The original documents are located in Box 6, folder “Panama Canal Treaty Negotiations: 1975” of the White House Special Files Unit Files at the Gerald R. Ford Presidential Library.

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News Release:

PANAMA CANAL TREATY NEGOTIATIONS:
BACKGROUND AND CURRENT STATUS

Background

The United States and Panama are currently negotiating a new Panama Canal treaty to replace the Treaty of 1903.

In that treaty Panama granted the United States—into perpetuity—the use of a 10-mile wide zone of Panamanian territory for the "construction, maintenance, operation and protection" of a canal, as well as all the rights, powers, and authority within that zone which the United States would "possess if it were the sovereign."

The very favorable terms of the treaty were a major factor in the U.S. decision to build the canal in Panama rather than in Nicaragua as initially planned.

Canal's Economic Value

Since its opening in 1914, the canal has provided benefits to the United States, to Panama, and to the world. Of the total tonnage that transits the canal, about 54 percent originates in and 22 percent is destined for, U.S. ports. This tonnage represents about 16 percent of the total U.S. export and import tonnages.

The canal has been economically important to Panama, too. More than 30 percent of Panama's foreign exchange earnings and nearly 13 percent of its GNP are directly or indirectly attributed to the presence of the canal. But those contributions represent a smaller portion of Panama's economy now than they did in years past.

In fact, reliance on the canal by all parties has evolved from earlier years. As trading patterns have changed and world commerce has become more sophisticated, alternatives to the canal have begun to emerge. These alternatives include the

Canal, rearrangement of markets and sources, product exchanges, and partial or complete substitution of land or air transport for ocean transport. As canal users take advantage of these alternatives, the canal's value declines relative to the economies of the user nations. For the United States, in particular, a recent study has shown that the canal's impact on the domestic economy is quite small compared to the economy as a whole.

Panamanian Treaty Concerns

Panama has been dissatisfied with the treaty for many years. Part of this dissatisfaction has derived from Panama's interpretation of two aspects of the situation which resulted in the Treaty of 1903: (1) Panama's acceptance of unfavorable treaty terms due to its dependence upon the United States to protect its newly-found independence from Colombia; and (2) Panama's principal negotiator was a Frenchman who benefited considerably when the United States purchased the private French concession to build a trans-Isthmian canal.

Over the years Panama has also charged that the United States has unilaterally interpreted the treaty to Panama's disadvantage and given Panama an inadequate share of the benefits from the operation of the waterway. Even more objectionable to Panama's view, are the provisions in the Treaty of 1903 which give to a foreign power perpetuity governmental jurisdiction within a portion of Panamanian territory. Increasingly in recent years Panama has insisted that U.S. control over the Canal Zone prevent the country from realizing its full economic potential.

The United States has responded sympathet...
1905 it recognized Panama’s claim to sovereignty over the Canal Zone. The treaty was revised in 1926, and again in 1955, to provide Panama with a greater share of the economic benefits of the canal and to remove certain outdated aspects, such as the right granted to the United States to interfere, when it believed necessary, in Panama’s internal affairs. Despite these modifications, however, many of the features of the treaty most objectionable to Panama remain unchanged.

The canal has become the major political issue in Panama. In recent years the intensification of Panama’s campaign for more favorable treaty terms has produced tensions in U.S.-Panamanian relations. In 1964 the death of 29 Panamanians and 4 Americans brought the Panama Canal issue to the attention of the United Nations and the Organization of American States (OAS).

Evaluation of Bilateral Negotiations for a New Treaty

Following discussion of the issue by the OAS, the United Nations, and other international agencies after the 1964 riots, the United States and Panama agreed in 1964 to begin bilateral negotiations for a new treaty. In so doing, the United States recognized that a comprehensive modernization of its relationship with Panama corresponded to its long-term national interests and to a changing international environment.

U.S. officials entered the negotiations in late 1964 with a view to insuring that:
- The canal should continue to be available to the world’s commercial vessels on an equal basis at reasonable tolls;
- It should be operated and defended by the United States for a reasonably extended, but definite, period of time; and
- It should continue to serve world commerce efficiently. To this end, the United States sought the right to provide additional canal capacity if it is needed.

By 1967, the negotiators of both countries had prepared three draft treaties. They provided for operation of the present canal under a joint U.S.-Panamanian authority; for construction and operation of a second-level canal under a similar joint authority; and for U.S. defense of the old and new canals for the duration of each treaty. Neither Panama nor the U.S. Government moved to ratify these treaties, and the new government headed by General Omar Torrijos, who assumed power in October 1968, formally rejected them.

In 1970 the Government of Panama requested the renewal of negotiations and the U.S. agreed. President Nixon established negotiating objectives, which, although modified by developments, were similar to those set by President Johnson in 1964. The objectives and positions of the United States thus reflect a bipartisan approach to treaty negotiations with Panama. They also were consistent with the broader policy stated in Secretary Kissinger’s call in October 1972 for a “new dialogue” with our Latin American neighbors; a policy which President Ford has publicly endorsed.

A Panamanian negotiating team arrived in Washington in June 1971. Intensive negotiations during the rest of the year resulted in a U.S. treaty offer covering most of the issues relevant to the treaty. The Panamanian negotiators carried the offer to Panama for a review in December 1971. Except for some informal conversations in March 1972 and an exchange of correspondence in the fall, the negotiations were not resumed until December 1972, when a U.S. delegation traveled to Panama.

U.S. Security Council Action

At Panama’s initiative, the U.N. Security Council met in Panama City from March 25 to March 21, 1973. In those sessions, Panama criticized the U.S. posture on the canal question and sought a resolution supporting its position. Three nations voted for the resolution; the United Kingdom abstained. The United States vetoed the resolution on the grounds that it recognized Panama’s rights but not those of the United States; that it was inconsistent with its references to the negotiations; and that it was inappropriate because the treaty was a bilateral matter under amicable negotiations. In explaining the U.S. position, the U.S. Permanent Representative committed the United States to peaceful adjustment of its differences with Panama and invited Panama to continue serious treaty negotiations.

New U.S. Approach

In September 1973 Secretary Kissinger charged Ambassador at Large Ellsworth Bunker with the task of renewing discussions with Panamanian officials for the purpose of arriving at a common approach to future treaty negotiations. Ambassador Bunker visited Panama from November 26 to December 3, 1973, and again on January 4 and 7, 1974, to discuss with Panamanian Foreign Minister Juan Antonio Tacle general principles upon which a new treaty might be based. These discussions resulted in the Statement of Principles of February 7, 1974 (See p. 5), which has
served as a useful framework for the present negotiations.

U.S. Treaty Objective

The principal objective of the United States in the current treaty negotiations is to protect our basic interests in the Panama Canal. The U.S. Government is seeking to establish a new and mutually acceptable relationship between our two countries whereby the United States will retain essential rights to continue operating and defending the canal for a reasonably extended period of time. A new treaty based on partnership with Panama would enable the United States to devote all its energies to the efficient operation of the waterway. Moreover, it would provide a friendly environment in Panama that is most conducive to protecting our vital interests in keeping the canal open and secure. Such a treaty would be consistent with good business management, represent good foreign and defense policy, and signify a new era of cooperation between the United States and the rest of the hemisphere.

In recent years Latin American nations have made the negotiation of a more equitable canal treaty with Panama a major hemispheric issue and a test of U.S. intentions regarding the "new dialogue."

Issues in the Negotiations

In the months following the February 7 signing of the Joint Statement of Principles, Assistant Secretary of State for Inter-American Affairs Lawrence Bunker and Foreign Minister Tach met several times in Panama and Washington to define the issues involved in the new treaty arrangement.

After agreement was reached, the negotiators moved into substantive talks aimed at resolving these issues.

The United States and Panama have agreed in principle that the Treaty of 1903 should be replaced by a modern treaty that rejects the concept of perpetuity and accommodates the sovereignty of Panama with the interests of the United States, on the understanding that U.S. control and defense of the Panama Canal would continue for a period of fixed duration. In the context of the Statement of Principles the issues the two negotiating parties are working to resolve are:

1. Duration: How long will the new treaty remain in force?
2. Operation and Defense: What rights and arrangements will the United States require to accomplish its purpose?
3. Jurisdiction: What areas will be controlled and what functions will be exercised by the United States when its jurisdiction terminates, and what is the period of transition?
4. Expansion of Capacity: How will the treaty provide for possible enlargement of canal capacity?
5. Participation: How and to what extent will Panama participate in the administration and defense of the canal?
6. Compensation: What will be the form and level of economic benefits to Panama in any new treaty?

Current Status of Negotiations

Since June 1974, the talks have been taking place in a cordial, informal atmosphere. The U.S. negotiators have been proceeding carefully and methodically. While there is no fixed timetable, the negotiators from both countries have indicated their satisfaction with the progress to date and are hopeful that both countries can reach agreement on a draft treaty.

Any decision which the President might make affecting the future of the canal will, of course, be designed to protect U.S. interests. Indeed, a major reason for negotiating a new treaty is to avert a serious crisis which would endanger our interests.

Any treaty agreed upon by the negotiators and approved by the executive branch will be submitted to the U.S. Senate for ratification and subject to full constitutional process. Panama, for its part, has said that it will submit the new treaty to a plebiscite to insure that it is acceptable to the Panamanian people.

STATEMENT OF PRINCIPLES

Joint Statement by the Honorable Henry A. Kissinger, Secretary of State of the United States of America, and His Excellency Juan Antonio Tach, Minister of Foreign Affairs of the Republic of Panama, on February 7, 1974 at Panama

The United States of America and the Republic of Panama have been engaged in negotiations to conclude an entirely new treaty respecting the Panama Canal, negotiations which were made
possible by the Joint Declaration between the two countries of April 3, 1964, agreed to under the auspices of the Permanent Council of the Organization of American States acting provisionally as the Organ of Consultation. The new treaty would abrogate the treaty existing since 1903 and its subsequent amendments, establishing the necessary conditions for a modern relationship between the two countries based on the most profound mutual respect.

Since the end of last November, the authorized representatives of the two governments have been holding important conversations which have permitted agreement to be reached on a set of fundamental principles which will serve to guide the negotiators in their effort to conclude a just and equitable treaty eliminating, once and for all, the causes of conflict between the two countries.

The principles to which we have agreed, on behalf of our respective governments, are as follows:

1. The treaty of 1903 and its amendments will be abrogated by the conclusion of an entirely new interoceanic canal treaty.

2. The concept of perpetuity will be eliminated. The new treaty concerning the lock canal shall have a fixed termination date.

3. Termination of United States jurisdiction over Panamanian territory shall take place promptly in accordance with terms specified in the treaty.

4. The Panamanian territory in which the canal is situated shall be returned to the jurisdiction of the Republic of Panama. The Republic of Panama, in its capacity as territorial sovereign, shall grant to the United States of America, for the duration of the new interoceanic canal treaty and in accordance with what that treaty states, the right to use the lands, waters and airspace which may be necessary for the operation, maintenance, protection and defense of the canal and the transit of ships.

5. The Republic of Panama shall have a just and equitable share of the benefits derived from the operation of the canal in its territory. It is recognized that the geographic position of its territory constitutes the principal resource of the Republic of Panama.

6. The Republic of Panama shall participate in the administration of the canal, in accordance with a procedure to be agreed upon in the treaty. The treaty shall also provide that Panama will assume total responsibility for the operation of the canal upon the termination of the treaty. The Republic of Panama shall grant to the United States of America the rights necessary to regulate the transit of ships through the canal and operate, maintain, protect and defend the canal, and to undertake any other specific activity related to those ends, as may be agreed upon in the treaty.

7. The Republic of Panama shall participate with the United States of America in the protection and defense of the canal in accordance with what is agreed upon in the new treaty.

8. The United States of America and the Republic of Panama, recognizing the important services rendered by the interoceanic Panama Canal to international maritime traffic, and bearing in mind the possibility that the present canal could become inadequate for such traffic, shall agree bilaterally on provisions for new projects which will enhance canal capacity. Such provisions will be incorporated in the new treaty in accord with the concepts established in principle 2.
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National Security Decision Memorandum 362

TO: The Secretary of State
    The Secretary of Defense

SUBJECT: Panama Canal Treaty Negotiations

August 18, 1975

After considering the views expressed by the Departments of State and Defense concerning proposals for negotiating instructions on a new United States-Panama Canal Treaty, I have decided to modify the negotiating instructions contained in NSDMs 131 and 115 and to supplement them as follows:

The negotiators are authorized to propose to the Panamanians that the treaty duration applicable for defense be separated from its application to operation of the Canal. With regard to duration applicable to operation of the Canal, the United States negotiators should seek to obtain the longest possible period, to terminate not earlier than December 31, 1999. With regard to duration applicable to defense of the Canal, they should seek to obtain a minimum of 50 years, but are authorized to recede to no less than 40 years. They should also make efforts to obtain a right-in principle for the United States to participate in Canal defense, including a limited military presence in Panama, following the expiration of the treaty period applicable to defense, such participation to be of a nature and under terms to be agreed upon between the parties not less than one year prior to the treaty's expiration. As a fallback, if deemed necessary to achieve the objective of an extended period for Canal defense or other critical negotiating objectives, the Negotiators may offer a reduction of the duration period applicable to Canal operation to a period of not less than 20 years.

