

THE HISTORY OF THE TRADE RELATIONS
BETWEEN PANAMA AND THE UNITED
STATES DURING THE PERIOD
1904-1914

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By

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PREFACE

The purpose in preparing this thesis was to collect sufficient documentary evidence on the trade relations between Panama and the United States during the years 1904 to 1914, inclusive. Documentary evidence was collected on the imports and exports for both countries. Through this thesis the writer shows the increase and decrease in the trade between the two countries.

The material for this study was obtained from the library of the Oklahoma Agricultural and Mechanical College. The material published by the United States Department of Commerce and Labor has been especially valuable for furnishing the major portion of the primary material.

The author wishes to express his appreciation to Dr. T. H. Reynolds, head of the history department of Oklahoma Agricultural and Mechanical College and to Dr. O. E. Hooley for their untiring efforts. The author's appreciation and gratitude also

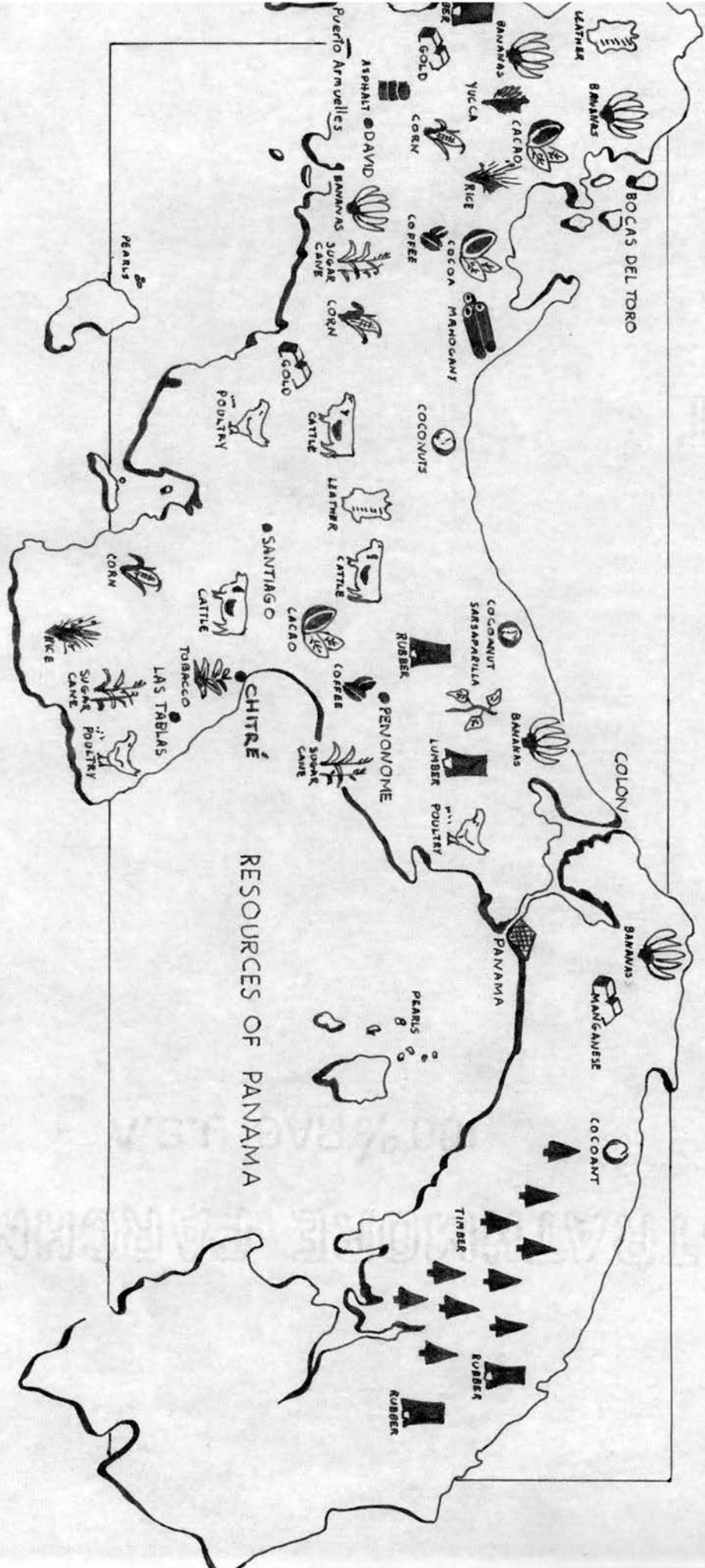
goes to Miss Grace Campbell, document librarian, and to her staff of assistants, and to the library staff in general for its courteous, pleasant and patient efforts to aid in preparation of this thesis. Without the aid of my wife in proof reading and typing, this thesis would not have been possible.

J. M. P.

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PEARLS

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THE HISTORY OF THE TRADE RELATIONS
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CHAPTER I

DESCRIPTION OF PANAMA

This thesis is a survey of the trade relations of Panama and the United States since the independence of Panama in 1903 up to the beginning of the World I in 1914.

Panama is in Central America and located on the isthmus which joins South and North America. It is bound on the south by the Pacific Ocean, on the north by the Caribbean Sea, and on the west by Costa Rica.¹

Extending about 480 miles from east to west and with a maximum width of 110 miles, it has an Atlantic coast line of 477 miles and a Pacific coast line of 767 miles. Its area, 32,380 square miles, is roughly equivalent to that of Maine.²

¹ United States Tariff Commission, The Foreign Trade of Latin America (Washington, 1941), pt. 2, p. 1.

² Ibid.

Its population in 1901 was 419,029. Its territory includes all the land between Costa Rica on the northwest and Colombia on the southeast, making it the real link between North and South America.³

There are two mountain ranges with elevation reaching 11,000 feet and extending the length of the country. These ranges are flanked by coastal plains of varying widths, which are crossed by many rivers; in general, the southern coastal plain is narrower than the northern. The mountain slopes are densely forested, and the fertile valleys and plateaus between the two ranges provide grazing land for cattle and rich soil for vegetables and tropical fruits. Only a small portion of the land, however, is actually cultivated.⁴

During the colonial period little attention was devoted to agriculture and stock raising; most foodstuffs, as well as the other commodities necessary to the life of the Isthmus, were imported from Spain, from other parts of Central America, and from Spanish South America.⁵

³United States Department of Commerce, Special Agents Series No. 113 (Washington, 1916), p. 197.

⁴U. S. Tariff Commission, op. cit., p. 142.

⁵Ibid., p. 5.

From the time Balboa discovered the Pacific Ocean in 1513 until the completion of the Panama Canal in 1914, the Isthmus of Panama served as an entrepot. The chief income of the country during this period was derived from activities associated with the transportation of goods and passengers across the narrow neck of land separating the two oceans.⁶

On November 28, 1821, Panama declared its independence from Spain and spontaneously decided to become part of Colombia. In 1840, the Panamanian maintained an independent government for thirteen months, and it was called the State of Isthmus. Then in 1903, the Province of Panama declared its independence from Colombia.⁷

Panama, not originally considered a section of Central America, was a part of Colombia until the rebellion of 1903. During the next few years, the United States made several settlements with Colombia to compensate for the loss of territory

⁶ Ibid.

