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MEMORANDUM OF CONVERSATION

DATE: October 6, 1963

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SUBJECT: Current Panamanian Political Developments.

PARTICIPANTS: Ruben D. Carles, Minister of Agriculture & Commerce
Rufus Z. Smith, Counselor of Embassy, Panama

Government's Position on United States Treaty Negotiations

Carles did not appear unduly disturbed over the Arnulfista and other attacks on the government's position. He thought the government's case is a good one and felt the government will be able to weather the attacks in the National Assembly without too much difficulty. He said the government had broken off the de la Rosa presentation last night only because it was after 11 o'clock and they feared the radio listenership would be dwindling rapidly. Plans are for de la Rosa and Aleman to begin again at about 4:30 or 5 o'clock this afternoon.

The government does not particularly care whether the opposition walks out or not, since they believe their case is defensible and, in the case of a walk-out, can charge the opposition with being afraid to listen to facts and reason. Moreover, the government has taken steps to see that tonight's session is fully covered by all radio stations. They have even insisted that Radio Aeropuerto carry the session. (Radio Aeropuerto is the Arnulfista station belonging to Diputado "Baby" Salas, which, ironically, is the only station which has a contract with the government to carry the Assembly sessions.) The government has told Salas his contract will be cancelled if he fails to broadcast the session.

Carles said there is also an advantage in getting the government side of the house individually on record in support of the joint declaration. It will give pause to those who might tend to stray later.

Arnulfo Arias's "United Front"

Carles said he had been told that at the first meeting at Arnulfo's house, Arnulfo had professed not to be interested in occupying the presidency himself. He had rather taken the line that the Robles Government is corrupt and fraudulent and should be overthrown. Arnulfo reportedly then said that there might well, however, be someone else among the group who would fall heir to the presidency as a consequence.

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Carles attributed Galindo's presence at the meeting to his deep personal resentment against Fernando Elea for having switched support from Galindo to Robles in the last weeks of the 1964 campaign.

Behavior of Samudio

Carles told me President Robles had been incensed over the critical articles in the new newspaper (El Mundo) recently begun by Finance Minister Samudio. He said he thought Robles would demand that Samudio put a stop to it. Samudio, however, has not left his house since the funeral of his mother one week ago and Robles has reluctantly been holding off until later this week.

Carles, however, saw nothing but continued problems with El Mundo so long as 'Nem' Valdes is editor. He said he had known Valdes for years (they are "compadres") and Valdes is a trouble maker who is convinced that the way to build up the circulation of a newspaper is to attack the government and make spectacular accusations against people.

The new machinery for El Mundo was acquired with Samudio's rake-off on the gambling casinos.

According to Carles, the government is now in an awkward dilemma with regard to the casinos. Robles can say that he closed them down when there were indications of irregularities. However, no thorough investigation has yet taken place. There are those in the government who argue that an investigation will only turn up ammunition which the opposition will use to discredit the government; on the other hand, failure to institute an investigation will look like a cover-up.

Comments During CIAP Review

I gave Carles the substance of Deptel AIDTO 117, which had been given us by Washington for this purpose. He was grateful for the background but said he did not understand the seeming discrepancy between our record and the version he had heard from the Panamanian side. (His source, perhaps second-hand, was Laurencio Jaen Ocaño.)

Possible Scandal Ahead

Carles said that the government may face real embarrassment with regard to an insurance problem having to do with non-performance liability with regard to the Divisa-Las Tablas road. According to Carles, Eugene McGrath of

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the Panama Insurance Company made a very clever (and apparently legal) transfer of bonds to a new insurance company formed by Deputy René Crespo. Crespo used \$100,000 of bonds as a basis for issuance of \$900,000 in stock. Comptroller General Olmedo Rosas was involved in the arrangement and his role, along with that of Crespo, could be acutely embarrassing to the government, although apparently Rosas himself did not gain from the deal. (At one point Carles appeared to hint that Public Works Minister Plinio Varela is also involved.)

Possible General Strike

I indicated to Carles I was ~~deliberately~~ concerned over the activities of Arnulfo Arias. (I pointed out to him, incidentally, that Radio Aeropuerto had carried the communist MUR declaration, something of which Carles appeared to have been unaware.) I asked him what he thought the reaction would be if, for example, Arnulfo were to issue a public appeal for a general strike to protest the government's position on the treaty negotiations. Carles said that he did not think people in general were sufficiently disturbed about the treaty negotiations to respond to a call of that kind; rather, there would have to be some other acute public issue on which to hang it, and he saw none at the moment. He commented that as a general rule the readiness of people to go to the streets on a general strike is inversely proportional to the general state of health of the economy.

University Students

Carles, who teaches at the University, said the university students are being strangely quiet over the issue of the joint declaration.

Possible Additional Public Support for Government

I tried out on Carles the idea I had explored the evening before with Sammy Boyd, namely, that all ex-presidents except Arnulfo Arias might be persuaded to issue joint or separate statements of support. Carles thought the idea had real possibilities.

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