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# Panama

*Crossroads of the World*

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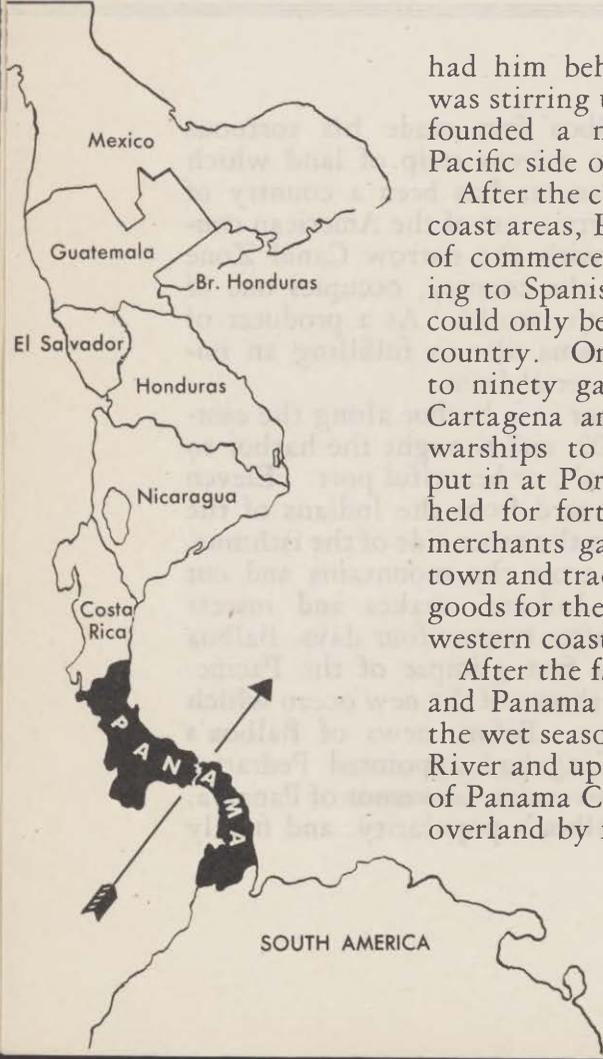
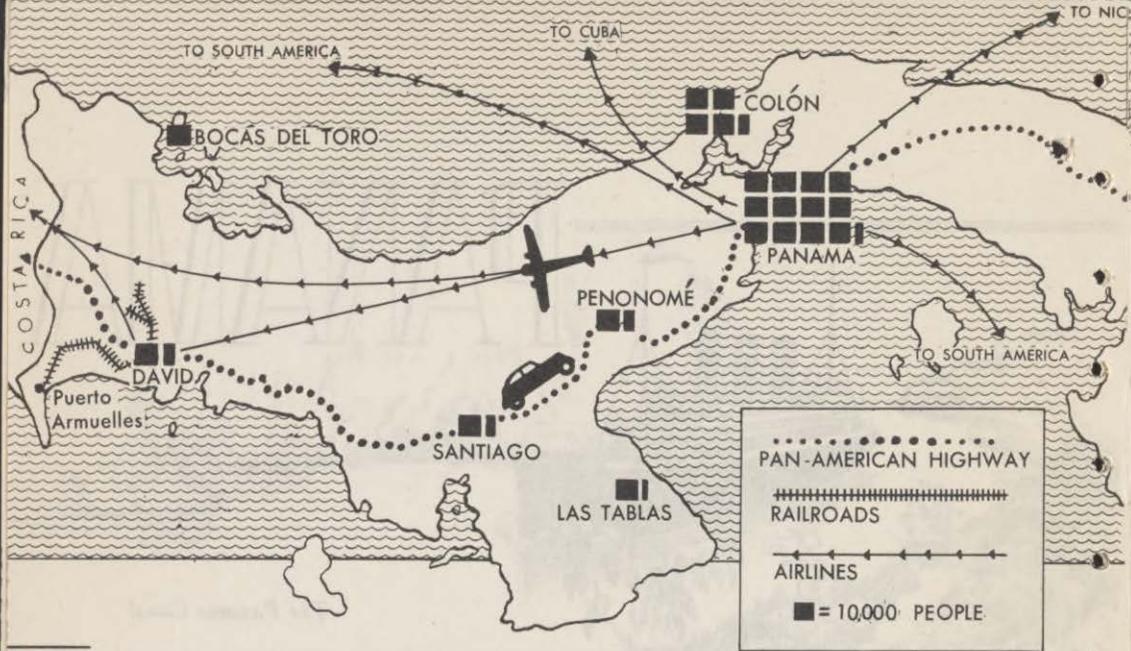
# PANAMA



