

Chapter 17

The Heritage of Conflict

Unless the United States gives away the Panama Canal it will have in the future to deal with today's Panamanian youth, who will have grown into Panamanian politicians. How are they to learn the truth about who created their Republic? Are North Americans willing to face up to their share of responsibility for the "tragedy of errors" that led to President Theodore Roosevelt's "taking" the Isthmus?

The history of the creation of the Republic of Panama will always be clouded with the conflicting personalities and contradictory assertions of two brilliant men, Cromwell and Bunau-Varilla. More should be recorded than can be compressed into a short book about the contradictions of these two extraordinary men, each credited largely or in part with the paternity of the Republic.

Bunau-Varilla died in Paris in 1940 at the age of 81, acclaimed there for having "engineered a revolution" to fulfill his boyhood dream of canal building in Panama. But in Panama his memory is reviled and he has been hanged in effigy by anti-Americans who say Bunau-Varilla negotiated

a treaty so good for the United States and so bad for Panama that he was guilty of a "great treason."

Cromwell died in New York in 1948 at the age of 94. Despite his grievance that the French Panama Canal Company's liquidators cut his bill for fees and disbursements from \$832,449.38 to \$228,282.71, he gave generously to the American Library in Paris, where he spent many of his later years. He told his French clients that his own time almost exclusively and much of his partners' had been devoted to Panama Canal matters for eight years and that consequently his firm had been compelled to turn away much lucrative law business. Still he left a fortune of \$19,000,000.

Who's Who in America had no mention of Cromwell prior to its edition of 1903-05. Then it recorded:

CROMWELL, WILLIAM NELSON, lawyer; now senior of law firm of Sullivan & Cromwell; specialty is corporation law; organized, 1899, National Tube Co. (capital \$80,000,000); since then many other corporations; appointed assignee and reorganized Decker, Howell & Co., 1890, and later Price, McCormick & Co., which had failed for several millions and put both on paying basis; officer, director or counsel of more than 20 other of the largest corporations in U.S., including U.S. Steel Corporation. Engaged by Panama Canal Co. of France and was instrumental in securing passage of Panama Canal bill in Congress, now engaged in perfecting details of the transfer of Panama Canal to U.S. Government.

In later editions of *Who's Who* appeared a list of some of Cromwell's corporate connections, including the various light and power companies from which it was known that he accumulated part of his vast fortune. Among them was his directorship in the Bowling Green Trust Company, through which dollars were siphoned to Panama to finance the "revolution." Several Panamanian patriots told me in 1910 they were certain it was Cromwell's guarantee, not Bunau-Varilla's, back of their borrowing \$100,000 at the Bowling Green.

On his side of the ledger, Cromwell got for his French client escape from having to pay Colombia for permission to transfer to the United States its bankrupt canal diggings and its about-to-lapse concession. He succeeded in protecting the speculative profits of those who knew there was a “killing” to be made in the securities of the “Old” and the “New” Panama Canal companies who would have lost their share of whatever Colombia exacted for a transfer fee. And Cromwell made for himself the profitable job of managing the finances of the Infant Republic.

John Foster Dulles, now Secretary of State, was studying international law at the Sorbonne, Paris, 1908-09, when *The World* was seeking in vain to uncover in Paris the records of Cromwell’s client, the French Panama Canal Company. Dulles began the practice of law in the Cromwell office in New York in 1911, became a partner in 1920 and senior partner in 1927. His younger brother, Allen W. Dulles, later to become Director of Central Intelligence Agency under the Executive Office of the President, was in the United States Foreign Service for ten years before joining the Cromwell firm in 1926.

In retrospect, Cromwell’s manipulations contributed toward Theodore Roosevelt’s thinking that as President he owed it to his country to do what he did; that it was morally right to support with armed force the Panama “revolution” and to be the dominant factor in setting up the Colombian province of Panama as the Panama Republic.

T.R. had been forearmed, as early as August, 1903, with a special memorandum by John Bassett Moore, eminent authority on international law, against the later accusation that his “taking” of the Isthmus was in violation of the treaty of 1846-48 with Colombia. Under that treaty, which was still in force in 1903, the United States *guaranteed* to Colombia (then called New Granada) the “rights of sovereignty over the said territory” — in return for the right of free transit across Colombia’s Isthmus of Panama. The “Moore Memorandum” in effect held that the United States guaranteed

Colombia against attack by a foreign power but not against internal revolution. The Moore interpretation of the 1846-48 treaty, as well as Professor Moore's admitted assistance in preparing President Roosevelt's message to Congress in support of his action, loomed large in the controversy over eventual ratification of the Hay-Bunau-Varilla treaty, February 26, 1904.

