

Panamanian Politics and Panama's Relationship with the United States Leading up To the
Hull-Alfaro Treaty

by

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BA, University of Victoria, 2009

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Supervisory Committee

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Abstract

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This thesis explains the origins of the 1936 Hull-Alfaro Treaty between Panama and the United States. It examines how Panamanian politics and Panama's relationship with the United States changed over the decades leading up to this new treaty. The Panama Railway and then the Panama Canal placed Panama in a unique position within the growing American Empire as the isthmus linked the United States to the resources it needed to fuel its domestic industry and to markets for its manufactured goods. Recurrent political unrest and economic challenges within Panama forced the Panamanian government to attempt to renegotiate its relationship with the United States. This work analyzes the changes within Panamanian society, United States foreign relations, and world affairs that led to the 1936 treaty succeeding where other treaty negotiations had not.

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Dedication

I dedicate my thesis to my Grandmama. You fostered my interest in history and politics in ways no one else could have. I will always miss you.

Introduction

In 1939, the United States Senate ratified the Hull-Alfaro treaty and officially redefined its relationship with the Republic of Panama. The treaty had been decades in the making, and it finally succeeded as a result of the confluence of changes in Panamanian domestic politics and a variety of international events that altered the United States' way of dealing with Panama specifically and Latin America more generally. It was the result of a century of American interest in the Panamanian isthmus. Ultimately, Panama's trans-isthmus railway and subsequently the Panama Canal would bring Panama into a relationship with the United States that would be unique in Latin America. The American-owned and operated Canal was an integral part of a new phase in American imperialism that saw Panama gain its independence from Columbia in 1903 only to immediately lose a significant portion of its long-sought sovereignty to the United States. The canal had great value to both countries, but its ownership, its administration, and the right to control the many benefits that it brought to the region were continually contested. This was never truer than during the treaty negotiations between Panama and the United States of the early 1930s. Throughout this period, many of the long brewing issues in Panamanian-American relations came to a head as a result of a rise in Panamanian nationalism and worldwide economic hardship. While the treaty negotiations included discussions of many traditional diplomatic concerns, including Panamanian autonomy and ownership of the canal, sales of liquor and other goods and hiring policies by the Canal Commission, these negotiations also featured racially charged discussions

regarding Panama's desire to control its own immigration policies.

Different understandings of race, nationalism and labor rights, as well as international politics, shaped the relationship between the two countries. During the 1920s and 1930s, issues of race evolved as working-class jobs became scarce, and as racial and ethnic groups were pitted against one another in a scramble for employment. Native Panamanians and English-speaking West Indians living and working in the republic were the two groups most visibly involved in this conflict; however, the conflict was hardly limited to a single struggle between two groups. This thesis explores how during the late 1920s and the early 1930s the United States and Panama officials understood the political and conceptual issues differently. It traces how labor and racial unrest, economic challenges, changing American foreign policy, and political instability in Panama resulted in treaty negotiations and ultimately in the Hull-Alfaro Treaty between the United States and Panama which was signed in 1936 and eventually ratified by the United States' Senate in 1939. To accomplish this, I examined State Department correspondence and the Panama Canal records in the American National Archives in addition to contemporary newspaper articles. Memoirs as well as a wide variety of historical and sociological literature were also drawn upon. The railway and then the Panama Canal played integral roles in the international expansion of the United States as Panama became part of the new American Empire.

This thesis examines how international political and economic factors such as new migration patterns, the global economic depression and the threat of World War II helped reshape the complex and changing relationship between Panama and the United States. Panama redefined its national political discourse as a new form of nationalism

became prominent, one in which race and ethnicity played a more important role and the elite and working class portions of Panamanian society found ways to work together to lobby for a better domestic government and a new relationship with the United States. Panama had traditionally had its own ideas of who was Panamanian and its own approach to how race was understood within its society. After Panama became a United States protectorate at the beginning of the century, American and broadly Central American conceptions of race and class combined with specifically Panamanian ideas to reshape Panamanian society and politics. This not only changed but solidified the roles of the specific groups of people living there: native Panamanians, indigenous peoples, West Indian migrants and immigrants from many other countries. Increasingly organized Panamanian nationalism and ongoing political and labor unrest forced the United States to reconsider its relationship with Panama to ensure a stable workforce for canal maintenance and operation as the threat of a global war loomed in the 1930s. All these changes culminated in the Hull-Alfaro Treaty.

Although many historians have explored aspects of the historical relationship between Panama and the United States, significant gaps remain in the scholarship. Scholars such as William Ealy, Walter Lafeber, William McCain, Alan McPherson, Aims McGuinness, and Michael Conniff, who have explored the United States' relationship with Panama, have not delved into the period leading up to the 1936 treaty in great detail.¹ For instance, Ealy jumps from the 1910s to the 1936 treaty and then again to the 1950s despite claiming "to provide a comprehensive chronology of the political issues

¹ Michael L. Conniff, *Panama and the United States*, *The United States and the Americas* (Athens: University of Georgia Press, 1992); Walter LaFeber, *The Panama Canal : The Crisis in Historical Perspective* (New York: Oxford University Press, 1978); Lawrence O. Ealy, *The Republic of Panama in World Affairs, 1903-1950* (Philadelphia,: University of Pennsylvania Press, 1951); William David McCain, *The United States and the Republic of Panama*, 1965 ed. (New York,: Duke University Press, 1937); Lawrence O. Ealy, *Yanqui Politics and the Isthmian Canal* (University Park: Pennsylvania State University Press, 1971).

surrounding the Panama Canal.”² Michael Conniff’s text also only briefly considers the period in question.³ Conniff effectively analyzes the political, economic, and racial situations in Panama through his study of the West Indians working and living there but does not delve into the other racial issues involving merchant immigrants and the labor force in Panama. Alan McPherson explains anti-Americanism in Panama during a later period than that of this project, but his work is still important for mine in that it considers the origins of the sentiment and highlights the elite and popular strains of anti-Americanism that remained central in this project’s period of study. Scholars such as Jason Colby and Ronald Harpelle have successfully explained changes in the United States’ relationship with governments, corporations and immigrant populations throughout the region while showing that United States’ enclaves in Latin America were not simply a reproduction of the Jim Crow South but rather uniquely complicated and dynamic racially organized communities that need to be understood through more than labor struggles.

Current scholarship in Panamanian relations with the United States does not adequately examine the impact of issues of nationalism, race, labor, and economics on the treaty negotiations in the 1930s. Nor do these works effectively explore how the United States understood the issues driving Panama’s interwar quest to replace the treaty of 1903. While there are a few useful works that do in part relate to the topic of this study, Panamanian-American history during the 1920s and the 1930s has not been

² Ealy, *Yanqui Politics and the Isthmian Canal*, 2, 82-83.

³ Conniff, *Panama and the United States : The Forced Alliance*; Michael L. Conniff, *Black Labor on a White Canal : Panama, 1904-1981*, Pitt Latin American Series (Pittsburgh, Pa.: University of Pittsburgh Press, 1985).

studied in great depth in recent years, as scholars have focused on other periods.⁴ My thesis links the earlier period of history with this neglected period in an effort to explain the changes in Panamanian society and politics in the period in question as well as Panama's new relationship with the United States. It shows that the Hull-Alfaro Treaty was a product of economic downturn, racial tensions, growing Panamanian nationalism, recurrent political instability within Panama and the growing likelihood of another world war. It likewise demonstrates how the growing anti-American nationalism in Panama in this era was part of a larger regional trend but with certain elements unique to Panama.

⁴ See Julie Greene, *The Canal Builders: Making America's Empire at the Panama Canal* (New York: The Penguin Press, 2009); Adam Clymer, *Drawing the Line at the Big Ditch : The Panama Canal Treaties and the Rise of the Right* (Lawrence, Kan.: University Press of Kansas, 2008).

Chapter 1: Panama under Foreign Control: From being part of the Spanish Empire to being a United States protectorate.

The people living in the Isthmus of Panama had a long history of control and interference by foreign powers and an equally long tradition of fighting for their autonomy. As such, the United States' impact was just one more case of a foreign power controlling the isthmus region. From Spanish contact onwards outside groups had involved themselves in the governance of Panama. When Spain first explored the Americas at the end of the fifteenth century, it learned from the indigenous populations the importance of the isthmus and subsequently adopted it as its crossing point between the Caribbean Sea and Pacific Ocean. Spain relied on it as a means to maintain control of its territories in the Western Hemisphere as well as as a transportation route for conveniently moving people and resources.⁵ In the sixteenth century the Spanish Empire established control over the indigenous populations of the region and their territories. It then struggled with local challenges that would continue to plague all Westerners in Panama in the centuries to follow, especially tropical diseases, foreshadowing later French and American challenges in dealing with illnesses endemic to the region.⁶

When Latin America gained its independence from Spain, Panama ended up under the political control of Nueva Granada and the jurisdiction of Bogota.⁷ However,

⁵ Mary W. Helms, *Ancient Panama : Chiefs in Search of Power*, The Texas Pan American Series (Austin: University of Texas Press, 1979); James Howe, *A People Who Would Not Kneel : Panama, the United States, and the San Blas Kuna*, Smithsonian Series in Ethnography Inquiry (Washington: Smithsonian Institution Press, 1998), 11.

⁶ A. Grenfell Price, and Robert G. Stone, *White Settlers in the Tropics* (New York: American Geographical Society, 1939), 148.

⁷ Columbia was known as New Granada following the end of Spanish control and incorporated parts of present-day Venezuela, and Ecuador to the South and Panama to the north as well parts of the Caribbean

some Panamanians had begun trying to eradicate Spanish influence and garner independence from Nueva Granada even before Spain entirely ceded control of Nueva Granada.⁸ Beginning in the 1810s there was regular political and social unrest, and uprisings took place throughout the Isthmus of Panama. Initially the struggle was for independence from Spanish, Columbian and French influence, but in the early twentieth century it was for independence from the United States. One thing remained constant: the Panamanian people remained under the political control of foreigners and continued to fight for political autonomy.

The United States followed the example set by the Spanish and began using the isthmus a crossing point to connect the east and west of its own territories to the north. Passing to the south and across the narrow isthmus was much quicker than crossing North America overland during the nineteenth century. The Mexican-American war resulted in the United States adding new western territories that the American government and business circles sought to link cheaply and effectively to the east. This aim, combined with the discovery of gold in California in the late 1840s, increased the American interest in the isthmus as it constituted the fastest route from the Eastern United States to California, and it already had some of the required infrastructure in place.⁹ The 1850s gold rush brought the residents of the isthmus in contact with travelers more intensely than before and spurred American development in the Columbian province of Panama along what would eventually become the route of the trans-isthmus railway, and later the

coast of Costa Rica, Nicaragua and Honduras. See Stephen J. Randall, *Colombia and the United States : Hegemony and Interdependence*, The United States and the Americas (Athens: University of Georgia, 1992), 8.

⁸ Alex Perez-Venero, *Before the Five Frontiers : Panama, from 1821-1903* (New York: AMS Press, 1978), 1-16.

⁹ Aims McGuinness, *Path of Empire : Panama and the California Gold Rush*, The United States in the World (Ithaca: Cornell University Press, 2008), 6; Steve C. Ropp, *Panamanian Politics: From Guarded Nation to National Guard*, Politics in Latin America (New York, New York: Hoover Institution Press, 1982).

canal.¹⁰ Local boatmen competed to bring people ashore and up the rivers as far as possible. From there, people in transit either walked through the forest to Panama City or hired mules to carry them and their belongings.

Initially working-class people from Panama, other parts of Central America and the Caribbean, made significant gains, taking new transportation-related jobs that were in high demand and were independent of the control of the traditional elite groups. Yet, this new boom in isthmus crossings, though beneficial to the locals, was inefficient and unreliable from the perspective of travellers crossing the isthmus. Therefore in 1855 a railway began operation across the isthmus. This not only dramatically changed circumstances of travel but also brought to light many issues regarding economic and political control over new development, issues that would recur during the French and American phases of canal construction. The railway solidified the province of Panama's new relationship with the United States as it made Panama the first American enclave in Central America.¹¹ The railway and this new relationship with the United States, as well as structural changes taking place within the Columbian government, soon began weakening Panama's links to Bogota as well as its ties to Great Britain, thus making Panama's eventual independence from the Columbian government easier.¹²

Panamanians watched as the United States economically benefitted from the railway construction and operation while they did not. A riot between Americans and Panamanians ensued, highlighting the tensions in the region between these two groups. On April 15th 1856 José Manuel Luna, a Panamanian man, was selling fruit in Panama

¹⁰ Columbia was still known as New Granada at this point.

¹¹ Aims McGuinness, *Path of Empire*, 54.

¹² Stephen J. Randall, *Colombia and the United States*, 32-333; McGuinness, *Path of Empire*, 11, 73-75, 99-102.

City to American travellers when a drunken American helped himself to a piece of watermelon without paying.¹³ Non-white residents of the isthmus in particular found the nature of Panama's relationship with the United States to be inherently unjust. American citizens were forced to retreat to their ships, and the railway station in Panama City was destroyed. This incident illustrating the volatility of the new coexistence in the region foreshadowed similar riots and strikes. From this kind of encounter, Panamanians learned that Americans did not respect them and could not be trusted. In turn, white Americans discovered that Panamanian hostilities towards them were high and concluded that Panamanians could not be trusted to protect Americans or their property. Later in the year, the United States landed troops to head off a potential political disturbance, showing Panamanians that Americans did not recognize their jurisdiction over their own territory.¹⁴ This set the precedent for many more American military interventions in the region that would continue into the Canal Construction era.¹⁵

The completion of the railway brought high levels of unemployment to the isthmus. The new transportation industry (oarsmen, guides, muleteers, etc) and the railway construction had caused workers to abandon their traditional jobs in industrial, and industry in turn left the region.¹⁶ Therefore when the railway began operation, ending construction opportunities, there were no longer industrial jobs for workers to

¹³ It is unclear what role race played in this interaction. Luna was described American bystanders as being Negro but if he was actually black or even part black is not apparent in the records of the court proceedings that emerged from the incident. The implications of the incident are that whatever his race, at this point, Panamanians recognized him as Panamanian and were willing to fight Americans in defence of him. See McGuinness, *Path of Empire*, 123-51.

¹⁴ Sources conflict as to whether American troops landed in Panama in April as a response to the Watermelon Riot; however, it is clear that the incident did set the stage for future cases of American military intervention in the region. See Conniff, *Panama and the United States*, 38-39; McGuinness, *Path of Empire*, 1, 2, 127-51; LaFeber, *The Panama Canal*, 12-13; McCain, *The United States and the Republic of Panama*, 9.

¹⁵ John Lindsay-Poland, *Emperors in the Jungle : The Hidden History of the U.S. In Panama*, American Encounters/Global Interactions (Durham N.C.: Duke University Press, 2003), 16, 17.

¹⁶ McGuinness, *Path of Empire*, 79.

return to, while at the same time there was a larger working class population, including those who had been attracted to the region by the economic boom. Thus there were more working class people in the region and fewer jobs to be had.¹⁷ A similar significant rise in unemployment would occur as the canal construction ended.

Finally, the new inhabitants of the isthmus, drawn by the economic boom, struggled with tropical disease and prejudicial conceptions of who was most susceptible, with white Americans seen as most vulnerable. Countless people died from malaria and yellow fever during the railway construction (1850-1854).¹⁸ At the time, black people were thought to be more resistant to these illnesses which disadvantaged white American and even native Panamanian workers. These commonly held misconceptions resulted in a bias in favour of non-white laborers as the belief emerged that black people could better withstand tropical diseases.¹⁹ This was the beginning of a long tradition of encouraging black West Indians to immigrate to the region on the grounds that they were more suitable for the work there and could take direction in English.²⁰ These same prejudices would resurface as the French (1876-1889) and then the American (1903-1914) canal projects got underway. These prejudices would serve both to attract West Indian immigration to the region and to separate them from the remainder of Panamanian society.

West Indians' perceived desirability for the type of construction work in the

¹⁷ Ibid., 77-79.

¹⁸ Price, *White Settlers in the Tropics*, 148.

¹⁹ Slavery was abolished in Nueva Granada in 1851 resulting in the arrival of Chinese immigrants to help build the railway in 1854. McGuinness, *Path of Empire*, 64-66. Lok C. D. Siu, *Memories of a Future Home: Diasporic Citizenship of Chinese in Panama* (Stanford, Calif.: Stanford University Press, 2005), 38.

²⁰ The West Indians were not the only group of workers who arrived in the Canal Zone in this era. Records show that over 700 Chinese laborers came to work on the railway construction as indentured laborers who were brought in to meet the new labor demand after the abolition of slavery. This group did not, however, successfully replace slaves as the majority of this first group of Chinese immigrants died of tropical diseases and poor work conditions and the approximately 200 who survived were sent to Jamaica to fulfil the remainder of their time as indenture laborers there. See Siu, *Memories of a Future Home*, 17, 38-39.