⁷ Coordinator of Inter-American Affairs, The 20 Other American Republics (Washington, 1944), p. 122.

to Panama, and received from Panama the right to construct a canal across the Isthmus.⁸

Geologically, the Isthmus of Panama was the tie that bound the two continents. Commercially, its importance lay in the fact that it separated the two oceans and was an obstacle to ocean trade. In the four hundred years since its discovery, it had never functioned as a link in land routes, but always as a barrier to water commerce.⁹

The Republic of Panama commenced its national life November 3, 1903, with practically the unanimous support of the people of the Isthmus. Not a drop of blood was shed nor a gun fired. Almost as one man, the population arose and declared for an independent and free government. The soldiers of the mother country, Colombia, stationed here with dissent, declared their allegiance to the new Republic.¹⁰

The principal ports of the Republic are the cities of Panama and Colon, but because of the convenience of location, most of the trade passes through the Canal Zone cities of Balboa (adjacent to Panama on the Pacific side) and Cristobal

⁸ Ibid.

⁹ Phipps, C. F., Editor, Transactions of the Illinois State Academy of Science, Eighteenth Annual Meeting (Springfield, Illinois, 1925), p. 335.

¹⁰ United States Department of Commerce and Labor, Commercial Relations of the United States with Foreign Countries, 1904 (Washington, 1905), House Document No. 481, 58 Cong., 3 sess., p. 570. Hereafter this reference will be cited as House Document No. 481, 58 Cong., 3 sess.

(adjacent to Colon on the Atlantic side). Bocas del Toro and Puerto Armuelles are important ports of the Republic of Panama, but largely for local produce, especially fruits.¹¹

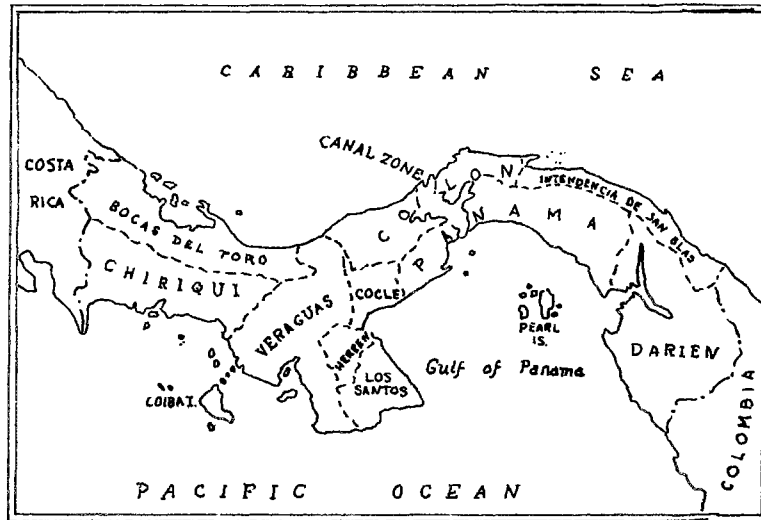
Panama is politically divided into seven provinces; these provinces are again subdivided into municipalities, the former being administered by a Governor. The Governor is appointed by the President of the Republic for a term of one year. The Provinces and their capitals are:

1. Province of Panama	Panama
2. Colon	Colon
3. Cocle	Penonono
4. Veraguas	Santiago
5. Los Santos	Los Santos
6. Chiriqui	David
7. Bocas del Toro	Bocas del Toro ¹²

The climate differs greatly in the various parts of the Republic. In Colon and Panama the temperature is approximately the same and ranges from about 65° to 90° F.; the average is perhaps 80°. The evenings and nights are, as a rule, cool and pleasant. The rainfall in Colon is from 82 to 155 inches; the

¹¹ U. S. Tariff Commission, op. cit., p. 2.

¹² The Bureau of the American Republics, Bulletin on the International Union of the American Republics (Washington, 1909), p. 231.



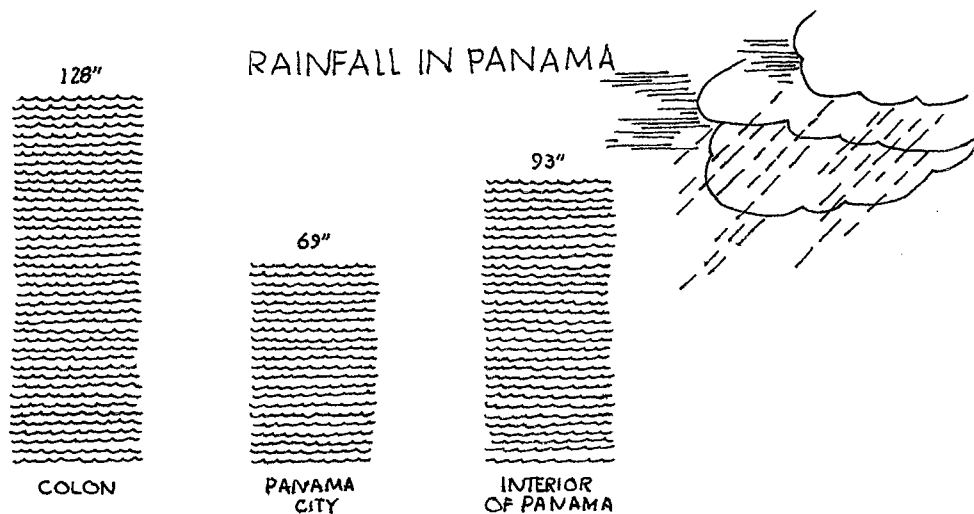
Political divisions of Panama

WILGUS, A. CURTIS,

LATIN AMERICA IN MAPS

New York, 1943

average being about 125 inches. In Panama the rainfall is from 47 to 93 inches; the average being 70 inches. The hilly section is the coolest part but has less rainfall. The dry season, which is called the summer, begins in December and lasts through April, the remainder being the rainy season, or winter.¹³



In its relation to South American commerce, Panama has been of importance only to the Pacific hinterland of that continent. The reason for this is to be found in the influence of both economic and geographic factors. Differences in the stage

¹³ U. S. Department of Commerce and Labor, op. cit., p. 572.

of economic development and contrasted resources have made the countries of the North Atlantic basin the complementary commercial region for South America. Of the total foreign trade of the latter, over seventy-five percent is normally with western Europe and eastern United States. Furthermore, there is little transcontinental trade overland.¹⁴

The principal products manufactured in Panama are sugar, beer, rum, whisky, candy, shoes, men and women's ready made clothing, leather goods, perfumes, soaps, candles, felt and straw hats, tobacco products, lumber, canned milk, floor tile, wood boxes, and mahogany furniture.¹⁵

Principal agriculture products are bananas, cocoa, beans, coconuts, coffee, and sugar. Rice, corn, tobacco, and cotton are also grown, as well as, a wide range of tropical fruits and vegetables.¹⁶

Statistics of foreign investments in Panama, other than those of United States, are not available. United States directed investments in Panama at the end of 1936 amounting to twenty-six and seven tenths million dollars. No dates are available showing the

¹⁴Phipps, op. cit., p. 335.