With regard to Canal expansion, the United States Negotiators should seek to obtain the longest possible period up to the termination of United States responsibility for operation for a
United States option to exercise definitive and exclusive rights to expand the Canal's capacity, whether by addition of a third line of locks or the construction of a sea-level canal. As a fallback, they may seek to obtain -- either in lieu of or in combination with definitive rights -- commitments that:

(a) Panama will not permit the construction of a sea-level canal in its territory during the period of United States control of the existing Canal unless it has first offered to the United States the option to construct such a canal. That option should be under terms and conditions which would accord to the United States rights relating to operation and defense commensurate with the due protection and enjoyment of a United States investment of that magnitude;

(b) no country other than the United States or Panama shall have responsibility for operation and defense of an inter-oceanic canal in Panama; and

(c) the neutrality guarantee applicable to the existing Canal will apply to any new canal built in Panama.

With regard to Land/Water areas, the United States Negotiators should seek to obtain Panama's acceptance of the United States offer of January 18, 1977, modified by the addition of such of the following areas as the Negotiators find necessary in order to further our objectives:

- Cristobal Piers
- Land and Water Areas in Gatun Lake
- Fort Sherman jungle training area south of the 22nd grid
- Coco Solo, Fort Randolph and access to them via Randolph Road
- Portions of the Albrook/Clayton Training Areas

If agreement is not possible on the basis of these offers, the United States Negotiators should request further instructions from the President.
-- With regard to the negotiating process, the United States Negotiators should seek to obtain Panama's agreement that the negotiations will remain confidential so that the Panama Canal issue will not be injected into the domestic political process in the United States in 1976.

-- With regard to the resumption of negotiations, the United States Negotiators should proceed promptly to continue their task.

-- With regard to the creation of a favorable national environment for treaty ratification, the Departments of State and Defense should join in regular consultations with the Congress on the course of treaty negotiations and should initiate an effort to build support for a new treaty with Panama.

cc:
The Chairman, Joint Chiefs of Staff
The Director of Central Intelligence
The Chief Negotiator for the Panama Canal Treaty
If it were sovereign, it would have "if it were sovereign." Obviously, these words would not have been necessary if the United States were, in fact, sovereign. A new treaty which recognizes that fact and goes on from there to work out the Canal issue precisely as called for in the proposed treaty which may face rejection in the Senate will specifically include provisions for the Canal's defense in case effectively. In effect a treaty negotiated in 1903 which is no longer respected, which is looked upon by Panamanians as an affront to Panama's political dignity and as a colonial anachronism, and which is viewed throughout Latin America as the last vestige of big stick diplomacy.

U.S. COMMERCIAL INTERESTS

"Admittedly, the canal is important to us commercially, but obviously its economic significance has diminished considerably as world commerce patterns and technologies of shipping have changed.

These observations are as timely as they are accurate. They deserve the most careful consideration by each Member of this forum.

I ask unanimous consent that the Linowitz article be printed in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

WHAT FUTURE FOR THE PANAMA CANAL?

(Roy Sol Linowitz)

Gold Secretary General Orfila recently called the Panama Canal "the most expensive legacy in Latin America." A lot of other concern Latin American and U.S. leaders have for some time been warning us about the Canal issue and what it may mean to the whole future of the hemisphere.

But most Americans have not listened, in part, it has not been necessary, just before the August recess a resolution that sharply opposed the Byrd Amendment to the Panama Canal treaty which would have specifically included provisions for the Canal's defense in case effectively. In effect a treaty negotiated in 1903 which is no longer respected, which is looked upon by Panamanians as an affront to Panama's political dignity and as a colonial anachronism, and which is viewed throughout Latin America as the last vestige of big stick diplomacy.

Steadfast, Ellsworth Bunker re-
full-throated, arguing. To the contrary, I believe, in my written testimony yesterday, that it is important to examine all existing commissions and commissions.

In fact, the hearing Examiner's request is important. It reminded us in 1973 that CAB did not improve airline strike payments because they could have the effect of stopping an airline's decision "to as when in what strike to a flight, to the detriment of the public, utilizing its air transport system.

Senator Gravel, when Senator Gravel was enough to convince any reasonable person that MAP was not in violation of national policy brought about by national law.

Sometimes in unguarded moments, airline executives admit that they strike airlines, because "they're in a state of profit." The annual 747, the United States' major airlines, had a newspaper report the longer a strike by pilots, airline executives continued, the higher TWA's "travels" per mile will rise, and then prolonged unreasonably because of the guaranteed payments. As one told the Aviation Subcommittee last week, "Why should management want to settle while they don't have to?"

Does the editorial writer want to analogize any of the nation's highest courts upheld the Appeals deCision. When Senator Gravel was absolutely no mutual aid agreement on the National Transportation Act, the Senate seemed unfamiliar with the law.

As Senator Gravel quoted me as telling the Senate Commerce Committee in 1972: "I believe that the conclusion is, that of MAP is a strike inducing, strike-provoking mutuality of purpose."

Your editorial next makes the point that MAP's $2,000,000-a-day strike assistance payments are "utterly ridiculous.

Senator Gravel in his 1972 report did not impugn that it is within living memory that some workers, like the skilled 13-hour day of those in the West, have been cut off from their families. The point was made in the Senate report that the courts ruled on the basis of existing national law. Congress seemed uncall for..."

I wish that the paper's editorial editors will catch up with Getting $50,000 or more and not forgetting those communities, even if editorial writers can. We cannot, for example, analyze the entire map of the United States and the Republic of Panama over a period of a month of a strike."

The Pioneer Press editorial points an example of their normal profit that employees get of a day."

Mr. Cox notes: "Americans have been evidence that the United States talks much in the commercial significances of the Panama Cana..."

We know of airports in single-airplane communities being almost entirely shut down, disrupting airport personnel, maintenance workers, and employees of such airport enterprises, and clogging the public utilizing air transport system.

Mr. Cox notes: "The 1975-1976 cable from Panama City described by the Panama Canal Zone Treaty as a consultant to the Commission, sets forth the issues involved in the Panama Canal Zone Treaty in a very pragmatic and factual manner. He is so committed for this reason."

In the treaty negotiations, "the United States and the Republic of Panama have their own mutual aid programs, but large profits into their corporate bank accounts, brushing aside considerable controversy within the Congress."

The Panama Canal Zone Treaty negotiations took place during 1975-1976. The book was compiled by the Commission on the United States-Latin American Relations, whose Chairman is former CAB Ambassador, Mr. Llewellyn, Mr. Cox was a consultant to the Commission, sets the issues involved in the Panama Canal Zone Treaty in a very pragmatic and factual manner. He is so committed for this reason.

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In the treaty negotiations, "the United States and the Republic of Panama have their own mutual aid programs, but large profits into their corporate bank accounts, brushing aside considerable controversy within the Congress."
I found this observation by Mr. Cos quite interesting. The subject matter is of great importance to all of us. In terms of operations, this treaty is much more complex than the conventional treaties considered by the Senate. For example, the Panama Canal treaty is a complex document that deals with the operation and maintenance of a canal that has been in service for over 100 years.

The report submitted by the Panama Canal Company provides a detailed analysis of the current status of the Canal and its operations. The report shows that the Canal is performing well and is meeting its objectives. The Canal is used by ships from all parts of the world, and it is a vital link in the global transportation network.

The Canal has been in operation for over 100 years, and it has played a crucial role in the world economy. The Canal is a vital link in the global transportation network, and it is a source of significant revenue for the United States.

The Canal is a symbol of American ingenuity and perseverance. The construction of the Canal was a major engineering feat, and it required a massive effort to complete. The Canal was completed in 1914, and it has been in operation ever since.

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The Canal's original purpose of U.S. troops in Panama was to protect the Canal from a foreign enemy. That is still an essential part of its primary mission. However, the Canal Zone is also a command or coordination center for most U.S. Armed Forces programs and operations in Latin America, including foreign and defense assistance programs and operations. The legal history of these operations has been questioned. How-
tions to the Organization of American States where hemispheric foreign ministers have, during the past year, expressed unsolicited concern over the Canal Zone issue.

On October 7, 1976, in Panama City, Secretary of State Vance announced the formation of the United States Canal Zone Negotiations Team.

The State Department has understood the concerns of the Panamanian people and the Government of Panama, as stated by their President, the Right Honorable Omar Torrijos, in his public statement on July 7, 1975.

The United States and Panama have agreed that the negotiations will begin in Panama City. The first meeting is scheduled for July 11, 1977.

On July 11, 1977, a team of United States negotiators led by Assistant Secretary of State for Inter-American Affairs Kenneth F. Steinberg arrived in Panama City.

Negotiations began in Panama City, under the leadership of Assistant Secretary of State Steinberg.

On July 20, 1977, the United States and Panama announced that they had reached agreement on the framework for a new treaty to replace the 1903 treaty.

The new treaty provides for the maintenance of American sovereignty over the Panama Canal Zone, with Panama gaining more control over its territory and resources.

The United States and Panama have reached agreement on the new treaty, which will be signed in Panama City on August 31, 1977.

The treaty will be presented to the United States Senate for ratification, and to the Panamanian Assembly for approval.

The new treaty will take effect on October 1, 1979, the 50th anniversary of the signing of the 1903 treaty.

The new treaty will bring an end to nearly 70 years of American control over the Panama Canal Zone.

The new treaty will provide for the establishment of a new Panamanian government for the Zone, with the United States retaining certain rights and privileges.

The new treaty will also provide for the withdrawal of American military bases and personnel from the Zone.

The new treaty will be a historic step towards the peaceful resolution of the long-standing dispute over the Panama Canal Zone.

The new treaty will be a symbol of cooperation and friendship between the United States and Panama.

The new treaty will ensure the security and stability of the Panama Canal Zone for many years to come.

The new treaty will be a testament to the enduring power of diplomacy and the importance of negotiation in resolving conflicts.

The new treaty will be a beacon of hope for other nations around the world who are struggling to resolve their own disputes.

The new treaty will be a source of inspiration for future generations who will continue to work towards a better future for all.

The new treaty will be a celebration of the triumph of reason and the power of human progress.

The new treaty will be a legacy of peace and progress for generations to come.
The cost could be high and should be estimated, not assumed, as the case for operational authority, Panamanians, for they now feel grossly unable to take full charge in the foreseeable future.

The greatest disaster which the present Canal regime of Panama endures is not in the Canal itself, but in the economic and political problems of operating the Canal. For Panamanians could not exist as a nation if the Canal were to disappear, or if American troops were to do away with it.

The United States has a national economic interest in the Canal Zone, an economic interest which Panamanians also recognize. Thus, with the United States and the Canals intertwined, the American economic and political economy is far beyond the experience, capacity, and competence of any national resource, yet, with its many other interveners, it is the United States' national interest that is involved, and it is its economic and political loss which Panamanians would try to make good.

Canal Study Commission:

Options and Costs

The world may well wonder whether the United States knows what it is doing in Panama.

The United States has the right to expand Canal capacity, either by adding an additional lane to the existing Canal or by building a new route. A new route might serve the world's needs, while American needs might be served by the existing route. The major decision facing the United States is whether to improve the existing route, or to build a new route.

The major disadvantage of the partnership option lies in the irretrievable loss of the United States' right to have an independent colony in the Canal Zone.

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CONGRESSIONAL RECORD—SENATE

May 20, 1975

Mr. MATHIAS. Mr. President, every now and then, some event occurs which places us in a position where our position and concern become focused. One of the oddities of life is that in the ordinary level at which we treat most problems. if any, there will be some event which will intrude, and for a reason or another, will take on major importance to us. It is the nature of man to always follow the greatest. It is the way of man to rise to the best. Insofar as Panama Canal is concerned, the Commission should be able to weigh the merits of two forums, one with Panama Canal Company, and the other with the National Canal Company, inasmuch as we do not wish to be prejudiced on both sides, but merely wish to know what balance is necessary.
The attached information is forwarded in response to your recent inquiry. We hope it meets your needs in this matter.

Please do not hesitate to call on us for further assistance.