Whether the United States did or did not directly and deliberately violate its treaty with Colombia, the fact will always remain that the United States did prevent Colombia from putting down the Panama "revolution." That fact unfortunately cost the United States the distrust and ill will of all of Latin America. Goodwill has been slowly and painfully regained, starting with the negotiation of the Thompson-Urrutia Treaty, signed in Bogota April 6, 1914, and resulting eventually in 1922 in the apologetic payment by the United States of \$25,000,000 to Colombia. This was in partial reparation for Colombia's loss of territory and loss of income from the Panama Railroad and the Panama Canal. The Thompson-Urrutia Treaty recognized the title to Panama Canal facilities as vested in the United States.

Credit for the 1922 adjustment with Colombia belongs largely to the late James T. Du Bois, of Hallstead, Pennsylvania, a State Department veteran who was sent to Bogota as American Minister in 1911 to seek a way out of the impasse of America's refusal to submit the seizure of Panama to international arbitration. In a pamphlet published in 1914 Mr. Du Bois said:

An impartial investigation at Bogota, running over a period of two years, convinced me that instead of 'black-mailers' and 'bandits' [T.R.'s characterization] the public men of Colombia compare well with the public men of other countries in intelligence and respectability I deplore Colonel Roosevelt's bitter and misleading attack In the Panama incident, while doing what he believed to be a great thing for mankind and in accordance with the principles of the highest international mo-

reality, he did a bad thing for Colombia. He put himself in the position of a dentist apprentice who pulled the wrong tooth; he cannot put it back and he does not want his employer to realize his mistake

Owing to the tender regard for ex-President Roosevelt contained in my instructions [from the Taft Administration] I failed. The Wilson Administration has taken a broader and more correct view of the entire question and has presented to the American people a treaty that ought to be heartily approved [The treaty was finally ratified under the Harding Administration in 1922.]

I am a Republican and have been all my life, and I have been urged not to make this statement public because a successful issue of the treaty will help the Wilson Administration. I do not care to live to greet that day when my love of party smothers my love of justice and halts my courage in doing what I believe is right for the true interests of my country.

It will take courage of equally high degree to face up to the multiple dangers that threaten the future of the Panama Canal.

Propaganda for wresting control of the Panama Canal from the United States and giving the Canal to the United Nations is far-reaching and persistent, with articulate spokesmen even in the United States.

Clamor of misguided intellectuals and communist stooges for nationalization of the Canal by the Republic of Panama is too serious to be yawned off by apathetic ignorance.

And a continuing problem, too little understood by United States taxpayers, who own the Canal, or by its Panamanian beneficiaries, involves both engineering and politics. Modernization of the Panama Canal and consideration of a possible alternative waterway via Nicaragua and Costa Rica should not be neglected any longer by the United States Congress.

Chapter 18

Navigable Lake Canal vs. Sea-Level at Panama

Reform does not grow as rapidly as vegetation in the tropics. Congressional committees on endless inspections of the machinery of the Panama Canal have ordered reforms, and then worried over the slowness of their accomplishment. Little has the taxpaying public realized that a tangle of conflicting authority and bureaucratic immobility grew up in the Canal Zone and became a perfect cover for engineering, administrative and diplomatic blundering.

Congress finally ordered a complete new setup as of July 1, 1951. Canal management was turned over to the Panama Canal Company, a new government-owned corporation. Other Canal Zone functions were left to the Canal Zone Government, headed by a Governor who “traditionally” has been an Army engineer. The Governor is also President of the Panama Canal Company.

“Traditional” also was the succession — an understudy of the Big Boss stepping into his shoes. That line of succession was broken in 1952 when General John S. Seybold, who

had not served in the Canal organization, was appointed Governor by President Truman.

Duplication of services and facilities, extravagance and waste persisted after Congress ordered reforms. The Comptroller General of the United States in an audit report to Congress printed in July, 1954, said: "It is apparent that the Armed Services are reluctant to relinquish control over their activities." The Comptroller General recommended to Congress —

that the Panama Canal Company and the Canal Zone Government be combined into a single independent government agency that the organization be administered by a single *civilian* administrator or by a small *civilian* board or commission composed of not more than three members

The administrator or members of the board should serve *full time, reside in the Canal Zone*, and be selected on the basis of successful backgrounds in governmental, utility, and commercial fields

The number of improvements during the past year has been limited because most of the board members (of the government-owned Panama Canal Company) have outside interests in the United States requiring practically all of their time and attention.

Examples of bungling and waste cited in the Comptroller General's audit reports to Congress in recent years, if disclosed in a business enterprise, would drive stockholders to fire the management. But Army engineers continue to run the show at Panama. They have made and are still making improvements, subject to periodic checkups by Congressional committees and some guidance by the Panama Canal Company's board of nonresident and part-time directors.

