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January 24, 1964

LIFE is published weekly, except one tissue at year end, by Time Inc., 540 N. Michigan Are., Chicago, Illineis 606R; principal office Rockefetter Center, New York, N.Y. 10020; Janes A. Linen, President, D. W. Brumbaugh, Treasurer, Bernard Barnes, Secretary, Second-class postage paid at Chicago, III, and at additional multing of leas. Authorized as second-class postage, paid at Chicago, III, and at additional multing of least. Authorized as second-class postage in cash. U.S. and Canadian subscriptions 56,75 a year. This issue published in national and separate editions. Additional pages of separate editions numbered on allowed for as follows: Domestic subscriber editions: 51,52; Regions 5 and 6; El R2, Regions 1,3, 4s, 7 and II; R2-R4; Regions 2, 4b, 9, 9, 12, 13, 18, 18, 20, 22, 22, 24, 25 and 29; R8-R6; Resions 10, 14, 10, 17, 19 and 27, 19-R6.

EDITORS' NOTE

Covering the Riot-ridden Canal

Correspondent Tom Flaherty and Photographer Stan Wayman flattened themselves against the wall. They were on the top floor of a Masonic Temple in Cristobal which sat smack on the riot-ridden border of the Canal Zone and the Republic of Panama. A sniper's bullet cracked into the plaster above their heads. Only a few feet away a gas grenade exploded in a U.S. soldier's face and Wayman's camera clicked and clicked again, recording one of the dramatic scenes that helps tell this week's lead story (pp. 22-31).

To get our men into Panama and then into key positions on both sides of the border took a small military operation of our own. It started Thursday night when first reports of trouble in Panama came over the ticker. By Friday morning when our personnel had been rounded up,

plane reservations made and the extent of the rioting assessed, suddenly all commercial flights to Panama were canceled. Even so, with luck and a couple of charter flights everybody had landed at the Panama City Airport by 3:30 a.m. Saturday.

Splitting up into small groups to be less conspicuous, they headed into Panama City itself. Cabled Reporter Maynard Parker, "The driver began to dodge smoldering hunks of American cars which had





FLAHERTY AND WAYMAN IN CRISTOBAL

been turned over and burned. Smoke hung in the air from flaming buildings. Again and again we passed jeeps loaded with Panamanian guardsmen who swung 30-caliber machine guns toward us as we edged past."

Once in the town an attempt was made to rent a car from the local Hertz office. At first the agent refused, "My cars," he cried, "they are lying all over town, burned and wrecked." Finally he agreed to let one go if a guarantee was made to pay for any and all damages.

The problem of moving about the city came next. "It was necessary," Hank Suydam (Washington Bureau Chief) cabled, "to improvise official stickers for our cars and outrageously fraudulent press credentials for ourselves—anything that would identify us as correspondents of any nationality other than American. I was French for a few hours, but when I heard some real French reporters had been attacked, I changed to German,"

Our men fanned out over the country, and throughout the long, angry weekend they were stoned, shot at, tear-gassed, chased by hostile mobs, almost trampled in the wild confusion of a mass funeral. The U.S. troops were understandably edgy. Photographer Arthur Schatz was getting out of his car to take pictures when a U.S. soldier leveled his M-1 and barked, "You put that foot on the ground and you're dead, mister."

Schatz withdrew his foot.

GEORGE P. HUNT Managing Editor

Let's Act Our Age in Panama

That President Johnson's first international crisis has occurred in Latin America ought to come as no surprise, if only because Latin America is Castro's stalking ground (see below). But Panama need not have been the trouble spot. Crisis there had been forecast for years, by observers and by events. Yet warnings were ignored. For the past four months the U.S. has not even had an ambassador on the spot.

Castro's boys were quick to take advantage of the disorder and make it nastier, but it would be a mistake to blame it all on them. U.S. presence in Panama has been a source of real or potential friction ever since Teddy Roosevelt created the state as a means of getting treaty permission to build the canal. The canal was and is a great contribution to the Western Hemisphere and the world. But T.R.'s treaty, which with modest revisions in payments still governs our relations with Panama, is in need of overhaul. Last summer Milton Eisenhower observed: "What seemed felicitous to Panamanians in 1903 . . . may be unacceptable to their great-grandchildren tomorrow." The riots have shown that tomorrow is already here.

