

May - w/U.S.

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OAP - Mr. Collins

July 8, 1963

OAP/P - Mr. Blaschke

Proposed United States-Panama Treaty of 1926.

The following information is submitted re the reasons why the Treaty between the Republic of Panama and the United States signed by the Commission on July 28, 1926, was not acceptable to Panama and, hence, not ratified by the Panamanian National Assembly.

In Panama, Fifty Años de Republica, Dr. R.J. Alfaro, a member of the 1926 Treaty Commission, maintained that the Treaty of '26 didn't assure the aspirations of the Panamanians as far as commercial activities were concerned. Even though the Treaty did place limits on commercial activities in the Zone and did give some guarantees to commerce and the Panamanian Government, it reclaimed the perpetuity of the Canal Zone to the interests of the United States. One of the main objections to the Treaty was the transference of jurisdiction to the U.S. of Nuevo Cristobal, a part of the city of Colon. For these reasons, the National Assembly abstained from the ratifications by unanimous vote.

While Dr. Alfaro's discussion is a valid summary, a detailed sequence of the happenings and protests are available in the Foreign Relations of the United States. In 1926, after the treaty was signed by the Commissioners, the Panamanians expressed their disappointment by requesting that the building of the road from Alhajuella to Colon be postponed until the Panamanians found a way to raise the \$2,672,000, which would be the estimated amount in excess of the \$125,000 the U.S. was to have contributed to the construction of the road. Transference of jurisdiction over the northern area of the city of Colon was also a point of contention. The Panamanian Commission said that they signed the Treaty knowing that the U.S. would enter the treaty with them only if this transference of jurisdiction stipulation was made. Those members of the National Assembly from the Colon area were inciting the greatest opposition. The Panamanians also argued that the U.S., by agreeing to pay for only part of the construction of the road was violating the spirit of a memo sent to Panama in 1917, at which time the U.S. agreed to build several roads paying the entire costs of the construction.

In reply to the Panamanian protests of the Treaty of '26, the U.S. maintained that it agreed in 1917, to pay the entire amount for road construction because of the military advantage which would be gained; however,

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after the passage of time since 1917, the military aspect had lost its prime significance. The U.S. did agree that consideration would be given to the request that the \$125,000 be spent on the Alhajuela Road without the Panamanians having to contribute. The U.S. finally stated that the Panamanians would have a choice between constructing a road from Colon to Alhajuela or one from Colon to Portobelo. The \$2,672,000 (estimate) to be paid by the Panamanians would have to be deposited in a U.S. or Canal Zone bank with the understanding that payment for construction would be made as the project progressed. The Panamanians objected to the payment by deposit method in that they maintained that it violated the '26 Treaty which stated that Panama would pay all expenses in excess of the \$125,000 to be paid by the U.S.

In 1927, the Minister in Panama South stated that he felt political pressure at that time would inhibit ratification by the National Assembly, but implied that U.S. would consider the changes with respect to the Panamanian request that the Alhajuela-Colon road specifications would be changed. Panama also protested the section of the '26 Treaty which made the U.S. and Panama allies in time of war. Pressures were being brought to bear during this time as a result of Anti-American demonstrations in all Latin America. Panama also objected to the existence of bonded warehouses in the Zone, extension of commissary privileges, and sale of supplies in the Zone. Strangely enough, however, the merchants were not opposed to the Treaty as much as politicians. Alfaro said that the choice was between the status quo by which they would accept U.S.'s interpretation of the 1903 Treaty or accept the Treaty of '26 with its disadvantages. The National Assembly favored the former alternative.

Probably the underlying reason for failure of ratification was the transference of the northern part of Colon (presently New Cristobal) to U.S. jurisdiction. Aside from sovereign rights, Panama opposed the Treaty because of the "alliance in time of war" clause in Art. IX. Other reasons included lack of clarity and ambiguity which "was in the interest of the U.S."

In 1929, Panama requested to renegotiate the '26 Treaty as a result of the removal of adverse political pressure. The U.S. agreed to talk, however, implying that no changes in the original Treaty would be made. No action was taken by Panama.

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