Unwatched bureaucracies everywhere are susceptible to the viruses of Makeshift and Squandermania. Neither tropical climate nor distance from home minimized the virulence of these germs on the Isthmus.

Makeshift overtook the Panama Canal early in the planning period, when haste to “make the dirt fly” brought political pressures to bear on engineering judgment. John F. Stevens, Chief Engineer, 1905-07, was belatedly recognized in a memorable address by Representative Flood before the Panama Canal Society of Washington, D.C., May 12, 1956, as “the basic architect” of the Canal. Stevens would have avoided making an operational bottleneck at the Pacific end of Gatun Lake, where lack of anchorage space has been a costly handicap to ship transit. He would have avoided this by extending Gatun Lake to Miraflores and building there a triple set of locks instead of one at Pedro Miguel and two at Miraflores. Modernization of the Canal, long overdue and now urgently needed, is facing this bottleneck as one of its problems.

Squandermania, the companion of *Makeshift*, has been far from idle on the Canal. Its greatest single exploit, so far, has been the spending of \$75,000,000 toward building a third set of locks, authorized in 1939, started in 1940, abandoned in May, 1942. One of the undisclosed and unauthorized objectives of the third-locks program was eventual conversion of the Canal to a “sea-level strait,” although the sea-level problems had not been comprehensively investigated. The French dreamed of a “sea-level” canal and abandoned it as impracticable with equipment then available. But the idea has been a “hardy perennial” — so described by J. J. Morrow, Canal Zone Governor in the early 1920’s.

To find the roots of the \$75,000,000 third-locks fiasco one must dig back to the Inter-oceanic Canal Board’s study of 1929-31. This was largely administrative in its original concept, but eventually it evolved into makeshift plans for a third set of locks to increase temporarily the canal’s capacity pending conversion to sea-level. This was to be followed some time in the future by construction of a second American canal through Nicaragua.

A basic defect of the 1929-31 “study” by the Panama Canal planners raised many eyebrows among shipping men.

Not one of the members of the planning board had had navigational experience. All were engineers. What they knew, except on paper, about marine operating problems may have been buried in the abandoned \$75,000,000 holes dug for the third locks, which were estimated to cost \$277,000,000 if they could have been completed at costs then prevailing.

World War II brought overwhelming traffic problems incident to the transit of naval vessels through the canal. Out of this necessity grew the first major proposal for operational improvement of the canal since John F. Stevens, in 1906, and Colonel William L. Sibert, in 1908, were overruled when they proposed to avoid the Pedro Miguel bottleneck by consolidating the two sets of Pacific locks at Miraflores.

Born of war's necessities and the application of navigational experience to the major problems of the Panama Canal, a new proposal — to become known as the Terminal Lake-Third Locks Plan — was developed by Commander Miles P. Duval, U.S.N., Captain of the Port, Balboa, Canal Zone. The plan was presented in detail before the Panama Section, American Society of Civil Engineers, at Balboa College, Canal Zone, May 20, 1943.

Eventually the Terminal Lake-Third Locks Plan was forwarded by the Secretary of the Navy to President Franklin Delano Roosevelt on September 7, 1943. But the plan did not become public until presented in the February, 1947, issue of the American Society of Civil Engineers Proceedings — an “untold story” for almost four years.

Meanwhile the impact of the atomic bomb in 1945 led the Canal organization to draft and present to Congress a bill to authorize the Governor of the Panama Canal (now called Governor of the Canal Zone) to make a comprehensive investigation of the means for increasing the Canal's capacity *and security* to meet the future needs of inter-oceanic commerce and *national defense*. The law, as approved December 28, 1945, provided also for a restudy of the abandoned third locks project, for a study of possible

canals at other locations, and for consideration of any new means for transporting ships across land.

Then, by the simple device of emphasizing the *security* and *national defense* factors which they had put into the draft of their bill before sending it to Congress, the Brass Hats in the Canal organization were able to interpret the law as a *mandate* of Congress to favor a sea-level canal as "less vulnerable" than the Terminal Lake-Third Locks solution. This alleged "mandate," say informed members of Congress, was never intended to be mandatory. Later revelations clearly established that sea-level was the pre-determined objective of the investigators then in control.

The main argument of sea-level planners was that their type of canal would be safer under A-or-H bomb attack, no matter how much the Canal could be modernized under the Terminal Lake-Third Locks Plan. The validity of the sea-level "security" claims has been challenged repeatedly in and out of Congress by engineers with canal building experience and by naval and military experts.

