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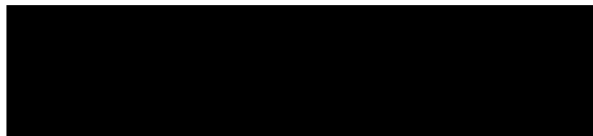
21 January 1952

MEMORANDUM FOR: Mr. Allan Evans, OIR
Colonel B. B. Talley, G-2
Captain Ray Malpass, ONI
Colonel Edward H. Porter, AFOIN
Colonel S. M. Lansing, JIG

SUBJECT : SE-21: Probable Developments in the Republic
of Panama through Mid-1952

1. The attached text, prepared on a "crash" basis in response to a request by the Special Assistant, Intelligence, Department of State, is circulated for your consideration.
2. It is important that this text be ready for consideration by the IAC itself at its next meeting, 10:30 Thursday, 24 January.
3. It would therefore be appreciated if your representatives could convene with us at 2:30 Tuesday, 22 January, in Room 146 South Building, to consider this text.

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Executive Secretary

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SECURITY INFORMATION

CENTRAL INTELLIGENCE AGENCY

21 January 1952

SUBJECT: SE-21: PROBABLE DEVELOPMENTS IN THE REPUBLIC OF
PANAMA THROUGH MID-1952

THE PROBLEM

To estimate probable developments in the Republic of Panama through mid-1952 with special reference to Communist and other anti-US developments which might adversely affect US interests in Panama.

CONCLUSIONS

1. As a political movement, Communism in the Republic of Panama is weak and ineffective. In no circumstances could the Communists themselves seize power in Panama, or otherwise seriously endanger US strategic interests there, during the period of this estimate and for some time thereafter.

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2. Economic, social, and political conditions in Panama are, however, fundamentally unsound and are susceptible of Communist exploitation over the long term.

3. Panama is suffering an economic depression attributable primarily to the postwar reduction of US expenditures in the Canal Zone. Panamanian officials and businessmen look to the United States for economic assistance and are likely to exaggerate the Communist danger in order to obtain it.

4. The principal danger to US interests in Panama is the rapid rise of the ultra-nationalistic (anti-US) Patriotic Front Party. This Party is not now Communist controlled, but its ultra-nationalistic and anti-US bias make it subject to Communist penetration and influence.

5. Civil disorders in Panama are probable in connection with the presidential election to be held on 11 May 1952. The principal candidates in this election are José Remón, who is favorably disposed toward the United States, and Roberto Chiari, who is not unfavorably disposed but is supported by the Patriotic Front Party and the Communists. The outcome of this contest depends on several unpredictable factors.

6. Remón, as President, could probably control the situation as long as he had the support of the National Police.

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7. Chiari, as President, could probably free his administration of dependence on the Patriotic Front and the Communists if he had the support of the National Police and the active cooperation of the United States.

8. If Chiari became President in circumstances which rendered him completely dependent on the continued support of the Patriotic Front, Communist penetration of the administration would ensue and in time, the Communists might attain dominant influence.

DISCUSSION

Basic Factors in the Situation

Panamanian Dependence on the United States

9. Informed Panamanians realize that close relations between Panama and the United States are inescapable, not only because of US strategic interest in the Canal and US occupation of the Canal Zone, but also because of Panama's economic dependence on the United States. At the same time they are extremely sensitive to any supposed infringement of the sovereignty of Panama. Any Panamanian government must strike a nice balance between satisfaction of the popular demand for the assertion of Panamanian sovereignty

and accommodation to the realities of the situation. All, however nationalistic their antecedents, have made this accommodation.

Basic Economic Conditions

10. Panama's economic development has been limited by sparsity of population, meagerness of natural resources, and dearth of capital. Foreign trade is almost exclusively with the United States. Although most of the working population are engaged in agriculture, foodstuffs are the principal import (70 percent). Exports consist largely (61 percent) of one crop, bananas, controlled by two US firms. There is an adverse balance of trade in the order of \$30,000,000 annually. This adverse balance is normally offset by dollar earnings in the Canal Zone. Thus the economy of Panama is highly sensitive to the level of US activity in the Zone.