Panamanian isthmus only partly explains this group's readiness to engage in immigration to the region. West Indians were faced with high levels of unemployment due to changes in the British sugar industry and were forced to seek work in other industries and often to leave the islands where they were born. Some of these West Indians immigrated to Panama to work in the isthmus or to take agricultural jobs elsewhere in Panama and throughout Central America.²¹ These new immigrants changed Panamanian society and politics.

The railway construction brought lasting demographic and political changes in the isthmus. The economic boom, of the early 1850s, in Panama had brought the first wave of immigrants to the region since the ending of the Spanish Empire several decades earlier. They were attracted by the employment and investment opportunities and by the significant political changes that Nueva Granada was undergoing. Nueva Granada abolished slavery (1851) within its territory and granted universal manhood suffrage (1853), thereby making immigrating to the region more appealing while increasing economic opportunities.²²

The presence of new groups of working-class immigrants and investors in Panama highlighted how American ideas of class and race were different from those in Panama. Skin colour definitely mattered in Panama in the late nineteenth century, but it was not as clear as in the United States. The skin colouring of Panama's elites was not acceptable as "white" by American standards but was considered "white" in Panama. Colour mattered but did not correlate directly to social status or class, unlike in many other places. Marriage usually occurred between people of similar racial makeup but not

²¹ Velma Newton, *The Silver Men : West Indian Labour Migration to Panama, 1850-1914* (Mona, Kingston, Jamaica: Institute of Social and Economic Research, University of the West Indies, 1984).

²² McGuinness, *Path of Empire*, 11, 84-87.

always. The ideas of race were more fluid than elsewhere, but were far from absent.²³

Prior to this period, according to Ropp, the Panamanian portion of Nueva Granada had “gradually progressed towards cultural integration in race relations.”²⁴ The large influx of workers from the Antilles brought an end to this trend, as diverse racial groups were drawn towards opposing political positions.²⁵

With the arrival of West Indians and Chinese to build the railway, the ideas of race and its correlation to class began to change and solidify as new factors entered the equation, particularly the language a person spoke. The presence of the new groups gave natives of the isthmus something to define themselves against. The railway ensured that people from all over the world would continue passing through at the same times as some were immigrating to the region. These flows exposed locals to diverse groups of peoples and to their ideas on class and race. Not all the new ideas were accepted. The Panamanian elite, who were racially mixed by American standards, did not appreciate the strict American-style racism that the canal was bringing to the region.²⁶ Over time, new racial ideas combined with traditional ideas in creating a uniquely Panamanian conception of race and class that would become important in Panamanian domestic politics and in the country’s dealing with the United States in the first decades of the twentieth century.

The Panamanian railway catalyzed political change within Columbia, but it also raised questions about efficiency of transport and who had the right to control it in an international context. The United States desired a Central American Canal to supply

²³Ibid., 44.

²⁴ Steve C. Ropp, *Panamanian Politics*, 10.

²⁵Ibid.

²⁶ McGuinness, *Path of Empire*, 45.

resources to its industry, bring goods to market and facilitate naval operations to protect its growing empire. The only questions remaining were where to build it and who would control it. During the railway construction period (1850-1854), the United States, France and Great Britain all displayed renewed interest in constructing a canal. Panama was but one of the possible locations under consideration.²⁷ A treaty was needed to clarify questions of ownership and rights of usage in order to avoid a potential military conflict. In 1850 the United States and Great Britain signed the Clayton-Bulwer Treaty, an agreement to build a canal together and not to fortify it against each other.²⁸ This excluded France and led it to explore its own construction project.

In 1876 France challenged British and American supremacy to construct a canal through Central America by opening its own negotiations with Bogota for the right to build a canal through the Panamanian isthmus.²⁹ The French government, represented by Ferdinand de Lesseps, who had built the Suez Canal, acquired a concession from Bogota to build the canal in 1878.³⁰ The French canal construction effort struggled with a variety of challenges. Malaria and yellow fever ran rampant in the isthmus. There were a significant number of rivers and lakes located across the region that could easily be connected into a canal, but these same waterways were also breeding grounds for

²⁷ Canal routes through Nicaragua and Honduras were being considered in addition to routes through the Panamanian isthmus.

²⁸ Walter LaFeber, *Inevitable Revolutions : The United States in Central America*, 2nd ed. (New York: W.W. Norton, 1993), 29. This treaty might simply have been a way to encourage that the Canal would be built through Panama as opposed to through Nicaragua and Honduras. In any case, passage of this treaty delayed the United States' Senate from passing other Canal agreements with Nicaragua and Honduras, potentially helping those who already had business investments in the Panamanian isthmus. See LaFeber, *The Panama Canal*, 30; Randall, *Colombia and the United States*, 86.

²⁹ This was not the only potential Canal route that the French were considering; however, it was ultimately the one that was chosen, and it is the one of significance to understanding, in part, why the United States eventually chose this route. Like the United States and Great Britain, France had surveyed other routes through Central America, the most significant being through Nicaragua.

³⁰ Omar Jaén Suárez, *El Canal De Panamá = the Panama Canal*, Ed. especial conmemorativa del traspaso del Canal de Panamá. ed. (Paris, France: Unesco, 1999), 27; Randall, *Colombia and the United States*, 62; Conniff, *Panama and the United States*, 45-46; David G. McCullough, *The Path between the Seas : The Creation of the Panama Canal, 1870-1914* (New York: Simon and Schuster, 1977), 85.

mosquitoes that spread tropical illnesses amongst the population. Malaria, unlike yellow fever, could strike one person multiple times and therefore cost many workers' lives. In this period, it was popularly thought that malaria and yellow fever were spread through the air and were caused by filth.³¹ This misconception made it challenging for the French to keep their workforce alive and productive.

Like the economic boom that accompanied the 1850s railway construction project, this new boom of the 1880s resulted in another influx of West Indians, from the Antilles, Jamaica and other parts of the Caribbean as well as of Chinese workers to the isthmus and to surrounding agricultural areas for construction jobs and for other labor positions with the United Fruit Company.³² De Lesseps' workers succumbed to tropical diseases as he was unable to stop their spread.³³ Between 16,600 and 20,000 workers died before de Lesseps's canal construction project was abandoned in 1889.³⁴ The project was resurrected briefly in 1894, but soon failed again.³⁵ The French project also suffered from financial mismanagement, poor engineering, local political uprisings, and racial conflict causing strife amongst the workers that the project relied on.³⁶ De Lesseps' experience building the Suez Canal did not always help him with his attempt in Panama, as the Suez Canal was a sea-level passage, and this did not work for building a canal through the Panamanian Isthmus where it rapidly became clear that a canal with a

³¹ Malaria was treatable with quinine and the French Canal Company did distribute it, but it tasted terrible and was not always accepted by the population as the appropriate treatment since workers often opted to treat malaria with alternative local remedies that have since been proven to be ineffective. David G. McCullough, *The Path between the Seas*, 139-46.

³² Greene, *The Canal Builders. Making America's Empire at the Panama Canal*; Siu, *Memories of a Future Home*, 17, 18; Jaén Suárez, *The Panama Canal*, 29; Price, *White Settlers in the Tropics*, 148.

³³ McCullough, *The Path between the Seas*, 137-145.

³⁴ There is a general consensus among scholars for this range of deaths. See LaFeber, *The Panama Canal*, 13, 14; Ealy, *Yanqui Politics and the Isthmian Canal*, 35-37; Lindsay-Poland, *Emperors in the Jungle*, 30. There are challenges to these estimates. See Jaén Suárez, *The Panama Canal*, 33; Price, *White Settlers in the Tropics*, 149.

³⁵ Jaén Suárez, *The Panama Canal*, 33.

³⁶ Greene, *The Canal Builder*, 2. Conniff, *Panama and the United States*, 50-51.

lock-system was required.³⁷ This construction employed workers who were paid on a two-tiered system that would become the basis for the Gold-Silver System that the United States later would use.³⁸ Ultimately the French construction project was abandoned, but the demand for a canal through Central America remained.

As the French project failed, the United States' need for a canal somewhere through Central America was increasing as was the United States' willingness to take on the construction and operation of a canal itself. Imperialistic sentiment had grown within the United States after the Civil War as the Second Industrial Revolution increased the United States' output of manufactured goods and created a growing need for overseas markets.³⁹ This increasing economic strength and expanding foreign trade led to a call among United States politicians for a more aggressive foreign military and diplomatic policy. The war of 1898 between the Spanish and the United States only further underscored the desirability of a canal, making a construction of both military and economic importance to the United States. Moving military ships from one coast to the other took three times as long via Cape Horn as it would have had there been a Central American canal.⁴⁰

The United States had to decide where and how to build the canal. Following the failed French construction attempt, the American government wrongly anticipated that peace in Columbia would result in a canal concession for the United States.⁴¹ In 1899 a

³⁷ Ropp, *Panamanian Politics*, 16.

³⁸ Jason M. Colby, *The Business of Empire : United Fruit, Race, and U.S. Expansion in Central America*, The United States in the World (Ithaca: Cornell University Press, 2011), 51.

³⁹ Jerald A. Combs, *The History of American Foreign Policy*, 1st ed. (New York: Knopf, 1986), 131.

⁴⁰ LaFeber, *The Panama Canal*, 17.

⁴¹ Ropp, *Panamanian Politics*, 14; Helen Delpar, *Red against Blue : The Liberal Party in Colombian Politics, 1863-1899* (University: University of Alabama Press, 1981), 158-84; Lindsay-Poland, *Emperors in the Jungle*, 23-25.

Columbian civil war weakened Columbia's control over Panama.⁴² The United States and Great Britain signed the Hay-Pauncefote Treaty in 1901, allowing the United States to build and operate a canal across Central America without including Great Britain. By 1902 as the Columbian civil war came to an end, the United States was in a position to build its long sought canal, but where? The Panamanian isthmus was only one of several possible canal routes under consideration. There were significant groups lobbying the American government for a canal through Nicaragua instead of Panama.⁴³

Ultimately, the Panamanian isthmus was chosen as the path of the future American Canal through Central America. This occurred as a result of political maneuvering within the United States that deterred it from building the canal through Nicaragua and as a result of a convenient reinterpretation of the Bidlack-Malarino Treaty that let the United States to facilitate a successful Panamanian uprising.⁴⁴ In 1903, when Panamanians rose up against the Columbian government, the United States blocked Columbian troops from entering Panama and suppressing the revolution. Panama gained its independence from Columbia in 1903, in the process entering into a new subordinate and problematic relationship with the United States.

American support for the 1903 uprising resulted in a new treaty between Panama and the United States that was highly favorable to American interests. Panama required the United States' support in order to maintain its independence and therefore was not in a position to bargain for many of the things that it would require to effectively govern its

⁴² Combs, *The History of American Foreign Policy*, 182-83; McCain, *The United States and the Republic of Panama*, 11; McCullough, *The Path between the Seas*, 256-59.

⁴³ Both routes were found to have similar geographic appeal, but with the infrastructure left from the French attempt in the Panamanian isthmus, Panama became slightly more favourable geographically. See Jaén Suárez, *The Panama Canal*, 35.

⁴⁴ LaFeber, *The Panama Canal*, 20; David S. Patterson, *Toward a Warless World : The Travail of the American Peace Movement, 1887-1914* (Bloomington: Indiana University Press, 1976), 125.

own population.⁴⁵ In 1903 the Hay-Bunau-Varilla treaty was signed giving the United States the right to build a canal through the Panamanian isthmus. The agreement was even more beneficial, from the United States' perspective, than the one that Columbia had rejected as it would give the United States control over the future canal in perpetuity, not just for a 99 year lease.⁴⁶ The treaty also brought in an era of elite and foreign control, namely American, over many important parts of the Panamanian government as well as over the peoples living in the Republic.

President Theodore Roosevelt soon came to realize that while the treaty gave the United States everything that it had asked for, it did not actually give all that it required to build and administer the canal in the manner he desired. William Howard Taft, Roosevelt's United States Secretary of War, then secured an agreement that not only gave the United States the right to import goods that were needed for the construction and maintenance of the canal, but likewise granted Americans the right to import and sell goods to all the Canal Commission's employees.⁴⁷ This agreement included all employees, including Panamanians, and virtually eliminated Panamanian merchants from potential economic gains associated with the Canal Zone.

The enactment of the 1903 Hay-Bunau-Varilla Treaty in combination with the 1904 Taft Agreement had consequences throughout the Panamanian economy and society. It guaranteed that the United States would protect Panama's independence from Columbia while creating new economic opportunities in the region. However, the treaty gave the United States the right to use any land or body of water in the Canal Zone that

⁴⁵ Greene, *The Canal Builders*, 24.

⁴⁶ McCain, *The United States and the Republic of Panama*, 225; Walter LaFeber, Richard Polenberg, and Nancy Woloch, *The American Century : A History of the United States since 1941*, 6th ed. (Armonk, N.Y.: M.E. Sharpe, 2008), 62; Ropp, *Panamanian Politics*, 16.

⁴⁷ LaFeber, *The Panama Canal*, 42-52.

was needed for the construction or the maintenance of the canal. The United States accordingly built military bases and imported goods and workers into the zone without consulting the Panamanian government.⁴⁸ The Roosevelt-appointed Isthmian Canal Commission became the largest employer in the Canal Zone and imported large numbers of workers rather than simply hiring native Panamanians. Canal Zone employees were also exempt from Panamanian taxation, once again blocking the Panamanian government from financially benefitting from the canal.⁴⁹ The Canal Commission acted outside of the Panamanian government's legislative purview. The United States had the right to intervene in Panamanian politics if it felt that political stability was threatened. Therefore, the Panamanian government did not have the power to effectively make changes that would take the perceived benefits of construction or of the completed Canal from foreigners and bestow them on Panamanians. So, while the canal brought many new economic opportunities to the region, Panamanian citizens did not reap the benefits to which they felt they were entitled nor did they have the ability to alter the situation.

The early years of the American canal construction project were different from the French era, as this new period saw significant progress in the understanding of the tropical illnesses that had long plagued the region, thereby allowing for significant progress in ending the spread of yellow fever and malaria through the Panamanian isthmus.⁵⁰ These new medical tactics effectively eliminated yellow fever and

⁴⁸ McCain, *The United States and the Republic of Panama*, 11-18.

⁴⁹ Ropp, *Panamanian Politics*, 30-31.

⁵⁰ An American doctor heading the fight against tropical diseases in Panama, William Gorgas, did still have to fight disbelief, even amongst American physicians who held traditional beliefs that the diseases were spread through the air and were racially discriminatory, even though it was proven that mild cases of yellow fever created immunity, meaning that people that were raised in the tropics were likely exposed in childhood and were immune when they arrived in the isthmus. Lindsay-Poland, *Emperors in the Jungle*, 31-33; Pai Dhungat, "William Gorgas & Panama Canal," *The Journal of the Association of Physicians of India* 57, no. 5 (2009): 418; McCullough, *The Path between the Seas*, 416-22.

significantly decreased instances of malaria within the region. However, these were not the only illnesses that killed significant numbers of workers on the Panamanian isthmus. Areas where white Americans lived received attention in the fight against disease before regions that housed persons from all other countries, including Panama. In the long run, this meant that white Americans' housing was generally located further from possible sources of tropical disease than were the accommodations of other people working in the Panamanian isthmus. In addition, the Canal Commission's annual reports only listed the names and numbers of white people who died during each year.⁵¹ This indicates that the Company put more value on the lives of white Americans than on those of black Americans and persons from other countries. West Indians lived in poor conditions with many people lodging in small quarters with poor sanitation, conditions that explain their relatively poor health and high mortality rates. Pneumonia and tuberculosis killed numerous workers during the canal construction project, especially in the West Indian communities.⁵² During the final year of the canal construction, after a decade of American attempts to stop the spread of various communicable diseases, four times as many black people as white people from the United States died as a percentage of their respective populations.⁵³

The American canal construction redefined race and class within Panama and

⁵¹ Lindsay-Poland, *Emperors in the Jungle*, 35; Price, *White Settlers in the Tropics*.

⁵² These two diseases disproportionately struck the silver payroll, the lower of the two possible pay rolls, employees. West Indians accounted for more than eighty percent of the infected and died at higher rates than their white counter parts. While these lung infections did appear to racially discriminate in their victims, research shows that this was not the case. Typhoid fever, another disease native to Panama, also caused the death of some workers during the nineteen-tens, but at low rates. This might have been that typhoid was less prevalent, or it might just have resulted in fewer mortalities than other illnesses in this period and place. See McCullough, *The Path between the Seas*, 581-82.

