Panama Canal Crisis Committee Background Guide

Written by: Jerry Yang, Matthew Haimowitz, & Rishank Chillakuru,

Case Western Reserve University

Written December 2023

This committee will be run as a crisis committee and will follow standard parliamentary procedures relating to a crisis committee. Delegates must prepare to respond to continuous updates occurring throughout the duration of the committee. The start date of the Panama Canal Crisis Committee is November 3rd, 1903, immediately after the declaration of independence of Panama from the United States of Colombia.

Construction of the Panama Canal (1903)

Historical Background:

Attention towards the Isthmus of Panama has persisted in the European imagination for centuries, as a progression of goals to colonize the Western Hemisphere and open new trade routes to Asia. The Spanish initially had control over the territory of Panama, and they became the first to attempt to cross the isthmus, initially through surveys of a land route (dating back to Vasco Nunez de Balboa’s crossing of the isthmus in 1513) and eventually the idea of a canal.1 Spain made several preliminary attempts to establish a connection across the isthmus, including Alessandro Malaspina’s expedition in the late 18th century to survey the area. The Latin American Wars for Independence led to several competitors also drawing up their own plans for a canal to connect the Atlantic and Pacific oceans, with a few major contenders emerging. Alongside the Panama Canal Plan, the Nicaragua Canal Plan advocated for the construction of a canal from the Caribbean Sea to Lake Nicaragua, roughly following the San Juan River, before connecting it to a series of locks to reach the Pacific from Lake Nicaragua.2

The French became the first to make a serious attempt to secure the construction of the canal. The chief engineer of the Suez Canal, Ferdinand de Lesseps, led the French government’s effort to construct a similar canal in Panama.\(^3\) In 1878, the international company formed by the government for this endeavor (Compagnie Universelle du Canal Interocéanique), received a 15-year concession from the government of Colombia as Panama was a Colombian province, guaranteeing their ability to dig a canal across the isthmus and giving the French company a 99-year lease. Lesseps believed that he could replicate his success in Suez with a sea-level canal. He set out on this course of action after convening the Congrès International d'Etudes du Canal Interocéanique (International Congress for Study of an Interoceanic Canal) in late 1879. Despite the great amounts of unstable rock that would have to be excavated under Lesseps’ plan, construction began in 1881 with a labor force that consisted of mostly Afro-Caribbean workers from the West Indies. Tropical diseases such as malaria and yellow fever ravaged the work sites, with estimates that 20,000 workers died during the French attempt at construction.\(^4\) Over 800,000 French people invested their savings into the project, but by the early 1890s, it had become clear that Lesseps had grossly underestimated the challenge of building the Panama Canal – further exacerbating problems were the facts that Lesseps rarely visited the canal site and his men were unprepared for the Panama rainy season that caused frequent flooding of the Chagres River. In 1887, Lesseps finally relented and allowed for the plan to be modified to become a lock-based canal. However, it was becoming clear that the project faced serious risk of failure as the deaths piled up and the rivers continued to flood. In 1889, the Compagnie Universelle du Canal Interocéanique (French Panama Canal Company) declared bankruptcy, causing a major political scandal in France.\(^5\) Three years later, 510 members of parliament, including six ministers, were accused of taking bribes from the Panama Canal Company to hide the company’s financial status from the public. Many were placed on trial for corruption, including Lesseps, his son, and Gustave Eiffel, before being given long jail sentences that were eventually annulled.\(^6\)


The court-appointed liquidator attempted to maintain as much of the equipment, buildings, and tools as possible, but the tropical climate made this extremely difficult. At the same time, the French government continued to delay liquidation in the hopes of salvaging anything from the investment. In 1890, a commission hired by the liquidator recommended that construction on the canal resume, despite a lack of capital to finance it. By 1894, La Compagnie Nouvelle du Canal de Panama (New Panama Canal Company) was created to manage the assets and find a buyer, with an asking price of $109 million.  

