

**The Untold Story
of
Panama**

by Earl Harding

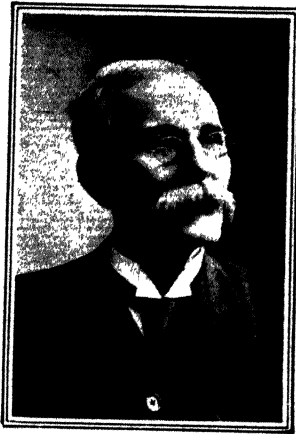


ATHENE PRESS, INC.
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The Untold Story of Panama

Panama Honors Its Creators

A rare document: Souvenir of luncheon given by Dr. Amador's son Raoul on his father's Inauguration Day to honor the men who, they said, did most to make possible the "Independence" of Panama.



Dr. MANUEL AMADOR
First President of the Republic of Panama

LUNCHEON

Tendered by

DR. R. A. AMADOR

To

WILLIAM NELSON CROMWELL
GEO. H. SULLIVAN
E. B. HILL
WILLIAM J. CURTIS
R. L. FARNHAM

E. A. DRAKE
CHARLES PAINE
R. L. WALKER
S. DEMING
DR. M. J. ECHEVERRIA

WALDORF-ASTORIA
New York, February 20th, 1904

Panama, March 2nd 1910 -

Dear Harding -

Inclosed you will find copy
of letter promised. I have the
original ready for use at any
time - So call at mother's, and
"just tell her that you saw me" -
I give my love to all -

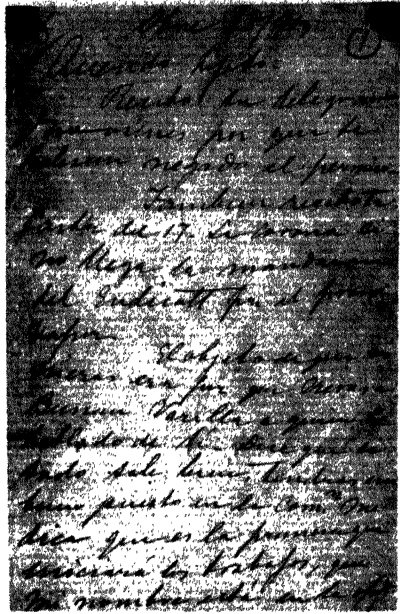
I hope and expect from
you and the world my correspond
ships, and damn you at that -

Anything I can be of service to you,
and fully confident, with every
A success.

Yours affly
Raoul Amador.



Raoul Amador shortly before his death in Paris - 1934, and one of several letters to Earl Harding showing Amador's cooperation in 1909 - 10.



(translation from Amador's Spanish)

October 18, 1903

Dear Little Son:

I received your telegram that you are not coming, as they have refused you permission.

Also received your letter of the 17th. If the wreath does not come, they will send it from the *Endicott by the next steamer.

The reason for your coming was for you to meet Bunau-Varilla, to whom I have spoken of you. He said that if all turns out well, you shall have a good place on the medical commission, which is the first that will begin work; that my name is in Hay's office and that certainly nothing will be refused you.

The plan seems to me good. A portion of the Isthmus declares itself independent and that portion the United States will not allow any Colombian forces to attack.

An Assembly is called, and this gives authority to a Minister to be appointed by the new Government in order to make a treaty without need of ratification by that Assembly.

The treaty being approved by both parties, the new Republic remains under the protection of the United States, and to it are added the other districts of the Isthmus which do not already form

part of the new Republic, and these also remain under the protection of the United States.

The movement will be delayed a few days--we want to have here the Minister who is going to be named so that once the movement is made he can be appointed by cable and take up the treaty. In 30 days everything will be concluded.

We have some resources on the movement being made, and already this has been arranged with a bank.

As soon as everything is arranged I will tell B. -V. to look out for you. He says if you do not wish to go he will look out for a position for you in New York. He is a man of great influence.