*The Panama Canal*

SINCE Vasco Núñez de Balboa first made his tortuous journey across the isthmus, the narrow strip of land which today forms the Republic of Panama has been a country of transit on the route to the western coast of the American continents. Today the republic, with the narrow Canal Zone running through the center of the country, occupies one of the most strategic positions in the world. As a producer of abacá for marine cordage, Panama also is fulfilling an important function on the raw material front.

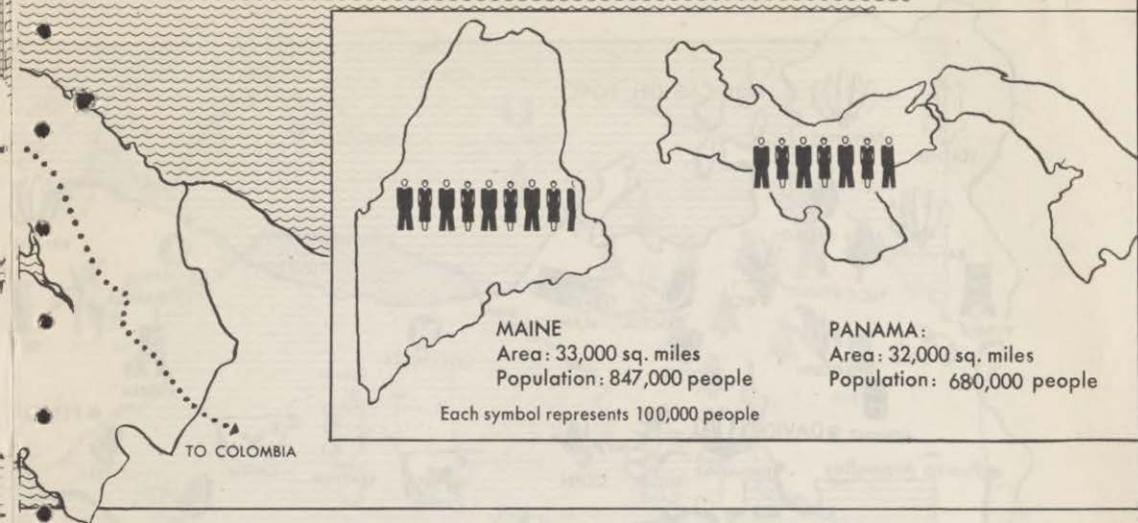
Columbus first weighed anchor in a harbor along the eastern coast of Panama late in 1502, and thought the harbor so lovely he called it "Puerto Bello", or beautiful port. Eleven years later Balboa, who had heard from the Indians of the wealthy territories which lay on the other side of the isthmus, started out with 190 men to cross the mountains and cut through the jungle. Hostile Indians, snakes and insects delayed the party, but at last after twenty-four days, Balboa climbed a hill and caught his first glimpse of the Pacific. Four days later, he reached the shores of the new ocean which he called the Great South Sea. Before news of Balboa's exploits reached Spain, the King had appointed Pedrarias Dávila, a court favorite in his seventies, Governor of Panama. Pedrarias became jealous of Balboa's popularity, and finally



had him beheaded on the pretext that he was stirring up a revolt. In 1519, Pedrarias founded a new capital, Panama, on the Pacific side of the isthmus.

After the conquest of Peru and other west-coast areas, Panama became a leading center of commerce in the New World. According to Spanish law, trade with its colonies could only be carried on through the mother country. Once a year a fleet of from thirty to ninety galleons set out from Spain for Cartagena and Portobello accompanied by warships to ward off pirates. The ships put in at Portobello, where a huge fair was held for forty or fifty days. Hundreds of merchants gathered in the small unhealthy town and traded textiles and other European goods for the gold, silver and cacao from the western coast of South America.