¹⁵U. S. Tariff Commission, op. cit., p. 9.

¹⁶Ibid., p. 6.

distribution of these investments by economic groups.¹⁷

The Canal Zone is an area 533 square miles and a strip ten miles wide connecting the Caribbean Sea and the Pacific Ocean. The Zone is located in the center of the Republic.¹⁸ With the establishment of the Canal Zone and the completion of the canal, there was allowed a continuous passage for vessels without transshipping goods and passengers. Some of these great functions were lost, but the great increase in the volume of freight and in the number of passengers crossing the Isthmus by the way of the canal has given to the cities of Panama and Colon a lucrative tourist trade and a trade in commodities for the supply of vessels.¹⁹

¹⁷ Ibid., p. 9.

¹⁸ Ibid., p. 1.

¹⁹ Ibid., pp. 5-6.

CHAPTER II

TRADE BETWEEN PANAMA AND UNITED STATES
DURING THE PERIOD 1904-1908

Trade began with the Republic of Panama in 1904, but before that time trade was with Colombia. The following was the chart of the volume of exports to Panama, the amount that came into United States free of duty, and the imports from Panama to United States.

Year	Exports to Panama 'from U.S.	Amount that came to 'U.S. free of duty	Imports from 'Panama to U.S.
1904	\$ 979,724	\$ 408,557	\$ 440,747
1905	4,745,562	730,729	813,154
1906	12,460,289	983,064	1,065,887
1907	16,150,953	1,535,024	1,752,314
1908	18,232,666	1,364,151	1,469,344 ¹

In 1904 Panama was not an industrial nation. Several factors tended to prevent industrial establishments and expansion, chief of which was almost complete lack of means of transportation with the interior and the chief centers and the lack of suitable labor. Owing to its geographical

¹ United States Department of Commerce, Statistical Abstracts of the United States, 1914 (Washington, 1915), p. 330.

position, the republic occupied a point of vantage with regard to the world's commerce. With such a small native population, it became necessary for the inhabitants to import all the manufactured goods they required.²

Imports into Panama consisted principally of manufactured products and foodstuffs, many of which were destined for the tourist trade, for the trade with members of the crew of ships calling at Canal ports, and for residents of the Canal Zone.³

United States exports, which were exported to almost every Latin American country, were dependent principally upon the export trade of these countries, it being imperative for maintenance of their leading products. The Republic of Panama differed materially in this respect. Its economy was largely dependent upon canal traffic, the expenditures of tourists and others passing through the Canal Zone, the expenditures of the civilian and military personnel residing in the Zone, and only partly upon the value of

² U. S. Dept. of Com., Trade Information Bulletin No. 257 (Washington, 1924), pp. 6-7.

³ Ibid., p. 29.

its exports. United States exports to the Republic were in large part for resale to residents of the Canal Zone, or to tourists rather than for consumption in the Republic.⁴

Exports to the Republic consisted mainly of machinery and vehicles, metals and manufactures, textiles, vegetable food products, and edible animal products. Most of the exports were manufactures and were highly diversified.⁵

Much of the economic activity of the Republic of Panama was closely associated with the transit of goods and passengers between the Pacific and Atlantic Oceans. Apart from this, Panama was essentially an agricultural country, although there were some commercial exploitations of forest, pastoral, and water resources. The agricultural importance of Panama related to international trade, however, was a recent development.⁶

With respect to the commercial carrier, the history of isthmian transit trade divided itself

⁴U. S. Tariff Commission, The Foreign Trade of Latin America, pt. 2, p. 41.

⁵Ibid.

⁶Ibid., pp. 4-5.

naturally into three periods:

1. that of the pack mule,
2. the railroad era, 1855-1914,
3. and the canal.

The Panama Railroad was built chiefly for United States intercoastal trade. To the builders of the Panama Railroad, the chief hope for returns lay in the United States intercoastal trade. South American commerce was regarded as secondary.

During the canal period, the chief object of the United States in taking over the canal project after the French had failed was to facilitate the intercoastal movement of our merchants and naval vessels. However, a careful study indicated that prospective tonnage of western South America, which would use the waterways, was large. The reports of shipping showed that of the eight and one-third million registered tons of all traffic which could have used the canal, had it then been in existence, almost one-half was traffic which originated in or was destined to western South America.⁷

⁷ Phipps, Transactions of the Illinois State Academy of Science, Eighteenth Annual Meeting, p. 36.

Constant revolutions, which occurred in Panama, has done more perhaps than all else to hinder the progress of commerce. From the time when Morgan, the famous buccannecr, looted and destroyed the old City of Panama, to the present, progress of commerce has been periodical.

The ports of the Republic on the Pacific were Panama, Agua Dulce, Pedregal, Montijo, and Puerto Mudis; and on the Atlantic the ports were Colon, Bocas del Toro, and Puerto Bello.⁸

Since Panama became an independent state in 1903, its tariff provided a single column of rates from which no conventional reduction has been made. Preferential tariff treatment was not accorded to any nation. Moreover, neither foreign exchange restrictions nor quantitative limitations on imports were established. Panama does not have an unconditional, most favored, nation agreement with the United States, but does have such an agreement with the United Kingdom, Germany and Italy.⁹

Article I from the Convention for the con-

⁸H. Doc. No. 491, 58 Cong., 3 sess., p. 570.

⁹U. S. Tariff Commission, op. cit., p. 147.

struction of a ship canal stated: "The United States guarantees and will maintain the independence of the Republic of Panama."¹⁰ A result of the independence of the Republic of Panama was a great increase in trade and was the closing of the era of constant civil disturbances. This era made profitable developments of industrial pursuits, on a large scale, almost impossible.¹¹

In the treaty with Panama and the United States, terms were made in connection with trade and the building of the Panama Canal as Article XIII stipulated:

The United States may import at any time into the said zone and auxiliary lands, free of custom duties, imports, taxes, or other charges, and without any restrictions, any and all vessels, dredges, engines, cars, machinery, tools, explosives, materials, supplies, and other articles necessary and convenient in the construction, maintenance, operation, sanitation and protection of the Canal and auxiliary works, and all provisions, medicines, clothing, supplies and other things necessary and convenient for the officers, employees, workmen and laborers in the service and employ of the United States and for their families. If any such articles are disposed of for use outside of the zone and auxiliary lands granted to the United States and within the territory of the

¹⁰Malloy, William M., Treaties, Conventions, International Acts, Protocols and Agreements Between the United States of America and Other Powers, 1776-1909 (Washington, 1910), II, 1349.

¹¹H. Doc. No. 481, 58 Cong., 3 sess., p. 572.