By this time, American interest in Central America had stretched back for decades. The Americans were among the primary proponents of the Nicaragua Canal Plan, with then-Secretary of State Henry Clay presenting the plan to the US Congress in 1826 after the Federal Republic of Central America did its surveys in 1825. After Nicaragua’s independence, its government signed a contract with American businessman Cornelius Vanderbilt in 1849, giving his Accessory Transit Company the rights to construction of a future canal and exclusive use of the overland route across the country. This contributed to an increase in tensions between the Americans and British as America sought to expand its influence in the Western Hemisphere. The two countries eventually signed the Clayton-Bulwer Treaty in 1850, guaranteeing that neither would move to construct the canal independently, and declaring the canal would be neutral once constructed. Neither country would move to construct a canal for the next few decades.

The Americans moved in parallel to secure relations with Colombia for the potential construction of their own canal in Panama. In 1846, the US negotiated the Mallarino-Bidlack Treaty with New Granada (today Colombia and Panama) that guaranteed American transit rights on the isthmus of Panama and gave America authority to militarily intervene to suppress social conflict and independence movements in Colombia. Internal struggles in Colombia between the Liberal and Conservative parties led to intermittent conflict in Panama that was often resolved through American military interventions. Tensions reached a boiling point in 1885, when the departure of Colombian troops from Panama to deal with rebels elsewhere provided conditions favorable to a Panamanian insurgency that was ultimately suppressed by an American military

---

intervention and two American gunboats. Regional concerns about an American annexation of Panama provoked a response by Chile, which sent a warship to the area in a show of force, but eventually subsided as the Americans withdrew.\textsuperscript{10}

The Spanish-American War reignited the idea that a canal between the Atlantic and Pacific Oceans was a vital American strategic interest. Proposals for a canal gained new life, and the American government took more concrete steps towards the final construction of one. Among the first issues that had to be resolved was the Clayton-Bulwer Treaty that prevented the United States from constructing a canal without the collaboration of Britain. With German influence in the Western Hemisphere growing and Britain’s declining, the British wanted to bolster the Americans as a counterweight and agreed to the Hay-Pauncefote Treaty\textsuperscript{11}, which ceded to the United States the right to build and manage a cross-isthmus canal, nullifying the Clayton-Bulwer Treaty.

In 1889, the US Congress incorporated the Maritime Canal Company of Nicaragua, which began to clear brush along the canal route. This lasted until 1893, when the company lost money in the Panic of 1893 and was forced to pause its work. Nevertheless, the Nicaragua route remained the most popular option as many believed the French asking price was too high. The Nicaraguan Canal Commission, renamed in 1897, released an in-depth hydrological survey of the San Juan River that estimated the canal cost at $138 million. The Isthmian Canal Commission (Walker Commission), responsible for choosing the final route of the canal, also recommended the Nicaraguan choice in 1899, unless the US could acquire the French project in Panama for no more than $40 million.\textsuperscript{12}

With these developments, Philippe Bunau-Vanilla, chief of the French Canal Syndicate who owned significant land across Panama and stood to lose greatly in its investment unless the canal was completed, hired William Nelson Cromwell, an American lobbyist, to lobby the United States Congress for the Panama Canal. From 1898, Cromwell and Bunau-Vanilla worked

to make the Panama option more relatively appealing to the American government\textsuperscript{13}, through actions such as convincing the French company to lower its asking price to $40 million in January 1902 and having news articles written about volcanic activity near Nicaragua to play up the risks of a potential Nicaraguan canal.\textsuperscript{14}

Under the urging of US President Theodore Roosevelt, the Isthmian Canal Commission reconsidered the possibility of choosing the Panama option after the French lowered their asking price for their holdings in the area to $40 million. At this price, it was deemed more favorable to take over the French endeavor, which is what the US moved towards on June 28th, 1902, through the passage of the Spooner Act. However, the Colombian government still needed to approve the transfer of assets and eventual American continuation of the canal’s construction. After negotiations between the American Secretary of State John Hay and Tomas Herran, the Colombian Chargé to the United States, the countries came away with the Hay-Herran Treaty, which gave the USA a renewable 100-year lease on a six-mile wide strip of the Panamanian isthmus in exchange for $10,000,000 and $250,000 annually.\textsuperscript{15} Although the US Senate ratified this treaty, it failed in the Colombian Congress, and thus did not go into effect. It is speculated that Herran had failed to consult Colombian politicians when negotiating the treaty, who wanted a higher price. In any case, this led the United States to reconsider its relationship with Colombia and its position on Panamanian independence.