To a layman, this is a natural question: Would giving the Panama Canal to the United Nations make it any more secure? Representative Flood answered in Congress on April 17, 1957:

"In the event of war the forces of world communism would in no wise respect the neutrality of the Canal, whether under Panamanian or international control. They would certainly seek to destroy it as a matter of their war strategy, which is characterized by unfailing defiance of every concept of freedom and international law."

Representative Willis W. Bradley of California, a retired naval officer and recognized Congressional leader in studying canal problems, attacked the sea-level fallacies. "As far as I can ascertain," he said, "the greatest authorities on modern weapons of war who have given this subject serious attention hold uniformly that any canal would be critically

vulnerable to the atomic bomb, regardless of type; that a sea-level canal would be in the same security class as a lake canal; that a sea-level canal could be closed for prolonged periods beyond any hope of speedy restoration, and that a sea-level canal cannot be considered secure in an atomic war. These same authorities also agree that the atomic bomb is irrelevant as a controlling factor in the planning of operational improvements for the Panama Canal."

Among the experts who early spoke up against the sea-level project were Major General Thomas F. Farrell, who was inside the atomic and thermonuclear developments since their beginning, and E. Sydney Randolph, consulting engineer of Baton Rouge, La., who spent 35 years on Panama Canal construction and operation.

General Farrell wrote to Senator Martin: "Atomic and thermonuclear weapons —if delivered on the target — will put a sea-level canal out of service as effectively as they would a lock canal."

Representative Francis E. Dorn of New York, himself a close student of Panama Canal problems, put in the *Congressional Record* of April 18, 1956, a statement by Canal Engineer Randolph.

"The sea-level plan," said Randolph, "contains engineering and constructional features which are grossly without precedent in the Isthmian area The oversize dredging equipment required for deepening the cut before lowering the water level would necessitate a program of development involving unforeseeable risks, delays and costs."

Any layman could deduce from this that the sea-level project would be a veritable bottomless pit.

"Without experience," continued Randolph, "There is no solid basis for the evaluation of the action of materials under the new order of pressures which would be developed. [by deepening the canal 108 feet from its present height to bring it down to sea-level] The problem of land slides would be greatly accentuated

"The interoceanic canal problem includes, besides en-

gineering and geology, grave questions of diplomatic relationships, economics, and marine operations. The issues must be decided on their merit at the highest plane of wise and experienced judgment and statesmanship. This I firmly believe can be best accomplished by an independent and broadly constituted commission."

The Terminal Lake-Third Locks Plan was approved in principle by the then Governor, General Glen E. Edgerton, in his report to the Secretary of War, January 17, 1944. This report was previously "classified" and did not reach the public until Senator Martin obtained, by request, a copy from Assistant Secretary of War George H. Roderick and placed the complete text of the Edgerton Report in the *Congressional Record*, June 21, 1956. Here was an official admission of the pre-determined objective of the sea-level planners as far back as 1944. The following is from paragraph 70 of the Edgerton Report:

"It is possible that advocates of a sea-level canal would oppose *unjustifiably* any expensive change in present plans on the grounds that it would defer the time when the conversion of the existing canal to a sea-level waterway might otherwise be authorized."

Sea-level partizans did not need to use "unjustifiable" arguments. Public hysteria over atomic bomb developments came at the right time to serve their purpose. Emphasis upon *security* and *national defense* was enough to influence the uninformed. The argument was that the addition of a few billion dollars to the cost of the Canal could be charged to national defense — a burden on all United States taxpayers. If this idea could be put over, the shipping industry would escape payment of still higher canal tolls which, otherwise, must result from increasing the capital investment in the canal by the \$2,483,000,000 which the planners initially estimated would be the cost of sea-level at prices prevailing in 1947.

But the sea-level planners' report met a cold reception

when President Truman sent the Canal Governor's document to Congress on December 1, 1947. No Presidential approval, no comment, no recommendation went with it. Congress, unimpressed, took no action on it. Instead, Congress authorized in 1949 its own investigation of the entire Canal organization. Representative Clark W. Thompson, Democrat of Texas, a retired Marine Corps Reserve officer, headed the committee of inquiry. Its report resulted in the first basic change in the Canal operating organization since it was established in 1914. The new organization, dividing the Canal Zone Government and the new Panama Canal Company into a one-headed entity still run by Army engineers, was ordered by Congress to be a self-supporting enterprise.

Civilian engineers who helped build the canal challenged the sea-level planners' estimated cost of \$2,483,000,000 as absurdly low, even under 1947 prices. Some of them estimate the cost of a sea-level canal at Panama at possibly \$10,000,000,000.

The Panama sea-level project was advocated in 1956 by a private organization headquartered in New Orleans under the impressive title of "National Rivers and Harbors Congress" — a registered lobby organization. That group, through a "special committee" of five members who signed an elaborately printed report, accepted the conclusions of the 1947 planners, but raised the estimate of the total cost of the project, as of March 30, 1956, to "approximately \$4,879,000,000."