After the fair, the goods destined for Peru and Panama City were sent by sea, during the wet season, to the mouth of the Chagres River and up the river to within a few miles of Panama City or, in the dry season, carried overland by mules. Goods for west coast

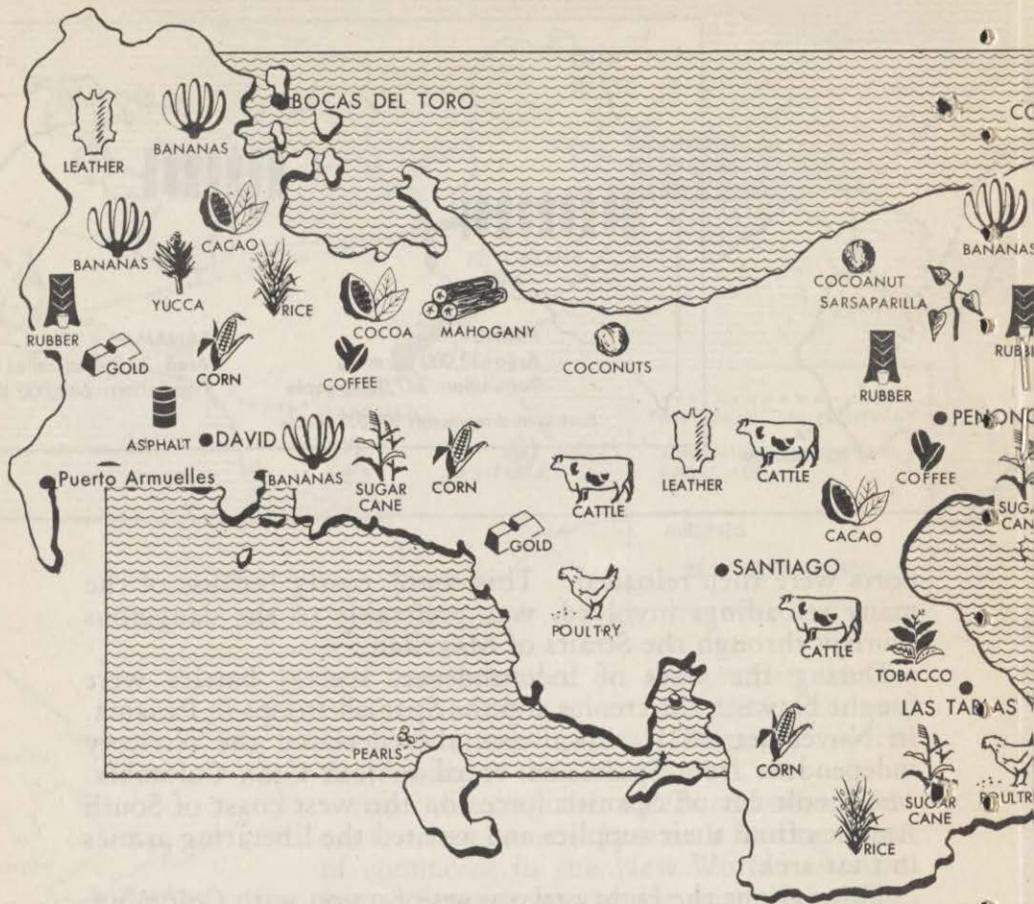


ports were then reloaded. This route, costly because of the many reloadings involved, was preferable to the dangerous journey through the Straits of Magellan.

During the wars of independence, several battles were fought between the creoles and the Spanish troops in Panama. In November, 1821, a local assembly declared the territory independent from Spain and voted to join Gran Colombia. The revolt cut off Spanish forces on the west coast of South America from their supplies and assisted the liberating armies in that area.