The treaty is only part of the problem. As owner and operator of the Canal Company, the U.S. government has blindly allowed the Canal Zone to turn into a pretty fair imitation of a colony, complete with a colonial mentality. In the zone, discrimination against Panamanians has existed since the beginning, backed up by wage differentials, special privileges for Americans and all the paraphernalia of extra-territoriality. Isolated and pampered, permitted to stay on as settlers instead of being rotated back to

the States, the few thousand Zonians developed a misplaced sense of patriotism which made them roundly disliked and which—as expressed by the high school kids and their flag touched off the latest anti-American demonstrations.

For their part, the Panamanians are an excitable people and do not have far to search for grievances. The zone is an easy target for their resentment. To the poor it looks like a Big Rock Candy Mountain. And for the few rich governing families, it provides an indirect source of income and a convenient safety valve for discontent that might otherwise be aimed at them.

Military men admit that in all-out war the canal would go. A single Soviet Polaris-type missile could knock it out. It won't take our biggest aircraft carriers. But short of all-out war it remains a crucial element in our commercial and defense dispositions. We are not about to give it up.

So what do we do? One answer is the use of force, which plays directly into the hands of the Communists. A more sensible answer is to try to get along with the Panamanians.

Luckily for us the dispute is not comparable to Suez. The Panamanians don't want the canal for themselves because they are not prepared to operate it. Internationalization doesn't appeal to them either. They are content to have us run the canal on their behalf. What they do want, and what we can give them without diminishing our own interest at all, is greater recognition of their at least theoretical sovereignty in the Canal Zone. This is partly a matter of symbols like the flags, partly of more generous payments and, most important, patience and tact.

Since the shooting stopped, efforts to repair the diplomatic breach have been complicated by the election campaign in Panama. Having made clear his readiness to discuss all outstanding issues, Johnson can only sit tight until Panamanian tempers cool. But when real negotiations become possible, the U.S. has an opportunity to make up for its past neglect and to convince the Panamanians that our interests are parallel.

As for the Zonians, private American companies operating abroad long ago learned that integration with the foreign community is simply good business. It's about time that the biggest business in Panama, the U.S. Government, learned it too.

The Wayward Buses to Cuba

Fidel Castro has induced a British firm, Leyland Motor Co. Ltd., to sell him \$11 million worth of buses and spare parts, which he badly needs to carry the footsore Cubans to work in his rattletrap economy. The State Department protested to London that this sale undercuts our boycott on all trade with Cuba except certain foods and medicines.

The U.S. embargo has one tooth in it: vessels trading with Cuba go on a U.S. blacklist and cannot thereafter carry U.S. government-financed shipments (mainly foreign aid) anywhere. Since no British shipowner wanted to be blacklisted, Leyland got an East German shipping line to carry the wayward buses. So Communist Cuba will probably get its buses and, as a result of our embargo, Communist Germany will get the freight revenue.

All of which strikes the British as pretty absurd. If the U.S. sees no objection to selling its surplus wheat to Russia, why should it object to Britain's selling its surplus buses to Cuba? "A modern army is unlikely to go to war by bus, but it still marches on its belly," said the London Daily Mirror. Superficially, it's an awkward argument to answer, and we don't expect to persuade many Englishmen that our policy makes sense.

But it does make sense. It seems inconsistent only because

the whole subject of East-West trade is highly complex and any effort to control it has inherent contradictions. But U.S. economic policy toward Cuba, which the bus deal could undermine, is one of the few coherent and successful sectors of this tangled cold-war front, and the more firmly we can apply it the better.

Before 1960, Cuba did almost all its considerable trade (\$1.3) billion) with the free world. Now it does four fifths of its trade (reduced to about \$1 billion) with the Soviet bloc. Its national income has dropped by 25%; its sugar crop has been cut almost in half in the last two years; it is dependent on Russian credits and exports for its increasingly shabby existence. Castro is in Russia now, presumably trying to line up still more Russian aid, and also to get Khrushchev's backing for his own policy of violence toward his neighbors (as in Panama and Venezuela). A "show case of Communism" in the Western Hemisphere? A few days before his assassination, John F. Kennedy could state that Castro's standing as a national revolutionary has been "badly damaged and scarred" by his permanent abrazo with Khrushchev, and that his failures "will make it more obvious to people around this hemisphere that Communism does not offer a short cut to economic well-being."

Our policy of isolating Cuba has contributed to this conclusion. It may or may not hasten the overthrow of Castro, but at least it weakens him and hastens the day when Khrushchev must regret his adventures in this hemisphere and cut his losses by backing out. We have tolerated the presence of Castro, but it would be folly to ease his lot in any way.

In fact, we should intensify his isolation, strengthening the blacklist with increased diplomatic pressure. When our allies object to the embargo, they should get an explanation of it but no relaxation.