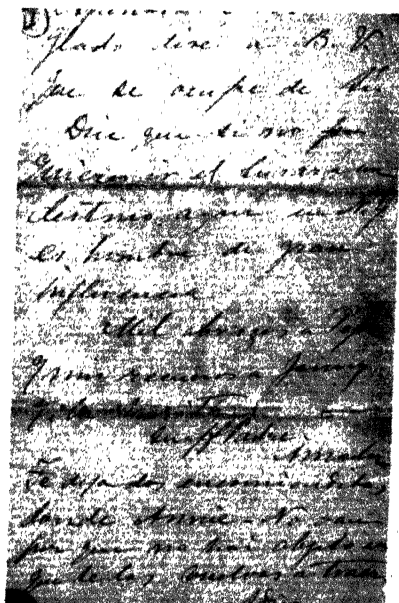
A thousand embraces to Pepe and my remembrances to
**Jenny and Mr. Smith.

Your affectionate father,
AMADOR

P. S. - I leave two parcels at Annie's. I did not send them as it will be no use to have you bring them back with you. Adios.

* Hotel Endicott, New York, was Dr. Amador's headquarters.

** Jenny A. Smith was the American wife of Dr. Amador's son Raoul.



Querida hija
B. V.
que se ocupa de
Dice que se van a
Amador y el
destino a
es hombre de gran
influencia
El
que
Amador
de
para
que
que

MEMORANDUM OF AGREEMENT

W H E R E A S, J. I. Morgan & Co, J. Edward Simons,
James Stillman, Isaac Seligman, Douglas Robinson, Henry W. Taft,
E. E. Rogers, J. R. Delamar and others, desire to purchase certain shares
of the capital stock of the Compagnie Nouvelle Du Canal de Panama
Company, at such terms, and upon such conditions as may be named by a com-
mittee of three persons to be selected from the parties to this agree-
ment;

N O W, T H E R E F O R E, we, the undersigned, for our
selves, our administrators and assigns, in consideration of the mutuality
hereof, have agreed to and with each other as follows:

First: To purchase as many shares of the capital stock of
the Compagnie Nouvelle Du Canal de Panama Company as possible, at a
price not exceeding twenty per cent (20%) per share, per par value of
One Hundred Dollars (\$100.)

Second: When so acquired, to place the whole of said
shares of stock in the hands of the committee herein before referred to.

Third: Said stock is to be held by said committee for
the benefit of the parties to this agreement, and to be disposed of at a
price not less than Fifty-five (55%) per share on a basis of One Hundred
Dollars (\$100) par value.

The proceeds of the sale of the stock, after deducting all
and any expenses in acquiring and in making the sale thereof, are to be