⁵³ Lindsay-Poland, *Emperors in the Jungle*, 32-33; McCullough, *The Path between the Seas*, 581-82.

enforced law and order in the isthmus. In 1904, it forced Panama to disband its army.⁵⁴ Then in May, the United States officially took over the old French Canal Company's holdings and began work on an American canal.⁵⁵ Immediately, the Panamanian isthmus received an influx of Americans and American capital; accompanying this was an even greater arrival of immigrants from all over the Caribbean, hoping to benefit from the new American project. The United States rapidly became the primary employer in the isthmus. The Isthmian Canal Commission introduced a two-tier pay system, the gold-silver system under which gold employees were paid in American gold coins, and silver employees were paid in Panamanian silver coins or in company notes, which could only be spent in Canal Commission stores.⁵⁶ By the time the canal opened, the pay system had transformed into a rigid system of racial and cultural segregation similar to that used by the United Fruit Company in Costa Rica and Guatemala. The majority of Panamanian workers were employed on the inferior roll which significantly contributed to Panamanian frustration with the relationship with the United States.⁵⁷

Gold employees were hired not only with a better type of pay, but were also paid substantially more and received considerable additional benefits. Silver employees were not welcome in any of the entertainment or recreation venues that the gold employees were encouraged to regularly enjoy. Silver-roll employees' food was far below the standards of the gold food, and their housing was generally small and in poor repair.⁵⁸ Gold and silver employees lined up at separate windows to collect their pay. The gold-silver system served to solidify class divisions in the Canal Zone along national and racial

⁵⁴McCain, *The United States and the Republic of Panama*, 48-60.

⁵⁵Price, *White Settlers in the Tropics*, 149.

⁵⁶Greene, *The Canal Builders*, 63.

⁵⁷Colby, *The Business of Empire*, 117.

⁵⁸Price, *White Settlers in the Tropics*, 149-53; Greene, *The Canal Builders*, 63.

lines, based on payroll.⁵⁹ The gold-silver system essentially turned the Panamanian isthmus into a hierarchical society resembling, in many respects, the Jim Crow South.⁶⁰

Initially the gold-silver system was flexible. Generally common laborers were hired on the silver roll while skilled workers were employed on the gold roll. Americans were employed as gold employees. People not from the United States were hired on the silver roll, but were able to be promoted to the gold roll with hard work. These promotions were primarily awarded to British West Indians who spoke English as a first language and whose labor was seen as highly desirable from the American prospective. Recruiters travelled the West Indies with stories of better opportunities elsewhere and signed contracts with workers; locals spread stories of the successes of their relatives; and West Indian newspapers reproduced stories on West Indian immigration, including immigration to Panama. Some white people from Canada and Britain were also hired onto the gold roll in the early years, because they were seen as racially and socially similar to white Americans and would therefore benefit from the additional vacation time to leave the tropics as the white Americans did.⁶¹

In 1906, the situation began to change. West Indians on the gold roll were transferred back to the silver roll. This was justified by explaining that the rolls were intended to be established on a national basis, with the gold-roll reserved for Americans. However, black Americans who were hired in the United States as gold roll employees were also excluded from this transfer. Beginning in 1908, those aliens who were on the gold roll were preferentially let go whenever there was a decrease in the size of the

⁵⁹ Lindsay-Poland, *Emperors in the Jungle*, 45.

⁶⁰ Michael L. Conniff, *Black Labor on a White Canal*, 7-8.

⁶¹ Greene, *The Canal Builders*, 63, 64; Newton, *The Silver Men*, 23.

workforce.⁶² In 1908, President Theodore Roosevelt issued an executive order requiring all gold roll jobs to be preferentially given to American citizens. People of all other nationalities, now including British and Canadians, were only to be hired when there were no suitable American applicants.⁶³ This meant that white Americans held the best jobs and maintained a lifestyle far superior to all other people in the Panamanian isthmus during the first part of the twentieth century.

The gold-silver system not only segregated white Americans from all other people in the Canal Zone, it likewise further divided the silver roll employees into groups. People from different racial groups were hired for specific tasks perpetuating the belief that certain racial groups had common characteristics. West Indians, for example, were considered unqualified for certain types of skilled labor.⁶⁴ This led to high levels of frustration amongst the West Indian population in Panama. They were ill accustomed to being completely restricted from advancement based on their racial background because slavery had long been abolished in the British West Indies. They were accustomed to being eligible for jobs based on merit.⁶⁵

The gold-silver pay system was only one of the ways in which the United States influenced and reshaped life in Panama. The United States regularly intervened in Panamanian politics, following Panama's becoming an American protectorate in 1903. The United States supervised Panamanian elections, exercised veto-power over certain of the Panamanian government's proposed expenditures, and established permanent

⁶² Greene, *The Canal Builders*, 64-68.

⁶³ Michael L. Conniff, *Panama and the United States*, 72; McCullough, *The Path between the Seas*, 570.

⁶⁴ Lindsay-Poland, *Emperors in the Jungle*, 45.

⁶⁵ Conniff, *Black Labor on a White Canal*, 8.

American military bases throughout the Republic of Panama.⁶⁶ In 1904 General Esteban Huertas, the leader of the new Panamanian Army, threatened a revolt against the new government. The United States responded by landing American marines to suppress the potential revolt and disbanded the Panamanian Army.⁶⁷ This meant that Panama's government required United States aid in order even to defend itself and to deal with further uprisings over the subsequent decades, further solidifying Panama's dependence on its new protector.

In 1910 a potential presidential candidate, Carlos Mendoza, was bullied into withdrawing from the election process based on the objection of an American official, Richard Marsh, to his being a man of mixed race who was married to a black woman. Marsh and the American governor of the Isthmian Canal Commission, Colonel Goethals, threatened that the United States would occupy or annex Panama should Mendoza be elected President.⁶⁸ Mendoza was briefly occupying the office following the death of President Jose Domingo Obaldia, but following Marsh's threats he withdrew his candidacy for election to the post. Marsh's superiors denied intimidating Mendoza into dropping out, but the circumstances were still highly suspicious.⁶⁹

Racially and nationalistically motivated riots occurred in the 1910s, underlining tensions in and around the Canal Zone and showing the strength of the American response to unrest. In the 1910s Americans living in the Canal Zone celebrated Independence Day in Panama City. Many of the American celebrators ended up in the red light district known as Cocoa Grove. This part of Panama City often experienced

⁶⁶ Lindsay-Poland, *Emperors in the Jungle*, 39-40.

⁶⁷I bid., 40, 76; Conniff, *Panama and the United States: The Forced Alliance*.

⁶⁸ Greene, *The Canal Builders*, 319-20; Lindsay-Poland, 40; Conniff, *Black Labor on a White Canal*, 41; John Major, *Prize Possession : The United States and the Panama Canal, 1903-1979* (Cambridge England ; New York: Cambridge University Press, 1993), 125-26.

⁶⁹"No Threat to Panama," *The Washington Post* September 10, 1910; Greene, *The Canal Builders*, 319.

conflicts between the different racial groups. On July 4th 1912, anti-American protests erupted in Cocoa Grove in response to disturbances by Americans, who had been drinking and celebrating all day, including yelling patriotic American slogans. Panamanian police had to address the disturbance, and one American died and others were injured.⁷⁰ Many Americans were also detained in Panamanian jails, which was considered unacceptable treatment during this era, no matter what their offense.⁷¹ This event made headlines in the United States and caused American protests to the power and scope of Panama's policing practices.⁷² After more riots in the same region over a three-year period culminating in another major incident in 1915, the Panamanian government was forced to re-evaluate its policing tactics to appease the United States.⁷³ The Panamanian police lost the right to carry rifles, as they were viewed as a potential threat to American citizens. Panamanian police only had access to small pistols from this point forwards.⁷⁴

Panama nonetheless preserved a long desire for autonomy which it had twice seemed close to realizing over the previous one hundred years. It had, however, first exchanged Spanish rule for Columbian control and then Columbian rule for American control, and it therefore still struggled to be able to determine the future for itself. The standard mode of transit had changed from foot, to rail to boat, but throughout this period the isthmus was a key crossing point for foreigners moving between the Atlantic and Pacific Oceans. The California gold rush had increased transit needs and resulted in the

⁷⁰ The literature is contradictory as to the identity of the dead American. He is described as both a bartender working in Panama and as a United States sailor. See LaFeber, *The Panama Canal*, 71; Greene, *The Canal Builders*, 303-04.

⁷¹ Greene, *The Canal Builders*, 303-04.

⁷² "Panamanian Police Kill American, Wound 12," *New York Times* July 6, 1912.

⁷³ "Panama Mob Fired First," *New York Times* February 16, 1915.

⁷⁴ LaFeber, *The Panama Canal*, 71.

construction of the railway that had brought immigrants to the region and shown Panama how it could potentially benefit from its geographic location. This made its lack of autonomy all the more frustrating as it was barred from achieving the potential benefits.

The construction and maintenance of the Panama Canal had even broader implications than the dream of connecting the Pacific and the Caribbean might have implied. The French, and later the Americans, sought cheap labor to work in the Canal Zone and drew immigrants to the region. West Indians, from the British islands in the Caribbean in particular, began arriving in the canal region, as they had during the railway construction and the previous canal construction attempt. Likewise Central Americans and Europeans, especially Italians, Greeks, and Spaniards began arriving in search of jobs.⁷⁵ The arrival of this new work force, in combination with an American imperial influx, forever changed the social and cultural structure of the region. It likewise led Panama to the re-examination of what it meant to be Panamanian, which became increasingly important over the decades that followed. Panama, however, did not seem to be able to control any aspect of the canal construction project or to benefit from it in substantive ways. The canal construction era left both elite and working-class Panamanians feeling frustrated with American control and with their own government. When the initial canal construction was completed in 1914, the ongoing requirement for a significant workforce to maintain the canal and to service ships and their crews ensured that Panamanian frustrations over the nature of its relationship with the United States continued to grow.

⁷⁵ Omar Jaén Suárez, *The Panama Canal*, 43; Newton, *The Silver Men*, 24.

Chapter 2: Early Operation of the Panama Canal and the Firmer Establishment of a Hierarchical Relationship between Panama and the United States

The construction of the Panama Canal was completed in 1914. The *SS Ancon* made the inaugural voyage through the canal on August 15, 1914 from Colon to Panama City. The ship carried a group of American and Panamanian officials including Panamanian President Belisario Porras. Canal employees all received a holiday to celebrate the momentous event. A band on the ship played the American anthem as it made the crossing.⁷⁶ While Panamanian leaders were included in the celebration, the festivities clearly showed that, although the Panama Canal might have been geographically located in the Panamanian isthmus, it was still an American canal. The American government, especially the American military, rather than the Panamanian government, would dictate policy on the Canal and in the Canal Zone. Panamanians were left to watch as the United States reaped the benefits of the canal built through their country. On the day the canal opened the *Wall Street Journal* published a poem containing the line “Uncle Sam is now the boss,” leaving no ambiguity about who the Americans felt owned and operated the Panama Canal.⁷⁷ *The New York Times* presented the canal as a feat of American engineering and statesmanship claiming that the United States built it, but “that it was presented to all nations of the earth on even terms.”⁷⁸ It used the canal as proof that America was good, fair and democratic in contrast to other military nations that were

⁷⁶ Jaén Suárez, *The Panama Canal*, 43; Greene, *The Canal Builders*, 344-45; Conniff, *Black Labor on a White Canal: Panama, 1904-1981*, 45.

⁷⁷“Panama Canal,” *The Wall Street Journal* August 15, 1914.

⁷⁸“The Contrast,” *New York Times* August 16, 1914.

trying to destroy the world.⁷⁹ Other nations did have access to the canal; however, the article failed to acknowledge that the canal was still controlled by the United States and its military, thus illustrating the American double standard that so many Panamanians criticized in the years to follow. It also failed to note that the canal would be open to all nations, with the exception of those that were at war with the United States. This would become important when the United States entered World War I in 1917 and issued orders that all German vessels using the canal or taking refuge in the harbors outside Panama City and Colon were to be boarded and seized.⁸⁰

The completion of the canal brought new challenges to the region. In the final year of construction more than 55,000 people were employed in construction, and the project's completion meant their loss of jobs.⁸¹ This resulted in a significantly decreased demand for labor and likewise a reduced employment capacity of the Canal Commission. This meant that large numbers of unemployed West Indian immigrants flooded into the two major Panamanian cities at the terminus of the canal, competing with native Panamanians for jobs, and complicating the relationship between native Panamanians and the West Indians living in Panama, and contributing to frustration with American policy in the Canal Zone. Skilled labor from other countries tended to leave in search of opportunities elsewhere, whereas many West Indians opted to stay in Panama. Those West Indians who remained employed by the Canal Commission saw their wages and benefits reduced as part of a larger global recession following the beginning of World War I.⁸²

⁷⁹Ibid.

⁸⁰Ealy, *The Republic of Panama in World Affairs*, 41.

⁸¹Ropp, *Panamanian Politics*, 6; Jaén Suárez, *The Panama Canal*, 43.

⁸²Conniff, *Black Labor on a White Canal*, 46.

The changes in the employment circumstances of West Indians resulted in the formation of the Isthmian League of British West Indians in 1916. They began lobbying for rent-free accommodations in October 1916. West Indians walked off the job and organized a general strike with the help of a group of Latin American Labor representatives in October 1916.⁸³ This strike included many Panamanian workers but ultimately failed, and Isthmian League of British West Indian reported that their Panamanian counterparts had absconded with thousands of dollars they had raised, leading them to conclude that it was to their detriment to include Panamanians in their future efforts.⁸⁴ The Silver Employees Union and the Colon Federal Labor Union were formed following these events, solidifying a separate West Indian labor organization from the Panamanian one.⁸⁵ This was part of a larger Central America trend. West Indians were the target of anti-black xenophobia and as such were forced to organize separately from the Latino and other immigrant workers to protect their own interests not only from their employer but likewise from other groups of laborers whether they were employed by the Isthmian Canal Commission or by other United States corporations, most significantly the United Fruit Company.⁸⁶ These Panamanian groups were but one tangible example of how the gold-silver pay system segregated Isthmian Canal Commission employees into racial groups where they organized and fought for rights independently and often to the detriment of other groups of silver workers and impeded progress towards any of the groups' goals. Both labor groups were frustrated with their

⁸³ "Rioting in Panama Strike," *The Washington Post* October 14, 1916.

⁸⁴ Conniff, *Black Labor on a White Canal*, 52-53.

⁸⁵ Conniff, *Black Labor on a White Canal*, 52-53.

⁸⁶ For discussions of this xenophobia in Costa Rica and Guatemala see Colby, *The Business of Empire*; Ronald N. Harpelle, *The West Indians of Costa Rica* (Montreal: McGill-Queen's University Press, 2001). For information on West Indian workers within Panama see Conniff, *Black Labor on a White Canal: Panama, 1904-1981*.

treatment; but so long as they were divided, they were no real threat to American interests, which required a steady, affordable and easily controlled workforce in the Canal Zone.

The United States established the Panama Canal Department in 1917 to oversee administration of the canal. Colonel George W. Goethals became the head of this new department, allowing him to continue on as the United States' primary representative and decision maker in the Panamanian Republic.⁸⁷ Goethals and his successors reported directly to the United States Secretary of War even during peacetime, illustrating how the United States government classified its involvement in Panama. The Panama Canal Department had United States military aid at its disposal to maintain order not only within the Canal Zone, but also in the surrounding area, most significantly in Panama's two major cities: Panama City and Colon. In 1917 the United States likewise made Panamanian foreign policy an extension of its own policy and announced that Panamanian waters were off-limit to German ships and that any German boat that entered a Panamanian harbor would be boarded and seized.⁸⁸

By 1917 unemployed West Indians residing in Panama became a regularly discussed contentious issue between the Panamanian government and American diplomatic and Canal Commission officials. The United States acknowledged that it had recruited and imported more than 30,000 West Indians during the canal construction period and that a great number of them ended up without jobs following the completion of the Canal. The Isthmian Canal Commission then organized for United Fruit to employ just over 3000 men on its plantations in Panama and elsewhere in Central America, but that was only a

⁸⁷ Conniff, *Black Labor on a White Canal*, 45.

⁸⁸ Ealy, *The Republic of Panama in World Affairs*, 41.

fraction of the number of unemployed. It did claim to have repatriated thousands of West Indians between 1914 and 1917 but did not maintain any records as to how many or as to where, which made it highly questionable whether they did send any of them home at all.⁸⁹ Either way, the social and political tensions over the West Indians in Panama only increased. Their alleged taking jobs from Panamanian workers was but one way the canal was seen as not benefiting Panama in the ways that the Panamanian people felt that it should.

