift toward a reliance on a military framework as a response to the postwar world. To be sure, many excellent monographs exist that describe the functions and accomplishments of the various new wartime agencies. They do not, however, show in specific ways how these bureaucracies tended to undermine the power and influence of the State Department. As for the militarization of foreign policy, the causes seem much more complex and subtle than the
current literature would lead one to believe. A few ways of approaching these areas might be through studies of arms policy, the power of the representatives of various departments at American embassies abroad, a comparison of lend-lease and foreign aid, and a thorough examination of exactly which issues the State Department felt were within its area of competency and which ones were not.