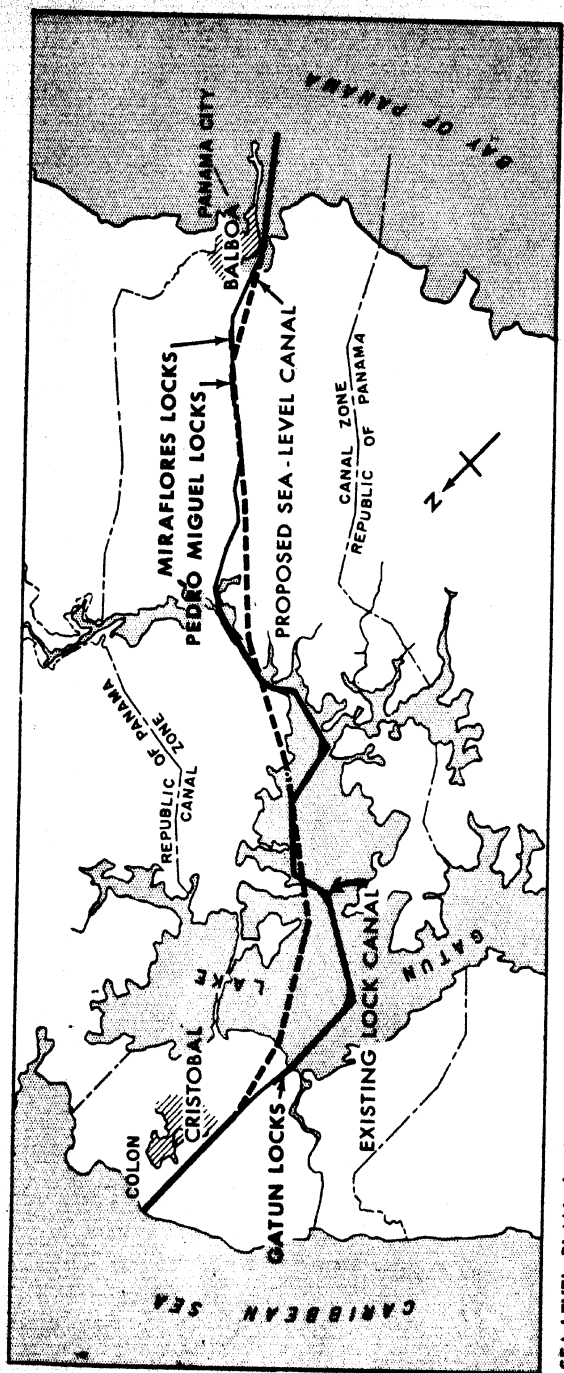
MR. ISAAC H. SELIGMAN,

In Account With J. & W. SELIGMAN & CO.

<u>1902</u>			
Aug. 6	To 1500 Panama Canal 6% 1st Series, Separate A/c)		
" "	" 1000 " " 6% 2nd " " " ")	\$	34,384.75
Oct. 13	" 881 " " 6% 1st " " " ")		
" "	" 619 " " 6% 2nd " " " ")		30,129.50
Nov. 30	" 1475 " " 6% 1st " Special A/c		23,543.26
Dec. 5	" 125 " " New Stock, " "		2,533.14
<u>1904</u>			
Jan. 11	" 175 " " 6% 1st Series, " ")		
" "	" 177 " " 6% 2nd " " " ")		
" "	" 174 " " 5% " " " ")		
" "	" 194 " " 4% " " " ")		
" "	" 150 " " 3% " " " ")		11,021.74
" 13	" 917 " " New Stock, " "		20,064.16
Apr. 11	" 1000 " " " " " ")		23,942.95
Jun. 29	" Delivered in Paris by Mr. Kahn on instructions)		
	given by Paul M. Warburg for a/o of Isaac)		
	" S. :		
	328 Panama Canal 6% 1st Series)		
	146 " " 6% 2nd " ")		----
	458 " " 5% " " ")		
	374 " " 4% " " " ")		
	355 " " 3% " " " ")		
	203 " " Lottery Bonds)		
	60 " " New Stock)		
<u>1905</u>			
Sep. 20	" Received from the Liquidator in Paris)		
	815 Panama Canal Lottery Bonds) Spec'l A/c		
" "	" 1353 Panama Can. Lott. Bds., Separate A/c		
" "	" 475 " " " " " A/c Warburg		
" "	" 20 " " " " " A/c Coupons		
" 26	" 11 6417 " " " Bought of Jefferson S.	255.34	
" "	" 802.4440 " " " Bought of J. & W.S. & Co.	17,599.50	
Oct. 17	" his proportion of Paris Joint A/c)		
	145 20 Panama Canal Lott. Bds.)		2,946.09
" "	" 2 70 " " " " Bought of Isaac S.		
	London		54.78
<u>1903</u>			
Oct. 13	" 2000 Panama Canal New Stock, Special A/c		27,020.51
May 20	" 1250 " " " " Separate		25,972.18
Aug. 13	" for 11,000 50 abandoned call Panama Stk., Separate		2,125.70
<u>1906</u>			
Oct. 25	" " 11,000 E.F. Winslow, Special A/c		2,130.09

PAUL M. WARBURG.