And this would not include the incalculable cost of obtaining from the Government of Panama a new treaty to permit changes in Canal Zone boundaries required by construction at sea-level.

There was nothing in the report of the New Orleans "special committee" to indicate they made any investigation on the Isthmus, or that they ever worked on the Canal. Their report reads like a rewrite or a condensation of the sea-levelers' document of 1947.

A completely opposing view was expressed in a memorial signed in 1954 by fourteen old canal diggers and by John F. Stevens, Jr., since deceased, who inherited his devotion to canal problems from his father, now remembered as the "basic architect" of the waterway. The fifteen signers of the memorial urged Congress not to delay creating an independent commission to re-evaluate already available data. "Such a body," they told Congress, "should be made up of unbiased men of widest engineering, operational, governmental and business experience, and not persons from routine agencies, all too often involved in justifying their own groups."

The concern of old employees, from hospital nurses to chief engineers, for the future of the Panama Canal binds their thinning ranks into Panama Canal Societies that hold annual reunions in New York, Washington, Miami, Chicago and Los Angeles. Once you have touched Panama, you never lose the infection. Some call it "Canalitis."

William R. McCann, consulting engineer, retired from his executive functions in large American corporations, has poured out a continual stream of memoranda on current Panama developments to a great mailing list of officials and plain citizens who he thinks should be concerned over the Panama Canal lifeline.

"The history of the Panama Canal since 1931," said McCann in one of his bulletins, "establishes that problems in major planning will not be properly resolved by routine Canal officials nor by harassed administrators in the executive departments who depend on Canal officials for advice."

Maruice H. Thatcher, member of the last Isthmian Canal Commission, Civil Governor of the Canal Zone, 1910-13, and Member of Congress from Kentucky, 1923-33, told me in 1956 that of all the engineers, then living, who had experience in building or operating the Canal, not one approved the Panama sea-level project. Further, on the threat of internationalization, Governor Thatcher told the 1956 meeting of the Panama Canal Society of Washington:

"There are those who wish to see the Panama Canal turned over to an international or world organization which would, very likely, team up with the world-at-large and use it in a way to greatly harm this nation

"There is no other country in all the earth which, if it had built the Canal as we have built it, would surrender its right to own, control, and operate it

"Yet there are those in our midst at this hour —at this time of grave danger to the freedom of the entire human race — who, through impractical idealism or sinister design, would yield up all these precious and dearly earned rights, which are ours

"Our abandonment of the control of this great waterway, beneficent and strategic, would be, indeed, an act of stupendous folly."

Opponents of internationalization of the Panama Canal through the United Nations or nationalization by the Republic of Panama should realize that sea-level advocates will be active as long as the door to limitless spending is not shut tight. Every spenders' lobby knows the procedure. It is notorious that government engineers habitually *underestimate* the cost of projects in which they are particularly interested. They get the job *started*, and then count on Congress to meet their deficits.

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Fortunately for United States taxpayers, Congress, by the reorganization effective July 1, 1951, required the Panama Canal Company, as a government agency, to operate on a self-supporting basis. Under the administration of Major General William E. Potter, as President of the Panama Canal Company and Governor of the Canal Zone, the Canal at the end of the fiscal year 1958 completed seven successive years of operation, since the reorganization, without loss. During the seven-year period the Panama Canal Company has made capital repayments of \$15 million to the United States Treasury, thereby reducing the Government's net

direct investment in the Panama Canal, as of June 30, 1958, to \$351,861,652.

The number of commercial ships now transiting the Canal has risen to the average of 25.2 per day. For 1958 the total of ocean-going ships passing through the Canal rose to 9,466 under the flags of some 36 nations. The year's receipts from tolls rose 8 per cent to \$42,834,006. But net revenue declined from \$3,821,456 in 1957 to \$2,656,382 in fiscal year 1958, due to a sharp rise in operating expenses primarily caused by wage increases. The Canal employs approximately 11,000.

The increasing size of commercial ships using the Canal has raised the average amount of tolls, per ship, from \$4,127 in 1952 to \$4,549 in fiscal year 1958. But bigger ships have added to Canal problems. The number of ships using the Canal with a beam of 86 feet or more increased from 13 in 1955 to 109 in 1958. The bigger ships cannot pass one another in the narrow channel of Gaillard (formerly Culebra) Cut. This problem has grown by 56 per cent since 1955.

Canal management research now indicates larger vessels and steadily increasing volume of trans-Isthmian cargo for the years ahead. Estimates are that cargo volume will increase by 73 per cent by 1975 and 136 per cent by the end of the century.