Republic, they shall be subject to the same import or other duties as such articles imported under the laws of the Republic of Panama.¹²

At that time Panama had chargeable on the invoice price of articles usually kept and sold in dry goods and grocery stores a duty of about fifteen percent. On liquors and business establishments, the tax was special and much higher.¹³

It was ordered by the direction of the President, that subject to the action of the Fifty-eighth Congress April 23, 1904, a law be passed to revise the law in the treaty with Panama of 1903.

Section 1. No importations of goods, wares, and merchandise shall be entered at Ancon or Cristobal, the terminal ports of the canal, except such goods, wares, and merchandise as are described in Article XIII of the treaty between the Republic of Panama and the United States, the ratifications of which were exchanged on the 26th day of February, 1904, and except goods, wares, and merchandise in transit across the Isthmus for a destination without the limits of said Isthmus, and except coal and crude mineral oil for fuel purposes to be sold at Ancon or Cristobal to sea going vessels, said coal and oil to be admitted to those ports free of duties for said purpose;

Provided, however, that this order shall be inoperative, first, unless the Republic of Panama shall reduce the ad valorem duty on imported articles described in class two of the act of the

¹² Malloy, op. cit., II, 1352.

¹³ H. Doc. No. 401, 58 Cong., 3 sess., p. 571.

national convention of Panama passed July 5, 1904, and taking effect October 12, 1904, from fifteen percentum to ten percentum and shall not increase the rates of duty on the imported articles described in the other schedules on said act except on all forms of imported wines, liquors, alcohol, and opium, on which the Republic of Panama, as modified by Article 146 thereof, shall remain in full force and unchanged, so far as the importation and sale of all kinds of merchandise are concerned; third, unless the consular fees and charges of the Republic of Panama in respect to entry of all vessels and importations into said ports of Panama and Colon shall be reduced to sixty percent of the rates now in force; and fourth, unless goods imported into the ports of Panama and Colon consigned to or destined for any part of the Canal Zone shall not be subjected in the Republic of Panama to any other direct or indirect impost or tax whatever;

Section 4. No import duties, tools, or charges of any kind whatsoever shall be imposed by the authorities of the Canal Zone upon goods, wares, and merchandise imported, or upon persons passing from the territory of the Republic of Panama into the Canal Zone; and

Section 5 of the executive order of June 25, 1904, provided that duties on importations into the canal zone are to be levied in conformity with such duties as Congress has imposed upon foreign merchandise imported into these ports of the United States, is hereby revoked; but this order shall be inoperative unless the authorities of the Republic of Panama shall grant by proper order reciprocal free importation of goods, wares, and merchandise, and free passage of persons from the territory of the Canal Zone into that of the Republic of Panama.¹⁴

¹⁴ Papers Relating to the Foreign Relations of the United States (Washington, 1905), II. Doc. No. 1, 58 Cong., 3 sess., pp. 640-641.

The close relations between the United States and the Panama Republic, which grew out of the construction of the Isthmian Canal, largely governed the foreign trade of the country. There was a tariff in force in Panama of five percent ad valorem on dutiable imports.¹⁵

The building of the Isthmian Canal was the cause of increasing and stimulating import trade of the Republic of Panama, especially with the United States. It appeared that San Francisco, through its enterprising merchants, succeeded in capturing considerable amount of the trade.¹⁶

The extraordinary volume of United States trade with Panama and the Canal Zone arose almost entirely from operations associated with the Canal. Supplies for vessels and for tourists, provisions for the civilian and military personnel in the Zone, and construction materials and equipment for maintenance of the Canal were obtained largely from the United States. This made Panama one of the leading export markets for the United

¹⁵ H. Doc. No. 481, 58 Cong., 3 sess., p. 39.

¹⁶ U. S. Dept. of Com. and Labor, Monthly Consular and Trade Reports, No. 301 (Washington, 1905), p. 193.

States in Latin America.¹⁷

There was a great increase in exports to Panama from United States in 1905, which rose from \$979,724 in 1904 to \$4,745,562 in 1905. The imports from Panama to United States in 1905 almost doubled that of 1904. In 1904 imports were \$440,747, and in 1905 they increased to \$813,154.¹⁸

The exports of Panama in 1905 consisted of:

bananas, \$1,407,459;
 coconuts, \$3,748;
 turtle shell, \$10,362;
 turtle conserves, \$3,415;
 sarsaparilla, \$4,167;
 rubber, \$4,112;
 hides, \$2,575.

These exports totaled \$1,435,838. The bananas, coconuts, and turtle conserves went to United States, while the turtle shell, rubber, sarsaparilla, and hides were shipped to Europe because of better prices. The bulk of these articles went to Germany and England and were

¹⁷U. S. Tariff Commission, The Foreign Trade of Latin America, pt. 2, p. 35.

¹⁸U. S. Dept. of Com. and Labor, Commercial Relations of the United States with Foreign Countries, 1905 (Washington, 1906), H. Doc. No. 940, 59 Cong., 1 sess., p. 39. Hereafter this reference will be cited as H. Doc. No. 940, 59 Cong., 1 sess.

shipped in German steamers.¹⁹

Panama ranked sixth among the Latin American countries in the export of bananas. This production was largely controlled by two United States companies.²⁰

Consul James C. Kellogg, who wrote from Bocas del Toro, furnished the following report on commercial conditions in Panama:

The value of imports during the year 1905 amounted to \$770,873, of which about \$460,000 was imported from the United States, \$120,000 from European ports, and the remainder principally from Colon.

The chief articles from the United States were gasoline, provisions, hardware, cotton, goods, kerosene, lumber, bricks, furniture, shoes, hats, and they were carried by Norwegian steamers.²¹

A lack of greater business relations with the United States was due chiefly to longer credits given by European houses and the failure of American manufacturers and merchants to send to this country commercial drummers who spoke Spanish and were familiar with the people and their wants. Only poor results could be obtained by correspondence. Postage spent on mailing catalogues and price lists was, as a rule, wasted.

¹⁹U. S. Dept. of Com. and Labor, Monthly Consular and Trade Reports, No. 312 (Washington, 1906), p. 86.

²⁰U. S. Tariff Commission, op. cit., p. 6.

²¹U. S. Dept. of Com. and Labor, op. cit., p. 86.

A few American firms established agencies here and have done well, among these were Armour & Co. and Swift & Co.²²

The exports from Panama to United States in 1906 were \$1,065,887 compared with 1905 which was \$813,154. This was a considerable increase. The statistics of the United States concerning trade with the Republic of Panama showed that the exports to that country for the fiscal year 1906 were of the value of \$12,460,289 compared with \$4,745,562 in 1905. This was a very definite increase.²³

Consul James C. Kellogg, of Colon, sent the following revised rates of duty promulgated to Panama:

1. Merchandise of all kinds (excepting those below specified) pay on the declared consular invoice, ten percent.
 - Coffee, per 100 lbs.,.....\$8
 - Matches, per kilo,.....\$0.30
 - Salt, per 100 lbs.,.....\$2
 - Rum, brandy, gin, and
whisky, per liter,.....\$1.50
 - Liqueurs of all kinds, per
liter,.....\$2
 - Bitters, per liter,.....\$0.60
 - White wines and claret, per
liter,.....\$0.10
 - Sherry, port, malaga wines,
and vermouth, per liter,....\$0.20

²² U. S. Dept. of Com. and Labor, Monthly Consular and Trade Reports, No. 309 (Washington, 1906), p. 16.