By 1918 the Republic of Panama's population was twenty times that of the Canal Zone but Panama still imported fewer goods than the Canal Zone.⁹⁰ Americans living in the Canal Zone had more income than the majority of Panamanians, in part explaining the import disparities, but it was still nonetheless clear that goods were being purchased in Canal Commission Commissaries in the Canal Zone for people who did not work or live in the Zone or likely even work for the Canal Commission. In other words, an import business unregulated by the government of Panama was being carried on from the American-run zone. The Panamanian Government started trying to address these economic discrepancies.

Economic and labor concerns were not the only problems troubling Panama and its relationship with the United States. Political unrest threatened American interests in the region. In July 1918 the United States military occupied Panama City and Colon for five days as a result of political unrest following the death of Panamanian President Ramón Maximiliano Valdés. United States troops were ostensibly maintaining order so that new

⁸⁹ United States National Archive, Records of the Panama Canal, 185 – 79 – A – 3, State Department Correspondence, June 11 1933.

⁹⁰ McCain, *The United States and the Republic of Panama*, 227.

elections could be scheduled, but while in control they did far more than maintain order.⁹¹ The United States' military tried to eliminate prostitution as well as Panamanian liquor and opium sales to American military members. This did not permanently end prostitution. Gambling and prostitution had been prevalent in the Panamanian isthmus during the canal construction period, just as these same problems had been during the French construction attempt and the American railway construction period.⁹² During the July military occupation of Panama City and Colon, American troops were landed also in Chiriqui province to protect American land holdings in the region. In fact, troops stayed in Chiriqui for the following two years.⁹³

Other parts of the world were experiencing a new wave of union organization after World War One, and information of these unions - especially those from elsewhere in Central America and the United States - began permeating Panamanian political discourse and reaching the working class. In 1919, two big American unions arrived to organize silver workers as part of a broader trend towards unionization and leftist politics in this period.⁹⁴ This resulted in another strike organized by silver employees in May of 1919.⁹⁵ In an effort to end the strike, the Canal Commission produced more housing: Las Cascadas created in the zone for West Indian laborers, was designed to help the company avoid strike action. If all its employees lived in its housing, any employee who went on strike would have faced eviction. The workers recognized the new housing project as a plot against strikes and rebuffed it. Las Cascadas gradually grew but not enough to

⁹¹ Lindsay-Poland, *Emperors in the Jungle*, 40-41.

⁹² McCullough, *The Path between the Seas*, 145-46.

⁹³ Lindsay-Poland, *Emperors in the Jungle*, 41.

⁹⁴ Conniff, *Black Labor on a White Canal*, 53.

⁹⁵ *Ibid.*, 54.

justify its cost and was eventually abandoned.⁹⁶ This new round of agitation between West Indians and their American employer in Panama complicated Panama's dealings with the United States and led to a growing Panamanian dislike for West Indian laborers.⁹⁷ On Labor Day in 1919 West Indian workers organized a massive demonstration and parade that was designed to embarrass the United States during the Paris peace talks. While the demonstration did succeed in bringing certain labor and housing grievances to the attention of people in the United States, it is less clear that anything changed as a result.⁹⁸

As financial troubles plagued the Republic of Panama, resentment began to grow with respect to the American Commissaries in the Canal Zone. In 1905 the Isthmian Canal Commission had opened these stores in order to prevent inflation in the cost of necessities from forcing the company to give salary increases immediately following the beginning of the American canal construction project. The commissaries originally sold simple staple foods but rapidly also began selling all sorts of luxury goods, virtually entirely excluding Panamanian merchants from all trade opportunities with Canal Zone employees and depriving the Panamanian government taxation revenue from all the sales.⁹⁹ The Republic of Panama's population was twenty times that of the Canal Zone, but Panama still imported fewer goods than the Canal Zone.¹⁰⁰ Americans on the gold roll did have more income to spend, but the discrepancies were too great to simply be explained by that greater income. Goods were clearly being purchased in the commissaries and smuggled into the republic. Panama therefore wanted commissaries to

⁹⁶Ibid., 55-56.

⁹⁷Ibid., 64.

⁹⁸ Conniff, *Black Labor on a White Canal*, 54-55.

⁹⁹ Thomas M. Leonard, "The Commissary Issue in the American-Panamanian Relations," *The Americas* 30, no. 1 (1973): 83.

¹⁰⁰ McCain, *The United States and the Republic of Panama*, 227.

no longer sell to silver roll employees. The United States proved unwilling to negotiate regarding this issue; however, Panama's concerns over sales of luxury goods by commissaries and over the commissary trade with visiting people and ships, as well as Panamanian requests for the return of lands that the rail company owned, were passed on to Washington in 1920 for further consideration.¹⁰¹ The commissary issue resurfaced regularly during future treaty negotiations.¹⁰²

As World War I came to an end a new wave of nationalism emerged throughout Latin America. This was seen in Mexico's new constitution that contained clauses that declared all subsurface resources to be the property of the Mexican nation.¹⁰³ This case showed another Latin American nation fighting American corporate interests. This period was also the beginning of new wave of nationalism in Columbia, in particular an economic nationalism that was largely marked by new petroleum legislation.¹⁰⁴ Like Mexico, Columbia passed laws that reserved rights on sub-soil resources for Columbia.¹⁰⁵ Cuba also experienced the emergence of a new nationalism during the 1920s. Cubans wanted to benefit economically from their circumstances. As in Mexico and Columbia, this was not just a working-class nationalism. In Cuba, there was a new entrepreneurial bourgeoisie which was economically nationalist in orientation.¹⁰⁶ In Mexico, Cuba, and Columbian, nationalism meant national control of the nation's resources, and in the Panamanian context this kind of outlook translated into a desire to benefit financially

¹⁰¹ Ibid.

¹⁰² USNA, Civilian Agency Records, 84 - 819.00 – General Conditions, US National Archives, 1933. USNA Records of the Panama Canal, 185 – 79 – A – 3, State Department Correspondence, March 8 1934.

¹⁰³ W. Dirk Raat, *Mexico and the United States: Ambivalent Vistas*, The United States and the Americas (Athens, Georgia: University of Georgia Press, 1992), 117.

¹⁰⁴ Randall, *Columbia and the United States*, 4.

¹⁰⁵ Ibid., 115.

¹⁰⁶ Louis A. Pérez, *Cuba and the United States : Ties of Singular Intimacy*, 3rd ed., The United States and the Americas (Athens: University of Georgia Press, 2003), 170-201.

from the canal. This new Latin American nationalism contained another common thread: anti-Americanism. This would be especially pronounced in the Panamanian context, because protests and worker's strikes would lead to American intervention, which in turn would create further more anti-American sentiment.

The new wave in Panamanian nationalism displayed features that distinguished it from the economic nationalism that characterized the nationalist resurgence elsewhere in Latin America. In particular, Panamanian nationalism was marked by a strongly racialized language. Panamanians began to increasingly identify themselves against those they perceived to threaten them. This resulted in the anti-Americanism mentioned above, but also in a strong dislike for West Indians as well as immigrants in general, who were seen as competing with Panamanians for jobs.

This was comparable to the situation in Costa Rica. Costa Rica and Panama shared a similar historical timeline for the arrival of West Indians within their borders as well as significant levels of American investment. In the Costa Rican context, the United Fruit Company was a significant employer, influenced the government and drew many immigrants to the region, and it had an American enclave like that of the Isthmian Canal Commission. The border between these two jurisdictions had been undefined and long disputed, first between Costa Rica and Columbia and then later between Costa Rica and Panama.¹⁰⁷ People, especially migratory workers, had traditionally passed overland between the two regions without any type of regulation or documentation.¹⁰⁸ However, this did not mean that the two countries' governments worked together, but rather the opposite. The border disputes actually facilitated the unregulated migration along their

¹⁰⁷McCain, *The United States and the Republic of Panama*, 228.

¹⁰⁸Harpelle, *The West Indians of Costa Rica*, 7, 20.

borders.

In February 1921 Costa Rica and Panama began fighting over their disputed border.¹⁰⁹ Costa Rican troops, with the aid of the United Fruit Company, invaded Panama and seized lands in the North along the border.¹¹⁰ Panama temporarily retook the territory, despite not having a regular military; however, the United States intervened on Costa Rica's behalf.¹¹¹ During this military action, Ricardo J. Alfaro was in Washington hoping to lobby for a new treaty between Panama and the United States. Alfaro complained about the Canal Commission expropriating territory from Panama and asked that the railway return its lands in Panama City and Colon that were no longer being used for railway purposes. He wanted the railway to pay taxes on water and sewage on its properties and to reduce the cost of shipping freight. He also discussed the commissary issues, luxury sales and smuggling into Panama from the Canal Zone. He likewise argued against the establishment of private commercial enterprises in the Canal Zone saying that it violated parts of the 1904 Taft agreement. However, the border war overshadowed the visit, and Alfaro failed to achieve his goal.¹¹² This failure served only to further promote Panamanian frustration with the United States.

West Indians were living and working in both Costa Rica and Nicaragua in this era as well.¹¹³ These peoples arrived in search of economic opportunities and competed with locals for jobs.¹¹⁴ In the Costa Rican context, black laborers had sought employment in railway construction and agriculture during the nineteenth century.¹¹⁵ In

¹⁰⁹ McCain, *The United States and the Republic of Panama*, 228.

¹¹⁰ Conniff, *Panama and the United States*, 86.

¹¹¹ *Ibid.*

¹¹² McCain, *The United States and the Republic of Panama*, 229.

¹¹³ Harpelle, *The West Indians of Costa Rica*, 8.

¹¹⁴ *Ibid.*, 14.

¹¹⁵ *Ibid.*, 11.

nineteenth-century Panama the jobs taken by West Indian blacks were primarily associated with the railway and then the canal projects, but like Costa Rica, Panama also attracted laborers for agricultural projects, just to a smaller degree than in Costa Rica. By the twentieth century, this group of immigrants was disliked by locals whose jobs they took around Central America, and this collective dislike fostered a new sense of Latin American solidarity as well as anti-Americanism as the United States business attracted these migrants to the region.

In Costa Rica the United Fruit Company, the large American agricultural corporation, segregated its employees by race in a manner similar to the gold-silver roll employed by the Canal Commission in Panama. The result was thus a further separating of West Indians from locals.¹¹⁶ This local anti-immigrant xenophobia meant that West Indian laborers in the two countries identified more with each other than with working class people from other racial backgrounds in the region.¹¹⁷ Nationalism in both Costa Rica and Nicaragua was a mixture of economic nationalism, anti-Americanism and hostility to West Indians.

The strong ties between the West Indian populations in different Central American nations were seen in the challenges the United Fruit Company faced in recruiting labor from the Canal Zone.¹¹⁸ The new unions that came to the Canal Zone in 1919 also began organizing workers in Costa Rica around the same time.¹¹⁹ This move was important as it helped solidify ties between West Indians in Panama and Costa Rica as well as elsewhere in Latin America and the Caribbean, including through creating

¹¹⁶ Colby, *The Business of Empire*, 117, 44-45; Harpelle, *The West Indians of Costa Rica*, 25.

¹¹⁷ Harpelle, *The West Indians of Costa Rica*, 40.

¹¹⁸ *Ibid.*, 49.

¹¹⁹ *Ibid.*, 53.

lasting channels for disseminating information. The West Indians would later be able to share ideas, not just ideas on organizing workers to strike for higher wages, but also bigger political ideas. This became important as ideas of communism and fascism grew in importance in the lead-up to the next world war.

Ever since Panama signed its 1903 treaty with the United States, it had been trying to renegotiate that agreement. Finally, on September 1st 1922 the United States' State Department made a recommendation to American President Harding that the United States Congress should abrogate the 1903 Taft Agreement and begin negotiations of a new agreement with Panama.¹²⁰ The State Department argued that the Taft Agreement had never been intended as a long term accord between the two countries, but rather as a temporary one to get through the construction of the canal, and as such the agreement no longer reflected the realities of the relationship between Panama and the United States in the post-canal construction era.¹²¹ The United States Congress agreed to cancel the unpopular agreement upon the signing of a new agreement between the two countries.¹²² Following this announcement, the governments of the United States and Panama entered new treaty negotiations, not only to replace the Taft agreement, but likewise to address other concerns from both countries.¹²³ The most pressing concerns from the Panamanian perspective were issues of autonomy. Panama sought greater control over its own economic policies and wished to reap financial benefits from the presence of the Canal, namely the ability to trade with ships passing through the canal and to do business with the work force of the Canal. The Panamanian government alleged that the Canal Zone

¹²⁰ McCain, *The United States and the Republic of Panama*, 229.

¹²¹ "Harding Proposes New Panama Treaty," *New York Times* September 6, 1922.

¹²² McCain, *The United States and the Republic of Panama*, 229.

¹²³ "Work Begun on Panama Treaty," *The Washington Post* October 12, 1922.

commissaries greatly impacted the Republic's ability to reap financial gains. The new treaty talks also promised discussions surrounding questions of land ownership and of control over highways, radio broadcasting, and sanitation.¹²⁴

Panama lacked a unifying nationalistic leader or group to represent its national interests in the new treaty negotiations with the United States. In 1923 the Acción Communal, a new political party, was created, in part, in response to this need.¹²⁵ The Acción Communal was a nationalist party whose founders and active membership were professionals from the middle class, people who were primarily from urban areas near the Canal Zone.¹²⁶ However, its supporters were not just from this small class. It was also supported by a large portion of working-class native Panamanians. The Acción Communal was focussed on taking care of Panamanian interests, and as such it had a distinctly anti-American aspect to its platform. Its chief focus was on lobbying for jobs for Panamanians. It understood the cause of high unemployment to be the large number of West Indians holding Canal Zone jobs, so it lobbied for their removal from the Canal Commission's payroll as well as their deportation from the Republic. This new party shaped the views of Panamanians on the causes of the country's economic hardships and high unemployment rates and popularized the viewpoint that the United States was the cause of Panamanian hardships. The party solidified popular understandings of the causes of the Republic's financial troubles while clearly identifying the United States and West Indian immigrants as their source as well as the cause of growing racial and social tensions. It rapidly won popular backing from working-class people native to Panama

¹²⁴ McCain, *The United States and the Republic of Panama*, 233.

¹²⁵ There was also significant corruption within the current ruling party. USNA, General Records Department of States, 59 – 819.00 – Revolutions, 1926.

¹²⁶ Ropp, *Panamanian Politics*, 21; LaFeber, *The Panama Canal*, 80.

while maintaining its educated middle class leadership.

While Panamanian politics was changing and appealing to new groups, the population of the republic was likewise being transformed. The canal's use grew steadily, resulting in more and more ships and therefore more and more people from around the world passing through the country. This made Panama appear to outsiders as full of potential economic opportunities, drawing more legal and illegal immigrants to the region. This meant that the number of people immediately around the Canal Zone grew. The employment opportunities, however, did not, resulting in high levels of poverty, theft and desperation that ultimately pitted different suffering social and racial groups against one another.

Negotiations for a new treaty began in 1921 with written correspondence between Panamanian and American officials, outlining Panamanian concerns with the 1903 treaty and with the current situation in the Canal Zone as well as in Panama City and Colon. Official negotiations of a new treaty began in 1923, but it was not until labor unrest in the two major cities and an uprising by some of the indigenous people threatened the stability of the Panamanian government in 1925 that it became favorable from the American officials' perspective to revisit Panama's relation with the United States. In 1925 American officials began really working with Panamanian officials towards a reaching a new treaty with Panama.

In February of 1925 the Kuna, the indigenous population of San Blas, rose up against the Panamanian government as a result of ongoing grievances that had grown over the previous decades. The first part of the twentieth century had brought the Kuna in more regular contact with the Latin American population surrounding it and similarly

into contact with a variety of new groups to the region: black frontiersmen looking for turtles and other goods to sell elsewhere, Jesuit and Protestant missionaries, and the Panamanian state.¹²⁷ These groups, particularly the missionaries and the Panamanian government, undertook significant acculturation projects wherein the government attempted to regulate or end many of the traditional practices of the indigenous population, including those regarding clothing and ceremonies for marriage and coming of age. It also attempted to ban alcohol consumption through legislation.¹²⁸ In fact, the Panamanian government was attempting to ban alcohol consumption amongst the Kuna, while Panamanians themselves consumed it and sold it to workers in the American-controlled Canal Zone, where alcohol was prohibited. As acculturation programs grew between 1921-1924, relations between the Panamanian government and the Kuna people became increasingly tense.¹²⁹

Another major change that arrived in the San Blas region during this period was triggered by agricultural challenges elsewhere in Panama. Banana disease in the rest of Panama resulted in the opening of new plantations in San Blas and the arrival of migratory workers, primarily West Indians, to work on them.¹³⁰ The first plantation opened near Puerto Obaldia on the San Blas Coast intrusively close to Kuna villages and Kuna-run coconut plantations. The new United Fruit banana plantation ran short of food for its work force and the workers began raiding the Kuna for food. The Kuna believed

¹²⁷ James Howe, "Native Rebellion and US Intervention in Central America," *Cultural Survival Quarterly* 10, no. 1 (1986); Howe, *A People Who Would Not Kneel : Panama, the United States, and the San Blas Kuna*, 5.