BESIEGED U.S. SOLDIERS. A key defensive position for American troops at Cristobal was Masonic building which Panamanians tried cloud of tear gas (right) as they aim gas gre-

nades at riflemen they have spotted outside.





Bullets fly in Panama over the right to fly the flag

INSIDE AN UGLY FIGHT

"Man!" said the frightened young GI as bullets zinged around him, "this is just like a war." "Soldier," his sergeant shouted, "this is a war." The bitter battle in Panama caught both the U.S. and its troops-stationed there to protect the canal—completely by surprise. Suddenly, well-armed mobs pinned them down in buildings like Cristobal's Masonic Temple, looming huge in the flaming night.

The fighting, which resulted in the deaths of four U.S. soldiers and 19 Panamanians, began after U.S. and Panamanian students clashed over whose flags would fly in the U.S.-administered zone. But it was fed by years of Panamanian discontent over the canal, by troublesome Castro agents, and by the presence of patriotic but misguided Americans who did not realize they were away from home.











A GAS GRENADE IN THE FACE; A SNIPER'S BULLET IN THE ARM

The most embattled building in Panama was Cristobal's Masonic Tentple, LWE Photographer Stan Wayman, who took these pictures, and Correspondent Tom Flaherty were the only newsmen to reach the building. This is Flaherty's report.

Stan Wayman and I scrambled over a fence and made a run for it across the railroad tracks. We ran for cover in a parking lot 150 yards short of the boundary between Cristobal and Colon. This was the advance position held by Third Platoon, Charlie Company, Fourth Battalion, Lt. Alan Karpas of Brooklyn, N.Y. in command.

The position was under fire from hidden snipers. Two hundred yards to our left a five-story building of massive concrete dominated the scene. We could bear the report of small-arms fire from beyond the building. The building was the Masonic Temple in normal times, the home of the Sojourners Lodge of the Masonic Order. Now it was a U.S. fort under siege, blessed with thick walls but too many windows.

When Wayman and I arrived the battalion had suffered casualties of three dead and 16 wounded by gunfire and 43 more injured by glass and rocks and tear gas burns. An order to return fire by shotgun had been rescinded and the men sat holding their positions with empty rifles.

Occasionally we could hear the soft sounds of sniper fire, then the louder report of a gas grenade being launched in return from an M-1—"Them soft ones is the bad ones," we were warned. "Stay close to the walls on the way up," a lieutenant admonished as we went up-

stairs in the building. The top floor had a roof but virtually no walls. It is called the "Sky Room" and is used for dances.

On a folding chair sat Capt. Sherman Davis of Shreveport, La., the battalion intelligence officer. He and his 54 men had orders to hold at all costs. "This building is the key," Davis said. "If they had it they could snipe all through the zone."

"Keep your head down," Davis yelled to one man. "Don't worry about that bastard sniper over there. We couldn't get him even if we could use the shotgun."

A .22 rifle fired nearby. Then another shot. This time it was followed by a shout—"Somebody's hit." Davis said, "Don't get nervous, we've got a medic right here." Medic David Gonter moved forward in a crouch.

A minute later Gonter came back helping SP/4 Alfred Corbett, His right sleeve was torn and his upper arm bleeding. Corbett, I was told, was a native of Panama. He was also lightweight boxing champion of the U.S. Armed Forces, Panama. He had just become the battalion's 64th buttle casualty.

Corbett started down the stairs on his own feet. Wayman followed, making pictures. A soldier said, "If we don't start using ammo they're going to get us all."

A sniper was working from a roof across the street. He had a partner spotting for him. Wayman photographed S/Sgt. Pedro Acosta launching a gas grenade with his M-1. It smoked the spotter out. Then a moment later Acosta tried to throw a gas grenade through the window to get the sniper. It hit the window frame and bounced back. Acosta grabbed the grenade but it exploded in his face. For 10 minutes he danced around like a mad man until the gas wore off.

That evening Captain Davis said, "We aren't going to hold here unless we get permission to fire more than gas. Otherwise they'll keep coming back braver than ever." We left on foot, dashing across a street to a burned-out commissary. A sniper around the corner was still at work. Later, after Davis got orders to fire back with shotguns, lookouts saw the sniper dragged away by the neels.

ORDEAL UNDER FIRE, U.S. soldiers manning positions in the Masonic Temple had a tough fight on their hands. S/Sgt. Pedro Acosta got painful burn in the face from tear-gas grenade that bounced buck on him (top picture). Infantrymen faced snipers through window (bostom left). SP/4 Alfred Corbett was hit in the arm by a sniper's bullet and led down the stairs (center) to sandbagged truck (bostom right) that took him to an aid station.