Basic Social Conditions

11. The population of Panama is classified as 14 percent white, 19 percent Negro, and 65 percent mestizo (mixed). Racial tension exists with respect to the Negro minority of British West Indian origin. A few white families control most Panamanian economic activity above the level of subsistence farming. The

principal employers of wage labor are the United States (in the Canal Zone) and the United Fruit Company.

Basic Political Conditions

12. Panamanian politics are essentially a contest for the perquisites of office among the few families which dominate the economic and social life of the country. Consequently they are based almost exclusively on personalities rather than on issues and are characterized by kaleidoscopic shifts in alignment amongst the many personal factions involved. Political activity is limited largely to the principal cities, Panama and Colon.

The Patriotic Front Party (PFP)

13. The personal politics of Panama are increasingly influenced by the development of an ultra-nationalistic youth movement now organized as the Patriotic Front Party. The rank and file of this Party are young workers and students; the leaders are older and more experienced agitators who have developed the organized mob into an effective political weapon. The Party's violently anti-US line is addressed to depressed social elements allegedly suffering the consequences of Yankee imperialism.

14. This ultra-nationalistic youth movement was initiated by Arnulfo Arias in 1944. Its violent demonstrations were an important factor in Panamanian rejection of the Defense Sites Agreement of 1947. Although instrumental in elevating Arnulfo Arias to the Presidency in 1949, it participated in his violent overthrow in 1951. The dominant, though covert, influence in the Patriotic Front now appears to be that of Harmodio Arias, the master mind among old line Panamanian politicians.

Communism in Panama

15. The Communist apparatus in Panama is presumably in at least indirect communication with Moscow. There are some indications that the channel is through the Czech Legation at Caracas. The Communist-controlled Federation of Workers (FSTP) also has connections with the major Communist labor federations, the Latin American CTAL and the world-wide WFTU.

16. As a political movement in its own name, Communism in Panama is weak and ineffective. The (Communist) People's Party has only some 700 members, of whom no more than 50 could be regarded as a hard core. Panamanian Communists are mostly intellectuals who remain as individualistic as other Panamanian politicians. Some have been expelled from the Party in the course

of its internal dissensions, but retain their Communist ideology. In some circumstances, however, the Party may be able to command proletarian support through its control of the Worker's Federation and through its influence among the Negro employees of the Canal.

17. The most dangerous aspect of Communism in Panamanian politics is the influence of individual Communists (both party members and expellees) among the intelligentsia. Communism in this guise is not regarded as an alien menace, but rather is intellectually fashionable. In this way Communism exerts a strong influence upon both teachers and students at all levels of the Panamanian educational system and, through them, may eventually gain control of the Patriotic Front.

The National Police

18. The only armed force of the Republic of Panama is the National Police, the present active strength of which is 2,453. The Police are fairly well equipped with small arms and control the only considerable stock of arms in Panama. Their morale is good: they are unlikely to become divided by political partisanship.

19. The National Police are capable of suppressing any probable Communist or Patriotic Front disorders. They may hesitate, however, to use force against student rioters, the students being sons of the "best families" of Panama. This weakness was illustrated by the vacillation of the Commandant,

Colonel Remón, during the overthrow of President Arias, Remón appears to have turned against Arias, not on his own initiative, but because of his unwillingness to suppress the rioters by force of arms.

The Current Crisis

The Economic Situation

20. The postwar reduction in US expenditures in the Canal Zone has caused an economic depression in Panama. Probably 15 percent of the economically active population of Panama City and Colon is unemployed. Bank deposits have declined and there has been an important bank closure. Local mismanagement, graft, and capital expenditures for unproductive purposes have contributed to this situation. Most Panamanians, however, disclaim any national responsibility in the matter and look to the United States to solve the problem through economic assistance. With that end in view officials and businessmen may purposefully exaggerate the Communist danger, the proved formula for obtaining US aid.