¹²⁸ Richard Oglesby Marsh, *White Indians of Darien* (New York,: G.P. Putnam's Sons, 1934), 201-02; James Howe, "The Kuna of Panama," in *Endangered Peoples of Latin America*, ed. Susan C. Stonich (Westport, Connecticut: Greenwood Press, 2001), 139; Howe, "Native Rebellion and US Intervention in Central America."

¹²⁹ Howe, "Native Rebellion and US Intervention in Central America."

¹³⁰ *Ibid.*

that they were consistently punished for any wrongdoing in the region while the “negroes” from the plantation were permitted to do as they wished.¹³¹ The Kuna were likewise feeling threatened by increased Panamanian police presence as the government expanded their acculturation project into five new villages in 1924 at the same time as the number and size of banana plantations was rapidly increasing throughout San Blas.

Tensions between the indigenous population and Panamanian officials escalated, and on February 23 a revolt broke out that temporarily overthrew the Republic of Panama’s control over the islands. Thirty police men were killed in the uprising as well as an undocumented number of collaborators and children of mixed race.¹³² The uprising came to an end following American intervention that showed United States officials how precarious Panama’s control over San Blas was and how ill-equipped the government was to address similar situations. The events likewise showed Panamanians how powerless their government was and how the United States, in many ways, exerted more control within the Republic. This realization contributed to growing Panamanian resentment over their country’s relationship with the United States. It highlighted a contradiction in Panamanian government policies. On the one hand the Republic had the right to self-governance and independence from the United States, but on the other the Panamanian government argued that the Kuna did not deserve the same freedom from its control. Finally this uprising created a lasting concern for Panama’s ability to maintain control over San Blas that would resurface regularly over the following years.¹³³

In 1925 unrest gripped both Panama City and Colon as poor Panamanians organized in what is now known as the First Rent Strike. It was caused by significant

¹³¹ Marsh, *White Indians of Darien*, 190-204.

¹³² *Ibid.*, 222.

¹³³ USNA, Records of the Panama Canal, 185 – 80 – A – 15 / clippings – 1-4, 1926-1934.

increases in the cost of living over the previous decade, following the completion of the Canal. Some estimates indicate that rents in Panama's two major cities had increased by half over the previous five years alone, while the wages for work in the region had not changed and the number of jobs had significantly fallen. Unrest, demonstrations and refusals to pay rent by native Panamanians and foreign organizers under the banner of the Tenant's League grew throughout the early fall of 1925, but came to an end following the American military occupation of both major cities from the 12th to 23rd of October.¹³⁴

This incident is significant in Panamanian history for many reasons. First, it showed United States officials the extent of poverty and discontent within Panama, which underlined the need for a new treaty to enable Panama to address the issues underlying the growing working-class unrest. In the process, the strike demonstrated the real threat of communist ideas being disseminated throughout Panamanian society.¹³⁵ Armed American intervention fostered renewed anti-American sentiment and highlighted the need for a new agreement which would permit Panama to police issues within its borders. Second, the incident established the Tenants' League, an organization that became increasingly important in unrest and organization of Panamanian workers during the 1930s. Third, it united working class Panamanians both against Americans but also against the West Indian workforce in the region. Finally, the working-class uprising also solidified divisions between Panamanians and West Indians for decades to come and triggered political efforts to exclude West Indian and other migratory workers from the Republic.

The Rent Strikes underlined the need for stability within Panama. Both sides

¹³⁴ American State Department summarizes the roots of the Tenant's League and the 1925 Rent Strikes as well as discussions of communist influences on the organization in USNA, General Records Department of State, 59 – 819.00-General Conditions / 95, 1933. For discussions of American intervention see Major, *Prize Possession*, 151-53; Lindsay-Poland, *Emperors in the Jungle*, 17; Conniff, *Black Labor on a White Canal*, 65.

¹³⁵ USNA, General Records Department of State, 59 – 819.00-General Conditions / 95 , 1933.

hoped a new treaty would bring about said stability. Therefore the Kellogg-Alfaro Treaty was signed in March of 1926 by Frank B. Kellogg and Francis White for the United States and by R. J. Alfaro and Eusebio A. Morales for Panama.¹³⁶ However, in this new treaty, the United States did not wish to concede anymore control to Panama than necessary but wanted to do something to solidify its relationship with Panama and to bring about stability in order to protect its interests in the country. Its policy towards Latin America during the 1920s was still investment-driven, and as such it needed to ensure that a new treaty would not threaten canal operations nor take away from the United States government's ability to maintain order and protect rapidly expanding American investments in the Republic.¹³⁷ The new treaty contained several small concessions by the United States, but ultimately not enough of the key Panamanian issues were addressed. In particular, the war clauses drew international notice and ultimately were a focal point of Panamanian discontent with the treaty.¹³⁸ The war clause, found in article XI, stated that "the Republic of Panama [would] consider herself in a state of war in case of any war in which the United States should consider herself a belligerent."¹³⁹ Panama did not want to be forced into a war simply because the United States chose to be. Opposition grew from Panamanian nationalist organizations.¹⁴⁰

The Panamanian public understood the proposed treaty as a further subversion of

¹³⁶ Conniff, *Panama and the United States*, 246; Howe, "Native Rebellion and Us Intervention in Central America."; Thomas M. Leonard, "The United States and Panama: Negotiating the Aborted 1926 Treaty," *Mid-America* 61, no. 3 (1979). The actual text of the treaty was supposed to remain secret until both governments had approved the treaty but the press did report on some things contained in the proposed agreement as parts of the document were leaked.

¹³⁷ Walter LaFeber, *The American Age*, 339-41.

¹³⁸ McCain, *The United States and the Republic of Panama*, 237; Ealy, *The Republic of Panama in World Affairs, 1903-1950*, 63.

¹³⁹ *Treaty between the United States of America and the Republic of Panama, Signed at Washington, July 28, 1926*.

¹⁴⁰ Lester D. Langley, *The United States and the Caribbean, 1900-1970* (Athens: University of Georgia Press, 1980), 154.

Panama's status as an independent nation.¹⁴¹ The treaty essentially brought back the Taft agreement. It re-enforced the United States' right to take land that it needed for use for the canal and only required that diplomats inform Panama of such land acquisitions: the Republic did not have any ability to object. The treaty did not go nearly far enough in limiting the scope of commissary sales to address the many concerns of the Panamanian politicians. The agreement barred new private businesses from opening in the Canal Zone after July 28th, 1926, but did nothing to address the practices of those businesses that already operated in the zone. The war clause that upset Panama did so partly because it stipulated that if the United States was to go to war, then Panama would have to as well, but not the reverse.¹⁴² As the Panamanian press and politicians from all political parties came out in opposition to the treaty, the National Assembly ultimately refused to ratify it. On January 26 1927 the National Assembly instructed President Chiari to reopen negotiations with Washington for a new treaty.¹⁴³ The 1926 treaty ultimately failed because it did not adequately address the perceived and real inequalities of the Taft agreement, and specifically the issues of commissary sales, immigration policy and questions of Panamanian autonomy.

Yet, while many accounts of this period in Panamanian history explain the failure of the treaty in terms of the war clause, it was not the only cause. The treaty failed to substantively address questions of Panamanian sovereignty but likewise failed to cede control over Panamanian immigration policy, land use, and affordable housing or to address the major issue of Panama's inability to benefit financially from a major canal cutting through the country. It did nothing to end the United States' right to forcibly

¹⁴¹ McCain, *The United States and the Republic of Panama*, 238.

¹⁴² *Ibid.*, 234-40, quote from 40.

¹⁴³ Conniff, *Panama and the United States*, 86.

intervene in Panama. This 1926 treaty's failure left the Panamanian concerns unaddressed, and in a changing economic and political climate these concerns became even more pressing for the Panamanian government to address.

Between the opening of the Canal and the failure of the 1926 treaty, there was, as noted above, significant labor organization both by domestically created Panamanian organizations and by unions brought in from the United States. Nonetheless, a single large unified union did not form partly because of the class and racially motivated divisions within the workforce created by the gold-silver pay system and by other racial and cultural prejudices, many of which were imported from the United States and elsewhere in Central America. While Panamanians were united in their anti-Americanism, they were divided in too many other ways to successfully unite and effectively bargain for change in their relationship with the United States. Commissary sales to non-canal employees, high unemployment and high housing costs all contributed to significant unrest in Panama, creating political instability, but the government did not have the ability to address their causes. The Panamanian people lacked the ability to collectively organize and fight for greater autonomy from the United States.

Chapter 3: From the failed Kellogg-Alfaro Treaty of 1926 to the Successful Hull-Alfaro Treaty: A New Era in Panamanian Politics and its Relationship with the United States

Following the failure of the Kellogg-Alfaro Treaty, the Panamanian government struggled to find a way forward in its dealings with the United States. There was continually the threat of more rent strikes, indigenous uprisings, and labor unrest. Racially motivated instability was amplified as the population of the republic grew, particularly in and around the Canal Zone. Simultaneously, the ruling political party, the Liberals, struggled with corruption and leadership challenges as their public support diminished. It seemed that there could be no quick resolution to the challenges facing the republic.

The failure of the 1926 treaty amplified the many challenges facing the Panamanian government. Immediately following this failure, the Panamanian government attempted to open new treaty negotiations with the United States.¹⁴⁴ Their lack of success showed that Washington was not taking the concerns of Panama seriously, and in this context the new nationalistic political party, the Acción Communal came to be increasingly popular with middle and working class Panamanians.¹⁴⁵ It had done so first by opposing the proposed 1926 treaty with the slogan of “Panama for Panamanians”.¹⁴⁶ It afterward agitated for a new and more beneficial agreement for Panamanians. This party and its leaders, Harmodio and Arnulfo Arias, did not significantly figure into the United States officials’ correspondence from this era.

¹⁴⁴ McCain, *The United States and the Republic of Panama*, 240; Leonard, "The Commissary Issue in the American-Panamanian Relations," 99.

¹⁴⁵ LaFeber, *The Panama Canal*, 80.

¹⁴⁶ Conniff, *Panama and the United States*, 89.

Nonetheless, it won significant popular support within the Republic explaining their recurring roles in significant political changes over the years to come.

Along with the failure of the Kellogg-Alfaro treaty, the Republic of Panama suffered significant unrest during 1926. There was a marked shift in Panamanian legislation to incorporate a far more nationalist and racially charged rhetoric in dealing with immigrants as well as with its own indigenous population. That rhetoric exacerbated racial and cultural divisions within the Republic. In 1927 there were rumors of unrest amongst the San Blas Indians which led to Panamanian concerns of American intervention, because the previous time there had been an uprising in that region, the United States intervened to suppress it. Panama wanted to maintain control over San Blas but also sought to preserve its own autonomy. The Panamanian leadership found it challenging to demand greater control over its own policies, particularly immigration and labor policies, while trying to assert control within the Republic over an indigenous population which was similarly struggling for autonomy from Panamanian intervention in its affairs. This proved increasingly challenging as unrest grew within the Republic.

The Panamanian government had also passed racist immigration legislation in 1926, in an attempt to ban further West Indians immigration to Panama. This then led to a series of similar legislative attempts to exclude Hindus, Turks, Syrians, Chinese, and Japanese as well as West Indians from entering the Republic of Panama. This trend reflected the growing nationalist movement in Panama, both fighting to end American interference, and to stop large numbers of foreign-workers from taking jobs which Panamanians felt they should hold. This also highlights the rapidly growing resentment of the presence of all foreigners in the republic and the public view that immigrants were

hurting the Panamanian economy.

In 1926, the Republic passed Law 13, which excluded all black people who did not speak Spanish from immigrating to the Republic.¹⁴⁷ Panamanians were still not employed by the Isthmian Canal Commission in significant numbers nor at pay rates that Panamanians felt to be just. When they did hold jobs on or related to the canal, they were classified as silver workers while American workers, who were foreigners, were paid on the gold roll. The gold-silver racialized pay system was maintained by using a variety of justifications including language spoken, the workers' nations of origin, and cultural differences, all resulting in poorer pay and worse working conditions for silver workers, of which the vast majority were Panamanians.

In addition to barring new immigration and therefore limiting growing competition for employment, the Panamanian National Assembly passed Law 6, which came into effect in 1927. This law required all businesses to employ Panamanian nationals as a minimum of 75% of their workforce. While in principle this legislation should have increased the number of Panamanians with jobs, it did not in fact do so because the Panamanian government did not have the resources to enforce the new law and the ability to inspect or control what occurred within the Canal Zone.¹⁴⁸ Nonetheless, the Republic did try to address these deficiencies over the following years.¹⁴⁹ Immediately, American officials within Panama and the American business began investigating the constitutionality of the legislation as well as the power of the Panamanian government to enforce it. The United Fruit Company, for example,

¹⁴⁷ Conniff, *Black Labor on a White Canal: Panama*, 65.

¹⁴⁸ *Ibid.*

¹⁴⁹ USNA, Civilian Agency Records, 84 – 850.4, State Department Correspondence, 1927; USNA, Civilian Agency Records, 84 – 855, State Department Correspondence, 1927.

continued to recruit and employ West Indians to work on its plantations.¹⁵⁰

The Panamanian National Assembly attempted to marginalize West Indians born in Panama by redefining citizenship qualifications through legislation. West Indians born in the Canal Zone were deemed ineligible for Panamanian citizenship, a ruling that was to affect all those born from that point forward. The United States had already passed similar legislation that ensured that people born in the Canal Zone to non-American parents were ineligible for American citizenship.¹⁵¹ Taken together, these two laws created an entire generation of immigrants born in the Canal Zone with no citizenship whatsoever.

Meanwhile although the United States did not surrender control over labor decisions by the Canal Commission, it did begin to respond to the growing anti-immigrant sentiment in the Republic in other ways. It began limiting the number of immigrants that the United States was allowing entry to Panama City, Colon and the Canal Zone, and it issued press releases detailing the policy changes.¹⁵² The United States did not bar immigration by British West Indians entirely, but it implemented monthly quotas on new arrivals by limiting the number of American immigration visas. While the United States officials might have expected this to be viewed as a reasonable compromise, these measures did not have any real impact on the Panamanian people's resentment of immigrant labor within the republic or actually reduce the size of the immigrant workforce in and around the Canal Zone. It only served to re-emphasize the extent of American control over the people and government of Panama, thereby

¹⁵⁰ USNA, General Records Department of State, 59 - 819 - General Conditions / 12, State Department Correspondence, 1927.

¹⁵¹ Conniff, *Black Labor on a White Canal*, 66.

¹⁵² USNA, Records of the Panama Canal, 185 - 79 - F - 1, State Department Correspondence, 1927.

increasing political discontent with the Panamanian government's inability to decrease American influence over the Republic.

Panamanian President Rodolfo Chiari's ineligibility to run for another term as President led to Florencio Arosemena Guillén being put forward to run for President for the National Liberal Party in 1928.¹⁵³ According to a United States State Department assessment, he was not a new voice within Panamanian politics and was simply a puppet President taking instructions from former President Chiari.¹⁵⁴ Arosemena was elected president in 1928. Yet, irrespective of who the party leader was, the governing political party was become increasingly unpopular. The Liberal Party collected a tax of five percent on all government employees' salaries and used this levy to forward its political agenda and fund election campaigns.¹⁵⁵ These factors, exacerbated by the economic hardships brought on by the global economic depression from 1929, resulted in people from within Arosemena's own political party as well as those from other parties, most notably the Acción Communal, challenging his legitimacy and effectiveness over the coming years. Chiari had such a strong hold on the mechanisms controlling the largest political party that the only way to remove his influence was through a coup. Over the first couple of years of the depression, many of the Panamanian elite explored other options to restructure the nations' domestic politics. A coup was finally carried out in January 1931, organized by an elite group, but with significant popular support. But this is getting ahead of our story.

As a lead-up to the economic crash of 1929, housing costs had increased

¹⁵³ LaFeber, *The Panama Canal*, 80.

¹⁵⁴ USNA, General Records Department of State, 59 – 819.00 -1513, State Department Correspondence, 1930.

¹⁵⁵ USNA General Records Department of State, 59 – 819.00 – REVOLUTIONS - 38, State Department Correspondence, 1930.

throughout the late 1920s while the number and quality of jobs in around the Canal Zone diminished. The United States government was not only the most significant employer in the region but likewise one of the major landlords because of the lands owned by the Panama Railroad Company and the Canal Commission. The United States was not only publicly blamed for both the low wages and paucity of jobs for Panamanians but also for the regular price increases for and poor quality of housing available in Panama City and Colon. By the end of 1929 newspaper articles regularly claimed that the United States was to blame for the poor quality of living within Panama, and especially within Colon.¹⁵⁶ There was growing concern that another series of rent strikes seemed increasingly likely.

