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JAN 23 1952

CENTRAL INTELLIGENCE AGENCY  
BOARD OF NATIONAL ESTIMATES

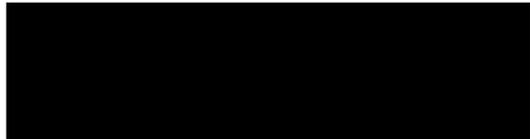
23 January 1952

MEMORANDUM FOR THE INTELLIGENCE ADVISORY COMMITTEE

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

1. The attached draft estimate has been approved by the Board of National Estimates pursuant to consideration by the IAC representatives.
2. This estimate has been placed on the agenda of the IAC meeting scheduled for 10:30, Thursday, 24 January 1952.

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Executive Secretary

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 NEXT REVIEW DATE: \_\_\_\_\_  
 AUTH: HR 10-2  
 DATE: 12 FEB 81 REVIEWER: 018557

CENTRAL INTELLIGENCE AGENCY

23 January 1952

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

THE PROBLEM

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

CONCLUSIONS

1. As an organized political force operating in its own name, Communism in the Republic of Panama is weak. In no circumstances could the Communists themselves seize power in Panama, or otherwise politically endanger US strategic interests there, during the period of this estimate.

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

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

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

5. The principal candidates in the presidential election to be held on 11 May 1952 are Jose Remón, who is favorably disposed toward the United States, and Roberto Chiari, who is not unfavorably disposed but is dependent on the support of the Patriotic Front. Remón could probably win a free election. The Patriotic Front and the Communists, however, are likely to resort to mob violence in their determination to defeat him. Remón, who has the support of the National Police, is reluctant to resort to force to gain the Presidency, but might do so if he concluded that otherwise his election would be prevented. It is not certain that the Police would support Remón in a coup d'état, but it is likely that they would do so. Whatever course they took would probably prove decisive.

6. Civil disturbances are therefore probable in connection with the forthcoming election and a coup d'état by either side is possible. The intensity of such disturbances will affect both the outcome and the ensuing political situation.

7. Remón, as President, could expect the continuing, implacable opposition of the Patriotic Front and the Communists. If he had come to power by the use of force those elements would claim justification for their charge of militarism against him and would probably receive greater popular sympathy for their continued opposition than would otherwise be the case. Remón could probably control the situation, however, so long as he had the support of the National Police.

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

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

DISCUSSION

Basic Factors in the Situation

Panamanian Dependence on the United States

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

Basic Economic Conditions

11. Panama's economic development has been limited by sparsity of population, meagerness of natural resources, dearth of capital and concentration on the "Canal economy" to the neglect of agricultural development. Foreign trade is almost exclusively with the United States. Although most of the working population are engaged in agriculture, foodstuffs are

the principal import (70 percent). Exports consist largely (61 percent) of one crop, bananas, controlled by two US firms. There is normally a large adverse balance of trade which in 1951 amounted to \$30,000,000. This adverse balance is normally offset by dollar earnings in the Canal Zone. Thus the economy of Panama is highly sensitive to the level of US activity in the Zone.

Basic Social Conditions

12. The population of Panama is classified as 14 percent white, 19 percent Negro, and 65 percent mestizo or mixed. Racial tension exists with respect to the Negro minority of British West Indian origin. A few white families control most Panamanian economic activity above the level of subsistence farming. The principal employers of wage labor are the United States (in the Canal Zone) and the United Fruit Company.

Basic Political Conditions

13. Panamanian politics are essentially a contest for the perquisites of office among the few families which dominate the economic and social life of the country. Consequently they are based almost exclusively on personalities rather than on issues and are characterized by kaleidoscopic shifts in alignment amongst

the many personal factions involved. Political activity is limited largely to the principal cities, Panama and Colon.

The Patriotic Front Party

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

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

Communism in Panama

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

17. As an organized political force operating in its own name, Communism in Panama is weak. The (Communist) People's Party has only some 500 members, of whom no more than 50 could be regarded as a hard core. Leading Panamanian Communists are mostly individualistic intellectuals. Some have been expelled from the Party in the course of its internal dissensions, but retain their Communist ideology. In some circumstances, the Party may be able to enlist proletarian support through its control of the Worker's Federation and through its potential influence among the Negro employees of the Canal.

18. The most dangerous aspect of Communism in Panamanian politics is the influence of individual Communists (both Party members and expellees) among the intelligentsia. In these circles, in which philosophical Marxism is a respectable and widely

accepted doctrine, Communism is not regarded as an alien menace. Communism exerts a strong influence upon both teachers and students at all levels of the Panamanian educational system and, through them, may eventually gain control of the Patriotic Front.

#### The National Police

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

20. The National Police are capable of suppressing any probable Communist or Patriotic Front disorders. They may hesitate, however, to fire upon student rioters, some of whom would be the sons of the "best families" of Panama.

#### The Current Crisis

#### The Economic Situation

21. The postwar reduction in US expenditures in the area has caused an economic depression in Panama. Probably 15 per-

cent of the normally employed population of Panama City and Colon are now unemployed. Bank deposits have declined and there has been an important bank closure. Local mismanagement, graft, and capital expenditures for unproductive purposes have contributed to this situation. Most Panamanians, however, disclaim any national responsibility in the matter and look to the United States to solve the problem through economic assistance. With that end in view officials and businessmen may purposefully exaggerate the Communist danger, the favored formula for obtaining US aid.

#### The Approaching Election

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

#### Remón and the National Patriotic Coalition

23. In October 1951 Colonel Remón resigned as Commandant of the National Police in order to qualify as a candidate for the Presidency. The miscellany of traditional parties or

factions supporting him calls itself the National Patriotic Coalition. Their program, as expressed by Remón, includes the maintenance of friendly relations with the United States, special attention to agricultural and financial problems, and free elections.

24. An important element of strength on Remón's side is the good will of the National Police. The present Commandant, Colonel Vallarino, is supporting Remón's candidacy, but is not subservient to him. It appears that the Police, as a force, are now committed no further than to maintain order.

#### Chiari and the Civil Alliance

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

through the participation of Communists in the Patriotic Front.

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

Arnulfo Arias and the Panameñistas

27. A third factor in the political situation is Arnulfo Arias, the deposed President, who is in jail but retains a considerable popular following organized as the Panameñista Party. Arias is willing to exchange his political support for his liberty and may hold the balance of electoral power.

Probable Developments

28. The course of events will largely depend on three uncertain factors: the direction in which Arnulfo Arias throws his support; the possibility of mob action by the Patriotic Front; and the conduct of the National Police.

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

30. Harmodio Arias is determined to prevent Remón from attaining the Presidency. It is possible that he might do so by gaining for Chiari the support of Arnulfo Arias. It is quite likely, however, that Harmodio Arias will feel it necessary to resort to mob violence in order to accomplish his purpose.

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

32. Remón, as President, could expect the continuing implacable opposition of the Patriotic Front and the Communists.

If he had come to power by the use of force these elements would claim justification for their charge of militarism against him and would probably receive a greater degree of popular sympathy for their continued opposition than would otherwise be the case. Remón could probably control the situation, however, so long as he had the support of the National Police.

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

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

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