²³ H. Doc. No. 940, 59 Cong., 1 sess., p. 39.

Bear and ale of all kinds, per liter,.....	\$0.20
Sparkling wines, per liter,.....	\$1
Champagne, per liter,.....	\$2
Alcohol of 42 grades, per liter,.....	\$1
Alcohol of more than 42 grades, per liter,.....	\$1.50
Mineral waters and medicinal wines, 25 percent	

Free list: Animals for breeding purposes, ice, guano, plants, seeds, shoots, sprigs of vine, machines whose weight does not exceed 1,000 kilos, machines for making roads, cars, material for railroads, telegraph machinery, minerals, coal, boilers, iron bridges, boats for navigation in waters of the Republic and material for their construction, printing, bookbinding and lithographing materials, also books sent through the mail.²⁴

According to statistics furnished by Consul J. C. Kellogg, the Republic of Panama had within its territory about 68,000 cattle, 20,000 hogs, 3,000 goats, 17,000 horses, and 1,500 mules. Comparatively few cattle were exported from or imported into Panama for breeding purposes. Bulls, cows, and heifers were allowed by special permission to be imported free from duty.

Consul Kellogg also writes that during the twelve months of 1906 ending May 31, about 168,000

²⁴U. S. Dept. of Com. and Labor, Monthly Consular and Trade Reports, No. 308 (Washington, 1906), p. 23.

tons of coal arrived at that Panama port, making an average of 14,000 tons per month. All of this coal was shipped in foreign bottoms flying the Norwegian flag. It seemed rather strange that none of this freight was carried in American bottoms. It might be well to say that with the exception of the steamers of the Panama Railroad Steamship Line plying between New York and Colon, not a single freight or passenger steamer flying the American flag had entered Colon during the year named for the local and transit trade. It is true, however, that two-thirds of the freight brought by sailing vessels arrived in American bottoms, but by far the largest part of the total freight was carried by foreign steamers.²⁵

For the fiscal year ending June 30, 1906, tortoise shell valued at \$11,219. This was shipped to the United States from Colon alone. The hawks bill turtle was found only in the Gulf of Mexico and the Caribbean Sea.²⁶ During

²⁵H. Doc. No. 519, 59 Cong., 1 sess., Monthly Consular and Trade Reports, No. 310 (Washington, 1906), pp. 25-26.

²⁶U. S. Dept. of Com. and Labor, Monthly Consular and Trade Reports, No. 311 (Washington, 1906), p. 15.

the same time leather and leather manufactures imported into Panama were dutiable at ten per cent ad valorem.²⁷

The import duties of Panama of 1907 were:

Vermuth, per liter,.....	10 cents
Rum, brandy, gin, and whisky, per liter,.....	75 cents
Alcohol, 42 grades, per liter,.....	50 cents
and when more than 42 grades,.....	75 cents
Liqueurs, all kinds, per liter,.....	\$1
Bitter, per liter,.....	30 cents
Beer and ale of all kinds, per liter,.....	10 cents
Mineral waters and medicinal wines,.....	25 percent ad valorem

On merchandise imported into Panama, there was an ad valorem duty of ten percent charged, the exceptions being as follows:

Coffee, per 100 lbs.,.....	\$4 gold
Matches, per 2.2 lbs.,.....	15 cents
Salt, per 100 lbs.,.....	\$1
Champagne, per liter, (liter= 1.0567 quarts),.....	\$1
Sparkling wines, per liter,.	50 cents
Sherry, port and maloga wines, per liter,.....	10 cents
White wines and claret, per liter,.....	5 cents ²⁸

²⁷ ibid., No. 312, p. 166.

²⁸ U. S. Dept. of Com. and Labor, Commercial Relations of the United States with Foreign Countries, 1907 (Washington, 1908), I, 169.

Since April, 1907, the steamers of the Panama Railroad Steamship Company, which formerly entered at the Port of Colon, discontinued and started entering at Cristobal, Canal Zone. This was the American port adjoining Colon. Lumber and other cargoes for the City of Panama, which formerly were discharged at Colon, were now landed at Cristobal and taken across the Canal to Panama, thereby reducing the value of imports at Colon. Goods destined for Colon and landed at Cristobal were brought here in cars and continued to be examined at the Colon Custom House in the same manner as when the vessels entered the Port of Colon.²⁹

The total imports into Panama during 1907, according to published reports, amounted to \$17,204,984, of which \$7,640,534 went to the Canal Zone, leaving \$9,564,450 as the actual imports into the Republic. The United States imported \$4,196,964, and the United Kingdom imported \$2,028,112. The total exports from

²⁹ Ibid., I, 171-172.

the Republic of Panama in 1907 amounted to \$1,960,665 compared with \$1,064,201 in 1906. The increase was not so great now.³⁰

Articles on the free list for Panama in 1907 were:

Machines for making roads,
 Cars,
 Material for railroads,
 Telegraph machinery,
 Boilers,
 Iron bridges,
 Machines weighting not more than
 2,204 lbs.,
 Plants,
 Coal minerals,
 Seeds,
 Shoats,
 Sprigs of vine,
 Guano,
 Ice,
 Animal for breeding purposes,
 Boats for use in the waters of the
 Republic,
 Material for their construction,
 Books sent through the mails and
 printing,
 Book binding,
 Lithographing materials.³¹

In 1908 and 1909, there was an increased shipment of cocobolo wood and ivory nuts. There was a general increase in all shipments to the United States. The most notable increase was in rubber,

³⁰ Ibid., I, 171-172.

³¹ Ibid., I, 169.

which went from \$26,000 in 1907 to \$221,000 in 1909. The chief reason advanced for this was the fact that the large holdings of a Boston rubber company, established some years ago, became productive on a commercial scale during 1909.³²

The export destinations from Panama for the year 1908 were \$1,537,216.69 to the United States. The total trade for the year with the United States according to the trade statistics of that country amounted to \$18,247,155.³³ The percentage of exports to the United States in 1908 was 90.34; United Kingdom, 6.43; Germany, 1.38; and to other countries, 1.85.³⁴

Some of the items exported in 1908 from Panama were the following:

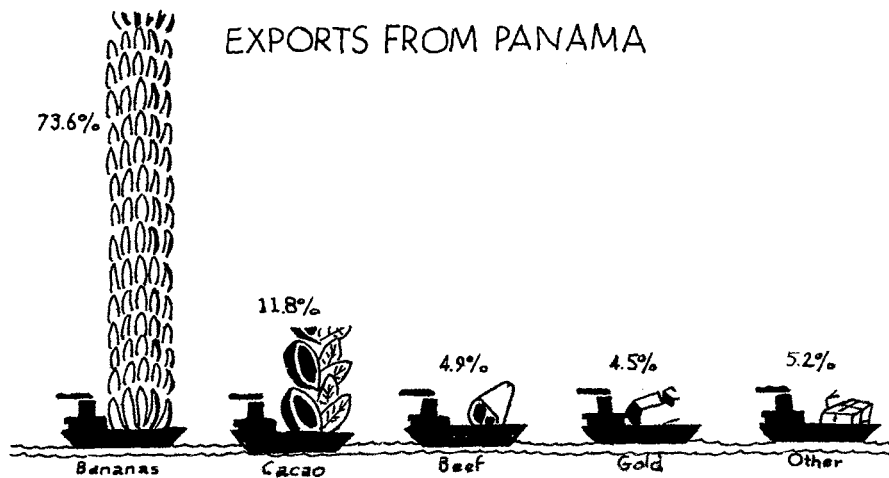
bananas,
cacao,
coconuts,
coffee,
gold, bar,
gum,

³² U. S. Dept. of Com., Commercial Relations of the United States with Foreign Countries, 1909 (Washington, 1911), p. 537.