As a result of depression conditions, the Canal Commission decreased the size of its labor force in 1930. Unrest threatened the Panamanian government from the growing unemployed population in and around the Canal Zone, but likewise there was significant unrest among the indigenous peoples from San Blas, where the threat of new uprisings also loomed. Leaders from the Kuna arrived in Panama City demanding to meet with President Arosemena to renegotiate their own relationship with the Republic, again raising concerns as to whether the government could maintain control over the peoples from San Blas.¹⁵⁷

Meanwhile, the Arosemena government tried to limit the number of immigrants with a quota system and also endeavored to stop the flow of North American commissary goods from the Canal Zone into the republic, hoping to create more opportunities for Panamanian merchants. Ultimately, however, the National Assembly proved unable to

¹⁵⁶ USNA, Civilian Agency Records, 84 – 800- General Conditions, Newspaper Clipping, 1930.

¹⁵⁷ USNA, Civilian Agency Records, 84 – 800 – San Blas, State Department Correspondence, 1930.

regulate American commissary sales without the cooperation of the United States.¹⁵⁸

Groups began to organize amongst renters, and laborers to lobby and oppose the Arosemena government. United States officials became concerned about Communist involvement within Panama, as May Day celebrations were organized in 1930.¹⁵⁹ At the end of 1930, the Panamanian Republic celebrated its first national Bolivar Day with a variety of public functions attended by current and aspiring politicians.¹⁶⁰ This well attended celebration for an important figure from the Latin American independence struggles against Spain was noticed by American officials as they were concerned about increased Panamanian nationalism and anti-American sentiments arising from the celebration. An uprising appeared imminent from many directions.

The Panamanian government's failure to create new economic opportunities only served to highlight the ineffectiveness of the Arosemena government and the need for political change both within Panama and in its relationship with the United States. Infighting grew within the ruling National Liberal Party (NLP), in which Chiari controlled one faction and Belisario Porras led the other. Both were former presidents of the republic who had more influence and control than the current figure-head President Florencio Arosemena. The United States legation to Panama began to see the significant unrest within the NLP as well between the NLP and other political groupings, notably, the Tigers, an elitist political group recently formed with the objective of influencing

¹⁵⁸ Leonard, "The Commissary Issue in the American-Panamanian Relations," 89. It is clear that there were goods entering Panama that had been purchased in the commissaries. It is less clear what the actual magnitude was as this was an illicit activity and therefore hard to quantify. The amount to which this was happening was not the point, but rather that it was occurring at all. Panamanians felt they were losing out on opportunities as a result of these sales and made any commissary sales entering Panama a highly contentious point.

¹⁵⁹ USNA, Civilian Agency Records, 84 – 800 C, State Department Correspondence, 1930; USNA, Civilian Agency Records, 84 – 800 – General Conditions, State Department Correspondence, 1930; USNA, Civilian Agency Records, 84 – 800 – San Blas, State Department Correspondence, 1930.

¹⁶⁰ General Records Department of State, 59 - 819.00- General Conditions / 67, State Department Correspondence, 1930.

Panamanian politics, the Linares movement, headed up by the manager of the National Bank of Panama, Enrique Linares, and the highly nationalistic Acción Communal led by the Arias brothers. The Acción Communal had the support of many influential Panamanian citizens; it was led by two brothers, Harmodio and Arnulfo Arias, who later were both elected to the office of President of the Republic of Panama.¹⁶¹ This group had gained popular backing following its vocal opposition to the 1926 proposed treaty with the United States, and it had rallied popular support with the slogan, “Panama for the Panamanians.”¹⁶² American officials clearly recognized and reported the turmoil amongst Panama’s political leadership and warned of a potential uprising.¹⁶³

By the 1930s the threat of a coup was transformed to a finely honed political tool. *The Evening Times*, an English language publication in Panama, ran a series of editorials in the fall of 1930 with the goal of educating United States citizens in Panama about the Panamanian political situation. It explained the basics of the local political unrest within the Republic as well as within Latin America as a whole. It highlighted uprisings that had been successful in other Latin American countries under the United States new policy of non-intervention. The editorials, however, stressed that Panama was different from other Latin American countries because the United States still maintained the right to intervene if any political uprising in Panama were to threaten the Canal or United States citizens there.¹⁶⁴ The editorials thus implied clearly that a coup which threatened neither American life nor the Canal could now potentially succeed.

¹⁶¹ Ealy, *The Republic of Panama in World Affairs*, 63, 81-87, 92-98; LaFeber, *The Panama Canal*.

¹⁶² As quoted in Conniff, *Panama and the United States*, 88-89; Langley, *The United States and the Caribbean*, 154; LaFeber, *The Panama Canal*, 80-81.

¹⁶³ USNA, General Records Department of State, 59 – 819.00 – 1513, State Department Correspondence, 1930.

¹⁶⁴ USNA, General Records Department of State, 59 – 819.00 – 1535, State Department Correspondence, 1931.

Under the astute leadership of Dr. Harmodio Arias, a portion of Panama's elite realized that it could craft a bloodless coup to serve its ends. On January 2, 1931, a coup overthrew the elected government of Florencio Arosemena and brought Arias to the office of Acting President of the Republic. He quickly relinquished the office to Ricardo Alfaro upon the latter's return from Washington. Alfaro had been the First Vice President and by the constitution was legitimately president following Arosemena's resignation. While American friendly newspapers described this as a "Quick Revolt", it was nonetheless significant as a turning point in Panamanian politics and likewise in the United States' approach to dealing with Panama's domestic politics.¹⁶⁵ The coup quickly and quietly removed the president from the presidential residence and forced his resignation. There was no real threat to order within the Republic or the Canal Zone. The successful coup illustrated two important changes in Panamanian politics. The first was that the United States was less willing to intervene in the domestic political situation than before, meaning that a political coup could now occur without the United States simply intervening and reinstating the previous government.¹⁶⁶ This opened the door for further political unrest and future schemes of coups. In other words, the Panamanian elected governments no longer had the assurance that the United States would quell insurrection. The United States government wanted to at least appear to be a good neighbor so long as there were no threats to its citizens, property or economic interests in the republic. The second change was a change in Panamanian political leadership. The Acción Comunal with its nationalistic philosophy was not directly in charge of the government; however, as the United States' legation to Panama reported to the United

¹⁶⁵ "Quick Revolt in Panama Overturns Government; President Goes to Exile," *New York Times* Jan 3, 1931.

¹⁶⁶ Langley, *The United States and the Caribbean*, 155.

States' Secretary of State, "The revolution of January 2 brought into the political arena a new group of leaders, but it has not eliminated the political problems – in fact these underlying problems to all appearances had increased."¹⁶⁷

Panama's 1931 coup was part of a larger trend of political unrest in Latin America, but it had many causes that were unique to Panama because of the Canal. Panama's coup was motivated not only by anti-Americanism, but also by the vast amount of corruption within the ruling National Liberal Party.¹⁶⁸ The coup was significant to the political situation within the Republic as it showed the people of Panama as well as the political elite that political change and unrest did not always lead to American intervention and in some ways made elected officials more accountable to the electorate. The United States' ambassador to Panama during the early 1930s, Roy T. Davis, reported to the United States' Secretary of State that the coup did not in any real way address either the popular concerns over employment, housing, and immigration or reduce the rampant anti-Americanism that had fed the uprising. Davis thus argued that a new treaty was needed or the political instability would continue.¹⁶⁹ The coup did, however, prove the political appeal of anti-Americanism as a legitimate stance within Panamanian politics. Having removed the Chiari faction from power, the post-coup government proceeded with elections as scheduled in 1932. For the first time since Panama separated from Columbia with the support of the United States, no Panamanian political candidates sought American endorsements during the 1932 election campaign, nor was the United States asked to supervise the election to ensure a fair outcome. All candidates ran on

¹⁶⁷ USNA, General Records Department of State, 59 – 819.00 – 1552, State Department Correspondence,, 1931.

¹⁶⁸ USNA, General Records Department of State, 59 - 819.00- 1513, State Department Correspondence, 1930; USNA, General Records Department of State, 59 - 819.00- 1552, State Department Correspondence, 1931.

¹⁶⁹ USNA, Civilian Agency Records, 84 – 819.00 – General Conditions / 69, State Department Correspondence, 1931.

platforms that attacked the United States or at least its relationship with Panama.¹⁷⁰

In the post-coup context, Panamanian politicians engaged anew with the popular animosity towards immigrants. For five years following the initial 1926 racial exclusion legislation, the National Liberal governments had gradually allowed more exceptions, resulting in many of the excluded immigrants ultimately being granted entry into Panama and feeding renewed popular discontent. In 1931, this changed. “Hindus” were barred from immigrating to the Republic unless they had sufficient means to establish themselves.¹⁷¹ This meant that there were no working class East Indians immigrating to Panama after 1931 and that those East Indians who came set up businesses. This limitation ultimately resulted in more public expressions of hatred for this racial group within the Republic, as Indian merchants were perceived as benefitting from opportunities in ways that native Panamanians should have been able to. In 1931 the post-coup government chose to stop issuing re-entry permits to immigrants from excluded racial groups meaning that if immigrants decided to leave the Republic, even for a short while, they would not be allowed to return.¹⁷² By the end of 1931, the Republic was barring all immigrants who could not prove their financial stability and deposit 500 dollars cash.¹⁷³ It further allowed Panamanian border officials to deny entry to any immigrant with a skill that would compete with the Panamanian workforce and to any immigrant with “undesirable” political ties or illnesses.¹⁷⁴ In other words, only immigrants with the financial means and intention to support themselves without working

¹⁷⁰ Lester D. Langley, "Negotiating New Treaties with Panama: 1936," *The Hispanic American Historical Review* 48, no. 2 (1968); LaFeber, *The Panama Canal*, 88.

¹⁷¹ USNA, Records of the Panama Canal, 185 – 79 – F - 5, State Department Correspondence, 1931.

¹⁷² Conniff, *Black Labor on a White Canal*, 77.

¹⁷³ USNA, Records of the Panama Canal, 185 – 79 – F - 5, State Department Correspondence, 1931

¹⁷⁴ USNA, Civilian Agency Records, 84 – 819.00 – General Conditions / 67, State Department Correspondence, 1931.

were eligible to migrate to the Republic by the end of 1931. The Panamanian National Assembly further narrowed who qualified as a Panamanian citizen by revising the citizenship legislation of 1928. In 1928 it had redefined citizenship to require more than birth in the Republic. In 1931 it legislated that all immigrants from excluded racial groups were ineligible to become naturalized Panamanian citizens.¹⁷⁵ This series of exclusive racist laws ensured that any immigrant wanting to remain in Panama could not obtain citizenship and could not return to their native country even for a visit without being barred from returning to Panama.

Pressure further increased in 1931 as the Panamanian government still did not have the ability to address the underlying causes of the populations' frustrations. The Canal Commission again decreased the size of its labor force. Large numbers of British West Indians were laid off. Competition for jobs in around the Canal Zone increased, and unrest grew. West Indians as a visible racial and linguistic minority within the Republic became targets of nationalistic discourse. Panamanians called for the repatriation of British West Indians at the expense of the United States.¹⁷⁶

All the while, the Republic's new government struggled with its own financial crisis. The finances of the Republic were found to be insolvent when the books were examined following the 1931 coup.¹⁷⁷ Accounts remained unpaid from the overthrown Arosemena government, and the press reported regularly on them. It was clear that many claims might not be legitimate but it was challenging to prove, and the government said

¹⁷⁵ USNA, Records of the Panama Canal, 185 – 79 – F - 8, State Department Correspondence, 1931.

¹⁷⁶ Conniff, *Panama and the United States*, 89.

¹⁷⁷ USNA, Civilian Agency Records, 84 – 819.00 – General Conditions / 69, State Department Correspondence, 1931.

that it was likely going to have to find funds to pay them.¹⁷⁸ Doing so might not actually have involved a significant amount of money, but it would be symbolically harmful to public morale. The government had to prioritize paying perhaps illegitimate claims from a corrupt overthrown government over using public funds to create jobs for the unemployed. While United States officials did recognize the financial and political hardships of the Republic and its people, it did not adequately address any of the growing concerns. Canal Zone Governor Harry Burgess required that all food and liquor purchased at restaurants within the Canal Zone be consumed on premises.¹⁷⁹ While this was a small but real problem, it did nothing to address the far more significant issue of commissary sales being too easily assessable to non-Canal Commission employees and competing with Panamanian businesses.

During the 1932 Panamanian election campaign, the issue of who was eligible to vote became a point of serious debate. West Indians who had just become naturalized Panamanians prior to the legislation that banned other British West Indians living in Panama from doing the same now had to fight to be eligible to vote and were faced with a registration fee. This was significant because there were approximately 10,000 West Indians eligible to vote during the 1932 election campaign. Harmodio Arias successfully won their votes, which helped him win the presidential election. It was a turning point in Panamanian politics, meaning future political candidates would have to win the support of the West Indian voters in order to have a realistic chance of winning an election.¹⁸⁰ This complicated Panamanian politics as politicians had to appeal both to anti-immigrant

¹⁷⁸ USNA, Records of the Panama Canal, 185 – 79 – H – 10 / Clippings, Newspaper Clippings, 1931.

¹⁷⁹ Leonard, "The Commissary Issue in the American-Panamanian Relations," 90.

¹⁸⁰ Conniff, *Black Labor on a White Canal*, 81-82; Leonard, "The Commissary Issue in the American-Panamanian Relations," 98.

nationalists as well as to naturalized West Indians within the same election campaign.

While West Indians who were eligible to vote became a significant group to court during an election campaign, politicians did still fight to exclude more immigrants from entering the Republic or becoming permanent residents. All the while the Republic worked hard to register eligible Panamanian voters abroad. While on the one hand the Republic was denying citizenship and voting rights to West Indians born in Panama, on the other it determined that the children of Panamanian citizens who were born outside the Republic were indeed Panamanian and thus eligible to vote.¹⁸¹

While which Panamanian residents could vote was a contentious issue during this period, it was far from the only significant struggle facing those people living in and around the Canal Zone. Who was eligible to be employed by the Canal Commission and likewise under what conditions they would work were issues continually at the forefront of political debate. In 1931 construction workers in Colon unionized and collectively petitioned the Panamanian government for legislation mandating an eight hour work day and a twenty-five cent hourly wage. The strikers gathered one thousand people and went around to many local businesses trying to convince other workers to quit and join their strike. However, they did not adequately articulate that they were championing these changes for all working people and not simply for those employed in the building trades. The police reported that they felt that the strikers did not have significant popular support and that they were organized by a fringe opposition party. The local union was not affiliated with the larger Panamanian Union and was considered too far left and not big enough or well enough organized to garner support from other unions operating within

¹⁸¹ USNA, Records of the Panama Canal, 185 – 79 – H – 10 / Clippings, Newspaper Clippings, 1931.

the Republic in this era.¹⁸² The strike was ultimately resolved without any government intervention, illustrating how a divided working class did not have the ability to affect real change in Panama in this period.

Lack of housing, and more specifically affordable housing, was a serious concern in Panama City but even more so Colon. Nevertheless, May Day 1932 was the quietest since the end of World War I. It was marked only by an orderly march through Panama City by a group of approximately 200 self-identified Communists. The lack of violence was unusual, but also short lived. Between August and October 1932 Panama's two major cities suffered significant unrest as a Rent Strike plagued the cities.¹⁸³ The housing situation had significantly worsened in the years since the 1925 Rent Strike, but neither the United States nor the Panamanian government had done anything to appreciably address the growing problem.¹⁸⁴ The Tenants' League circulated weekly publications discussing rent issues from a clearly communist perspective.¹⁸⁵ By June 1932 both American and Panamanian officials knew another strike was imminent and tried to stop it, if ineffectively, before it began. In July of 1932 the Panama Railway Company, one of the largest landlords in Colon, promised to reduce rents by 25% starting the following year to help with the financial strain of the depression; however, renters had to pay nine months of rent in advance to qualify.¹⁸⁶ Not only was the Company a major landlord to working-class tenants in its own right, it also owned many of the tenement properties leased by the other major tenement landlords and was unwilling to renegotiate the

¹⁸² USNA, Civilian Agency Records, 84 – 850.4 Labor, State Department Correspondence, 1932.

¹⁸³ While many scholars identify the strike's beginning as occurring June or July, it is clear that the Tenant's action did not actually begin until August. See USNA, General Records Department of State, 59 – 819.00 / 1658, State Department Correspondence, 1932.

¹⁸⁴ Maureen Long, "The Paradox of Participation: Citizen Participation in Urban Planning in Colon, Panama" (Tulane University, 2008).

¹⁸⁵ USNA, Civilian Agency Records, 84 – 819.00 / 1665, State Department Correspondence, 1932.