Sincerely,

Norman Beckman
Acting Director
REPORT ON UNITED STATES RELATIONS WITH PANAMA

by the

Subcommittee on Inter-American Affairs
of the

Committee on Foreign Affairs
U. S. House of Representatives
Eighty-Sixth Congress
Second Session
pursuant to
H. RES. 119

A Resolution Authorizing the Committee on Foreign AffairsTo Conduct Thorough Studies and Investigations ofAll Matters Coming Within the Jurisdiction of Such Committee

FOREWORD

House of Representatives,
Committee on Foreign Affairs,

This report has been submitted to the Committee on Foreign Affairs by the Subcommittee on Inter-American Affairs, comprising Hon. Armistead I. Selden, Jr., chairman, Hon. Barrett O'Hara, Hon. Dante B. Fascell, Hon. Omar Burleson, Hon. Donald L. Jackson, and Hon. Chester E. Merrow. The conclusions in this report do not necessarily reflect the views of all the membership of the Committee on Foreign Affairs. This report is filed in the hope that it will prove useful to the committee and to the Congress as background data.

THOMAS E. MORGAN, Chairman.

LETTER OF TRANSMITTAL

AUGUST 31, 1960.

Hon. THOMAS E. MORGAN,
Chairman, Committee on Foreign Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The report of the Subcommittee on Inter-American Affairs on "U.S. Relations With Panama" is transmitted herewith. The historical data contained in this report was prepared under my direction by Rosita Rieck Bennett, analyst in Latin American affairs of the Legislative Reference Service of the Library of Congress. The findings and recommendations are those of the subcommittee and are based not only on the report, but on hearings, discussions, and study conducted by the subcommittee during the present session of Congress. It is hoped that the information contained in this report will be useful to the members of the committee and to the Congress as background information on matters affecting United States-Panama relations.

ARMISTEAD I. Selden, Jr.,
Chairman, Subcommittee on Inter-American Affairs.

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In recent years several international developments have complicated the delicate task of maintaining harmonious relations on the Isthmus. The Republic of Panama has varying views regarding the canal. The Republic of Panama (dated November 21, 1959) a request from the Republic of Panama (dated November 21, 1959) that the Panamanian flag be flown in the Canal Zone. When it appeared likely that permission might be granted, the chairman of the subcommittees on Inter-American Affairs (Mr. Selden) requested the Secretary of State to delay a decision until after the subcommittee had an opportunity to study the matter. Subsequently, the subcommittee held eight meetings on the subject, during which testimony was received from Members of Congress, representatives of the Department of State and Defense, and private citizens. Out of these meetings grew a conviction that to accede to the Panamanian request, after more than half a century in which only the U.S. flag has been raised in the zone, would constitute a major departure from established policy. In the subcommittee's judgment, such a basic change in treaty interpretation should not be accomplished through executive fiat. Accordingly, on January 19, 1960, the subcommittee unanimously agreed to the following resolution (H. Con. Res. 459):

"Resolved by the House of Representatives (the Senate concurring), That it is the sense of the Congress that any variation in the traditional interpretation of the treaties of 1903, 1914, and 1921 between the United States and the Republic of Panama, with special reference to matters concerning territorial sovereignty, shall be made only pursuant to treaty."

Mr. MORGAN, from the Committee on Foreign Affairs, submitted the following:

REPORT

Pursuant to a resolution (H. Res. 113) authorizing the Committee on Foreign Affairs to conduct a full and complete investigation of matters relating to the laws, regulations, directives, and policies including personnel pertaining to the Department of State and all other departments and agencies engaged primarily in the implementation of U.S. foreign policy and the overseas operations, personnel, and facilities of departments and agencies of the United States which participate in the development and execution of such policy.

I. PREFACE

The Panama Canal, built and operated by the United States, slices as a source of revenue. The U.S. objective has been the efficient operation of the waterway for international commerce at reasonable rates and for defense purposes.

From the outset of Panama's independence and the construction of the canal (which practically coincided), the two nations have held varying views regarding the canal. The Republic of Panama has regarded the canal as a source of revenue. The U.S. objective has been the efficient operation of the waterway for international commerce at reasonable rates and for defense purposes.

Even without this basic difference in viewpoint, it is probably inevitable that the operation of such an enterprise side by side with a small, poor country should give rise to misunderstandings and irritation on both sides. Throughout the last 57 years accommodations have been made to alleviate grievances and to adjust to new circumstances.

In recent years several international developments have complicated the delicate task of maintaining harmonious relations on the Isthmus. An elsewhere in underdeveloped regions, Panama is swept by nationalism and by extirpation for an end to subhuman living conditions. The canal presents an inviting target for nationalist outbursts. Meanwhile, international communism plays on Panamanian nationalism and frustrations to subvert inter-American relations. The Egyptian seizure of the Suez Canal and the rise of Castroism in Cuba also exacerbate Panamanian problems.

During the congressional recess in the autumn of 1959 a number of disquieting events occurred on the Isthmus of Panama. On November 3, 1959, Panama's independence day, mobs led by rabble rousers gathered along the border of the Canal Zone intent upon planting the Panamanian flag within the zone. With Panamanian National Guardsmen conspicuously absent from the scene, the Governor of the Canal Zone was forced to call for U.S. Armed Forces to help quell the ensuing violence. In the Republic of Panama on the same day rioters lowered the American flag at the U.S. chancery and tore it to shreds. They also shattered windows at the chancery and the U.S. Information Agency building.

On November 28, the anniversary of Panama's break with Spain, mobs again tried to gain entry to the Canal Zone. This time they were dispersed by Panaman Guardsmen working alongside U.S. troops, but not before at least 30 persons were injured. During this second attempt to forcibly enter the Canal Zone, the presence of Cuban agitators urging on the crowd was noted. After 3 hours of rioting at the zone border, the mobs turned to looting and destroying property several blocks away in downtown Panama City.

When Congress reconvened in January, the Committee on Foreign Affairs learned that the Department of State had under consideration a request from the Republic of Panama (dated November 25, 1959) that the Panamanian flag be flown in the Canal Zone. When it appeared likely that permission might be granted, the chairman of the subcommittees on Inter-American Affairs (Mr. Selden) requested the Secretary of State to delay a decision until after the subcommittee had an opportunity to study the matter. Subsequently, the subcommittee held eight meetings on the subject, during which testimony was received from Members of Congress, representatives of the Department of State and Defense, and private citizens. Out of these meetings grew a conviction that to accede to the Panamanian request, after more than half a century in which only the U.S. flag has been raised in the zone, would constitute a major departure from established policy. In the subcommittee's judgment, such a basic change in treaty interpretation should not be accomplished through executive fiat. Accordingly, on January 19, 1960, the subcommittee unanimously agreed to the following resolution (H. Con. Res. 459):

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UNITED STATES-PANAMA RELATIONS

The full Committee on Foreign Affairs reported the resolution favorably on January 21, 1900. On February 2 the House of Representatives voted 381 to 12 in support of the resolution.

As a result of its deliberations regarding the issue of the flag, the subcommittees felt a growing concern over the apparent deterioration in U.S. relations with the Republic of Panama. In consequence, the subcommittee undertook to prepare a background study of United States-Panamanian relations. It is hoped that this report can help to clarify the frequently complex issues involved and provide a basis for evaluating current problems and proposed solutions.

II. BACKGROUND HISTORY

A. U.S. INTEREST IN INTEROCEANIC CANAL TAKES ROOT

For centuries the Isthmus of Panama astride the Atlantic and Pacific Oceans has been a crossroads of international passenger and cargo routes. During the colonial period Spanish galleons called regularly to pick up treasures extracted from Spain’s colonies on the western coast of South America. Spain’s decision in 1814 to build a canal across the isthmus came too soon since it coincided with the collapse of that nation’s imperial power.

Early U.S. interest in an interocean highway appears to have been primarily commercial. In 1826 Secretary of State Daniel D. Ellsworth (1824-1829) took the first official step toward setting into motion the idea of an isthmian canal.

In 1846 the United States assured its right of passage across the isthmus by the Treaty of 1850. By that treaty they pledged never to obtain or maintain exclusive control over a ship canal, or to fortify it, or to assume or exercise dominion over any territory in Central America through which a canal might pass. The Clayton-Bulwer Treaty, while it did limit the United States from obtaining exclusive control over a possible canal, forced Great Britain to relinquish the territorial control which it in fact possessed in 1850 over the Nicaraguan route.

B. RIVALRY WITH GREAT BRITAIN

The same year as the Clayton-Bulwer Treaty, private American interests began the construction of a transisthmian railroad. The railroad was completed in 1855. In ensuing years during periods of insurgent movements on the isthmus against the Colombian Government, the United States landed troops to keep transit open.

Following the opening of railroad transportation across the isthmus, U.S. interest in a waterway subsided. The joining of the Union Pacific and Central Pacific Railroads in 1869, linking the Atlantic and Pacific Oceans across continental United States, further dulled interest in an interoceanic canal.

C. U.S. INTEREST DIMS

In 1878 a new consideration quickened U.S. interest in a Western Hemisphere canal. In that year a French company, which included Ferdinand de Lesseps of Suez fame, procured a concession from Columbia to build a navigable waterway across the isthmus. Despite the fact that the French company pledged that the canal should “always be kept free from political influence,” Secretary of State James G. Blaine protested.

Our Pacific coast is so situated that, with our railroad connections, time (in case of war) would always be allowed to prepare for its defense. But with a canal through the isthmus the same advantage would be given to a hostile fleet, which would be given to friendly commerce; its line of operations and the time in which warlike demonstration could be made, would be enormously shortened. All the treasures of neutrality in the world might fail to be a safeguard in a time of great conflict.

In 1881 President Arthur tried to extricate the United States from the limitations imposed by the Clayton-Bulwer Treaty (see above), but Great Britain refused to negotiate a revision. Meanwhile, the French company went ahead. At the height of French operations in 1887, a group of American capitalists entered a rival project through Nicaragua. In 1889 Con-
The question of where to build a canal became a hotly contested issue. Colombians and Nicaraguans hoped the canal would open their countries to prosperous international commerce. Public sentiment in the United States overwhelmingly favored the Nicaraguan route. In the popular view, Panama was associated with the French company while Nicaragua was viewed as a "national project." The New Panama Canal Co., organized in 1894 for the purpose of selling the assets of the French venture to the highest bidder, engaged in powerful and sometimes devious lobbying activities to convince U.S. legislators and the public to buy up their investment.

The Walker Commission was appointed in 1897 to study the canal situation. Although many of its technical conclusions were favorable to Panama, it recommended in 1899 the Nicaraguan route as the most feasible because of the unwillingness of the French interests to sell.

Enthusiasts for the Panama route reaped their first success with the passage of a law in 1899 which directed the President to name a commission to examine all practical routes, thus lesioning the passage of Nicaraguan canal bills then pending in Congress.

As the battle waged over which route, the Department of State in 1900 prepared for any eventuality by signing protocols with Costa Rica and Nicaragua by which they agreed to negotiate treaties with the United States for a canal when the President was authorized by Congress to acquire a route through their territories. Colombia, alarmed at the prospect of not being selected as the site for the international waterway, dispatched a minister to Washington to negotiate a treaty with the United States.

The Walker Commission, in its final report in November of 1901, again recommended the Nicaraguan route. The New Panama Canal Co., fearful that the patience of Congress might be exhausted, in January of 1902 wired an offer to sell its property for $40 million, the amount which the Walker Commission deemed appropriate. Two weeks later, the Walker Commission issued a supplementary report recommending the Panama route due to the changed circumstances.

In the interim, the House of Representatives had voted the Nicaraguan route (Spooner Act) by which the President was authorized to acquire the assets of the New Panama Canal Co. for $40 million, a strip of land from Colombia not less than 6 miles in width in which to construct and operate the canal, and additional territory and rights which in his judgment would facilitate the general purposes; if these terms could not be fulfilled within a reasonable time, the President was directed to proceed with steps to build the Nicaragua canal. Congress enacted the Spooner Act on June 2, 1902.

Colombia's Dilemma

While the battle of the routes went on in Washington, Colombia was in the midst of civil war. The Government was beset by administrative disorganization and a desperate financial situation. With the country in a state of siege, the executive ruled by decree.

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UNITED STATES-PANAMA RELATIONS

The Colombian Government sorely wished to postpone definitive consideration of the canal problem until the country could be pacified and Congress reconvened. But bills pending in the U.S. Congress authorizing construction in Nicaragua pressed the Colombians into forgoing further delay. Colombians seem to have desired very much the canal with its accompanying economic benefits which could help the recovery of their war-torn country and bankrupt treasury. Moreover, in the background hovered the threat that Colombia might forfeit not only the canal but the isthmus itself should treaty negotiations with the United States fail. Carlos Martinez Silva, Colombia's negotiator in the United States in 1901, wrote in that vein to José Manuel Marroquín, Vice President and head of the Colombian Government during the period of civil disorders:

"...the Panamanians of position and financial resources will never willingly submit to the opening of the canal in any other place than at the isthmus. They understand very well that the adoption of the Nicaragua route will be the moral and material ruin of Panama; and this sacrifice, which will have no compensations, may very well prove superior to the concept of a platonic patriotism."  