<u>1903</u>			
May 20	To 1250 Panama Canal New Stock		25,966.64
	Cables		12.00
<u>1904</u>			
Feb. 15	By 850 Panama Canal New Stock		18,748.78
Mch. 9	" 400 " " " " "		8,854.97



SEA-LEVEL PLAN showing approximate course in relationship to present canal

THE DOTTED LINE INDICATES SEA-LEVEL CANAL SUGGESTED IN 1947. IT WOULD REQUIRE A NEW TREATY, SINCE CANAL ZONE LIMITS WOULD BE CHANGED. PANAMA COULD EXACT ANY PRICE.

IN JUSTICE TO COLOMBIA

HOW TO SETTLE THE DISPUTE WHICH AROSE WHEN WE "TOOK" PANAMA — THE WIDE IMPORTANCE OF THE PROBLEM IN SOUTH AMERICA — FOR A WIDER CANAL ZONE

BY
FARL HARDING

[The author of this article went to the Isthmus of Panama and to Bogotá in 1909 and 1910 to dig out the hidden history of the Panama secession. In this way he was brought in contact with the Colombian people more intimately perhaps than any foreigner could be who had not his special mission. The result of his two-years' study of the Panama question was presented to the Foreign Affairs Committee of the House of Representatives under the Rainey Resolution to investigate the "taking" of Panama.—THE EDITORS]

* * * * *



THE CANAL AND ITS SURROUNDINGS

SHOWING THE WIDTH OF THE CANAL ZONE IF IT INCLUDED COLON AND PANAMA AND THE WATERSHED OF THE CHAGRES RIVER, AND SHOWING THE TERRITORY EAST OF THE CANAL THAT MIGHT BE GIVEN BACK TO COLOMBIA

THE PROBLEMS OF DUAL SOVEREIGNTY ARE NOT NEW - the author outlined them in 1913 in the above article and accompanying illustration.

H. G. Prescott

Nov. 7/1903

Colon

The chief conspirator
congratulate his first
aid-de-camp, for the manner
that he behaved during
the conspiracy.

Dr. Arredondo

Serie I—Número 9°

BOGOTÁ—COLOMBIA

Agosto 28—1909

DIRECCION
Manuel G. Usategui
y
Ricardo Sarmiento
(de la Revista)

Ciudad: Carrera 8ª, número 249
Por telégrafo: "PROTESTA"

LA PROTESTA

TARIFA

Suscripción anual	\$ 10
Suscripción de 6 meses	6
Propaganda ordinaria	10
Avance en materia periodística	10
Avance en materia periodística	10
Interés en materia periodística	10

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Harding y Guyot, los periodistas yanquis comisionados por el WORLD, dan caza al Presidente Cazador Mr. Roosevelt

EARL HARDING IS GREETED BY THE PRESS.

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The American Way



ONE ALTERNATIVE TO MONOPOLY

THE UNTOLD STORY OF PANAMA

New York Journal on Nov
19, 1901.



Why All in One Basket? Copyright 1901, by American Newspaper, Inc.

Uncle Sam is beginning to think there is truth in the old proverb, "Never carry all your eggs in one basket." In this instance his one basket is the one

for safety in the national defense, but for speed and economy in interoceanic commerce. A second canal would be a self-liquidat



EARL HARDING

The Untold Story of Panama

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To the Memory of

Joseph Pulitzer, Frank Irving Cobb, Don C. Seitz,
Robert Hunt Lyman, Caleb M. Van Hamm and my other
associates on *The World*, and Delavan Smith,
Charles R. Williams and Hilton U. Brown
of *The Indianapolis News*,
who fought and won the battle
for Freedom of the Press
and laid the foundations for this book

and
with abiding love and appreciation

To my wife
Louise Graham Harding
Member American Society of International Law
and International Bar Association
for her counsel and inspiration
in writing *The Untold Story*