By July of that year, internal Colombian opposition to the failure of the Hay-Herran Treaty from Panamanians led to the creation of a junta in Panama led by prominent Panamanian families. The separatists wanted to negotiate the agreement to build a canal directly with the United States and chose November as the planned date of their secession. Their moment of opportunity came as Bogota received word of a planned Nicaraguan invasion of northern Panama. Sending troops northwards into Panama to attempt to relieve the governor, the Colombian government was unprepared for the collusion of Panamanian officials that delayed the troops and eventually the arrest of their leaders by General Esteban Huertas, who the separatists had lured to their cause. With the further interference of the United States, which they

justified using the Mallarino-Bidlack Treaty, Colombian troops were prevented from intervening in Panama’s declaration of independence on November 3rd, 1903. At the time of this committee, only one casualty has been reported from the shelling of Panama City by Colombian gunboat Bogota.

**Current Scenario**

At this time, Panama has just declared independence from Colombia. Delegates will have to work to resolve the key challenges impeding the construction of the canal. Initially, these will be political – it is unclear how, if at all, the Hay-Herran Treaty should be modified. Of course, the actual construction of the canal poses its own logistical challenges as well: the same tropical diseases and raging rivers that foiled the French have not gone away in the past decade.

**Questions:**

1. What nation does your assigned character belong to, and how does your character’s allegiance (or potentially lack thereof) to their country play a role in the Current Scenario?
2. Identify potential roadblocks in maintaining and improving the function and safety of the Panama Canal. What powers does your character have to mitigate such issues?
3. What are the geopolitical consequences of the Hay-Herran Treaty and possible construction of a canal? Based on your character’s position, will you need to push for a change in the Treaty, or defend certain points?
4. Should the alternative Nicaragua canal plan be considered after Panama’s independence? What location does your character prefer?

---

Character Profiles:
Please note that these are brief summaries, and delegates should research their character in greater detail than what is provided here. In addition, please do be mindful that this committee takes place immediately after Panamanian independence in 1903, and that historical events regarding each of these people after this time should not be incorporated into the actions of the committee.

Theodore Roosevelt - President of the United States
After making himself a war hero in the charge at the battle of San Juan in the Spanish-American war, Roosevelt served as Governor of New York before being elected as President of the United States in 1901. Roosevelt maintained that the United States should be more involved in international affairs, often quoting the proverb, “Speak softly and carry a big stick.” Assessing a strategic need for connecting the Atlantic and Pacific waters, Roosevelt created the Isthmian Canal Commission, and subsequently supported Panamanian independence efforts to gain more influence in the region.17

José Santos Zelaya - President of Nicaragua
During his presidency, José Santos Zelaya championed a number of pioneering endeavors for Nicaragua, such as social reform, infrastructure expansion, and gaining control of the Mosquito Coast from the Zambos Pirates. With this new territorial holding, the notion of a canal across Nicaragua became feasible, and, with Nicaragua standing to gain from such an endeavor, Zelaya was a notable proponent of such plans to build a canal in his country.18

John Hay - Secretary of State of the United States
A physician from Indiana, Hay entered the political world as the private secretary of Abraham Lincoln, and would later rise to Secretary of State under McKinley at the end of the Spanish-American War. After McKinley’s assassination, Roosevelt insisted that Hay remain in the post,

despite Hay’s intent to resign. During this time, Hay negotiated the Hay-Herran treaty with Colombia.\(^\text{19}\)

**Philippe Bunau-Varilla - Panamanian Ambassador to the United States**

A French engineer who had served as general manager of Ferdinand de Lesseps's Panama Canal Company, he returned to France after its failure, then invested heavily in the New Panama Canal Company. With his money bet on a successful canal in Panama, Bunau-Varilla played a major role in funding Panamanian rebels, lobbying the United States for selecting Panama as the canal site, and was given wide-ranging ambassadorial powers from the Panamanian provisional government to negotiate with the United States, despite the fact that he was living in France.\(^\text{20}\)