During the negotiations with the United States, Marroquín's administration was so harried by domestic crisis that Colombia's ministers in Washington frequently went ahead on their own initiative under pressure of events. Marroquín stated his dilemma in a letter dated July 26, 1902:

"Concerning the canal question, I find myself in a horrible perplexity; in order that the North Americans may complete the work by virtue of a convention with the Government of Colombia, it is necessary to make concessions of territory, of sovereignty, and of jurisdiction, which the executive power has not the power of yielding.**

History will say of me that I ruined the isthmus and all Colombia, by not permitting the opening of the Panama Canal, or that I permitted it to be done, scandalously injuring the rights of my country."  

Marroquín reiterated officially on a number of occasions that any canal agreement was subject to ratification by the Colombian Congress.  

II. THE HAY-HERRAN TREATY

The draft agreement, as finally worked out by Secretary of State Hay and Colombia's current negotiator, Tomás Herrán, included the following principal terms: Granted the United States a 100-year lease renewable at the sole option of the United States, on a zone of land 10 kilometers wide across the isthmus for an initial payment of $10 million and an annuity of $250,000 (arts. II and XXV); granted the United States exclusive right to construct, maintain, operate, and protect the canal (art. III); authorized the New Panama Canal Company to sell its rights and properties to the United States (art. I); recognized Colombia's sovereignty over the canal zone (art. IV); established three types of judicial tribunals—Colombian, United States, and joint (art. XIII); charged Colombia with the defense of the canal and railroad, except "under exceptional circumstances" when the Government of the United States is authorized to act in the interest of their protection, without the necessity of obtaining consent beforehand of the Government of Colombia (art. XXIII).

In November 1902 civil war in Colombia ended. President Theodore Roosevelt became impatient with further delay regarding the canal. On January 21, 1903, Secretary of State Hay delivered the following ultimatum to Minister Herrán:

"I am commanded by the President to inform you that the reasonable time provided in the statute for the conclusion of the negotiations with Colombia for the excavation of an isthmian canal has expired, and he has authorized me to sign the treaty of which I had the honor to give you a draft, with the modification that the sum of $100,000, fixed therein as the annual payment, be increased to $250,000. I am not authorized to consider or discuss any other changes."  

The following day the treaty was signed in Washington. The U.S. Senate approved it on March 17, 1903.

I. COLOMBIAN SENATE VOWS DOWN TREATY

In March 1903 congressional elections were held in Colombia. In May, Marroquín called a special session of congress for June 20. During the 5 months between the time the treaty was signed and the Colombian Senate convened, Colombian newspapers carried numerous articles regarding the treaty by the foremost legal minds in a country renowned for its legal talent. Four major objections emerged in these polemics: the loss of sovereignty involved; the doubtful constitutionality of the grant of perpetual jurisdiction to a foreign power; dissatisfaction with the financial compensation; and distrust of imperialism. Colombian public opinion became aware of the vast distinction between granting a canal concession to a foreign private concern and leasing a strip of territory in perpetuity to a foreign government.

In the debate in the Colombian Senate, the Foreign Minister pointed out that the United States was the only agency willing and able to undertake the gigantic task of uniting the oceans and that the U.S. Government had been most explicit in insisting that it would not assume the cost and responsibility without control over the project. In his judgment, the only alternative to rejecting the Hay-Herrán treaty was no canal.

On August 12, the Colombian Senate unanimously rejected the convention. The legislature took no further action before its adjournment on October 31, 1903.
UNITED STATES-PANAMA RELATIONS

J. PANAMA REVOLTS

Panamanians had never felt a strong attachment for the rest of the country. Isolated from the capital and centers of population by soaring mountains, the isthmus of Panama had been left largely to its own resources. In the preceding three-quarters of a century since independence from Spain, Panamanian discontent had erupted on a number of occasions into attempts to establish an independent state. Isthmian delegates to the special session of Congress were outspoken in warning that failure to ratify the treaty would mean rebellion on the isthmus.11

While the Colombian Senate debated, prominent Panamanians met to plot a course of action should the treaty be rejected. The conspirators were aided and abetted by agents of the New Panama Canal Company who were intent on securing the promised $40 million from the United States.

President Roosevelt and Secretary of State Hay knew that a revolt was imminent. Roosevelt, convinced that the Colombian Government was thwarting an enterprise of "universal utility" for "collective humanity" out of pure greed, welcomed the move. Assurances were conveyed to the conspirators that the United States would send war vessels "to protect life and property" on the isthmus.12

When Panamanians raised the standard of independence on November 3, 1903, the railroad was closed to Colombian troop movements and naval forces from the United States were on hand to prevent more Colombian troops from landing. The coup was accomplished with only one casualty, an innocent Chinese who was killed during a brief bombardment.11

The United States recognized the Republic of Panama on November 6.

K. COLOMBIA IS INDEMNIFIED

Under the Wilson administration an attempt was made to repair the damaged relations with Colombia which resulted from the isthmus affair. By the terms of the Thompson-Urrutia convention, signed in April 1914, the U.S. Government expressed sincere regret that anything should have occurred to interrupt or to mar the relations of cordial friendship that had so long subsisted between the two nations. Colombia agreed to recognize the Republic of Panama in return for an indemnity of $25 million and special transportation privileges. The Colombian Senate promptly ratified the treaty. The U.S. Senate failed to act, mainly because of spirited denunciations of the agreement by former President Roosevelt whose conduct the treaty obligingly imitated.13

In 1921, after Roosevelt's death, the U.S. Senate ratified an amended treaty which contained the indemnity but omitted the apology. The following year Colombia accepted the compromises and the Panamanian incident was closed.14

UNITED STATES-PANAMA RELATIONS

L. HAY-BUNAU-VARILLA TREATY

A treaty with the newly independent Republic of Panama was negotiated in Washington by Secretary Hay and Philippe Bunau-Varilla, former chief engineer of the French company. Bunau-Varilla had insisted on his appointment as diplomatic agent in exchange for his services to the Panamanian conspirators. The provisional government of Panama also appointed two Panamanian ministers to conduct negotiations with the United States. A letter of instructions which they carried to Bunau-Varilla read:

You will have to adjudge a treaty for the canal construction by the United States. But all the clauses of this treaty will be discussed previously with the delegates of the junta, MM. Amador and Boyd. And you will proceed in everything strictly in accord with them. * * *

On November 18, 1903, before Messrs. Amador and Boyd arrived in Washington, Bunau-Varilla and Secretary Hay agreed the convention for the construction of a ship canal to connect the waters of the Atlantic and Pacific Oceans. The treaty was ratified by the provisional government of Panama on December 2, 1903.

Terms of the Hay-Bunau-Varilla pact were substantially the same as those of the rejected Hay-Herran agreement. One change enlarged the area: the United States was empowered to construct a canal through a zone 10 miles in width (as compared with 6 miles in the earlier treaty). Panama agreed that the United States should have the right at all times to use its armed forces in defense of the canal and its auxiliary works. The most significant modification occurs in article III:

The Republic of Panama grants to the United States all the rights, powers, and authority within the zones mentioned and described in article II of this agreement and within the limits of all auxiliary lands and waters mentioned and described in said article II which the United States would possess and exercise if it were the sovereign of the territory within which such lands and waters are located to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power, or authority.15

Secretary Hay, fearing that opponents of the Roosevelt administration in the Senate might introduce amendments to the treaty and thus afford Panama an excuse to do likewise, wrote as follows to Senator Spooner on January 20, 1904:

As it stands now as soon as the Senate votes we shall have a treaty in the main very satisfactory, vastly advantageous to the United States, and we must confess, with what face we can muster, not so advantageous to Panama. If we amend the treaty and send it back there some time next month, the period of enthusiastic unanimity, which, as I said to Collier, comes only once in the life of a revolution, will have passed away, and they will have entered on the new field of politics and dispute. You and I know too well how many points there are in this treaty to which a Panaman patriot could object.
UNITED STATES-PANAMA RELATIONS

If it is again submitted to their consideration they will attempt to amend it in many places, no man can say with what result, then they will feel that we had passed definitely upon the main subject; that the treaty was safe; that their independence was achieved, and that now it was time for them to look out for a better bargain than they were able to make at first.\textsuperscript{16}

The U.S. Senate consented to the treaty without amendment on February 23, 1904. It was proclaimed by President Roosevelt 3 days later.

M. THE CANAL IS OPENED

The engineering and medical conquests which made possible construction of the Panama Canal in the midst of once pestilential tropical jungle are a matter of great pride to all those who participated and to millions of Americans who have come to admire their courage and abilities.

The canal was opened to navigation in August 1914. However, a slide in October of that year delayed formal completion and opening to regular traffic until July 1920. Total cost of construction amounted to $386,650,000.

N. THE NICARAGUAN ROUTE

Although advocates of the Nicaragua route were defeated by the selection of Panama as the canal site, the possibility of a canal through Nicaraguan territory has not been abandoned.

In 1914 the United States signed a convention with Nicaragua (Bryan-Chamorro Treaty) which conferred upon the United States exclusive rights to construct, operate, maintain and defend an inter-oceanic canal by a Nicaraguan route in exchange for $3 million.

The Bryan-Chamorro Treaty was ratified by the U.S. Senate in 1916, more with the objective of preventing the construction of another canal than for the purpose of building one.\textsuperscript{16} In the ensuing years, however, as increased commercial traffic has taxed the facilities of the Panama Canal and modern military developments have cast doubt on the ability to defend it, the idea of a Nicaraguan canal has occasionally been revived.

The feasibility of constructing a canal in Nicaragua was explored recently by the Board of Consultants contracted by the Committee on Merchant Marine and Fisheries. The engineering and fiscal conclusions have substantially depreciated the canal's strategic significance. In peacetime, too, the Panama Canal plays an important role in national welfare and defense. The strength of the United States, which rests in large measure upon the nation's economic well-being, depends in turn upon the availability of vital raw materials for transportation and industry. Moreover, when the Suez Canal was suddenly closed to traffic several years ago, effective operation of the Panama Canal did much to prevent serious disruption of the economies and defense capabilities of the nations of the free world.

It is argued in some quarters that modern technological developments have substantially depreciated the canal's strategic significance. It is pointed out that the canal is increasingly vulnerable to sabotage and long-range missiles; that the growth of continental means of transportation, such as high-speed highways, air transport, and continental pipelines for transporting oil, greatly diminish dependence on the canal; and that major U.S. aircraft carriers are now too big to pass through it.

Adm. James S. Russell, Vice Chief of Naval Operations, in testimony before the Subcommittee on Inter-American Affairs, stated the Department of the Navy's continuing conviction of the strategic importance of the canal.\textsuperscript{18} According to Admiral Russell:

\begin{center}
\begin{itemize}
  \item \textit{United States-Panama Relations} (1961), p. 116.
  \item United States-Panama Relations (1961), p. 115.
  \item United States-Panama Relations (1961), p. 114.
\end{itemize}
\end{center}
UNITED STATES-PANAMA RELATIONS

Militarily, the greatest threat to commerce on the sea in time of war is the submarine fleet of Soviet Russia, which today has a strength approximately equal to Hitler's maximum number of operational submarines at the height of World War II. To reinforce the Pacific antisubmarine forces off the California coast with a squadron of destroyers from the vicinity of the Virginia Capes would entail 21 days steaming via the route versus 8 days via the canal.  

As the range of ballistic missile increases, as the power of their nuclear explosives grows greater, and, importantly, as the accuracy of their guidance increases, a new dimension is added to the problem of survivability. Thus the vast oceans have an ever-increasing importance as areas for dispersion, maneuver, and concealment. The Polaris submarine, as also the other types of nuclear submarines, can transit the Panama Canal.

Admiral Russell further pointed out that the United States is allied with 42 nations of the free world in mutual defense agreements and that we are principally an oceanic confederation. Accordingly, he argued:

"When one realizes that it is 6,000 miles, and weeks of sailing time farther around Cape Horn than across the Central American isthmus, it can be seen that the Panama Canal means much to us in terms of getting our own fighting forces, as well as material aid, quickly to a beleaguered ally. Whether the canal goes or not I don't know, but if it does survive, I would say that the Panama Canal has great value to us in time of war, in a limited war, and in a general war, if it is not destroyed."  

Admiral Russell granted the vulnerability of the canal. But he added:

"I would say that the Panama Canal has great value to us in time of war, in a limited war, and in a general war, if it is not destroyed, would be very useful to us. In all-out war there would be a lot of destruction probably early in the war. Whether the canal goes or not, I don't know, but if it does survive, I think it would be of great use in what comes after the first massive exchange."