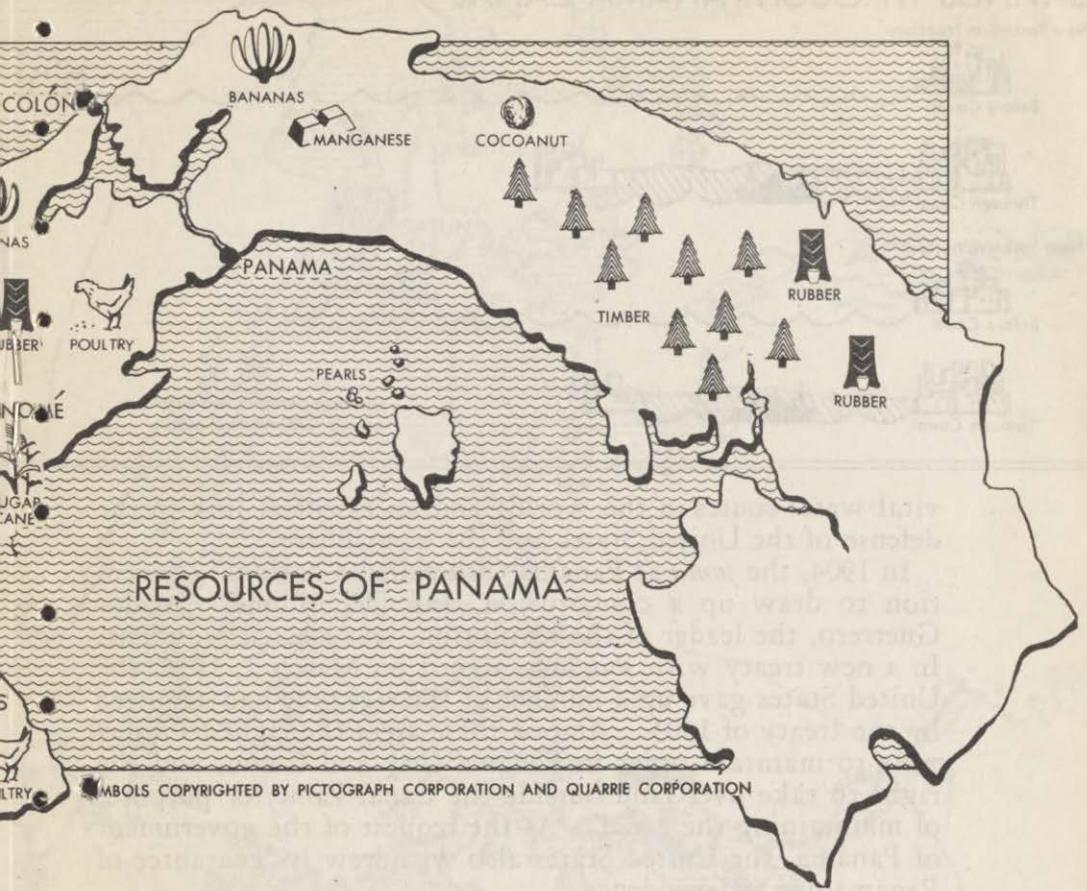
Throughout the eighty-two years of union with Colombia, Panama was a center of Colombian revolutionary activity. On several occasions it declared its independence from Colombia, but it was not until 1903 that a permanent break came. The idea of an isthmian canal had been considered soon after the discovery of Central America but had been opposed by Spain, who regarded the isthmus as a protection for the wealthy colony of Peru against the pirates who harassed her Caribbean possessions.

After independence, the plan for a canal was revived. The United States, with the acquisition of California, and Great Britain, with her predominant naval power, were both vitally interested. Various treaty negotiations took place during the rest of the nineteenth century. The Colombia-United States treaty of 1846 provided that any canal built across Panama would be open to the United States and that the United States would guarantee the neutrality of the isthmus and Colombia's control over it.



Meanwhile, a French company had started to construct a canal. Ferdinand de Lesseps, who had built the Suez Canal, was in charge of the operations which continued from 1878 to 1889, and ended in dismal failure. In 1903, discussions were begun about the construction of a canal by the United States. The French company was willing to sell its rights and installations in Panama. A treaty, giving Colombia \$10,000,000 outright and \$250,000 a year in exchange for a six-mile strip of land across the isthmus, was approved by the U. S. Senate but rejected by the Colombian Congress.

The people of Panama, afraid that the United States might decide to build a canal via an alternate route through Nicaragua, staged a revolution against the Colombian government, which the United States did nothing to check. In fact, the United States Navy prevented the landing of Colombian troops. The United States recognized the independence of

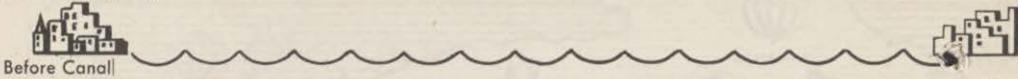


Panama three days after the revolution and, in the treaty of 1903, received from Panama a ten-mile strip of land, five miles on each side of the canal. It agreed to make a payment of \$10,000,000 and \$250,000 a year. In 1921, the United States and Colombia signed a treaty in which Colombia recognized the independence of Panama and the United States paid Colombia \$25,000,000 in compensation for the loss of territory.