¹⁸⁶ USNA, Civilian Agency Records, 84 – 819.00 / 1666, State Department Correspondence, 1932.

property leases.¹⁸⁷ This concession by this large American landlord only served to illustrate how out of touch the United States was with the situation in Panama. This offer of reduced rents was of no use to any working-class person because of the financial hardship that would go with paying so far in advance, nor was it a form of immediate aid that the Tenants' League was fighting for. It was also a highly visible example of an American corporation controlling land that was not in fact needed for the operation of the Canal and controlling it in a way that was perceived as causing undue hardship for working-class Panamanians. The Tenants' League distributed a leaflet and sold 5 cent memberships to renters who showed interest.¹⁸⁸

This housing crisis inevitably led to a strike. On August 1st, the Tenants' League began taking over houses, barring the proprietors entry, and refusing to pay rent for housing they were already renting. Reports were made of strikers threatening tenants who did try and pay their landlords. The strikers were demanding a 50% reduction in rents.¹⁸⁹ In reaction, the Panamanian government began detaining known communist organizers for questioning to ensure they were aware that the government was monitoring them.¹⁹⁰ By the 10th of August, strikers were in complete control of the tenement houses in many sections of Colon.¹⁹¹

Roy T. Davis, the United States Ambassador to Panama, following meetings with the President of Panama, Harmodio Arias, sent a detailed report to the United States' Secretary of State. The report indicated that the Rent Strike had the potential to become

¹⁸⁷ USNA, Civilian Agency Records, 84 – 819.00 / 1665, State Department Correspondence, 1932.

¹⁸⁸ USNA, Civilian Agency Records, 84 – 850.4 Labor, State Department Correspondence, 1932.

¹⁸⁹ USNA, Civilian Agency Records, 84 – 854.2, State Department Correspondence, 1932

¹⁹⁰ USNA, General Records Department of State, 59 – 819.00 / 1666, State Department Correspondence, 1932.

¹⁹¹ USNA, General Records Department of State, 59 – 819.00 / 1662, State Department Correspondence, 1932.

violent at any moment and that it was challenging to know what the right course of action for the United States would be if such an eventuality did occur. Davis felt that it was a real possibility that the Communist leaders would use the rent strike to try and gain control of the Panamanian government. The Panamanian government lacked both the trained men and arms to quell an uprising, since the United States had forced Panama to disband its army in 1904 following General Huertas' threatened revolt. It was unclear if the Panamanian police could maintain order. Davis seriously doubted "the efficiency if not the loyalty of the police," and he thought that if violence were to develop, it was possible that "a small group of radicals could gain control."¹⁹² Yet, although an uprising and even another coup was threatening the United States, it was also in its interest not to intervene since doing so might risk increasing anti-Americanism and this potentially threaten the canal itself. Davis cautioned that intervention was not the ideal but that if there was a large uprising that threatened American life, the United States might be left with no other option.¹⁹³ The Panamanian government had been ineffective and weak in addressing the renters' strike and had lost the confidence of both the strikers and the landlords in addition to that of the populace.¹⁹⁴ Ultimately, the United States government took a wait-and-see approach. It made no official statement and chose to give no military support or provide any arms for the Panamanian government's use.¹⁹⁵ It also appears that the Panamanian government might not have actually been in need of the ammunition, but

¹⁹² USNA, General Records Department of State, 59 – 819.00 / 1658, State Department Correspondence, 1932.

¹⁹³ USNA, General Records Department of State, 59 – 819.00 / 1658, State Department Correspondence, 1932; USNA, General Records Department of State, 59 – 819.00 / 1662, State Department Correspondence, 1932.

¹⁹⁴ USNA, General Records Department of State, 59 – 819.00 / 1662, State Department Correspondence, 1932.

¹⁹⁵ USNA, General Records Department of State, 59 – 819.00 / 1658, State Department Correspondence, 1932.

rather desired the show of support that the United States' supplying it would have implied.¹⁹⁶

The prolonged strike and growing disruption forced the Panamanian government to suspend civil rights and institute martial law in an effort to quell insurrection at the end of August. Similarly, the government also arrested approximately 25 of the key strike organizers, and this scared a number of renters into resuming rent payments; nonetheless, this did little to end the strike.¹⁹⁷ Subsequently, the Panamanian government approached the US ambassador asking to purchase tear gas bombs to be able to address a major uprising. Davis officially declined, but still obtained permission to have the War Department supply the Panamanian government with said tear gas if the insurrection continued to worsen.¹⁹⁸ It did not get to that point. The government began debating legislation to address the strikers' concerns. There was one significant protest in which a mob of 2000 attempted to storm the National Theatre where the National Assembly was meeting, but this was quelled with gunfire in the air and bayonets. The Assembly further banned all public assembly while it finished passing the legislation.¹⁹⁹

A significant outcome of this new legislation was that the National Assembly allocated money for the Tenants' League to rent properties in Panama City and Colon for unemployed persons. It issued building incentives and tax breaks for the creation of new tenement housing and instituted new taxes on tenement landlords who were grossing more than an eight percent profit.²⁰⁰ While the legislation did not adequately address the underlying unemployment issues that made the rent situation so volatile, it did bring an

¹⁹⁶ For a discussion of the extent of Panama's armaments see USNA, General Records Department of State, 59 – 819.00 / 1662, State Department Correspondence, 1932.

¹⁹⁷ USNA, Civilian Agency Records, 84 – 819.00 / 1670, State Department Correspondence, 1932.

¹⁹⁸ USNA, Civilian Agency Records, 84 – 819.00 / 1680-1683, State Department Correspondence, 1932.

¹⁹⁹ USNA, Civilian Agency Records, 84 – 819.00 / 1684, State Department Correspondence, 1932.

²⁰⁰ USNA, Civilian Agency Records, 84 – 819.00 / 1675, State Department Correspondence, 1932.

end to the strike by the beginning of November. President Arias began appealing to the United States for more control over who was hired by the Canal Commission, in order to help alleviate some of the persistent unemployment.

Despite the pressure to increase Panamanian access to these jobs, it is clear that Arias' requests again went unanswered as a construction company obtained permission from the Canal Commission to import a few hundred "American Negroes" for driving steel on a new project in November of 1932.²⁰¹ Granting this meant the United States once again gave priority to meeting American companies' requests rather than to Panamanian concerns with addressing the real and immediate unemployment crisis gripping the Republic. This was a very public display of how the Canal Commission could and did qualify for exceptions to local legislation mandating racialized immigration exclusion. This incident was widely publicized within Panama and served to underscore the need for the Panamanian government, as opposed to the United States, to actually control who was permitted to immigrate to the Republic.

In the following years, unemployment and financial troubles continued to grow in Panama. A major employer, the Standard Fruit Company, did not have the money to buy the bananas that it had promised to purchase from its growers in the Republic. It issued notes promising to pay in three months time and blamed the governments of the United States and Panama for the situation. It explained that banking trouble in the United States combined with the Panamanian government's new 75% Panamanian employment requirements caused the Company's cash-flow difficulty.²⁰² Companies claimed that Panamanian laborers were more expensive and hiring them caused undo financial

²⁰¹ USNA, Records of the Panama Canal, 185 - F - 5/I, Telegram, 1932.

²⁰² USNA, Civilian Agency Records, 84 - 819.00 - General Conditions / 102, State Department Correspondence, 1934.

hardship, perhaps hoping that this rhetoric, if repeated enough, would garner tax breaks for those employers who complied with the law. The Panamanian government was too broke to consider such tax breaks, however, and it needed to increase the employment of its citizens as one in four were unemployed by 1933. It had already reduced the salaries of its entire civil service and was continually mindful of a potential working class uprising in and around the Canal Zone.²⁰³ This unrest was visible in the 1933 May Day celebrations and in the subsequent arrests of communists and Tenants League organizers which the government undertook in an effort to avoid another rent strike. As it was, the government for that very purpose was already not allowing landlords to evict tenants who were delinquent on their rent payments.²⁰⁴ The indigenous population of San Blas also, again, appeared on the verge of revolt in 1933, and it was unclear that the government had the ability to deal with another uprising without American aid.²⁰⁵ In light of all the Panamanian Government's other pressing concerns, all that the employers' focus on the hardship of the 75% employment requirement accomplished was to keep anti-immigrant sentiment in the media and therefore at the centre of Panamanian political discourse which ultimately would make it more challenging for foreign laborers to be imported in the future.

The Canal Commission, as well American diplomatic officials, were acutely aware of the labor issues by the 1930s. The Canal Commission worked under financial

²⁰³ LaFeber, *The Panama Canal*, 83.

²⁰⁴ The Panamanian government is capable of forcing evictions of those who still had not paid their rent, not because the public sentiment had changed but because the working class, both employed and unemployed, was being organized by two different unions who were more focussed on fighting each other than the government of Panama. There were also significant communist and Nazi movements in Panama City and Colon that further divided the working-class. See USNA, Civilian Agency Records, 84 – 819.00 - General Conditions / 96, State Department Correspondence, 1933; USNA, Civilian Agency Records, 84 – 819.00 - General Conditions / 95, State Department Correspondence, 1933; USNA, Civilian Agency Records, 84 - 819.00B / 22, State Department Correspondence, 1933; USNA, Records of the Panama Canal, 185 – 80 – H – 10 / Clippings - 4, Newspaper Clippings, 1933.

²⁰⁵ USNA, Records of the Panama Canal, 185 – 80 – A – 15 / clippings – 2, Newspaper Clippings, 1933.

and practical constraints of its own. British West Indians spoke English and were therefore easier to supervise for white anglophone Americans on the gold pay roll. The economic depression had also reduced the silver jobs available, and it was often easier to rehire someone, usually of West Indian origin, who already had experience working on the Canal than hiring a Panamanian who had no such experience. By the summer of 1933 the United States' Ambassador to Panama and the Governor of the Canal Zone were aware of the problem. There were more than 10,000 West Indians living in the Canal Zone alone, and the Canal only employed about 4000 of them. The Governor of the Canal Zone planned to hire Panamanians when choosing between them and any other similarly qualified candidate.²⁰⁶ Ambassador Davis also began working on ways to finance the repatriation of unemployed West Indians, hopefully decreasing the number of unemployed people around the Canal Zone who had previously been employed by the Canal.²⁰⁷ The funds were available for West Indian repatriation, but there was very little interest in the Panamanian West Indian community for being repatriated, and the United States proved unwilling to forcibly repatriate unemployed West Indians who wished to remain in Panama.²⁰⁸ Many of these West Indians, who had originally come to Panama to work on the canal, now lived in the Republic, primarily in the two major cities at either end of the canal, Panama City and Colon, and they were now affecting unemployment levels within Panama. The American inaction regarding the significant numbers of unemployed West Indians in Panama served only to foster greater anti-Americanism as Panamanians understood the issue to be financial rather than about the individual rights

²⁰⁶ USNA, Civilian Agency Records, 84 - 819.00 - General Conditions / 102, State Department Correspondence, 1934.

²⁰⁷ USNA, Records of the Panama Canal, 185 - 80 - A - 3, State Department Correspondence, 1933.

²⁰⁸ USNA, Civilian Agency Records, 84 - 819.00 - General Conditions / 108, State Department Correspondence, 1934.

of West Indians and therefore thought that unemployed West Indians should have been forced to leave Panama. The Panamanian government could not force the United States to act but knew that the unemployment issue surrounding the Canal Zone and the related political unrest needed to be addressed.

To do so, in 1933 the government of President Harmodio Arias adopted a new project referred to as agricultural colonization that was designed to draw unemployed workers away from the major cities and into the interior. The government supplied these workers with land in the interior in a location of its choosing as well as with basic supplies for the establishment of a residence and a small agricultural business. The government was to get the first option to buy produce from these new farms for use in its hospitals and prisons. In principle this was an attractive idea as it created jobs for unemployed persons and removed them from the major cities where housing was expensive and scarce. Even so, reports indicate that only fifty families or so participated in this new project.²⁰⁹ While the project might have succeeded in helping a small number of people, it is less clear that it made any appreciable impact on the poverty and low employment levels around the Canal Zone. It is also unclear to what extent non-native born Panamanians were eligible for this program and whether it removed any of the people from the major cities who were the target of the racially motivated nationalism that was so prominent during this period.

In the midst of all these struggles, another source of employment for Panamanians came to an end as the United States' liquor policy changed. Prohibition came to an end

²⁰⁹ USNA, Civilian Agency Records, 84 - 819.00 - General Conditions / 92, State Department Correspondence, 1933.

in the United States towards the end of 1933.²¹⁰ This was significant as Panamanian merchants had held the monopoly on alcohol sales to ships and tourists in transit, as well as to Canal Zone employees who ventured out of the zone. There was a great deal of attention given by the Panamanian press to what this American policy change would mean for Panama. The press portrayed the change as likely destroying Panama's own liquor industry: it reported that the commissaries would commence selling alcohol at lower rates than Panamanian merchants could afford. While this did not turn out to be true, it was fodder for the proverbial fire of growing anti-Americanism in the Canal Zone. In actuality, the United States' banks had substantive outstanding loans to liquor merchants in Panama, and United States officials were aware that it was in American financial interests for these merchants' businesses to remain viable so that the United States banks could recoup their investments. Prior to prohibition, commissaries had stopped selling all bottled goods, and there was no American plan to revisit this policy. The only actual change brought on by the end of prohibition in the United States was that clubhouses and restaurants in the zone began selling alcohol to their patrons for consumption on the premises; however, their alcohol was supplied through the Republic and not from the United States.²¹¹

Questions of eligibility for commissary privileges arose more generally in 1933 as the Panamanian government requested that Canal Zone employees who lived in the Republic be exempt from commissary privileges or at least be barred from bringing commissary goods into the Republic. Canal Zone officials were unmoved on this issue. They maintained that all employees were entitled to commissary privileges even if they

²¹⁰ LaFeber, *The Panama Canal*, 84.

²¹¹ USNA, Civilian Agency Records, 84 - 819.00 - General Conditions / 108, State Department Correspondence, 1934.

chose to live in the Republic.²¹²

At the end of 1933 President Harmodio Arias made a surprise visit to Washington to appeal for help in addressing the immediate financial and political challenges facing Panama.²¹³ This was a timely visit as it coincided with Franklin Roosevelt's announcement of his Good Neighbor Policy, in which his government promised to move away from interventionism in Latin America. This visit, while not bringing about immediate change, was an important turning point in Panama's relationship with the United States. Presidents Roosevelt and Arias made a joint statement that the 1903 treaty had been intended to cover "the use, occupation and control by the United States of the Canal Zone for the purpose of maintenance, operation, sanitation and protection of the Canal" and that Panama should be able "to take advantage of the commercial opportunities inherent in its geographic situation as far as ... [might] be done without prejudice to the maintenance, operation, sanitation and protection of the Panama Canal by the Republic of Panama."²¹⁴ Roosevelt promised that the United States would consider all proposals that would help ameliorate Panama's economic situation so long as proposed changes would not adversely impact the United States' ability to maintain and operate the Canal.²¹⁵ This announcement had two significant outcomes. First, it marked the beginning of another series of treaty negotiations; second, and more immediately, the United States began making small, but significant policies changes that helped ameliorate the economic situation in Panama.

²¹² USNA, Civilian Agency Records, 84 - 819.00 - General Conditions / 92, State Department Correspondence, 1933.

²¹³ LaFeber, *The Panama Canal*, 84; Conniff, *Panama and the United States*, 90; McCain, *The United States and the Republic of Panama*, 246.

²¹⁴ As quoted in McCain, *The United States and the Republic of Panama*, 246.

²¹⁵ Leonard, "The Commissary Issue in the American-Panamanian Relations," 99; McCain, *The United States and the Republic of Panama*, 223.

In particular, the United States began trying to address the issues surrounding recent Panamanian allegations of inappropriate and excessive commissaries sales in the Canal Zone. Commissary sales to tourists were banned, potentially creating the opportunity for Panamanian merchants to fill this void. Ships travelling through the Canal were only eligible to buy necessities from the commissaries: food, fuel, and cleaning supplies.²¹⁶ Commissary records were examined to identify who had been buying excessive amounts of goods, particularly sugar, and individuals who had been warned via letter that there would be consequences if they continued to purchase goods for more than their or their immediate families' use.²¹⁷ Sugar was a politically wise commodity to monitor, because it was easy to identify excessive buying, and this was a commodity that Panamanian sugar producers were desperate to sell. The warning was therefore an effective way to show that the United States was endeavouring not to compete with Panamanian business.²¹⁸

In 1934 the United States government considered a policy change to increase American employment opportunities in Panama and hopefully to address American unemployment issues by potentially importing more Americans to work in the zone. It proposed changing the policy to reserve all Canal Zone jobs for American citizens. Fortunately, both the Governor of the Canal Zone and United States ambassador recommended against this change as it would not significantly help the American

²¹⁶ USNA, Civilian Agency Records, 84 - 819.00 – General Conditions / 102, State Department Correspondence, 1934.