IV. IMPORTANCE OF THE PANAMA CANAL TO THE REPUBLIC OF PANAMA

Although the canal may not be the magic wand of prosperity envisioned by some Panamanians, it does make a large contribution to the economy of the Republic. Income generated by the canal far exceeds the $1,930,000 annual annuity. In 1958, for instance, income about one-sixth the national income. A breakdown of the total income generated by the canal far exceeds the $1,930,000 annual annuity. In 1958, for instance, income about one-sixth the national income. A breakdown of the total income generated by the canal far exceeds the $1,930,000 annual annuity. In 1958, for instance, income about one-sixth the national income. A breakdown of the total income generated by the canal far exceeds the $1,930,000 annual annuity. In 1958, for instance, income about one-sixth the national income.
UNITED STATES-PANAMA RELATIONS

development, makes a visible and steady contribution to the Nation's welfare.

In addition to the canal's economic value, Panama, as a member of the inter-American community pledged to the defense of the Western Hemisphere from aggression, is deeply concerned with the strategic value of the canal as is the United States.

V. U.S. CONTRIBUTIONS TO PANAMA'S DEVELOPMENT

The United States has contributed substantially to the well-being and the progress of the Republic of Panama. Construction of the canal brought a large injection of capital and employment to this依nstitution. At that time Panama City had an estimated population of 18,000 and Colon about 6,000. The entire region was backward, with no paved streets and roads, no sewer and water systems.

The battle waged by U.S. health officers during the construction period against mosquito-borne yellow fever is world renowned. Since the new little Republic lacked the resources to provide essential health services, Canal Zone authorities provided water, removed the sewage, and maintained the sanitary and public health services in Panama City and Colon as well as in the Canal Zone. What had once been regarded as a tropical graveyard became a relatively healthful place to live.

Ministry benefits to Panama stemming from the presence of the canal, such as wages to many thousands of Panamanian citizens employed in the zone, purchases in the Republic of Panama of supplies and services, Canal Zone authorities provided water, removed the sewage, and maintained the sanitary and public health services in Panama City and Colon as well as in the Canal Zone. What had once been regarded as a tropical graveyard became a relatively healthful place to live.

Another U.S. contribution to Panama's progress was the construction of the Transisthmian Highway which crosses the Republic from Panama City to Colon, at a cost of $9,785,000 (completed in 1949). Under terms of the 1955 treaty with Panama, construction of the new highway was to be completed by 1959. The United States continues to assume full responsibility for maintenance of the highway.

Under terms of the 1955 treaty with Panama, construction of the Panama Canal Company, and purchases made in Panama by the residents of the Canal Zone, were discussed previously (see p. 13).

The period from July 1, 1945, to June 30, 1959: 3\$.

(Contributions to the Republic of Panama in the period from July 1, 1945, to June 30, 1959:

- Total _______________________________________________________ 39.8

a. Sovereignty in the Canal Zone

Recently there has been much agitation in Panama regarding the question of sovereignty in the Canal Zone. On two occasions in November 898, mobs led by rabble-rousers tried to force entry into the Canal Zone in order to plant Panamanian flags there as symbols of Panama's sovereignty. On November 5 the Governor of the zone was compelled to call for U.S. Armed Forces to help quell the ensuing violence. Within the past week Panama's unicameral congress resolved not to rest until the Panamanian flag was raised "on our territory." During the second attempt on November 28 to invade the zone, it took Panama guardsmen working alongside U.S. troops 3 hours to turn back the mob.

On November 28 the Panamanian Ambassador in Washington delivered a note at the Department of State asking the United States to consider the desire of Panama to fly its flag in the zone.

Sectors of the Panamanian press and several demagoguic politicians keep the issue hot. It is also reported that envoys from Cuba and Egypt actively encourage anti-U.S. sentiments. Cuban agitators participated in the riots of November 28. The United Arab Republic delegation is said to be the most active diplomatic mission in Panama although there are few Arab residents and virtually no Arab commercial interests. Cairo beams two broadcasts nightly to Panama almost entirely devoted to the alleged unfair treatment Panama is receiving from the United States with respect to the canal.\n
VI. CURRENT POINTS OF FRICITION BETWEEN PANAMA AND THE UNITED STATES

A. SOVEREIGNTY IN THE CANAL ZONE

In addition, the following loans have been extended to Panama by the Export-Import Bank: 37

- Total _______________________________________________________ 17.10

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June 21, 1949 (El Panama Hotel) ........................................ 2.5
July 26, 1951 (repayment financing for El Panama Hotel) .......... 1.5
June 14, 1951 (loan financing Panama's share of construction of Inter-American highway) ........................................ 12.65
July 27, 1959 (airport equipment) ........................................ 3.05

- Total _______________________________________________________ 17.10

The Republic of Panama has met its obligations to the Export-Import Bank promptly.

The Republic of Panama's economy also has received a boost from nongovernmental U.S. sources. Direct private U.S. investments in Panama, covering a large range of interests which include manufacturing, public utilities, agriculture, banks, trading operations, real estate, insurance, brokerage houses, and petroleum, amounted to an estimated $1240 million in 1958. These investments amount to roughly 50 percent of private capital invested in Panama, 25 percent of the total being Panamanian and the remaining 2 percent French, Swiss, and British interests.\n
UNITED STATES-PANAMA RELATIONS
UNITED STATES-PANAMA RELATIONS

The issue of sovereignty in the Canal Zone is almost as old as the treaty of 1903 which was intended to define the respective powers of Panama and the United States with relation to the Canal Zone. The United States had hardly taken formal possession of the Canal Zone when disagreement occurred over the scope of U.S. powers. The first Panamanian protest arose in 1904 after the United States established ports of entry, customshouses, tariffs, and post offices in the zone. The ensuing diplomatic correspondence between Panamanian Minister to Washington Jose de Obaldia and Secretary of State Hay sets forth the classic positions held by Panama and the United States down to the present time. The differing Panamanian-United States interpretations of the treaty of 1903 with regard to sovereignty hinge primarily on articles II and III of that pact. The pertinent part of article II declares:

The Republic of Panama grants to the United States in perpetuity the use, occupation, and control of a zone of land and land under water for the construction, maintenance, operation, sanitation and protection of said canal of the width of 10 miles.

Article III states:

The Republic of Panama grants to the United States all the rights, power, and authority within the zone mentioned and described in article II of this agreement and within the limits of all auxiliary lands and waters mentioned and described in said article II which the United States would possess and exercise if it were sovereign of the territory within which said lands and waters are located to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power, or authority.

According to Minister Obaldia, U.S. jurisdiction is not full and complete, but a delegated and limited jurisdiction granted to the United States only in matters pertaining to "the construction, maintenance, operation, sanitation, and protection of said canal." Moreover, Obaldia argued, the term "it were sovereign" in article III implies that the United States is not sovereign. He claimed that if Panama had had any intention of ceding sovereignty of the Canal Zone, only two articles would have been necessary in the treaty: "one specifying the thing sold and the other expressing the price of the sale." If it could or should be admitted that the titular sovereign of the Canal Zone is the Republic of Panama, such sovereignty is mediated by its own act, solemnly declared and publicly proclaimed by treaty stipulations, induced by a desire to make possible the completion of a great work which will confer material and the nations of the world. It is difficult to believe that a member of the family of nations seriously contemplates abandoning so high and honorable a position in order to engage in an endeavor to secure what at best is a barren scepter.

Secretary of State Hay replied to the Minister's note as follows:

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Article II provides that "the Republic of Panama grants to the United States in perpetuity the use, occupation, and control of a zone of land and land under water for the construction, maintenance, operation, sanitation, and protection of said canal." The Panamanian authorities now contend that the words "for the construction, maintenance, operation, sanitation, and protection of said canal" constitute a limitation on the grant; that is to say, that the grant is confined to the purpose so stated. The position of the United States is that the words "for the construction, maintenance, operation, sanitation, and protection of said canal" were not intended as a limitation on the grant, but are a declaration, and appropriate words of conveyance.

Secretary of State Hay's definitive declaration of U.S. rights in the Canal Zone by no means brought to an end the first major controversy regarding sovereignty in the Canal Zone. Tension mounted on the isthmus, and as Secretary of War William H. Taft later testified, "I led to passive resistance by Panama to the making or carrying out of any agreement between the United States and the Panamanian authorities necessary in the progress of our work." Taft was dispatched to the Isthmus in November 1904 to settle Panama's grievances. To do so he skilfully worked out an arrangement with Panamanian authorities designed to ease the situation during the construction period. It specifically provided, however, that it could not be interpreted as a restrictive or enlarging construction of the treaty.

Taft's minutes of his conferences with President Amador of the Republic of Panama reflect the care he exercised not to jeopardize U.S. rights in the zone:

Assuming the power to the extent declared in Secretary Hay's note, how far can I go in waiving the exercise of these powers and withholding the exercise of powers already exercised, so as to assure the Government of Panama that we wish to exercise no powers that we do not deem necessary in the construction, maintenance, and protection of the canal?

Now, I am not in a position to waive absolutely—I mean to give up the right to exercise—these powers, but I am...
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given authority by the President to establish now, subject to action by Congress, a nonexercise of those powers, such as I hope will be satisfactory to the Government of the Rep­ublic, and will continue indefinitely until the construction of the canal shall so affect the relations and conditions existing as to require a new adjustment of the relations between the two Governments.

Taft's view on the question of sovereignty in the Canal Zone is further defined in his report to President Roosevelt of his negotiations with Panama:

"The recognition that a citizen of the Republic of Panama may reside in the Canal Zone and not lose his rights as a citizen to the exercise of the elective franchise in the Repub­lic it was wise to make. The truth is that while we have all the attributes of sovereignty necessary in the construction, maintenance, and protection of the canal, the very form in which these attributes are conferred in the treaty seems to preserve the titular sovereignty over the Canal Zone in the Republic of Panama, and as we have conceded to us complete judicial and police power over the zone and the two ports at the end of the canal, I can see no reason for creating a resentment on the part of the people of the isthmus by quarreling over that which is dear to them but which to us is of no real moment whatever.

A year and a half later, while testifying before the Senate Com­mittee on Inter-Oceanic Canals, Secretary of War Taft made his now famous statement which is frequently referred to in discussions regarding sovereignty in the Canal Zone:

(Article III) is peculiar in not conferring sovereignty directly upon the United States, but in giving to the United States the powers which it would have if it were sovereign. This gives rise to the obvious implication that a mere titular sovereignty is reserved in the Panamanian Government. Now, I agree that to the Anglo-Saxon mind a titular sover­eignty is like what Governor Allen, of Ohio, once characterized as a "barren ideality," but to the Spanish or Latin mind poetic and sentimental, enjoying the intellectual refinements, and dwelling much on names and forms, it is by no means unimportant.

Neither Panama nor the United States subsequently has budged on their respective constructions of the terms of the treaty of 1903. In 1924, after negotiations to replace the Taft agreement had gone ahead intermittently since 1915, Secretary of State Hughes stated in committee on Interoceanic Canals, Secretary of

Mr. WILEY. As I understand from you, Secretary Hol­land, there is nothing in this present treaty that would in the slightest degree deprive all the attributes of sovereignty that we possess.

Mr. Holland. That is true; and so true is it, that in the course of the negotiations the Panamanians advanced several small requests which, one by one, had considerable appeal, but all of which we refused because we did not want to leave one grain of evidence that could a hundred years hence be interpreted as implying any admission by the United States that we possess and exercise anything less than 100 percent of the right of sovereignty in this area.

For example, they asked that ships transiting the canal, as a token of deference to Panama, fly the Panamanian flag as well as the U.S. flag.

Now, it seemed, perhaps, a little unfriendly to say, "No," because while the gentlemen representing Panama would never have any misunderstanding as to why that might be done, generations coming after us might have some mis­understanding as to why that was done, and we felt we could not agree to do anything, nor would the Senate approve it if we were to agree to it, which could be construed a hundred years hence as meaning that we possess and exercise all of the rights that we would have if we were the sovereign in that area.

Some Panamanian politicians and jurists and various publicists turn from arguing the legal constructions placed on the treaty of 1903 to criticizing the manner in which the pact was negotiated. They protest that the treaty was negotiated by a Frenchman, in haste (see p. 23), and cast somber doubts over that which was done, generations coming after us might have some mis­understanding as to why that was done, and we felt we could not agree to do anything, nor would the Senate approve it if we were to agree to it, which could be construed a hundred years hence as meaning that we possess and exercise all of the rights that we would have if we were the sovereign in that area.

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The two major revisions of the treaty of 1903—the General Treaty of Friendship and Cooperation of 1936 and the Treaty of Mutual Understandings and Cooperation of 1935—amend and supplement the original pact but leave intact the controversial articles II and III of the early agreement.

During hearings in the Foreign Relations Committee of the U.S. Senate on the 1955 treaty with Panama, Assistant Secretary of State for Inter-American Affairs, Henry Holland, revealed that the Depart­ment of State was still zealously on guard against any diminution, then or in the future, of what the United States regarded as its rights in the Canal Zone. The following exchange took place at the hearings:

Secretary Holland. As I understood from you, Secretary Hol­land, there is nothing in this present treaty that would in the slightest degree deprive all the attributes of sovereignty that we possess.