³³ Bureau of the American Republics, Bulletin of the International Union of the American Republics (Washington, 1909), XXIX, 243.

³⁴ U. S. Dept. of Com. and Labor, Commercial Relations of the United States with Foreign Countries, 1908 (Washington, 1909), II, 223.

hard woods,
hides and skins,
horns,
ipecac,
iron, old,
ivory nuts,
mother of pearl shell,
rubber,
sarsaparilla,
tortoise shell.³⁵



As stated before, our leading export was bananas, which with the opening of the Canal, offered new fields for profitable cultivation of the Pacific Coast. At present, this industry was almost confined to the Atlantic side and chiefly to the province of Bocas del Toro where the United Fruit Company has some of its plantations. These were a practical lesson of the

³⁵ Ibid.

tropics by the white man. Coconuts were our second export stable. The "San Blas" nut was considered the best in the world. The planting of coconuts, the exportation of copra, and the manufacture of oils and other by-products would have been a good and safe investment for American capital and enterprise.³⁶

³⁶Union of American Republics, Report of the Second Pan American Commercial Conference (Washington, 1919), p. 182.

CHAPTER III

TRADE BETWEEN PANAMA AND UNITED STATES
DURING THE PERIOD 1909-1914

The following is a chart of the volume of exports to Panama, the amount that came into United States free of duty, and the imports from Panama to United States. This includes the years 1909-1914, inclusive.

Year	Exports to Panama from U.S.	Amount that came to U.S. free of duty	Imports from Panama to U.S.
1909	\$16,797,520	\$1,594,783	\$1,676,994
1910	20,596,371	2,035,945	2,229,189
1911	20,867,919	3,285,185	3,506,755
1912	23,547,869	4,361,505	4,425,044
1913	24,562,247	4,186,908	4,234,010
1914	22,678,234	4,480,257	4,509,719 ¹

The government of Panama was always willing to give hearty cooperation to all of the enterprises without granting any special privileges or monopolistic concessions. Our legation was ready to furnish any information desired by anyone who wished data on any particular branch of industry or agriculture as far as its possibilities

¹ U. S. Dept. of Com., Statistical Abstracts of the United States, 1914, p. 330.

or potentialities in the Republic of Panama were concerned. Senor Lefevre endeavored to bring out as the main subject of the address, the uppermost importance which the Isthmus of Panama and the Panama Canal had in Pan American trade. To this end he called your attention to the unlimited possibilities offered by the cities of Panama and Colon as distributing centers for American merchandise. These were close to the Pacific and Atlantic terminals of the Canal. The ports should also for, in the near future, the advance guard of the much needed American trade expansion, which was so closely connected with the great cause of Pan Americanism:

A cause whose practical and idealistic phases mean so much, not only to the welfare of this hemisphere, but also to the advancement of humanity, whose fate seems to be linked with the Americas.²

Panama produced little of the sugar it used. It was imported from Salvador, Peru and Costa Rica. The Panamanian Government had passed laws to protect the home product by a

² Union of American Republics, Report of the Second Pan American Commercial Conference, p. 182.

high tariff. An ad valorem duty of fifteen percent was imposed on imported sugar, which in the last six months reached 1,646,000 kilos. The profits from a rum and cane alcohol distillery would pay all the expenses of the manufacturing plant, thus permitting the sugar yield to be almost a net profit.³

The Tariff of 1909 stated:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that on and after the day following the passage of this Act, except as otherwise specially provided for in the second section of this Act, there shall be levied, collected, and paid upon all articles when imported from any foreign country into the United States or into any of its possessions (except the Philippine Islands and the islands of Guam and Tutuila), the rates of duty which are by the schedules and paragraphs of the dutiable list of this section.⁴

By the President of the United States of America, February 9, 1910, a Proclamation:

WHEREAS, it is provided in the Act of Congress approved August 5, 1909, entitled "An Act to provide revenue,

³ Bureau of the American Republics, Bulletin of the International Union of the American Republics, XXIX, 641.

⁴ United States Statutes at Large (Washington, 1911), XXXVI, pt. 1, 61 Cong., 1 sess., p. 11.

equalize duties and encourage the industries of the United States, and for other purposes." That from and after the thirty-first day of March, nineteen hundred and ten, except as otherwise specially provided for, in this section, there shall be levied, collected and paid on all articles when imported from any foreign country into the United States, or into any of its possessions (except the Philippine Islands and the islands of Guam and Tutuila), the rates of duty proscribed by the schedules and paragraphs on the dutiable list of section one of this Act, and in addition thereto twenty-five per centum ad valorem; which rates shall constitute the maximum tariff of the United States; provided, that whenever, after the thirty-first day of March, nineteen hundred and ten, and so long thereafter as the President shall be satisfied, in view of the character of the concessions granted by the minimum tariff of the United States, that the government of any foreign country imposes no terms or restrictions, either in the way of tariff rates or provisions, trade or other regulations, charges, exactions, or in any other manner, directly or indirectly upon the importation into or the sale in such foreign country pays no export bounty or imposes no export duty or prohibition upon the exportation of any article to the United States which unduly discriminates against the United States or the products thereof, and that such foreign country accords to the agricultural, manufactures, or other products of the United States treatment which is reciprocal and equivalent, thereupon and thereafter, upon proclamation of this effect by the President of the United States, all articles when imported into the United States, or any of its posses-

sions (except the Philippine Islands and the islands of Guam and Tutuila), from such foreign country shall, except as otherwise herein provided, be admitted under the terms of the minimum tariff of the United States as prescribed by section one of this Act.