A long-range study of future requirements, authorized by the Board of Directors of the Panama Canal Company, is also under way. This "study" is based "on data already available in the Isthmian Canal Studies — 1947 Report," says the 1958 Annual Report of the Board of Directors. The "data already available" can bring back to life the old controversy between lake and sea-level advocates.

While the United States Congress marked time on the long-pending Martin-Thompson-Flood bills to create a new Interoceanic Canals Commission to re-evaluate all trans-Isthmian problems, the House Merchant Marine Committee acted. Its Chairman, Representative Herbert C. Bonner, Democrat of North Carolina, recognized the "approaching

obsolescence" of the Panama Canal and "the need for additional facilities either in the Canal Zone or at alternate locations in the Central American Isthmus." Chairman Bonner appointed a special Board of Consultants to undertake what the sponsors of a full Congressional inquiry had planned.

The breadth of experience of the six consultants is reassuring to United States taxpayers. Their initial report, delivered to Chairman Bonner on July 15, 1958, covered only the short-range improvement program. Their recommendations were drafted after studying basic engineering data and cost estimates and the testimony of Governor Potter and others who appeared in Washington prior to the consultants spending five days inspecting facilities on the Canal Zone.

The personnel and experience of this Board of Consultants belong in any record of the Panama Canal's present and future.

S. C. Hollister, dean of the College of Engineering, Cornell University, Ithaca, N.Y. was elected Chairman by the other five. From his early engineering experience on flood control projects in the Pacific Northwest, Dr. Hollister became a recognized consultant on major construction projects, including the Boulder Dam.

Lt. Gen. Leslie R. Groves, U.S.A. Retired; wartime head of the Manhattan Project which developed the atomic bomb; as a young Army officer surveyed western end of projected Nicaragua Canal, 1929-31; Vice President, since 1948, of RemingtonRand Division of Sperry Rand Corporation.

E. Sydney Randolph, consulting engineer, Baton Rouge, La.; principal and consulting engineer on biggest construction and maintenance jobs on Panama Canal, 1910-46.

E. Hartley Rowe, electrical and construction engineer on Panama Canal 1910-15; then chief engineer and vice president of United Fruit Company, Boston, Mass., until retirement in 1957; now consulting engineer in Boston.

John E. Slater, member of consulting engineering firm of

Coverdale & Colpitts, New York City, and formerly President of American Export Lines.

Francis S. Friel, President of Albright & Friel, Inc. consulting engineers, Philadelphia, Pa., and vice president of the American Society of Civil Engineers.

The Consultants in their July 15, 1958 report to Chairman Bonner commended the progress made by the Canal management on its short-range improvement program. What they will advise on the long-range problems remained for later sessions.

At this writing, still unanswered are these questions:

1. Should the existing Panama Canal be modernized and its capacity expanded sufficiently to meet all foreseeable future needs by the Terminal Lake-Third Locks Plan — at economic cost?
2. Should the United States build a new Panama Canal at sea-level — at astronomical cost in dollars and diplomatic uncertainties?
3. Should an alternate Isthmian canal be undertaken, and when?

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The Panama Canal's history has been featured by periodic crises and bewildering confusions. Nowhere are comprehensively stated the broad principles of policy governing its operation and management. Yet over the years its main objectives have evolved: "The best type of canal at the best site for the transit of vessels of commerce and war of all nations on terms of equality as provided by treaty — and at low cost of construction, maintenance, operation, sanitation, and protection."

Today the Isthmian waterway seems verging toward what may prove its greatest crisis — a crisis in which the problems of increased capacity and modernization are immeasurably complicated by organized attacks on United States jurisdiction and by widespread propaganda for predetermined objectives that entirely disregard costs and tolls.

Successive failures of routine administrative officials in planning acceptable solutions for modernization of the Panama Canal and for protection of United States interests in the Isthmian area have been repeatedly criticized by Committees of Congress. Adoption of businesslike methods, urged by the Comptroller General of the United States and the Director of the Budget, has been a forward step.

Finally, Congressional leaders, cognizant of the hazards and failures, secured authority, in House Resolution 149, adopted February 27, 1957, for a comprehensive inquiry into all aspects of the interoceanic canal problem. Out of this inquiry by the Board of Consultants, now only partially completed, United States taxpayers hope for a constructive reassessment of Isthmian canal problems and a program for their permanent solution which an informed Congress can approve and authorize.

Chapter 19

Nicaragua-Alternative to Monopoly at Panama

Panama, by unanimous vote of its General Assembly, December 23, 1947, forced the United States to abandon its defense bases outside the Canal Zone — as detailed in Chapter XII. Instant reaction in the United States was “Build another canal!”