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This attack on the basic document governing Panama's relations with the United States has an emotional appeal to the national pride of the Panamanian people. Nevertheless, by running negotiations in both 1936 and 1955, Panamanian authorities have reaffirmed the land-and-water nature of their founding fathers.

The small group which traditionally has controlled Panama's Government and newspapers has been wont to condemn North American "imperialism." This tactic serves a triple purpose. It provides a convenient scapegoat for their own impotence in solving the nation's pressing economic problems; it is an effective way of getting among a populace which is extremely sensitive to slight to the national pride; and, finally, Panamanian leaders can exploit the nationalistic sentiments they have whipped up to enhance their bargaining power with the United States.

Panamanian nationalization of the Panama Canal in 1956 added fuel to the already well-stoked flames of nationalism in Panama. Panama protested to the United States and Britain for not having been invited to the London conference concerning the Panama Canal in view of the fact that "it was necessary and proper, and of special importance that it participate in the talks since "the Panama Canal has fundamental analogy with the Panama Canal."

Secretary of State Dulles asserted that there was no question of sovereignty in the zone since "the United States has all the rights which it would possess if it were sovereign." 6

In March 1947 a conference on the juridical aspects of the Panama and Suez Canals was held under the auspices of the University of Panama with representatives present from eight Latin American countries. Former Foreign Minister Octavio Farfagna, who headed Panama's delegation to Washington to negotiate the treaty of 1955 (which left intact the relevant terms of the treaty of 1903), asserted that Panama's grant of the Canal Zone to the United States in perpetuity was inconsistent with the sovereignty of the nation. 7

Following the attempt in November 1955 to plant the Panamanian flag in the Canal Zone as a symbol of Panama's sovereignty, President Eisenhower and Deputy Under Secretary of State Livingston Merchant made policy statements which bear upon the question. The Deputy Under Secretary, on a visit to Panama, made the following statement on November 24:

During the course of our discussions, in response to a question by the President of Panama, I assured him that the policy of the U.S. Government with respect to the status of the Canal Zone remains as it had been stated more than 50 years ago to the effect that the United States recognizes that titular sovereignty over the Canal Zone remains in the United States; and that such sovereignty is "necessitated by the peculiar conditions which prevail on the Isthmus of Panama, and the policies that are pursued by the government of that country." 8

A week later in his press conference, President Eisenhower stated:

* * * I do in some form or other believe we should have visual evidence that Panama does not have sovereignty over the region. 9

President Roosevelt sent his Secretary of War, Taft, to the isthmus to work out an agreement designed to allay Panamanian fears. In his instructions to Taft, he noted: 10

 Apparently they fear lest the effort be to create out of part of their territory a competing and independent community which shall imperceptibly affect their business, reduce their revenues, and diminish their prestige as a nation. 11

We have not the slightest intention of establishing an independent colony in the middle of the State of Panama, or of exercising any greater governmental functions than are necessary to enable us conveniently and safely to construct, maintain, and operate the canal under the rights given us by the treaty. Least of all do we desire to interfere with the business and prosperity of the people of Panama.

To pacify Panamanian fears, Taft included a proviso in the modus vivendi of December 1904, which provided for the importation and sale of merchandise "necessary and convenient" for the officers, employees, workmen, and laborers in the service and in the employ of the United States, and for their families, but which excluded from the benefits of the commissaries—

all employees and workmen who are natives of tropical countries wherein prevail climatic conditions similar to those prevailing on the Isthmus of Panama, and who therefore may be presumed to be able to secure the articles of food, clothing, household goods, and furnishings, of the kind and character to which they are accustomed, from the merchants of Panama, Colon, and the towns of the Canal Zone. 12

In the event that such merchants charge prices in excess of legitimate profit, or practice other extortion, the United States, for the protection and assistance of all its employees, whether from the tropical or Temperate Zone, will supply its commissaries with such staple articles as are required and desired by the inhabitants of tropical countries, and permit all its employees and workmen and those of its contractors to avail themselves to the protection of the United States, and for their families, but which excluded from the benefits of the commissaries—

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of the benefits and privileges afforded by said Government
commissaries. 14

In 1905, service of the commissaries was extended to all Government workers because, as Taft told the Senate Committee on Inter-Ocean Canal:
after a sudden influx of laborers, the merchants of the zone were apparently quite short of provisions, or else they attempted to make a corner upon them. 15

After the crash construction program for the canal was completed and activities in the zone settled down to a more steady tempo, Panamanian merchants renewed their lament that U.S.-operated commissaries were depriving them of their legitimate market in the zone. In negotiations during 1919 to replace the Taft modus vivendi of 1904, Panamanian authorities charged that one-half the people in Panama City and Colon used articles bought in the commissaries and smuggled from the zone. 16 With the canal construction completed, the merchants claimed that the United States no longer was justified in encroaching upon or driving them out of competition.

During negotiations for a new treaty Minister Ricardo J. Alfaro called attention to the old grievance that the Panama Railroad Company operated-

• • • commissaries, livery stables, garages, baggage transportation within the limits of Panama and Colon, dairies, poultry farms, butcheries, packing and refrigerating plants, soap factories, laundries, plants for roasting and packing coffee, sausage and canned meat factories, ironworks, carpenter shops, and cooperages, etc. 17

The treaty of 1926 did contain an article stating that purchases from commissaries should be limited to employees of the American Government, their families and diplomats accredited to and designated by the Panamanian Government. The Panamanian Congress, however, failed to ratify the treaty after public opinion became stirred over the provision that Panama should enter any war in which the United States was engaged.

When complaints again were made against the Canal Zone commissaries in 1937, the Department of State answered bluntly: "When the ratifications of this treaty are exchanged, the question will be definitely settled." 18

With Panama deep in the throes of the world depression in 1933, President Arias decided to make a personal appeal to the new administration of President Franklin Roosevelt. After several conferences, he and President Roosevelt issued a joint statement that the treaty of 1923 was revised only-

the use, occupation, and control by the United States of the Canal Zone for the purpose of maintenance, operation, sanitation, and protection of the canal—

and that the—

Republic of Panama is recognized as entitled, as a sovereign nation, to take advantage of the commercial opportunities inherent in its geographical situation so far as that may be done without prejudice to the maintenance, operation, sanitation, and protection of the Panama Canal by the United States of America which is earnestly desirous of the prosperity of the Republic of Panama.

The United States agreed to prohibit sales of "tourist" goods by the commissaries for disposal on ships in transit through the canal, to exercise special vigilance to prevent contraband trade in articles purchased in the commissaries, and to regulate other sales by the commissaries to ships "with the interest of Panamanian merchants in view."

In 1937 a new General Treaty of Friendship and Cooperation embodied a number of revisions in the economic relations between the United States and Panama in the Canal Zone. In order to enable Panama to take advantage of "the commercial opportunities inherent in its geographic situation," the United States agreed to confine sales in the commissaries to U.S. employees and Armed Forces; to impose specific restrictions for regulating the sales by commissaries to ships and tourists passing through the canal; to cooperate in the prevention of contraband trade; and to prohibit the establishment in the Canal Zone of any new private businesses, with the exception of those—

having a direct relation to the operation, maintenance, sanitation, or protection of the canal, such as those engaged in the operation of cables, shipping, or dealing in oil or fuel.

The United States retained freedom of decision as to which businesses have a "direct relation" to the operation and maintenance of the canal.

The treaty of 1937 did not lay to rest the controversy over the Canal Zone commissaries. For a period after the exchange of ratifications in 1939 Panamanian grievances lay dormant. This hiatus was due more to the local prosperity resulting from U.S. wartime expenditures on the isthmus than to results produced by the treaty.

During the war years a number of processing facilities were installed in Panama to meet local needs for goods which no longer could be imported and to fulfill requirements of the influx of Armed Forces personnel. 19 As U.S. expenditures tapered off in the postwar period, the new enterprises operated at partial capacity. Strong pressure was brought by Panamanian industry and commerce for withdrawal of the Panama Canal Company from the manufacturing and processing in the zone of a wide range of consumer items and for a halt to the sale of tax-exempt and duty-free goods imported for sale in the zone commissaries.

A new basic agreement between the United States and Panama in 1955 again tackled the problem of the commissaries. Item 8 of the memorandum of understandings attached to the treaty of 1955 states:

With respect to the manufacture and processing of goods for sale to or consumption by individuals, new carried on by the Panama Canal Company, it will be the policy of the United States of America to terminate such activities whenever and for so long as such goods, or particular classes

14 In 1902 and 1903 the Panamanian population more than doubled as compared with 1900.
UNITED STATES-PANAMA RELATIONS

C. THIRD-COUNTRY PURCHASES

Another sore point with Panama over the years has been the practice of Canal Zone agencies of buying supplies in the cheapest world market for resale in the zone commissaries and post exchanges. Merchandise so purchased entered the zone duty free. Items included everything from staples, like New Zealand meat, to luxury items like diamonds and Oriental wood carvings. Panama complained that such imports constituted unfair competition with Panamanian merchants who must pay Panamanian duties on similar articles.

According to the Secretary of State's report to the President regarding the treaty of 1955, the United States "could not agree to a subsidization of the Panamanian economy at the expense of individuals residing in the zone or in connection with the importation of materials required for the maintenance, operation, and defense of the canal."40

Two general statements were included in the memorandum of understandings attached to the treaty of 1955 relative to the problem of third-country purchases.

Item 7. It is and will continue to be the policy of the Panama Canal agencies and of the Armed Forces in the Canal Zone in making purchases of supplies, materials and equipment, so far as permitted under U.S. legislation, to afford to the economy of the Republic of Panama full opportunity to compete for such business.

The undertaking in item 8 was drafted with a view to alleviating irritations which have arisen with respect to the sale in the zone of so-called luxury items. Panama is not given a monopoly over sales of the kind to which this item

---

41 ibid., p. 63.
42 ibid., p. 98.
Company restricted sales of so-called luxury items in the commissaries to the Defense Department upon sales in the post exchanges. With the signing of the treaty of 1955, Panama interpreted item 8 of luxury items and was not intended to have such a restrictive interpretation. Panama argued that the requirement to purchase supplies from either the United States or Panama should apply to all U.S. purchases for resale in the zone.

The ensuing controversy hinged more on the word "feasible." The Panama Canal Company and the Department of Defense took the position that "feasibility" should be determined in terms of price, quality, and assured supply. Panama, on the other hand, insisted that it means supplies must be purchased in the United States or Panama unless it is impossible to buy them in either place.

Within the United States a split developed on U.S. policy. The Armed Forces and Panama Canal Company felt concern lest Panama sources of such items as beef and lamb (which, imported from New Zealand and Australia, retailed in the zone for 25 cents per pound) be prohibited. Panama resentment over third country purchases did not abate within the United States. A split developed on U.S. policy. The Armed Forces and Panama Canal Company felt concern lest Panama sources of such items be prohibited. Panama, on the other hand, insisted that it means supplies must be purchased in the United States or Panama unless it is impossible to buy them in either place.

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equality of job opportunity and treatment for citizens of Panama was proclaimed:'.

We have equally agreed that, inasmuch as the two countries have a mutual and vital interest in the work of the Panama Canal, the principle of equality of opportunity and treatment must have full effect in regard to the citizens of Panama and the United States employed in the Canal Zone as set forth in the exchange of notes of March 2, 1936, on this subject and that wherever circumstances should be found which in any manner interfere with the observance of that principle, appropriate measures will be taken by the United States.

The memorandum of understandings attached to the treaty of 1935 embodies the principle of equal treatment. It is stated in item 1 that:

Legislation shall be sought which will authorize each agency of the U.S. Government in the Canal Zone to conform its existing wage practices in the zone to the following principles:

(a) The basic wage for any given grade level will be the same for any employee eligible for appointment to the position without regard to whether he is a citizen of the United States or of the Republic of Panama.

(b) that:

Item 1 further provides:

Legislation will be sought to make the Civil Service Retirement Act uniformly applicable to citizens of the United States and of the Republic of Panama employed by the Government of the United States in the Canal Zone.

The United States will afford equality of opportunity to citizens of Panama for employment in all U.S. Government positions in the Canal Zone for which they are qualified and in which the employment of U.S. citizens is not required, in the judgment of the United States, for security reasons.

The agencies of the U.S. Government will evaluate, classify, and title all positions in the Canal Zone without regard to the nationality of the incumbent or proposed incumbent.

Citizens of Panama will be afforded opportunity to participate in such training programs as may be conducted by U.S. agencies in the Canal Zone.

On July 25, 1958, Congress implemented the obligations assumed by the United States under the memorandum of understandings with the passage of Public Law 85-550. Rates of pay for various occupational categories are determined by the area of principal recruitment, without regard to the nationality of the incumbent or personnel, and in which the employment of U.S. citizens is not required, in the judgment of the United States, for security reasons.