The Approaching Election

21. There is danger of riotous disturbances in Panama, not as a result of Communist exploitation of the economic situation, but in relation to the presidential election to be held on 11 May 1952, in which José Antonio Remón and Roberto Chiari will be the principal candidates. Such disturbances would be in the ordinary course of Panamanian politics. Any Communist gains from them would be essentially indirect.

Remón and the National Patriotic Coalition

22. In October 1951 Colonel Remon resigned as Commandant of the National Police in order to qualify as a candidate for the Presidency. The miscellany of traditional parties or factions supporting him calls itself the National Patriotic Coalition. Their program, as expressed by Remon, includes the maintenance of friendly relations with the United States, special attention to agricultural and financial problems, and free elections.

23. The principal element of strength on Remon's side is the good will of the National Police. The present Commandant, Colonel Vallarino, is supporting Remon's candidacy, but is not

subservient to him. It appears that the Police, as a force, are committed no further than to maintain order and ensure a free election.

Chiari and the Civil Alliance

24. The opposing candidate is Roberto Chiari, a successful businessman and member of one of the old families of Panama, supported by a group of parties and factions called the Civil Alliance in contradistinction to Remón's "military" character. Chiari is reasonably well disposed toward the United States, as are his conservative supporters. Common opposition to Remón, however, has brought to Chiari's side the ultra-nationalistic (anti-US) Patriotic Front Party. The (Communist) People's Party is not formally a member of the Civil Alliance, but is also actively opposing Remón and is represented in the Alliance through Communist participation in the Patriotic Front.

25. The dominant personality in the Civil Alliance is Harmodio Arias, who is determined that Remón shall not attain the Presidency. If necessary, Arias would employ the Patriotic Front's capabilities for mob violence to defeat Remón.

Arnulfo Arias and the Panamenistas

26. A third factor in the political situation is Arnulfo Arias, the deposed President, who is in jail but retains a considerable popular following organized as the Panamenista Party. Arias offers his support in exchange for his liberty and may hold the balance of electoral power. Remón is disposed to bargain in terms of Arias's release after the election, but Arias demands release beforehand. Neither trusting the other, no deal has yet been made.

Probable Developments

27. The outcome of the election depends on three unpredictable factors: the direction in which Arnulfo Arias throws his support; the possibility of mob action by the Patriotic Front; and the conduct of the National Police.

28. Remón is a self-made man and is ambitious to achieve respectability by attaining the Presidency, hitherto reserved for the socially elect. He is therefore sensitive to the charge of militarism and anxious to come to power by respectable (constitutional) means. Probably he could win a free election with his present support. Almost certainly he would win with the additional support of Arnulfo Arias.

29. Harmodio Arias is determined to prevent Remon from attaining the Presidency. It is possible that he might do so by gaining for Chiari the support of Armulfo Arias. It is quite likely, however, that Harmodio Arias will feel it necessary to resort to mob violence before the election in order to influence the result, or in order to obviate the election by a coup d'etat.

30. If Remon concluded that his election would be prevented, by one means or the other, he might attempt to seize the Presidency with the aid of the National Police. The behavior of the National Police in such a case, or in the face of student disorders in behalf of Chiari, is unpredictable. Whatever course the Police took would be likely to prove decisive.

31. Remon, as President, could expect the implacable opposition of the Patriotic Front and the Communists, including civil disturbances, but could probably control the situation as long as he had the support of the National Police.

32. Chiari, as President, would not himself be unfriendly to the United States and could probably free his administration of dependence on the Patriotic Front if he had the support of the National Police and the active cooperation of the United States.

33. If Chiari became President in circumstances which rendered him completely dependent on the continued support of the Patriotic Front, Communist penetration of the administration would ensue and in time the Communists might attain dominant influence.

34. In no circumstances is the situation likely to develop in such a way as to endanger immediately the strategic interests of the United States in Panama, or to bring the Communists directly to power there.