²¹⁷ USNA, Civilian Agency Records, 84 - 819.00 – General Conditions / 102, State Department Correspondence, 1934.

²¹⁸ Cane growers in the interior had large harvest surpluses, and the sugar dealers were not willing to purchase cane from any but those farmers who were indebted to them from previous seasons. Sugar cane was going to waste in large quantities within the Republic. Therefore the United States' efforts to curb its sales of imported sugar were an important concession for the Panamanian agriculture industry. See USNA, Civilian Agency Records, 84 - 819.00 – General Conditions / 102, State Department Correspondence, 1934.

domestic situation and would have significant negative implications both for Panama's economy as well as the relationship between the two nations.²¹⁹ United States officials compiled lists of key grievances made by Panamanians and their government against the United States and the Canal Commission. Of significant concern to Panama were commissary sales, Panama Railway Company land holdings in Colon, annuity payments, the need for a trans-isthmian highway, repatriation of unemployed West Indian laborers, and Panama's protectorate status.²²⁰ In 1934 President Roosevelt visited Panama and discussed many of the key issues with Panama's political leaders.²²¹ Following his visit, new treaty negotiation officially began between Panama and the United States.²²²

In March of 1934 Canal officials showed their understanding of the issues in Panama's dealings with the United States. Standard Fruit asked the Canal Commission for permission to bring in a few black banana collectors. It was told that it could not import a single foreign worker and must abide by the Panamanian employment laws.²²³ The implication of the written exchange between the Canal Commission and Standard Fruit is that the agricultural company had not been respecting the 75% employment requirement for Panamanian workers and that the United States was unwilling to aid them in this practice any longer. The Canal Commission had allowed companies to import workers for specific purposes as late as 1932 as discussed previously, but was no longer willing to do this. Officials clearly understood that the banana industry was going through a down-turn as Standard Fruit and United Fruit had not purchased all the bananas

²¹⁹ USNA, General Records Department of State, 59 – 850.4 – Repatriation, State Department Correspondence, 1934.

²²⁰ USNA, Civilian Agency Records, 84 – 850.4 , State Department Correspondence, State Department Correspondence, 1934.

²²¹ USNA, Civilian Agency Records, 84 - 819.00 – General Conditions / 108, State Department Correspondence, 1934.

²²² McCain, *The United States and the Republic of Panama*, 247.

²²³ USNA, Records of the Panama Canal, 185 – 80 – A – 15 / I, State Department Correspondence,, 1934.

from Panamanian farmers that they were expected to. This lack of export purchasing resulted in approximately 20% of the produce going to waste and in vast lay-offs in the agricultural industry.²²⁴ With decreased buying by these companies causing an increase in unemployment, they could not be granted permission to import workers from outside the Republic. The Governor of the Canal Zone instructed all of the American quarantine officers in the Canal Zone to ensure that they enforced all of Panama's immigration laws and that they were to recognize appropriate Panamanian entry permits. The quarantine officers were warned that they would be better regulated, especially in regions where immigrants from barred groups were still gaining entry into the Republic.²²⁵

Even while the United States endeavoured to address some issues plaguing its relationship with Panama, the Panamanian government was likewise struggling to address concerns with its relationship with the Kuna. Issues surrounding the relationship of the San Blas population with the central Panamanian government re-emerged in the 1934. The indigenous population, under the influence of English-speaking Protestant missionaries, were drifting further from the Panamanian government's sphere of influence. Newspapers began reporting on the potential of another uprising by the Kuna peoples that the Panamanian government would likely not have been able to suppress without American aid. However, any American intervention would have fuelled more anti-Americanism, and it was therefore unclear if American aid would have been forthcoming.²²⁶

The United States tried to understand and address Panamanian complaints but

²²⁴ USNA, Civilian Agency Records, 84 - 819.00 - General Conditions / 108, State Department Correspondence, 1934.

²²⁵ Jamaican immigrants were appearing in great numbers in the Chirqui region, and there was concern about lax and corrupt immigration officials. USNA, Records of the Panama Canal, 185 - 79 - F -5, 1934 ;USNA, Records of the Panama Canal, 185 - 79 - F -8, 1934.

²²⁶ USNA, Records of the Panama Canal, 185 - 80 - A - 15, State Department Correspondence, 1934.

often it was unable to understand the concerns from the Panamanian perspective. Panama had been working to develop an agriculture industry that could potentially supply some of the needs of the Canal Zone. The United States ostensibly supported this initiative, but, when faced with the reality of purchasing from these new suppliers, it was less interested. Panamanian farmers attempted to sell their beef to the Americans but were told that Americans preferred to buy chilled corn-fed American beef and suggested that they might instead find a market for coarser Panamanian beef amongst the non-American people in the Canal Zone.²²⁷ The Americans could have suggested that the beef industry begin refrigerating their product in the American fashion instead of refusing to purchase the product, but rather they suggested Panamanian producers sell it to an immigrant group whose presence was already a point of major contention between the two nations.

By the end of 1934 Panamanian newspapers were frequently printing articles that discussed the business successes of many Hindu immigrants in Panama. United States officials estimated Hindu merchants were doing more than half a million dollars in business per month in Panama in this period as well as displacing many native Panamanians as taxi drivers and as stevedores. In December of 1934 the Panamanian National Assembly unanimously passed legislation barring all Hindus, regardless of their financial circumstance, entry into the Republic.²²⁸ This shows Panama's depth of hostility towards immigrants whatever their financial background. By the end of 1934 the United States had only used \$20,000 of the \$150,000 allocated for repatriating West Indians, and it was receiving very little interest in repatriation from the remaining West

²²⁷ USNA, Civilian Agency Records, 84 - 819.00 - General Conditions / 108, State Department Correspondence, 1934.

²²⁸ USNA, Civilian Agency Records - 84 -855 - Hindus, State Department Correspondence,, 1935.

Indian community within Panama. It was still unwilling to forcefully repatriate the unemployed West Indian population, to the great frustration of the Panamanians.²²⁹

Panamanian national and municipal government officials and employees began joining in openly with anti-American demonstrations by the end of 1934.²³⁰ It became clear to United States officials in Panama that without a new treaty that dealt with at least some of Panama's major concerns, the safety of the Canal Zone personnel and property as well as secure access to the Canal more generally would be threatened.

While the Panamanian government actively pursued a new treaty with the United States, it was faced with growing unrest within Panama and consequently passed more legislation in an attempt to quell potential uprisings, making the need for a new treaty to address the underlying causes all the more urgent. In 1935 the completion of the Madden Dam Construction project resulted in a further drop in demand for labor and higher unemployment. Its completion guaranteed a water supply to maintain the Canal's water volume during the dry portion of the year and therefore provided for a more regular flow of vessels through the Canal. It increased the potential year-round benefits that Panama's merchants could enjoy if a new agreement were to limit commissary sales to ships.

Rising nationalism, often coalescing as anti-Americanism, defined the period leading up to the 1936 treaty with the United States. Panama tried to address many of the issues causing domestic labor, housing and political unrest, particularly those related to immigration and preferential employment of foreigners over native born Panamanians, but it met with limited success. The lack of success proved to Panamanian politicians

²²⁹ USNA, Civilian Agency Records, 84 - 819.00 – General Conditions, State Department Correspondence, 1935.

²³⁰ USNA, Civilian Agency Records, 84 - 819.00 – General Conditions, State Department Correspondence, 1934.

that the only way to substantively address these concerns was through a new treaty with the United States that allowed them greater abilities to deal with the domestic issues.

The new treaty signed in March of 1936 originally had four portions, but only two of them were actually passed by the United States and Panamanian governments. The main treaty, referred to as the Hull-Alfaro Treaty, and the Trans-isthmian Highway Agreement were approved, but two other agreements regarding radio transmissions in and around the Canal Zone were never passed. The Hull-Alfaro treaty received ratification by the Panamanian National Assembly in December of 1936, but was not ratified by the United States until 1939.

The new treaty abrogated the first article of the Hay-Bunau-Varilla Treaty of 1903 that had been interpreted in such a way as to make Panama a United States protectorate. It increased the annuity payment that Panama received from the United States and agreed to allow Panama a greater share of the financial benefits of being home to the canal, specifically allowing Panamanian business to sell goods and services to ships passing through the canal and to further restrict commissary sales to things required for the maintenance and protection of the canal. Canal defense became a shared responsibility, and Panamanian citizens gained the right to cross through the Canal Zone. The new agreement also ended the Americans' right to intervene in the internal administration of Panama City and Colon.²³¹ The treaty ended the United States' ability to appropriate any more of Panama's lands or waterways without the permission of the government of Panama. Similarly it gave Panama real power in controlling which immigrants were admissible to Panama, even those entering through the Canal Zone. It did not, however, formalize any mechanism for determining who the United States employed within the

²³¹ Langley, "Negotiating New Treaties with Panama: 1936."

Zone. While the agreement did curb certain of the commissary privileges, it did not do so nearly to the extent that Panama wished for.²³² It also did not give Panama control over its immigration policy. The imminent threat of World War II motivated the United States Senate to finally pass the Hull-Alfaro treaty on July 25 1939 to ensure Panama's cooperation in defense planning for the potential war.²³³

The second treaty that succeeded was the Trans-isthmian Highway Convention that took the railway monopoly away from the American owned Panama Railway Company and gave funding for the Panamanian government to build a highway between Panama City and Colon.²³⁴ The new treaty brought about many real changes within Panama and in its relationship with the United States. It did not, however, put the Canal or even the Canal Zone under Panamanian control.

²³² Leonard, "The Commissary Issue in the American-Panamanian Relations," 101; Langley, "Negotiating New Treaties with Panama: 1936," 229; LaFeber, *The Panama Canal*, 87.

²³³ Conniff, *Panama and the United States*, 91; LaFeber, *The Panama Canal*, 88; Major, *Prize Possession*, 296; Leonard, "The Commissary Issue in the American-Panamanian Relations," 100.

²³⁴ Langley, "Negotiating New Treaties with Panama: 1936."

Conclusion

Panama has long been the strategic crossing point between the Pacific and Atlantic Oceans. As such its isthmus has long been influenced by peoples using it as a transit way: in the pre-Columbus era, as part of the Spanish Empire, as part of independent Nueva Granada and as a United States protectorate. Until the mid-19th century, the region was an overland crossing point. The United States, in an effort to link its new western territories with the eastern states and facilitate the movement of people, goods and information during the California Gold Rush, built a railway across the isthmus that brought with it regular American military intervention. The railway construction in the 1850s brought an economic boom to the region and a large influx of immigrants to work on the project, thus beginning the tradition of foreigners competing with Panamanians for jobs and starting the cycle of prosperity during construction projects and significant unemployment and economic downturn upon their completion or abandonment. During the 1880s, the French tried and failed to build a canal. With their attempt a new wave of immigrants arrived, and a new period of unemployment followed failure of the project. The United States meanwhile had recovered from its Civil War and had a growing manufacturing industry needing raw materials and reliable, efficient access to market. The United States therefore orchestrated Panama's separation from Columbia and forced it to accept treaty terms that allowed the United States to build and control a canal through its isthmus.

Panama failed to gain its autonomy and became a United States protectorate and

rapidly became the home to a United States controlled canal. The United States' dealings with Panama are unique and pivotal because the canal was invaluable to the growth of its new empire. The new empire required stable, safe access to the canal for both economic and military purposes and this was therefore its priority over Panama's many grievances regarding the inequality of the two nations' relationship. Panama was of unique importance to the growing United States Empire.

The Panamanian government had many challenges to overcome in order to maintain order and effectively govern its population. In 1904, Panama was forced to disband its army. Then after 1915, it could not have an armed police force. It had regular and recurrent labor unrest, housing crises, rent strikes, and economic challenges stemming from Canal Zone commissaries out-competing Panamanian merchants but lacked the means to deal with challenges without the assistance of the United States. Panamanians were largely barred from many of the Canal Zone jobs that were given to Americans and to black West Indian immigrants and that caused rampant anti-black xenophobia and anti-Americanism. Panama spent decades negotiating and failing to achieve a favourable agreement with the United States.

Growing unrest regarding employment, housing and political stability, as well as regular threats to United States property and safety, together with President Roosevelt's Good Neighbor Policy, all contributed to the Hull-Alfaro Treaty that addressed certain of the inequalities in their relationship. The treaty was signed in 1936, and passed by the United States Senate in 1939 in order to secure the canal and Panama's cooperation in World War II.

Epilogue

Panama's relationship with the United States has been and will likely continue to be a complex and delicate interaction. Both nations have different and distinct interests. However, they both want to see the stable operation of the canal, although for different reasons. The 1936 treaty did alter the nature of the two countries' relationship by allowing Panama to realize some financial benefits from the canal while the United States still maintained enough control for it to feel that the political stability of the canal and the area surrounding it were secure. The fact, however, remained that Panama had a complex society, which, while in some ways similar to other Central American nations and with a racial hierarchy like that of the United States, was nonetheless unique to itself. The United States government did not understand Panama, nor did it adequately address Panama's labor and immigration concerns in the Hull-Alfaro Treaty. As a result, further politically and racially motivated unrest ensued. Yet the reality was that in 1936 Panamanian society had too many internal divisions, especially those created through understandings of race and class, for the whole population to unite and force the United States to address all of the nation's concerns with the new treaty. Panamanian nationalism was defined against several things - blacks, immigrants, American power - rather than around a common understanding and purpose.

Following the ratification of the Hull-Alfaro Treaty, conditions within Panama did improve in the short term as did its relationship with the United States. The Canal Commission began construction of another set of locks.²³⁵ This, in combination with the

²³⁵ Jaén Suárez, *The Panama Canal*, 55.

building of a highway between Panama City and Colon, created more jobs, and these in turn lessened the economic hardship facing the region. The beginning of World War II also lessened the focus on the domestic issues and created a temporary cooperative relationship between the United States and Panama. However, in post-war Panama, it became clear that while the 1936 treaty had addressed many of the challenges facing Panama's relationship with the United States, there were many more issues left. It also brought a new wave of West Indian immigrants. After the war, definitions of class and nationalism within Panama changed and united the working people in a coherent anti-Americanism sentiment. In 1945, Panama expanded its definition of citizenship to include all people born in Panama, a move that resulted in the formation of a more united working class. West Indian workers and native Panamanian employees of the Isthmian Canal Commission unionized, albeit separately, and organized silver workers. While still racially divided, the unions did work together to fight for wage increases and better working conditions. Educational funding, ironically from the United States, had expanded the universities within Panama and created a larger educated population to articulate popular anti-American ideas.²³⁶ During the war, the United States had leased new land in Panama for military bases. These leases came due, and Panamanians rioted, to little avail, in December 1947 in opposition to the National Assembly ratifying new lease agreement that did not guarantee financial assistance for the Republic. Public opposition, massive demonstrations and strikes by students and professors forced the National Assembly to reject the proposed agreement with the United States and to abandon its new military bases.²³⁷ This was the beginning of a coherent organized anti-

²³⁶ Conniff, *Panama and the United States*, 93-101.

²³⁷ LaFeber, *The Panama Canal*, 98-107; Conniff, *Panama and the United States*, 101.

Americanism that spanned class and race and redefined Panamanian nationalism for decades to follow.

Throughout the 1950s and 1960s, Panamanians continued to suffer from the economic inequalities inherent in their relationship with the United States and the Panama Canal Company.²³⁸ Over the years following World War II, Panama's problems with its relationship with the United States became increasingly focussed on Panamanian sovereignty as is clearly visible in the recurring Flag Riots.²³⁹ Panama no longer wanted just the financial benefits afforded by the Canal but likewise wanted recognition of its sovereignty over the Canal Zone. While it is clear that there were different veins within the growing Panamanian nationalism movement (elite, working class, popular, intellectual); they were united in purpose: the Panama Canal needed to be under Panamanian jurisdiction.²⁴⁰ Finally, in 1977 a new agreement was reached that laid out the path for the gradual transition to Panamanian control over the Canal Zone and the canal itself. It did quickly address many of the key issues (preference for hiring Panamanians for new and vacated jobs, commissary control, etc.) but the military control of the Canal remained American until the end of 1999.

²³⁸ The Panama Canal Company was created from an amalgamation of the Isthmian Canal Commission and the Panama Railway in 1950. Conniff, *Black Labor on a White Canal: Panama*, 110-11.

²³⁹ Alan L. McPherson, *Yankee No! : Anti-Americanism in U.S.-Latin American Relations* (Cambridge, Mass.: Harvard University Press, 2003), 77-116.

²⁴⁰ See Conniff, *Panama and the United States*, 98-139; McPherson, *Yankee No!*, 77-116.

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