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Some criticism still is heard regarding employment practices of U.S. zone agencies. Despite the principle of equality of opportunity embodied in the memorandum of understanding and Public Law 85-550, the charge is made that U.S. authorities, in order to give preference to U.S. citizens, stretch the definition of "security" to apply to a large number of positions which actually do not involve security risk. There are 1,961 positions classified as "security": Panama, meanwhile, argues that in two World Wars no sabotage occurred, and that continuing discrimination against Panamanians by means of the "security" escape clause, rather than assuring security, creates dissension and the basis for insecurity.

E. THE ANNUITY

The annuity which the United States pays yearly to the Republic of Panama provides a rallying slogan for anti-U.S. agitators in Panama. The original figure specified by the Hay-Bunau-Varilla Treaty of 1903 was $250,000. Under the terms of the treaty of 1936, the amount was increased to $450,000 to adjust to the reduction of the gold content in the annuity.

In line with the clause in item 1 of the memorandum of understandings with regard to affording Panama—opportunity to participate in such training programs as may be conducted for employees by the United States agencies in the Canal Zone—President Eisenhower announced on April 19, 1960, an increase in the Panama Canal Company's apprenticeship program. Henceforth, 25 Panamanian citizens would be selected each year to participate in the Canal Company's 4-year training course. As a result of the first examinations after the announcement, 27 Panamanians and 10 U.S. citizens have been selected.

Fears expressed during hearings on the Treaty of 1955 by U.S. citizen employees in the zone that their jobs would be classified down to Panamanian wage-levels have not materialized. In implementing the treaty with Panama no U.S. citizen employees have had their wages reduced to conform to prevailing rates in Panama.

Since implementation of the Treaty with Panama the percentage of non-U.S. citizens paid at U.S. base rates by the Panama Canal Company and the Canal Zone Government has moved upward as follows:

- February 1959: 144 out of a total of 3,500 or 4 percent.
- June 1959: 173 out of a total of 3,545 or 5 percent.
- December 1959: 234 out of a total of 3,700 or 6 percent.
- April 1960: 269 out of a total of 3,700 or 7 percent.

In practice, present Canal Zone personnel must generally be sought outside of the area and paid at rates based on equivalent or closely similar rates prevailing in the Federal service in the United States, plus a 25-percent differential and tax increment in the case of U.S. citizens.
The American dollar. Article I of the treaty of 1955 raised the amount of the annuity to $1,930,000.8 The same article contains a provision designed to safeguard the United States against any assertion of the right to demand an increase in the annuity. It is stated that the parties "recognize the absence of any obligation on the part of either party to alter the amount of the annuity." Some critics of U.S. policy in Panama demand that the gross receipts of the Canal Zone be split 50-50. Gross revenue from the Panama Canal Company (which includes tolls, sales of commodities, and rentals) amounted to over $87 million in fiscal year 1959. Net revenue, however, was less than $3 million. Payroll costs for the Canal Company and the Canal Zone Government consumed over $32 million. Other financial obligations include operating costs, interest and depreciation charges on the U.S. Government's investment in the project, and a part of the $1,930,000 annuity paid annually to the Republic of Panama.

The following table gives a breakdown of revenues and expenditures:9

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959</td>
<td>$46,014,062</td>
<td>$46,014,062</td>
</tr>
<tr>
<td>1960</td>
<td>$46,014,062</td>
<td>$46,014,062</td>
</tr>
</tbody>
</table>

Those who urge gross proceeds be split 50-50 with Panama turn to the fact that Panama now receives more than half the net profits of the canal with the argument that the United States receives inestimable benefits from the canal and should be willing to pay. This claim ignores the benefits which accrue to Panama from operations of the Panama Canal (see p. 13).

The demands for a 50-50 split of the gross proceeds rest on emotional rather than rational bases. Since construction days the canal has conjured up for many Panamanians a tissuey dream of easy prosperity. With the passage of time reality has shown that the canal is not, after all, a cornucopia of wealth. But the dream persists. The presence in the Canal Zone of an island of prosperous U.S. residents, prosperity. With the passage of time reality has shown that the canal is not, after all, a cornucopia of wealth. But the dream persists. The presence in the Canal Zone of an island of prosperous U.S. residents, property. With the passage of time reality has shown that the canal is not, after all, a cornucopia of wealth. But the dream persists. The presence in the Canal Zone of an island of prosperous U.S. residents, property. With the passage of time reality has shown that the canal is not, after all, a cornucopia of wealth. But the dream persists. 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UNITED STATES-PANAMA RELATIONS

The fundamental agreements governing the Panama Canal are bilateral ones between the U.S. Government and the Government of the Republic of Panama, not between a sovereign state and a private company.

By the Hay-Bunau-Varilla Treaty of 1903, the United States granted "in perpetuity" (not a 99-year lease) the use, occupation, and control of the Canal Zone as if it were sovereign. No provision is made to terminate the agreement. Treaties of 1936 and 1955 have modified some of the provisions of the treaty of 1903, but no changes were made in the basic arrangements with respect to the legal basis of U.S. operations in the Panama Canal area. In fact, both the later treaties confirm those parts of the 1903 treaty which are relevant to U.S. jurisdiction in the Canal Zone.

VIII. ALTERNATIVES TO U.S. CONTROL

Some observers foresee a rising tide of nationalism in Panama, due in part to the wave of nationalism sweeping the underdeveloped regions of the world, to Castro's Cuban example, and to Communist efforts to aggravate tensions in an area of U.S. interest. These communications reason that Panama leaders will no longer be able to contain and exploit popular hostility, and that in those explosive circumstances, the United States, regardless of its legal rights on the isthmus, could not uphold its position in the Canal Zone. They further maintain that armed intervention by the United States would not only place the highly vulnerable canal in the midst of an armed camp, but would probably wreck the inter-American system whose cornerstone is the doctrine of nonintervention. Accordingly, a number of alternative suggestions have been put forward for maintaining the canal in effective operation.

1. INTERNATIONALIZATION OF THE CANAL

President Truman proposed at the Potsdam Conference in 1945 that the Panama Canal be internationalized along with other international waterways. In this he was supported by Prime Minister Attlee of Great Britain, but the Russians vetoed the idea. President Truman's plan was not designed to avoid problems in Panama. Rather, it was a package deal aimed at an international guarantee of free passage along all international waterways as a means of removing possible future trouble spots. Since that time the Suez Canal has been nationalized by Egypt and the Danube River has fallen to the mercy of the Danube Commission which is dominated by Soviet bloc countries.

Stanford University political scientists, Martin B. Travis and James T. Watkins, in an article appearing in Foreign Affairs, April 1969, present a case for internationalization of the Panama Canal under United Nations auspices. Their reasons differ from those motivating President Truman's 1945 suggestion. Travis and Watkins contend that the changed nature of modern warfare has "degraded the canal of its original importance." With the outmoding of face-to-face naval engagements, "the two-ocean navy is itself outdated." Consequently:

That left the canal as a waterway for peacetime shipping and as a route of only secondary usefulness for the wartime transportation of critical materials—hardly a target of prime importance to enemy forces. Since then the canal's vulnerability in an atomic-missile war has been demonstrated by the war games of April, 1957. Henceforth, the defense of the canal must be fought far out in the Pacific and the Atlantic or from land bases in continental United States. In the event of a limited war the risk of expanding the conflict is likely to deter the enemy from designating as a strategic target what is no longer a vital supply route.

Since World War II, defense of the canal has been assigned a low strategic priority. The military is apparently operating on the conclusion expressed by Hanson Baldwin in 1957 that the canal today is indefensible in total war and short of total war is less defensible and less strategic than ever before.

Reasoning that "a storm is building up in Panama" and "appropriate measures taken soon can protect the real as distinguished from the illusory U.S. interest in the canal, while a policy of drifting along may jeopardize our interests far beyond Central America," Professor Travis and Watkins see the answer to the dilemma in internationalization of the canal under the United Nations. They argue:

To concede to the tiny population of Panama the power to control a vested interest of the whole community of nations would be no more justifiable than to try to continue the present arrangement. To set up under the Organization of American States a hemispheric agency for operating the canal, a waterway which serves all maritime powers directly and all others indirectly, would open it to the same objections which can be charged against a Danube Commission made up only of riparian powers. There remains the alternative of establishing under the United Nations a specialized agency, the Panama Canal Commission, serving and responsible to the community of nations, and including representatives of the canal's principal users.

Internationalization would leave unimpaired the real interest of the United States, namely, the preservation of the canal and access to it, good service at low cost, and a voice in the operation of the canal. The security of the canal would be, if anything, enhanced. Already hopelessly vulnerable, an internationalized canal might seem to a potential aggressor a less attractive target than one under the exclusive jurisdiction of the United States. In any case, the United States would be entitled to come to the defense of the canal, if defense were feasible, by acting within the United Nations under article 51 of the charter or the "Uniting for Peace" procedure. Such action in defense of an international
agency would enjoy moral and practical support which the
defense of an exclusive interest claimed by the United States
could not evoke. The same principle would apply in the
event of limited warfare, where, again, the United States
would be in a better moral position to attract the support of
the world community.

Good service at a reasonable cost could also be expected
from an international agency. Indeed, from a strictly eco-
nomic standpoint, internationalization would offer every hope
of bringing an improvement. Less exposed to special-interest
pressures than is the U.S. Congress, a Panama Canal Com-
misson could more readily determine an optimum toll
schedule for facilitating the flow of traffic and yet building
up reserves for needed improvements. And finally, partici-
pation in the operation of the canal would be assured as long
as the United States remained one of the principal users.

It might be argued that internationalization would be
injurious to certain interests claimed by Panama, which
stands in a special relationship to the canal. Under inter-
national jurisdiction, Panama could expect little support for
grandiose schemes for third locks or a sea-level channel.
But, that, as we have seen, is the present situation. Then,
too, Panama's bargaining power, derived from pitting the
claim of nationalism against those of the U.S. colonists, would
be lost. Yet this would be more than compensated for by
the more effective support which Panama would obtain from
Latin American representatives on the Panama Canal Com-
misson. Finally, Panama would lose to the international
agency powers heretofore claimed (but not exercised) by
itself with respect to the canal, but by the same measure
it would render itself more secure from the arbitrary exercise
of power by others.

B. ORGANIZATION OF AMERICAN STATE CONTROL

The Department of Political Science of Northwestern University,
in a study on the Organization of American States prepared, in 1959,
on the request of the Senate Committee on Foreign Relations, recom-
mends that the administration of the Panama Canal be turned over
to the OAS.8

They take a dim view of the idea of giving the United Nations
control "because of the tendency of the United Nations to invest con-
traversial issues with the politics of the cold war." They note "how
the Security Council of the United Nations modified the Guatemalan
situation in 1954." According to the study, by regionalizing the canal through the
OAS, the United States would—

avoid the political dilemma of internationalizing it through a
divided U.N. or having it eventually nationalized despite
ourselves by the Panamanians.

C. PURCHASE FROM PANAMA

Another political scientist, Prof. James L. Busey of the University
of Colorado, opposes multilateralization of the Panama Canal under
(OAS or U.N. auspices. In his view—

if the United States were to continue to run it under inter-
national authority, the bidding would increase. If opera-
tions were to be handled by several participating powers, the
services would probably deteriorate and controversy would
be inevitable. In any event, the unhappiest party of all
would be Panama itself.9

Like his counterparts at Stanford and Northwestern Universities,
Professor Busey feels that the present circumstances are fraught with
danger for the United States. He recommends that the United States—

now enter into negotiations with Panama with the object of
abandoning the foggy provisions of the 1903 convention, and
of securing full and undivided U.S. sovereignty over the
canal and the zone—or better still, propose to purchase the
entire Central American half of the Republic of Panama,
from the now's present eastern border to the Costa Rican
frontier.10

If negotiations to purchase from Panama fail, Mr. Busey suggests
building a canal in Nicaragua which—

has the huge advantage of giving the United States full title
to a strip of territory located between two countries, instead
of cutting one in half.

D. OTHER SUGGESTIONS

Other suggestions which crop up occasionally include the formation
of an agency of canal users to administer the canal or simply letting
the canal revert to Panama.

8 D. C. East, Report, 82d Cong., 1st Sess., "Organization of American States: A Study Prepared at the Request of the Senate Committee on
10 1957.

United States-Panama Relations

It is stated, moreover, that by regionalization the United States would
not only strengthen the Organization of American States but reap a
number of political gains:

A promise to multilateralize the Canal Zone will be another
striking symbol of the nonimperialistic nature of our foreign
policy. The move would be as forceful a demonstration of
our integrity as was the honoring of our early-made promise
of freedom to the Philippines. Further, the act would give us a
firm posture for maneuver with respect to future prob-
lems regarding the Suez Canal. However, its most important
and fundamental impact would be within the Americas. It
would be another demonstration—and a most impressive
one—of our long-term willingness to work as partners with
the other nations in the hemispheres.
IX. SUBCOMMITTEE FINDINGS AND RECOMMENDATIONS

(1) The subcommittee does not believe that either the interests of the Republic of Panama, the United States, or the users of the Panama Canal would be served by the transfer of the control and operation of the canal.