Minor alternatives were suggested — in Colombia, via the Atrato River; in Mexico, across the Isthmus of Tehauntepec. But informed opinion centered on the Nicaragua route, long considered the great alternative to Panama. Anastasio Somoza, for many years the ruling chief of Nicaragua, promptly telephoned his offer of cooperation to press associations in the United States. Whatever might be required for canal construction and for military bases to protect the canal would be made available.

The New York Times in its leading editorial of December 25, 1947, commended United States authorities for withdrawing from the defense bases. There was nothing else to do after Panama’s National Assembly repudiated the

already-signed agreement of its government to lease fourteen of the most important bases to the United States. *The Times* concluded:

“ the Panamanian action has also called sharp attention to the inadequacy of the Panama Canal itself. As it stands now, its security can always be imperiled by a purely local situation. Moreover, its locks are highly vulnerable to air attack in any case, and it has become too narrow for our modern warships.

“And that lends added importance to the long-standing proposal for a bigger and better sea-level canal across Nicaragua. The United States had planned to spend two and a half billion dollars on improving the present channel. It might be better to spend that money on a new seaway which would not only more than double the present facilities but would also immeasurably increase their security.”

The powerful Gannett newspapers, January 1, 1948, published their cartoon of Uncle Sam standing beside the Canal accepting the defense sites rejection and saying blandly to little Mr. Panama, “O.K. THEN, BROTHER, WE’LL MOVE!”

Still more emphatic were the Hearst newspapers, coast to coast. They editorialized and reproduced cartoons they had published over the years depicting the insecurity of Uncle Sam carrying all his defense and commerce eggs in the one basket of Panama, when another basket, empty in the graphic mapping, lay across Nicaragua.

Reproduced, with editorial emphasis, was a letter written by the elder William Randolph Hearst, February 7, 1929, to Representative Loring M. Black, of New York, and preserved in the *Congressional Record*.

“I have been advocating the Nicaragua route for nearly thirty-five years,” wrote the founder of the Hearst press. “I advocated it first in preference to the Panama route because I thought it involved fewer engineering difficulties and fewer foundation problems, and because it provided

for a better canal and a quicker route, and finally because it was more easily defended and less easily destroyed in time of war Now another canal is needed to accommodate constantly increasing Trans-Isthmian traffic”

In a full-page illustrated editorial, January 27, 1948, and again on February 26, 1948, the Hearst papers said in part:

“Years ago the Hearst newspapers perceived the folly of entrusting our security to the Panama Canal locks when a sea-level waterway across Nicaragua could be ours for the building Now the facts have been belatedly recognized Our dormant right-of-way in Nicaragua is to be utilized at long last Under the Bryan-Chamorro Treaty we obtained absolute rights in Nicaragua

“The Nicaragua Canal, if built, would be accorded every facility for its defense by the Government of Nicaragua, which has proved itself utterly unreceptive to Communist infiltration and apparently unsusceptible to Communist propaganda. The Nicaragua Canal would be far more adequate for all foreseeable navigation needs than the Panama Canal, however the latter might be improved. It could be constructed at less cost than the Panama Canal could be improved, and it would be a shorter route between the two American seaboard.

“The case for the Nicaragua Canal has always been sound, and now it is complete, by virtue of the recent events [Panama’s refusal to lease defense bases] which have so amply clarified the situation.”

The renewed anti-American agitation in Panama in 1957 prompted a “Let’s Look Again” editorial in Hearst’s *Los Angeles Examiner*:

“There have always been good and compelling reasons why a second intercoastal waterway should be built across Nicaragua A newer problem, which may be more serious in the future than it is now, is that presented by the opportunists in Panama who are taking advantage of the controversy over the Suez Canal to propose na-

tionalization of the Panama waterway

"Before spending billions to improve the Panama Canal, and still have an inadequate and obsolete waterway on our hands and still face the possibility of a nationalization campaign by unfriendly elements in Panama, a new and long look should be taken once more at the too-long delayed Nicaraguan project."

* * *

The first essential to any intelligent look at the Nicaragua Canal project is a re-examination and interpretation of the Bryan-Chamorro Treaty of 1914. Ratification was voted by the United States Senate, February 18, 1916, with the proviso that Nicaragua's failure to consult Costa Rica before entering into a canal treaty with the United States should not invalidate Costa Rica's rights under the Costa Rica-Nicaragua Treaty of 1858, which gave Costa Rica veto power over a Nicaragua canal violating territorial rights or causing flood damage to Costa Rica's adjoining territory. One of the plans for a canal through Nicaragua makes Salinas Bay, in Costa Rican territory, its Pacific terminal port. Costa Rica has long been friendly to canal projects.