And whereas satisfactory evidence has been presented to me that the government of Panama imposes no terms or restrictions, either in the way of tariff rates or provisions, other manner, directly or indirectly, upon the importation into or the sale in Panama of any agriculture, manufactured or other product of the United States, which unduly discriminate against the United States or the products thereof, and that the government of Panama pays no export bounty or imposes no export duty or prohibition upon the exportation of any article to the United States which unduly discriminates against the United States or the products thereof, and that the government of Panama accords to the agricultural, manufactured, or other products of the United States treatment which is reciprocal and equivalent;

Minimum tariff applicable to imports from Panama. Now, therefore, I, William Howard Taft, President of the United States of America by virtue of the power in me vested by the aforesaid Act of Congress, do hereby make known and proclaim that from and after March 31, 1910, and so long thereafter as the aforesaid Act of Congress is in existence and the government of Panama imposes no terms or restrictions upon the importation or sale in Panama of the products of the United States which unduly discriminates against the United States, all articles when imported into the United States, or any of its possessions (except the Philippine Islands and the islands of Guam and Tutuila) from Panama shall be admitted under

the terms of the minimum tariff of the United States as prescribed by Section One of the Tariff Act of the United States approved August 5, 1909;

Revocation if undue discrimination made against American commerce. Provided, however, that this proclamation shall not take effect from and after March 31, 1910, but shall be null and void in the event that, at any time prior to the aforesaid date, satisfactory evidence shall be presented to the President that the government of Panama as to discriminate unduly in any way against such commerce and in the further event that a proclamation by the President of such fact, revoking the present proclamation, shall have been issued;

IN WITNESS WHEREOF, I have hereunto set my hand, caused the seal of the United States to be fixed.

Done at the City of Washington, this ninth day of February, A. D., One Thousand nine hundred and ten, and the Independence of the United States of America and one hundred and thirty-fourth.

Wm H. Taft

By the President
P C Knox
Secretary of State⁵

On the free list of United States in 1909,

we found:

cacao, or cacao, crude, fiber,
leaves and shells of;
coffee;
bullion, gold or silver;
horns and parts of, including
horn strips and tips, un-
manufactured;
ipecac;

⁵ U. S. Stat. at Large, Private Acts and Resolutions, Concurrent Resolutions, Treaties, and Proclamations (Washington, 1911), XXXVI, pt. 2, p. 2527.

pearl, mother of, and shells, not sawed, cut, polished, or otherwise manufactured, or advanced in value from the natural state.⁶

Commercial conditions remained in 1910 about the same as those in 1909. Imports into Panama increased over those of the previous year, and exports also were greater. The exports from the United States to Panama continued to be large, while all ports in the Republic declared higher figures. This was particularly the case in the staples like bananas, coconuts, hides and rubber. In regard to bananas, some recovery was noticeable, as the banana disease seemed not to have made heavy inroads into new plantations.⁷

Explaining a little more about bananas, the first bananas to be marketed in the United States from Central America came from Panama, and were the forerunners of the immense trade of today. The region around Bocas del Toro was first developed, but after a number of years the banana blight appeared in the fields of that region and caused much loss. No

⁶ U. S. Stat. at Large, op. cit., p. 74

⁷ Union of the American Republics, Bulletin of the Pan American Union (Washington, 1911), XXXIII, p. 538.

satisfactory way of combating this disease had yet been found. New fields had been opened up to take the place of bananas, as it appeared now to be recognized that this was the only remedy. While the banana blight had caused tremendous losses, these could ultimately be turned into a profit, for cacao was being planted extensively in the affected area. The number of trees now approached the million mark in this district alone, and some of the plantations were already bearing. The chocolate from these trees was of a superior quality, and the cost of handling and tending was asserted to be less than in the case of bananas.⁸

The exports from Panama to United States in 1911 were \$2,575,816, and the exports from United States to Panama in 1911 were \$4,122,950.⁹ From the Statistical Abstracts, the exports from United States to Panama were \$20,867,919, and the exports from Panama to United States

⁸
U. S. Dept. of Com., Special Agents Series,
No. 113, p. 211.

⁹
U. S. Dept. of Com., Trade Information
Bulletin No. 257, p. 14.

were \$3,506,735. This shows there were several views as to the imports and exports of the two countries.

The following was the value of merchandise imported into and exported from the United States:

	Exports	Imports
1912	\$23,435,745	\$4,425,044 ¹⁰

By Law 17 of 1912, signed November 5, 1912, the government of Panama had authorized the free importation of machinery for the development of agriculture and certain other industries of the country. The provisions of the law were as follows:

In addition to the articles free of duty under the existing laws and contracts, the following articles shall be admitted free of duty:

1. Plows, rakes, sickles, stump pullers, machines for cutting, sawing, and planing lumber, seeder and planter;
2. Machinery for use in sugar refining, and machinery for the harvesting of coffee, cacao, rubber and tobacco;
3. Machinery for preserving fruits for exportation and machinery for the extraction and preparation;
4. Locomotives, rolling stock, rails, and machinery in general for the construction and maintenance of railroads, and crushers to be

¹⁰U. S. Dept. of Com. and Labor, Statistical Abstracts of the United States, 1914, p. 396.

- used exclusively for the construction and repair of roads;
5. Machinery for excavating and extracting minerals oils, and show machinery;
 6. Machines and accessories for preparing and preserving hams and other meats.
 7. Machinery for textile manufacturing, for the digging of artesian wells, and for the construction and maintenance of canals for navigation and irrigation.¹¹

The government of Panama, in a law of November 18, 1912, provided for the imposition of a specific duty of 18.1 cents per pound on sole leather to take the place of the present rate of fifteen percent ad valorem. Sole leather imported cut in soles for shoes or in strips or any other form was to be dutiable at twice the rate specified above. If the production within the country was not sufficient to meet the great demand, the Executives were authorized to reduce or to suspend the duty. By the same law, machines imported for use in tanneries were exempted from customs duty.¹² Paints, varnishes, and colors of all kinds were dutiable at fifteen percent

¹¹ U. S. Dept. of Com., Foreign Tariff Notes, No. 9 (Washington, 1912), p. 45.

¹² Ibid., No. 10 (Washington, 1913), p. 86.

ad valorem in Panama.¹³

The exports from Panama to United States in 1912 were \$1,779,660, and the exports from United States to Panama in 1912 were \$5,413,305. According to this, the exports were five times as much to Panama as the United States imported from them.¹⁴ According to Statistical Abstracts, the exports from Panama to United States in 1912 were \$6,792,520, that includes those imported free of duty. The imports to Panama from United States for 1912 were \$23,547,869.

General commerce had scarcely come up to expectations since the completion of the canal. Tourists had become fewer, for the time being at least, and as this class of persons furnished, for nearly ten years, a large part of the retail business of Colon and Panama, a marked difference was apparent.¹⁵

In order to encourage the manufacture of cheese, butter, margarine, and other animal products in general in Panama, the government

¹³ Ibid., No. 8 (Washington, 1912), p. 29.

¹⁴ U. S. Dept. of Com., Trade Information Bulletin No. 257, p. 14.

¹⁵ U. S. Dept. of Com., Special Agents Series, No. 113, p. 213.

authorized exemption from duties and other concessions to be granted from special application. For ten years the following products, when for use in connection with such manufacture, were to be imported duty free:

Construction material,
Machinery,
Raw materials (including oils, fats,
stearin, fine salt, coloring mat-
ters, fine neutral lard),
Wood for making small packing cases,
Cans,
Wrapping paper.