The canal itself was finally completed in 1914, after an expenditure of \$400,000,000, in addition to the \$400,000,000 spent by the French company. Unhealthy working conditions, due to yellow fever and malaria, which had contributed substantially to the failure of the French, were almost entirely eliminated through the work of Dr. William C. Gorgas. Three locks on each end of the canal raise ships to Gatún Lake, an artificial body of water made by damming the Chagres River. Needless to say, the canal is one of the most

# SAVINGS THROUGH PANAMA CANAL

New York—San Francisco



New York—Valparaiso



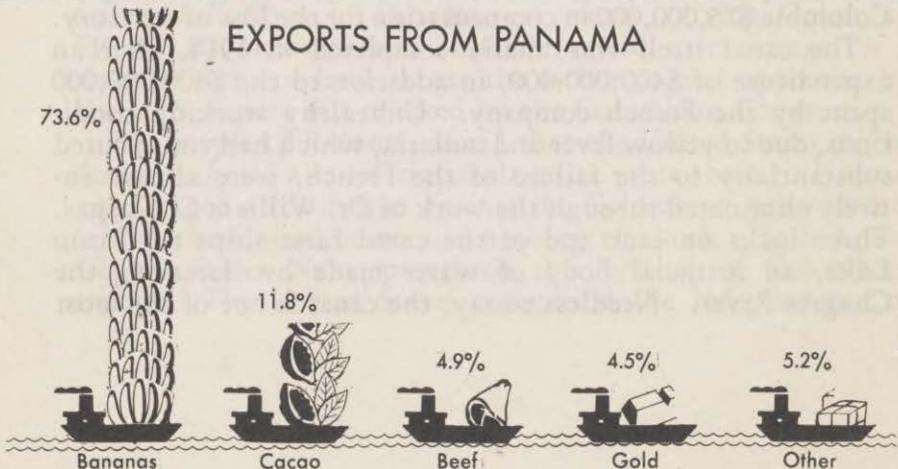
Distance between two waves equals 1,000 nautical miles

vital water-routes in the world, and an essential link in the defense of the United States and the hemisphere.

In 1904, the *junta* at Panama City called a national convention to draw up a constitution, and Dr. Manuel Amador Guerrero, the leader of the revolution, was elected president. In a new treaty with Panama, signed on March 2, 1936, the United States gave up a number of the rights it had acquired by the treaty of 1903. Among these were the right to intervene to maintain order in Panama City and Colón, and the right to take over land outside the Canal Zone for purposes of maintaining the canal. At the request of the government of Panama, the United States also withdrew its guarantee of Panamanian independence.

Ricardo Adolfo de la Guardia became president in October, 1941, and led the hemisphere in a declaration of war against Japan on the 7th of the following December—the day of Pearl Harbor. Several hundred Axis nationals, including many Japanese, were speedily rounded up and imprisoned.