THE UNTOLD
STORY OF PANAMA

Paid by United States Taxpayers

1904 — To bondholders of defunct “Old” Panama Canal Company and to stockholders of bankrupt “New” French company — or to speculators who had gambled in the French securities	\$40,000,000
(For his forty millions Uncle Sam was to get the rusty digging equipment of the French, the Panama Railroad which the French had purchased, their about-to-lapse concession from Colombia, and the French companies’ “archives” — which were never delivered.)	
1904 — To the Republic of Panama, creature of U. S.-protected “revolution” of 1903	10,000,000
1922 — To Colombia, in partial reparation for T. R.’s having “taken” the Isthmus	25,000,000
To Panama in annuities	20,500,000
1913 to 1933, 21 payments at \$250,000	
1934 to 1955, 22 payments at 430,000	
1956-57-58, 3 payments at 1,930,000	
	° \$95,500,000

° This total does not include \$24,300,000 “fair market value” of Canal Zone properties given to Panama by the 1955 treaty, nor the cross-Canal bridge to cost the United States upward of \$20,000,000, nor the million-plus paid to Panama for “rental” of defense sites during World War II; nor the U. S. Government’s total investment in the Canal enterprise, as of June 30, 1953, audited by the Comptroller General as \$489,162,524, nor the many more millions spent on maintenance and operation of the Panama Canal.

Author's Preface

United States citizens have on their hands a continuing struggle to keep control of the lifeline of their national defense and the backbone of their ocean commerce — the United States-built and United States-owned Panama Canal.

Nasser set a pattern for canal seizure at Suez in 1956. Although legally inapplicable to the Panama Canal, the Nasser example of expropriation delighted Panamanian radicals. The danger implicit in ignoring their reactions was not recognized by most North Americans, who have assumed for half a century that trouble at Panama always evaporates.

Seriousness of the situation at the Isthmus was brought home to the United States by the Nixon incidents in Lima and Caracas in May, 1958 and by almost coincident outbreaks of wild disorder in Panama, with defiant challenging of United States sovereignty over the Canal Zone, preceded by a Panamanian flag-planting "invasion" of the Zone her-

alded to the world as "Operation Sovereignty."

Pressures little realized by the North American public have been building up steadily and persistently in Panama and elsewhere ever since the Suez crisis, with these objectives:

1. *Nationalization* of the Panama Canal by the Republic of Panama — an avowed permanent aspiration of Panamanian youth. Pending nationalization, to reassert Panama's claim to sovereignty over the Canal Zone and the "right" to fly Panamanian flags there; to require the United States to establish Spanish as the official language in the Zone, and at the same time to demand more and still more "benefits" for Panama under United States treaties — all with strong backing of high Panamanian officials and much of the Panamanian press.
2. *Annulment* of Panama's 1903 treaty grant of sovereign control of the Canal Zone to the United States "in perpetuity" as allegedly "contrary to international law."
3. *Internationalization* of the Panama Canal under control of the United Nations.
4. *Expropriation*, in effect, by demanding for Panama at least 50/50 division of *gross* income from Canal tolls (in 1958 the *gross* was \$42,834,006 and the *net* to the United States was \$2,656,382) — or another vast increase in United States annuity payment, which started at \$250,000, went to \$430,000, and at this writing is \$1,930,000.

Still another threat of eventual expropriation is in Panama's December, 1958 law extending the Republic's coastal waters to a 12-mile limit. This law was passed with representations that it will enable Panama to close the seaward ends of the United States Canal Zone, compel all ships using the Canal to fly the Panama flag, to recognize Panama's sovereignty, and to pay whatever taxes Panama may levy on such

shipping; and, if necessary, have this issue adjudicated in an international court.