**Tomás Herrán - Colombian Chargé to the United States**

Tomás Herrán was a Colombian diplomat and signatory to the Hay-Herran Treaty, which sold the rights to build the Panama Canal to the United States. With the treaty being found unfavorable amongst many Colombian politicians though, Herran made attempts to renegotiate the treaty with better terms. Ultimately, the treaty was outright rejected by the Colombian Congress. \(^\text{21,22}\)

**Gustave Eiffel - French Engineer**

Gustave Eiffel, a renowned French engineer, was the one originally tasked with designing the canal locks under Ferdinand de Lesseps’s company. When the company failed, Eiffel was charged with fraud, but eventually acquitted on appeal. After this incident, he withdrew from business and devoted the rest of his life to research, where he made significant progress in the

---


\(^\text{21}\) “Tomás Herrán.” *Wikipedia*. https://en.wikipedia.org/wiki/Tom%C3%A1s_Herr%C3%A1n

field of aerodynamics. (Historically, the final locks of the canal were not designed by Eiffel, but by Harry Hodges, Edward Schildhauer and Henry Goldmark).  

José Manuel Marroquín - President of Colombia
A prestigious Colombian academic, José Manuel Marroquín entered the world of Colombian politics under the Conservative party. He presided over a bloody civil war in which the rebellion was eventually defeated. Hearing that America was considering building a canal in Nicaragua, Marroquín pushed for building a canal in the then Colombian province of Panama with the Hay-Herran Treaty. However, many other politicians found the terms unfavorable, and it was not ratified by the Colombian Congress.  

José Agustín Arango - Member of the Panama Provisional Government Junta
José Agustín Arango was one of the members of the Panamanian Provisional Government Junta. He had previously worked with the Panama Canal Company, and was one of the strongest supporters for the Hay-Herran treaty in Colombia. Upon the Congress’s rejection of the Treaty, he was the primary organizational force for the Panamanian separatists. He was a member of the National Liberal Party, and held major diplomatic posts following the provisional government.  

Tomás Arias - Member of the Panama Provisional Government Junta
A seasoned politician, Tomás Arias was one of the members of the Panamanian Provisional Government Junta. He was a strong supporter of the Hay-Herran treaty and Panamanian independence. After Panamanian independence, worked to resolve divisions both internal and external, taking measures to prevent wars both civil and with other Latin-American nations.  

---

25 “José Manuel Marroquín.” Wikipedia. https://en.wikipedia.org/wiki/Jos%C3%A9_Manuel_Marroqu%C3%ADn
26 “José Agustín Arango.” Wikipedia. https://es.wikipedia.org/wiki/Jos%C3%A9_Agust%C3%ADn_Arango
Federico Boyd - Member of the Panama Provisional Government Junta
A businessman who became active in political affairs, Boyd was known for advocating for Panama’s interests even in the face of possible danger. His intervention in delaying negotiations with France allowed for the negotiations to occur with America for the Hay-Herran Treaty. He was also a proponent of Panamanian independence and served on the Provisional Government Junta. He was also known to have remarkable public speaking skills.29

Manuel Espinosa Batista - Member of the Panama Provisional Government Junta
Serving for a brief period on the Provisional Government Junta as a replacement for Federico Boyd, Batista was a pharmacist who became active in the Panamanian separatist movement (he hosted separatist meetings in the back of his pharmacy). Additionally, having become president of a lottery company, he became wealthy, and used his money to finance many projects in Panama City.30

Manuel Amador Guerrero - Panamanian Politician
A major political figure in Panama, Manuel Amador Guerrero played a major role in persuading the United States to assist in Panamanian independence. For his role, he would be elected as the Republic of Panama’s first president in 1904, where he established the new nation’s flag, currency, and national anthem.31

Esteban Huertas - Commander in Chief of the National Army of Panama
Having run away from home at the age of eight to join the army, Huertas eventually proved a formidable soldier, earning himself many accolades. He led Panamanian forces during their war with Colombia for independence. However, not long after independence, the army would be dissolved, and Huertas forced to resign.32