## EXPORTS FROM PANAMA



CARIBBEAN SEA

COLÓN  
CHRISTOBAL

GATUN LOCKS

GATUN

LAKE GATUN  
85 feet above sea level

Chagres River

GAILLARD CUT

PEDRO MIGUEL LOCKS

Lake Miraflores

MIRAFLORES LOCKS

PANAMA

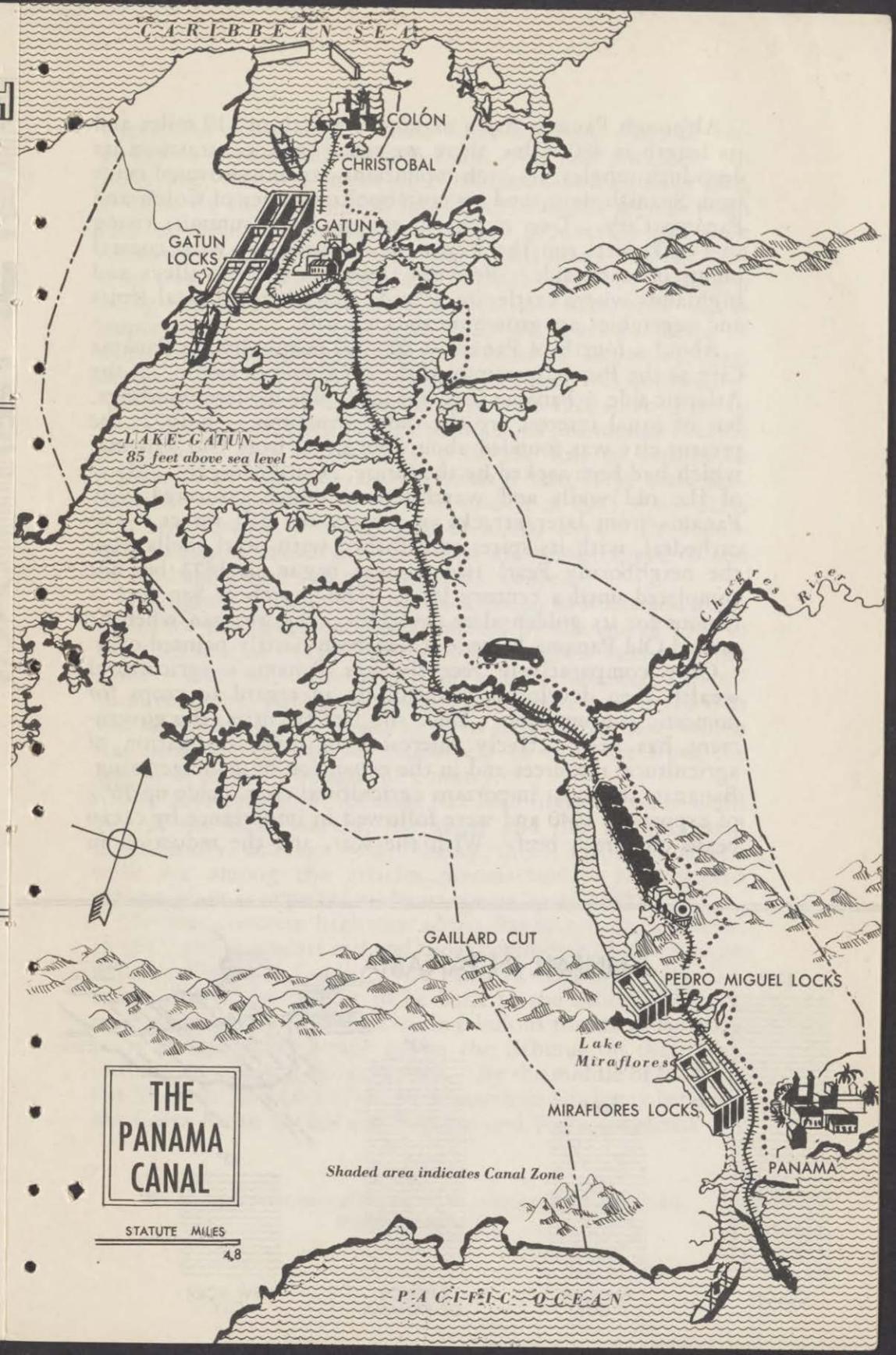
# THE PANAMA CANAL

*Shaded area indicates Canal Zone*

STATUTE MILES

4.8

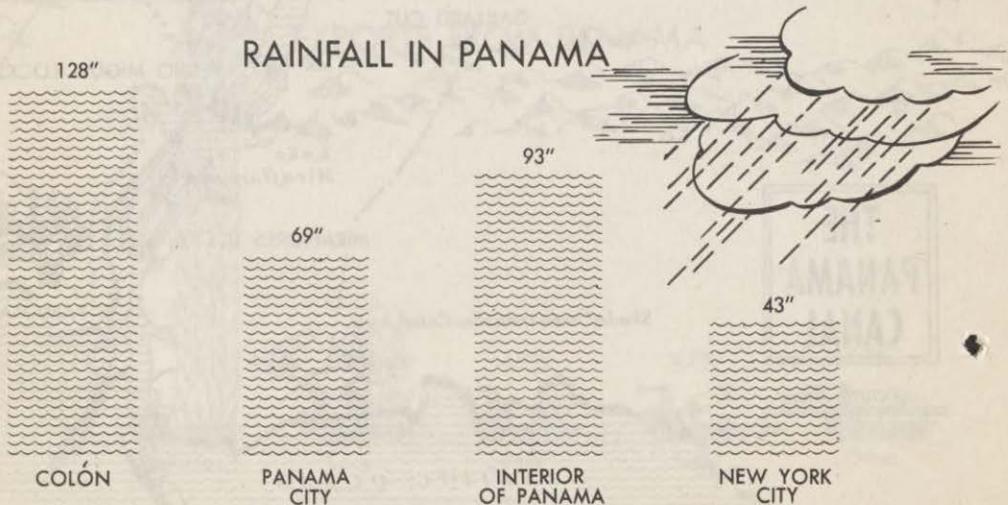
PACIFIC OCEAN



Although Panama has a maximum width of 110 miles and its length is 480 miles, there are remarkable contrasts in its deep lush jungles, its high mountains, its moss-covered ruins from Spanish days, and its cosmopolitan cities of Colón and Panama City. Two mountain ranges, with summits rising to 14,000 feet, run the length of the country, with coastal plains on each side. Between these are fertile valleys and highlands where cattle are grazed, and where tropical fruits and vegetables are grown on the rich soil.

About a fourth of Panama's 600,000 people live in Panama City at the Pacific terminus of the canal and in Colón, on the Atlantic side. Panama City has many fine modern buildings, but of equal interest are the older structures. In 1672, the present city was founded about four miles from Old Panama, which had been sacked by the pirate, Henry Morgan. Many of the old walls and watch-towers which protected New Panama from later attacks of pirates are still intact. The cathedral, with its spires embellished with pearl shells from the neighboring Pearl Islands, was begun in 1673 but not completed until a century later. The church of San José is famous for its golden altar, overlooked by Morgan when he sacked Old Panama because it had been hastily painted over.

Only comparatively recently has Panama's agricultural wealth been developed, particularly in regard to crops for domestic consumption. Since the late twenties, the government has been actively interested in fuller utilization of agricultural resources and in the expansion of manufacturing. Bananas, the most important agricultural crop, made up 76% of exports in 1940 and were followed in importance by cacao beans and fresh beef. With the war, and the reduction in