EARLY RIOT. Panamanians stormed U.S. consulate in 1885 and tore down flag during Colombian civil war. Panama was a province of Colombia.



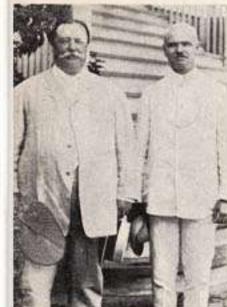
FRENCH FAILURE. Cartoon shows Ferdinand de Lesseps, bead of illfated French project, struggling to dig canal as Uncle Sam waits his turn.



Walter Reed (standing on stairs) helped remove major obstacle to the canal with conquest of yellow fever.



U.S. ACQUISITION. Treasury Secretary Leslie M. Shaw signed a \$40 million warrant purchasing French canal rights and properties in 1904.



TAFT ON TOUR. President William Howard Taft inspected canal progress at halfway mark in 1910 with chief engineer George W. Goethals.



MAN OVER NATURE. Hacking away with steam drills and shovels, U.S. construction crews, like this one in the Bas Obispo Cut, moved more

than 240 million cubic yards of dirt and rock in nine years to clear channel. Three sets of locks were built at each end of the 50-mile waterway to

compensate for the 85-foot rise between the Atlantic and the Pacific Workers completed the canal in early 1914 at a cost of nearly \$367 million.

'I TOOK PANAMA,' T.R. SAID-AND THERE



Panama owes its present turbulence and troubles to the geographic quirk which makes it the logical site for a canal joining the Atlantic and Pacific.

The idea for such a canal dated back to the 1500s, but the first attempt to build one did not come until the 1880s when the French tried and failed. In 1903 the U.S. took over when Panama conveniently proclaimed independence from Colombia; President Theodore Roosevelt quickly recognized the new republic and signed the treaty which gave the U.S. land for the canal. The story goes that



T.R. ON THE JOB. Famous photograph shows Theodore Roosevelt visiting one of his favorite projects and operating a big steam shovel in 1906.

THE TROUBLE BEGAN

he was so pleased with his acquisition that he boasted "I took Panama." The treaty also made Panama a U.S. protectorate. Engineers began work at once and finished in 1914. The new canal was a boon to commercial shipping and also a vital tool in the defense of the Western Hemisphere.

But despite the prosperity and prestige the canal brought, Panamanians were not satisfied. The U.S. dominated Panama's life. The U.S. got most of the canal revenue. U.S. citizens had betterpaying jobs than natives, the U.S. virtually ran the government and

U.S. troops could put down any uprising endangering the canal.

Relations eased somewhat after 1936 when a new treaty released Panama from protectorate status and gave its government sovereignty outside the 10-mile-wide Canal Zone. But nationalists continued to resent absolute U.S. control over the lucrative canal. After bitter rioting in 1959, the U.S. granted Panama "titular sovereignty" in the zone itself, a gesture which meant the flags of both countries could fly together within the zone. But the gesture left basic resentments unresolved.



FIRST SHIP THROUGH. On Aug. 15, 1914, S.S. Ancon (above) became the first commercial ship to pass through, officially opening the canal.

WAR DEFENSE. Chunky mortars helped defend canal in World War II, Well fortified because of its strategic value, the canal was never attacked.







BATTLEFIELD. Panamanians rescue a rioter who was wounded 300 yards from U.S. Canal Zone, from which pictures above and at far left were taken. They burned U.S. cars earlier.

FURY OF THE RIOTING MOBS REACHES ITS HEIGHT IN THE CAPITAL CITY

The final blow-up started in the crowded capital of the country, Panama City, It was here that Panamanian students tried to display their flag in the U.S. zone. When rumors spread that the flag had been desecrated, a mob, spurred on by Castro agents, gathered in the streets and snipers began to attack U.S.-owned buildings.

The mob set fire to the headquarters of Pan American Airways (right). LIFE Photographer Michael Rougier focused on this blackened building (above) as rioters rescued a comrade shot trying to enter the U.S. zone.

The man was not shot by U.S. troops. American soldiers had a strict routine for handling the mob. If the mere fact of the Army's presence did not discourage rioters, the troops used harmless tear gas to drive them back. If this did not work, they fired shotguns over the rioters' heads. But when a deadly sniper presented a target, the soldiers fired bullets back. In the early stages of the rioting, before the Army took over, the Canal Zone U.S. police were in charge. Using tougher tactics, they were reported to have fired directly into the mob.

Finally the fighting ended as quickly as it began and both sides tried to revert to diplomacy again to solve the festering problems.