Establishments taking advantage of these concessions would also be free from local taxation for a period of twenty years.¹⁶

The government of Panama put into effect a duty of two dollars per quintal (about 101 pounds) for salt by a law of January 15, 1913. The Executive was authorized to reduce this duty to one dollar when there was a shortage of salt of some of the good quality produced within the country.

The National Assembly of Panama also passed a law granting free admission for material and supplies for the construction and maintenance of the Panama Street Railway Company. This company

¹⁶U. S. Dept. of Com., op. cit., p. 86.

was to furnish transportation for students in the schools and colleges at half the regular rates. Then the government of Panama, in Law No. 19 of November 8, 1912, authorized the exemption from import duties for the period of ten years of machinery to be used exclusively in the manufacture of cotton yarn, thread, and cloth. It was further provided that the materials (cotton and hilazas) for such manufactures should be exempt from duty as long as they were not produced in sufficient quantities within the country. The same law authorized certain property concession for the growing of cotton, and for twenty years exemption from local and national taxes for manufacturers of cotton.¹⁷

The National Assembly of Panama, on March 4, 1913, passed a law (No. 35) providing for new, and for the most part, higher customs duties on a number of products.... Article 30 of the law stipulated that increases in duty provided for in the present law and also the increases in duty on sole leather and salt under recent laws should go into effect only

¹⁷Ibid.

upon the conclusion of the necessary negotiations with the United States in accordance with the Taft arrangement. Under the Taft arrangement a limit was fixed on the rate of the import duty in Panama except for just a few specified articles. The following were the new rates of duty:

refined sugar, $2\frac{1}{2}$ cents per kilo;
 stearin candles, 7 cents per kilo;
 common soaps, 4 cents per kilo;
 scented soaps, 50 percent ad
 valorem;
 tobacco, long cut or fine cut,
 \$2 per kilo;
 cigarettes, \$1.50 per kilo;
 leaf tobacco, 75 cents per kilo.

(All the foregoing articles except tobacco and cigarettes under the tariff were now dutiable at fifteen percent ad valorem; cut tobacco was dutiable at one dollar and fifty cents per kilo; cigarettes, one dollar per kilo; leaf tobacco, fifty cents per kilo). The present law established exemption from duty for hard wheat to be used in the manufacture of macaroni. If the production of sugar, soap, and candles within the country should not be sufficient to meet the demand, the executive was authorized to lower the duties to the present rate of

fifteen percent ad valorem.¹⁸

The exports from Panama to United States in 1913 were \$8,420,918 compared with \$8,786,959 in 1912. The exports in 1913 from Panama were definitely not increasing. The exports from United States to Panama in 1913 were \$24,562,247 compared with \$23,547,869 in 1912. There was a steady increase in the exports from United States except in the year 1909 when the exports from United States dropped from \$18,232,666 in 1908 to \$16,797,530 in 1909.¹⁹

The import duty imposed by the Panama tariff was, with a very few exceptions, fifteen percent ad valorem and was calculated upon the invoice value. The government recently had to meet a deficit caused by the construction of an exposition, by large expenditures on its police force, and then they had a high pay for school teachers. However, there was free trade between the Canal Zone and the Republic of Panama. The reason for this was that all

¹⁸ Ibid., p. 87.

¹⁹ U. S. Dept. of Com., Statistical Abstracts of the United States, 1914, p. 330.

articles intended for consumption within the Zone unless imported by the Isthmian Canal Commission or the Panama Railroad had to satisfy the Panama customs requirements upon admission. Goods shipped from the Zone and from Panama into the United States were subject to the regular United States duties. There might not be any internal revenue, provincial, or municipal tax imposed upon goods imported from the United States into the Republic.²⁰

Although Colon could not be said to be a promising market for china and glassware, owing to the World War I, there seemed to be an opening for cheap grades of American china. With reference to glassware, the demand was mostly for the cheaper grades of drinking glasses, or tumblers, used in bars and cafes for beer and other drinks. These glasses formerly came from Germany; the price of the German ware was said to have been fifty per cent lower than that of American made glasses.²¹

²⁰U. S. Dept. of Com., Special Agent's Series
No. 113, p. 211.

²¹Ibid., p. 213.

Panama was rich in gums and exported ivory nuts and crude rubber. Oranges, limes, grapefruit, lemons, and pineapples did well, but no attempt had ever been made to grow them for export to the United States. There was a very good quality of tobacco raised in the Province of Veraguas, but it was not well cured and was not cultivated on a commercial scale. Coffee, rice and sugar cane were also exports.²²

The exports from Panama to United States in 1914 were \$3,269,696, and the exports from United States to Panama in 1914 were \$6,344,873.²³ According to the Statistical Abstract, the exports from Panama in 1914 were \$22,678,254 which was a definite decrease from \$24,562,247 in 1913. The exports from Panama, however, increased in 1914 from those in 1913.

During February in 1914 the number of visitors was given at 4,052. Just during the month of March of this same year 4,764 persons arrived in the Republic with the intention of

²² Ibid., p. 205.

²³ U. S. Dept. of Com., Trade Information Bulletin No. 257, p. 14.

making permanent homes there. Of transient travel, 4,211 tourists visited the Canal during the same month.²⁴

²⁴Union of American Republics, Bulletin of the Pan American Union (Washington, 1914), XXXVIII, 945.

CHAPTER IV

CONCLUSION

Trade began with Panama in 1904, which was after the independence of Panama from Colombia. In the next ten years Panama imported and exported practically all goods to and from the United States. There was a steady increase in exports and imports except in 1908 when there was a decided decrease in imports from Panama to the United States. Then in 1914 there was a much greater decrease in the exports to Panama from United States. This was brought about by the World War I.

The great increase was due to the building of the Panama Canal by the United States. For such a small country in population and size, it was remarkable the amount of import trade that Panama consumed. The manufactured products and foodstuffs were destined for tourist trade, for members of the crew of ships calling at Canal ports, and for residents of the Canal Zone.

In the treaty with Panama and the United States, the United States regulated the trade. At that time it was very important because of the immense amount of materials used in the building of the Canal. The treaty protected Panama because all the material used on the Canal was to be tax free. If the articles were used outside of the Canal Zone, they were subject to the same import duties that the government of Panama had imposed on regular imported goods.

In 1904 a law was passed to revise the treaty with Panama in 1903. This law regulated the Panamanian trade more closely and made a ten to fifteen percentum the limit that Panama could tax imported goods from the United States. Unless the United States agreed to a higher tax, except in certain goods such as wines, liquors, alcohol, and opium, this law also made the United States the controller of the transit trade between the Canal.

The Tariff of 1909 was passed, and it put a twenty-five percentum ad valorem on all articles imported from any foreign country.

With this new tariff, there was still an increase in imports from United States. The reason was that most of the goods imported into the United States were on the free list.

The extraordinary volume of trade between United States and Panama was almost entirely caused by the independence of Panama and the building of the Panama Canal by the United States. Due to these activities during February in 1914, the number of visitors was given at 4,052. During March of the same year 4,764 persons arrived with the intention of making permanent homes.

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