Henri François Pittier - Swiss Geographer

Pittier was a renowned researcher in the realms of geography and ecology. Based out of Costa Rica, he founded the Physical Geographic Institute and wrote over 300 papers in various scientific fields. He advised the Nicaragua Canal Board regarding matters of geographic feasibility for possible Canal locations.33,34

Ramón González Valencia - Colombian General

Ramón González Valencia was a seasoned general who had fought in three Colombian civil wars, and held the position of Minister of War in 1901. A rising star in the political world of Colombia, he was also greatly respected by troops in the Colombian army. His popularity would lead him to be elected to the post of Vice President in 1904.35

John Grimes Walker - Chair of the Isthmian Canal Commission

John Grimes Walker was a decorated Civil War navy veteran with experience in finding ideal locations for aquatic infrastructure. He was selected to chair the Nicaragua Canal Commission, and then later the Isthmian Canal Commission to determine the best location for a trans-Isthmian canal. Due to the politics of Panama at the time, their first report in 1901 recommended Nicaragua as the location.36,37

Sir David Wilson - Governor of British Honduras

As governor of British Honduras, Sir David Wilson was one of Britain’s highest officials in the region, and representative of British interests. In a previous treaty, Britain and the United States had agreed to not construct a trans-isthmian canal. However, it was later negotiated that the

United States could build a canal so long as ships from all nations were charged the same fee. 

**Rafael Sotomayor Gaete - Chilean Minister of Foreign Affairs, Worship, and Colonization**

As Chilean Minister of Foreign Affairs, Worship, and Colonization, Rafael Sotomayor Gaete was tasked with managing Chilean diplomatic matters. After the United States’s intervention in Panama, Chile began to fear their growing influence in the region. Backed by Germany and Great Britain, they blocked American efforts to purchase the Galapagos Islands for use as a naval base.

**John Hubbard - American Naval Commander**

To assist the Panamanian separatists, the United States dispatched ships to the Colombian coast. Led by Commander John Hubbard on the USS *Nashville*, Colombian ships were successfully repelled. Hubbard also repelled attempts from other powers, such as Germany, to assert their own influence on the fledgeling nation.

**William C. Gorgas - American Chief Sanitary Officer**

With mosquito-borne illness serving as a major interference in the construction of the Panama Canal, William Gorgas, an officer in the American Medical Corps with experience managing such diseases, was appointed as Chief Sanitary Officer for the canal project. Implementing wide-ranging reforms to reduce rates of infection, Gorgas played a major role in facilitating an environment that allowed for the canal’s construction to be possible.

---

39 “The Panama Canal.” *U.S. History.* https://www.ushistory.org/us/44g.asp#:~:text=There%20were%20many%20obstacles%20to,would%20build%20such%20canal.
“John Hubbard (admiral).” Wikipedia. 

“José Agustín Arango.” Wikipedia. 
https://es.wikipedia.org/wiki/Jos%C3%A9_Agust%C3%ADn_Arango

“José Manuel Marroquín.” Wikipedia. 
https://en.wikipedia.org/wiki/Jos%C3%A9_Manuel_Marroqu%C3%ADn

“José Santos Zelaya.” Wikipedia. 
https://en.wikipedia.org/wiki/Jos%C3%A9_Santos_Zelaya


“Manuel Amador Guerrero.” Wikipedia. 
https://en.wikipedia.org/wiki/Manuel_Amador_Guerrero

“Manuel Espinosa Batista.” Wikipedia. 
https://en.wikipedia.org/wiki/Manuel_Espinosa_Batista

https://billofrights institute.org/essays/the-panama-canal.


“Ramón González Valencia.” Wikipedia. 
https://en.wikipedia.org/wiki/Ram%C3%B3n_Gonz%C3%A1lez_Valencia

“Separation of Panama from Colombia.” Wikipedia. 


“Tomás Herrán.” Wikipedia. https://en.wikipedia.org/wiki/Tom%C3%A1s_Herr%C3%A1n