SNIPER. Crawling along ledge of Pan American building in Panama City, a Panamanian rioter fires revolver.

> BURNING SYMBOL. A milling Panama City mob restarts a fire in the mod-





ern U.S.-operated Pan Am building

'I GUESS I STARTED THIS WHOLE THING'



LIGHTING THE SPARK, Marching around school inside their zone in Panama, U.S. students proudly fol-

low their flag. Later th: disobeyed orders by raising another U.S. flag on the lone pole in front of their school.



FEEDING THE FIRE. Panamanian students, believing that their own flag had been damaged by Americans, rip

apart a U.S. flag after rioting has already broken out. They burned the U.S. flag just a few minutes later.



Of the LAVE teams covering the Panama crisis, Correspondents Miguel Acoca, Philip Hager and Maynard Parker concentrated on the resentments beneath the flag fight. This is their combined report,

BALBOA, CANAL ZONE t all began because there was one vacant flagpole at Balboa High School.

In 1960, after a series of riots in Panama, President Eisenhower ordered that Panama's flag should fly side by side with the Stars and Stripes at the U.S. Canal Zone building. President Kennedy later extended the order to the rest of the enclave. Since the chief objections to this broadened directive came from American students, with purental encouragement, zone officials ordered that, as of Jan, 1, no flags should be flown in front of schools. Outraged, Zonian teenagers saw the empty flagpoles as a challenge not to be ignored.

On Jan. 7 and 8, amid rising tensions, students at Balboa High School ran up a U.S. flag. On the third day, demonstrating Panamanian students entered the school grounds and sang their national anthem, but the Balboa students blocked them from raising their flag. There was a scuffle—and the Panamanians retreated in outrage, claiming their flag had been ripped by the Zonians. A few hours later when the Panamanians returned, it was no student demonstration. It was a mob—out for blood.

At the height of the violence, James Jenkins—a 17-year-old senior at Balboa High—held a press conference behind the Tivoli Guest House. He there assessed his role in this bizarre crisis.

"I guess you could say I'm the guy that started this whole thing," the Balboa High School senior said, smiling, "I'm sort of the ringleader. I circulated the petition to keep our flag flying. Then me and the others raised the flag. The school authorities left it up because they knew we'd walk out."

Young Jenkins, a math student whose mother is a budget analyst for the Panama Canal Co. and whose father is a towing-locomotive operator at the locks, defended his view: "Balboo is an American school attended mostly by Americans. We're used to our flag. It's the only one that should fly,"

At the Caribbean end of the Canal Zone, a 17-year-old girl, Connie Lasher, had headed a similar movement of students who, despite authorities, had raised U.S. flags at Cristobal High and three elementary schools. "We want just the American flag flying—it proves our sovereignty," Connse insisted. "The next step, if they have their way, will be just to fly the Panamanian flag."

Mrs. Charles Park, wife of another towing-locomotive operator, said, "I've been down here for 24 years, and this is the worst thing that's ever happened. I've just got into an argument with our maid over this... We've been so generous—we treat our children and the maid's family just the same. I can't see how this country can be aroused to hate when we've been so generous. After all, we've paid our rent."

Sam Rof, Canal Zone policeman and a third-generation Zonian, stated his case bitterly: "Every federal employe knows our State Department stinks. It's Congress who takes care of us. They do everything for us, from changing our diapers to putting us in the grave. We're not ugly Americans. We're lost Americans—lost because we're the victims of internationalism."

here were other interviewsmany of them. These Zonians scattered the blame widely among Latin American politicians, Communists, Castroites, hoodlums, hot-tempered Panamanian students, irresponsible Panamanian radio broadcasts. None accepted any responsibility whatever for the shedding of blood. Their share of America is precisely 10 miles wide and 50 miles long and crowded with illusions built on the glory of the men who built the canal and the women who helped them. Living as they do, where they do, they feel deeply about the flag issue. As one explained, "The Stars and Stripes is our identity with home. When it flies alone, we feel that the zone is American, that it is

Last week, during the tense negotiations between Panama and the U.S., young James Jenkins summed up the short-range prospect. "We're going to have to comply. But they're going to have a devil of a time getting us to like it."

COMPLAINING TO PRESIDENT. Irate Panamanian, holding flag which heclaims Americans desecrated, shows it to his nation's chief executive, Roberto Chiuri (wearing glasses, right). EXPLAINING HIS CAUSE. U.S. student Jim Jenkins, son of canal locomotive operator, admits he instigated the Balboa school flag-raising incident which touched off the fighting.