Another question is whether the Bryan-Chamorro Treaty grants even an enforceable option to the United States to build a canal. The representative of Nicaragua told the Central American Court of Justice that the Bryan-Chamorro Treaty "merely deals with a preferential right granted to the United States to open an inter-oceanic passageway through a route to be designated out of national territory when it shall be decided by agreement between the two governments to undertake the construction thereof, at which time the conditions under which the canal shall be constructed, operated, and maintained will be determined by a further treaty or convention between the contracting parties"

Senator William F. Knowland of California recognized the preliminary character of the Bryan-Chamorro Treaty in the bill he introduced in the Senate, January 7, 1948, for

a canal through Nicaragua. If passed, the Knowland bill would have requested the President to enter into negotiations with the Government of Nicaragua for a treaty "agreeing upon the details of the terms under which such canal shall be constructed, operated and maintained."

The complete text of Articles I and II of the Bryan-Chamorro Treaty belong in any discussion of Isthmian problems.

Article I

"The Government of Nicaragua grants in perpetuity to the Government of the United States, forever free from all taxation or other public charge, the exclusive proprietary rights necessary and convenient for the construction, operation and maintenance of an interoceanic canal by way of the San Juan River and the great Lake of Nicaragua or by way of any route over Nicaraguan territory, the details of the terms upon which such canal shall be constructed, operated and maintained to be agreed to by the two governments whenever the Government of the United States shall notify the Government of Nicaragua of its desire or intention to construct such canal.

Article II

"To enable the Government of the United States to protect the Panama Canal and the proprietary rights granted to the Government of the United States by the foregoing article, and also to enable the Government of the United States to take any measure necessary to the ends contemplated herein, the Government of Nicaragua hereby leases for a term of ninety-nine years to the Government of the United States the islands in the Caribbean Sea known as Great Corn Island and Little Corn Island; and the Government of Nicaragua further grants to the Government of the United States for a like period of ninety-nine years the right to establish, operate and maintain a naval base at such place on the territory of Nicaragua bordering upon the Gulf of Fonseca as the Government of the United States may select. The Government of the United States shall have the option

of renewing for a further term of ninety-nine years the above leases and grants upon the expiration of their respective terms, it being expressly agreed that the territory hereby leased and the naval base which may be maintained under the grant aforesaid shall be subject exclusively to the laws and sovereign authority of the United States during the terms of such lease and grant and of any renewal or renewals thereof."

The third and final article of the Bryan-Chamorro Treaty, which became effective by exchange of ratifications in Washington, June 22, 1916, set forth the consideration agreed upon by the two governments. It was payment to the Government of Nicaragua by the United States of \$3,000,000 "to be applied by Nicaragua upon its indebtedness or other public purposes for the advancement of the welfare of Nicaragua in a manner to be determined by the two High Contracting Parties."

Members of the Board of Consultants advising the House Merchant Marine Committee have received, but at this writing have not reported upon, recommendations for a sea-level canal proposed by a private organization calling itself the Nicaraguan Strait Development Co., Inc. of Managua, Nicaragua. It is headed by Carl Svarverud, a Californian, whose earlier interests were in mineral developments in Mexico.

The Svarverud proposal will be challenged by some experts because it would drain most of the area of Lake Nicaragua and cut a wide sea-level strait from Punta Gorda, on the east coast, where a harbor would have to be built, to Salinas Bay on the Pacific. Drainage of Lake Nicaragua is not a new idea. It was suggested to the International Geographical Congress in Paris in 1878. It would deprive some Nicaraguans of their accustomed lake transit, but would release vast areas for highly profitable cultivation — assuming that the drained areas would be the rich agricultural land that promoters of this plan assume it would be.

The Svarverud sea-level plan was presented to the mem-

bers of the Board of Consultants with maps and pictures of recently developed giant earth-moving equipment. Svarverud told them that the plan he proposes would result in a canal "twice as wide as the Panama Canal, six times as wide as the Panama Canal locks, twenty feet deeper," and, because of lower tide levels than at Panama, the Nicaragua sea-level strait, although more than three times as long as the 50-mile Panama crossing, would be easily navigable and would not require tide-locks, as a sea-level canal at Panama would require.

The giant earth-moving equipment now in use, according to the Svarverud proposal, would complete "within five years" the sea-level strait through Nicaragua "with a labor force of less than 10,000 men moving five billion cubic yards of earth in less than half the time it took a total labor force of about 40,000 men to excavate one-quarter billion cubic yards of earth and rock at Panama."

Like all other estimates, Svarverud's guess at total cost of a sea-level strait through Nicaragua is for consulting experts, not laymen, to appraise. This was his figure:

"A sea-level canal across Nicaragua at actual cost of construction, with the proper use of newly developed large-scale dirt moving and excavating equipment, could be built for between two and three billion dollars."

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