imports of many staple foods, there has been renewed emphasis on production of corn, beans, rice and potatoes. In peacetime, rice was imported from China and Ecuador but, in 1942, for the first time in its history, Panama grew enough rice to meet its requirements. Corn production has been increased to provide for growing domestic needs, and the 1942 crop was 42% larger than that in 1941. Poultry raising is being encouraged for farm diversification, with baby chicks imported by air express from Florida. Various forms of assistance to cattle growers have been so successful that, between 1938 and 1942, the number of cattle was doubled.

Abacá cultivation was begun as early as 1928 in an effort to find some new crop for banana plantations abandoned because of disease. But it was only with the loss of Philippine sources of this fiber for marine cordage that large scale production was undertaken. By the middle of 1943, 6,461 acres had been planted, toward a goal of 30,000 acres. The republic's forests of castilloa rubber trees are being tapped to add to the hemisphere's supply of natural rubber.

A program to encourage the cultivation of fruits and vegetables for the Canal Zone had resulted by the end of 1943 in the shipment of 85,000 pounds of foodstuffs a month to the Zone. With the introduction of a more balanced agricultural economy, Panama is putting its hitherto neglected rich soil to better use and is adding to its national income, which has been derived almost exclusively in the past from the transit of people through the country.

The development of industry has been limited by the small size of the local market, but sugar and rice are processed domestically, and beer, rum, whisky, shoes, soap, and canned milk are among the articles manufactured. A projected cement plant is expected to be in operation in 1945.

The first concrete highway across Panama was completed in 1942, and augments rail and canal communications between Panama City and Colón. The railroad between these two cities, one of the earliest to be built in the other Americas, was completed in 1855, and made fabulous profits in its early years in transporting men across the isthmus on their way to California during the gold rush. By the middle of 1944, all but 59 of the 367 miles of the Pan-American Highway between the Costa Rican border and Panama had been completed.