To this complex of political problems has been added since World War II a tangle of economic, engineering and defense questions:

1. Should the capacity of the present high-level lake-and-locks system of the Panama Canal be expanded to meet present and future needs? Such expansion, already overdue, is possible under present treaties with Panama, and at relatively moderate cost.
2. Would conversion to a sea-level strait make the Panama Canal enough safer from atomic destruction to justify a cost of unforeseeable billions of dollars plus diplomatic uncertainties and unfathomable hazards from rock slides? Change to sea-level, because it would make some changes in Canal Zone boundaries, would require a new treaty — for which Panamanian politicians could exact any price.
3. Should the United States, in the light of recent experiences, anticipate that Panamanian demands may become so unreasonable that another canal should be planned now? The United States still holds, under the Bryan-Chamorro Treaty of August 5, 1914, “exclusive proprietary rights” in perpetuity for the “construction, operation and maintenance” of a canal through Nicaragua.

As Representative Daniel J. Flood of Pennsylvania told Congress, on May 29, 1957, the United States in successive treaty revisions beginning in 1936-39 threw away its bargaining power with Panamanian politicians. Sorely needed on both sides of the bargaining table will be North Americans and Panamanians who know, and will squarely face, the cold, hard facts of history.

Anti-American attitudes in Panama can be traced directly to the fact that Panamanians of the present generation have never been told the whole truth — how, and why, and by whom their little Republic was created. A great many

North Americans are almost as uninformed. A realistic reappraisal of the history of United States relations with the Republic of Panama is essential to a better understanding. For, without knowledge of that history, neither North Americans nor Panamanians can reach sound and just conclusions as to their rights, responsibilities and obligations when the recurring problems of the Isthmian area demand solution.

* * *

Building of the Panama Canal required leadership and financing by the United States. President Theodore Roosevelt considered it the greatest achievement of his administration, as important for the United States as was the Louisiana Purchase in 1803. The disruptive proposals now advanced for making over the relationships at Panama — some of them of communist origin — might be classed with a suggestion that the Louisiana Purchase be rescinded!

The leaders who wrought the world-important enterprise at Panama have passed on without telling all of the story. Succeeding generations, in Panama as well as in the United States, have lost sight of or never knew essential facts bearing on the history of that great undertaking. Facts that belong to history are disclosed for the first time in this book.

Controversy over the creation of the Republic of Panama in 1903 came to a climax when President Theodore Roosevelt in 1908 demanded that Joseph Pulitzer, owner of the *New York World*, two of his editors, and two publishers of the *Indianapolis News* be prosecuted for alleged criminal libel for what they had published about the "Panama scandal." A *cause celebre* comparable in importance for a free press to the famous defense of John Peter Zenger two centuries earlier resulted, after two years, in a sweeping defeat of the Rooseveltian charges in the United States Supreme Court, on questions of law.

Meanwhile, the Pulitzer defense on questions of fact had to be assembled for presentation in court if the prosecution

went that far — which it never did. I had been in the Pulitzer organization only four years and had just been made Day News Editor of the Morning World when I was asked to take charge of an intensive investigation of the antecedents of the Panama Republic. I was told that it might require two or three months. It took all of my waking hours for more than two years. Being then 10 to 15 years the junior of *The World's* editors and lawyers who took an active part throughout that two-years' legal struggle, I am the sole survivor.

It happened that I learned early the value of preserving records; so, long after I moved from journalism into the business world I put in fireproof storage documented facts about the history of the Panama "revolution" of 1903 which could not be disclosed even when much of the evidence which I developed in 1909 and 1910 was presented to a committee of Congress in 1912. Many obscure gaps in Isthmian history can now be filled in.

The Panama Canal is a tremendous service to the free world, and especially to our Latin-American neighbors. Its continued efficient operation is indispensable to their well-being. The mounting crises since 1956 demand that the whole story of Panama be told.

New York, February 11, 1959

Earl Harding

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