Turning over the canal’s administration to the United Nations is advanced by its proponents as a means of relieving United States-Panama friction which can be exploited by enemies of the free world. Holders of this view rest their case on the presumption that the Panama Canal’s strategic value has vanished in the light of recent military developments.

The subcommittee believes that the strategic value of the canal continues to be an important consideration. The subcommittee is convinced, moreover, that giving the United Nations control of the Panama Canal would facilitate Communist endeavors to disrupt the economic and political stability of the Western Hemisphere. As long as the Communists are bent on destroying inter-American cooperation, it makes no sense to give Communist-bloc countries a voice in the administration of a waterway which traverses the Western Hemisphere.

Administration of the Panama Canal by the Organization of American States poses drawbacks of a different nature. The subcommittee finds that OAS administration of the canal has a certain regional appeal and might indeed be interpreted by the American Republics as a sincere commitment to partnership with them. However, maritime nations outside the hemispheres who rely on the canal are likely to react regionalization of the canal less enthusiastically.

The following table showing the principal Panama Canal trade routes discloses the vital interests which nations outside the Western Hemisphere share in the effective operation of the canal.14

<table>
<thead>
<tr>
<th>Major Panama Canal trade route</th>
<th>ranked by cargo tonnage volume for selected years</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States-East Asia</td>
<td>4</td>
</tr>
<tr>
<td>United States-Europe</td>
<td>3</td>
</tr>
<tr>
<td>United States-Canada</td>
<td>2</td>
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<td>United States-Mexico</td>
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14 Ibid., p. 15.

(2) The subcommittee recognizes that the efficient operation of the Panama Canal depends in large measure upon the good will of the Panamanian people toward the United States. We acknowledge that the overwhelming presence of the United States in Panama makes an inviting target for every sort of agitation. We believe, however, that it is possible for the United States and Panama to maintain normal, friendly relations.

To this end, the subcommittee recommends that the agencies of the U.S. Government in the Panama Canal Zone be scrupulously diligent in applying the provisions of our treaty arrangements with the Republic of Panama—the intent as well as the letter of our agreements.

The subcommittee recognizes that U.S. residents in the Canal Zone perform a great service for their country as certain personal sacrifices. At the same time, American citizens in the Canal Zone have a special responsibility to assist the maximum extent toward furthering amicable relations with nationals of the Republic of Panama. The subcommittee approves every effort to assure U.S. citizens in the zone a standard of living comparable with that which they would enjoy in continental United States. However, the Republic of Panama is no longer the isolated frontier civilization of construction days which motivated the U.S. Government to adopt measures designed to miti-
The subcommittee recognizes that the overwhelming presence of the United States on the Isthmus of Panama will always be the source of some friction between the Republic of Panama and the United States. In the prophetic words of William Howard Taft at the outset of the construction of the canal:

"There are many other matters constantly arising between the American representative on the Isthmus and the Panamanian authorities calling for adjustment. We are living in the same house and family with them, so to speak, and if we do not get on in a friendly way it will be uncomfortable for both."
APPENDIXES
APPENDIX A

CONVENTION FOR THE CONSTRUCTION OF A SHIP CANAL, 1903

Concluded November 18, 1903; ratification advised by the Senate February 28, 1904; ratified by President February 28, 1904; ratified by the Senate February 28, 1904; proclaimed February 28, 1904.

ARTICLES

I. Independence of Panama.  
II. Canal zone.  
III. Authority in canal zone.  
IV. Subsidiary rights.  
V. Monopoly for construction, etc.  
VI. Private property.  
VII. Panama: Colon; harbors.  
VIII. Panama Canal Company and railroad.  
IX. Taxes, etc.  
X. Official dispatches.  
XI. Archives.  
XII. ACCesS of employees.  
XIII. Importation into lone.  
XIV. Compensation.  
XV. Joint commission.  
XVI. Joint commission.  
XVII. Ports of Panama.  
XVIII. Neutrality rules.  
XIX. Free transport.  
XX. Cancellation of existing treaties.  
XXI. Anterior debts, concessions, etc.  
XXII. Renunciation of rights under customary contrarics.  
XXIII. Protection of canal.  
XXIV. Change of government, laws, etc.  
XXV. Coaling stations.  
XXVI. Ratification.

The Republic of Panama grants to the United States in perpetuity the use, occupation and control of a zone of land and land under water for the construction, maintenance, operation, sanitation and protection of said Canal of the width of ten miles extending to the distance of five miles on each side of the center line of the route of the Canal to be constructed; the said zone beginning in the Caribbean Sea three marine miles from mean low water mark and extending to and across the Isthmus of Panama to the Pacific ocean to a distance of three marine miles from mean low water mark with the proviso that the cities of Panama and Colon and the harbors adjacent to said cities, which are included within the boundaries of the zone above described, shall not be included within this grant. The Republic of Panama further grants to the United States in perpetuity the use, occupation and control of any other lands and waters outside of the zone above described which may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said Canal or of any auxiliary canals or other works necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said enterprise.

The Republic of Panama further grants in like manner to the United States in perpetuity all islands within the limits of the zone above described and in addition thereto the group of small islands in the Bay of Panama, named, Perico, Naos, Culebra and Flamenco.

UNITED STATES-PANAMA RELATIONS

ARTICLE II.

The Republic of Panama grants to the United States in perpetuity the use, occupation and control of a zone of land and land under water for the construction, maintenance, operation, sanitation and protection of said Canal of the width of ten miles extending to the distance of five miles on each side of the center line of the route of the Canal to be constructed; the said zone beginning in the Caribbean Sea three marine miles from mean low water mark and extending to and across the Isthmus of Panama to the Pacific ocean to a distance of three marine miles from mean low water mark with the proviso that the cities of Panama and Colon and the harbors adjacent to said cities, which are included within the boundaries of the zone above described, shall not be included within this grant. The Republic of Panama further grants to the United States in perpetuity the use, occupation and control of any other lands and waters outside of the zone above described which may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said Canal or of any auxiliary canals or other works necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said enterprise.

The Republic of Panama further grants in like manner to the United States in perpetuity all islands within the limits of the zone above described and in addition thereto the group of small islands in the Bay of Panama, named, Perico, Naos, Culebra and Flamenco.

UNITED STATES-PANAMA RELATIONS
UNITED STATES-PANAMA RELATIONS

ARTICLE VI.
The grant herein contained shall in no manner invalidate the titles or rights of private land holders or owners of private property in the said zone or in or to any of the lands or waters granted to the United States by the provisions of any Article of this treaty, nor shall they interfere with the rights of way over the public roads passing through the said zone or over any of the said lands or waters unless said rights of way or private right shall conflict with rights herein granted to the United States in which case the rights of the United States shall be superior. All damage caused to the owners of private lands or private property of any kind by reason of the grants contained in this treaty or by reason of the operations of the United States, its agents or employees, or by reason of the construction, maintenance, operation, sanitation and protection of the said Canal or of the works of sanitation and protection herein provided for, shall be appraised and settled by a joint Commission appointed by the Governments of the United States and the Republic of Panama, whose decisions as to such damages shall be final and whose awards as to such damages shall be paid solely by the United States. No part of the work on said Canal or the Panama railroad or on any auxiliary works relating thereto and authorized by the terms of this treaty shall be prevented, delayed or impeded by or pending such proceedings to ascertain such damages. The appraisal of said private lands and private property and the assessment of damages to them shall be based upon their values before the date of this convention.

ARTICLE VII.
The Republic of Panama grants to the United States within the limits of the cities of Panama and Colon and their adjacent harbors and within the territory adjacent thereto the right to acquire by purchase or by the exercise of the right of eminent domain, any lands, buildings, water rights or other properties necessary and convenient for the construction, maintenance, operation and protection of the Canal and of any works of sanitation, such as the collection and disposition of sewages and the distribution of water in the said cities of Panama and Colon, which in the discretion of the United States may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said Canal and railroad. All such works of sanitation, the collection and disposition of sewages and the distribution of water in the cities of Panama and Colon and Colon shall be made at the expense of the United States. The Government of the United States, its agents or nominees shall be authorized to impose and collect water rates and sewerage rates which shall be sufficient to provide for the construction, maintenance, operation and protection of the Canal and of the towns of Panama and Colon; and the use of the water shall be free to the inhabitants of the United States, and the Government of the United States, its agents or nominees shall be authorized to impose and collect water rates and sewerage rates which shall be sufficient to provide for the sanitation, collection and disposition of sewage and the distribution of water in the said cities of Panama and Colon.

ARTICLE VIII.
The Republic of Panama grants to the United States all rights which it now has or hereafter may acquire to the property of the New Panama Canal Company and the Panama Railroad Company as a result of the transfer of sovereignty from the Republic of Colombia to the Republic of Panama over the Isthmus of Panama and authorizes the New Panama Canal Company to sell and transfer to the United States its rights, privileges, properties and concessions as well as the Panama Railroad and all the shares or part of the shares of that company; but the public lands situated outside of the zone described in Article II of this treaty now included in the concessions to both said enterprises and not required in the construction or operation of the Canal shall revert to the Republic of Panama except any property now owned by or in the possession of said companies within Panama or Colon or the ports or termini thereof.

ARTICLE IX.
The United States agrees that the ports at either entrance of the Canal and the waters thereof, the towns of Panama and Colon shall be free for all time so that there shall not be imposed or collected custom house tolls, tonnage, anchorage, lighthouse, wharf, pilot, or quarantine duties or any other charges or taxes of any kind upon any vessel using or passing through the Canal or belonging to or employed by the United States, directly or indirectly, in connection with the construction, maintenance, operation, sanitation and protection of the main Canal, or auxiliary works, or upon the cargo, officers, crew, or passengers of any such vessels, except such tolls and charges as may be imposed by the United States for the use of the Canal and other works, and except tolls and charges imposed by the Republic of Panama upon merchandise destined to be introduced for the consumption of the rest of the Republic of Panama, and upon vessels touching at the ports of Colon and Panama and which do not cross the Canal.

The Government of the Republic of Panama shall have the right to establish in such ports and in the towns of Panama and Colon such houses and gardens as it may deem necessary to collect duties on imports destined to other portions of Panama and to prevent contraband trade. The United States shall have the right to make use of the towns and harbors of Panama and Colon as places of anchorage, and for making repairs, for loading, unloading, depositing, or transshipping cargoes either in transit or destined for the service of the Canal and for other works pertaining to the Canal.
The Republic of Panama agree that there shall not be imposed any tax, national, municipal, departmental, or of any other class, upon the Canal, the railways and auxiliary works, tugs and other vessels employed in the service of the Canal, store houses, work shops, offices, quarters for laborers, factories of all kinds, warehouses, wharves, machinery and other works, property, and effects appertaining to the Canal or railroad and auxiliary works, or their officers or employees, situated within the cities of Panama and Colon, and that there shall not be imposed contributions or charges of a personal character of any kind upon officers, employees, laborers, and other individuals in the service of the Canal and railroad and auxiliary works.

The United States agrees that the official dispatches of the Government of the Republic of Panama shall be transmitted over any telegraph and telephone lines established for canal purposes and used for public and private business at rates not higher than those required from officials in the service of the United States.

The United States may import at any time into the said zone and auxiliary lands any and all vessels, dredges, engines, auxiliary lands, free of custom duties, imposts, taxes, or other charges, cars, machinery, tools, explosives, materials, 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.

The Republic of Panama grants to the United States the use of all the Canal and the entrances thereto, when constructed, and the entrances thereto shall be neutral in perpetuity, and shall be opened upon the terms provided for by Section I of Article three of, and in conformity with all the stipulations of, the treaty entered into by the Governments of the United States and Great Britain on November 18, 1901.

The Government of the Republic of Panama shall have the right to transport over the Canal its vessels and its troops and munitions of war.
war in such vessels at all times without paying charges of any kind. The exemption is to be extended to the auxiliary railway for the transportation of persons in the service of the Republic of Panama, or of the police force charged with the preservation of public order outside of said zone, as well as to their baggage, munitions of war and supplies.

**Article XX.**

If by virtue of any existing treaty in relation to the territory of the Isthmus of Panama, whereas the obligations shall descend or be assumed by the Republic of Panama, there may be any privilege or concession in favor of the Government or the citizens and subjects of a third power relative to an interoceanic means of communication, which in any of its terms may be incompatible with the terms of the present convention, the Republic of Panama agrees to cancel or modify such treaty in due form, for which purpose it shall give to the said third power the requisite notification within the term of four months from the date of the present convention, and in case the existing treaty contains no clause permitting its modifications or annulment, the Republic of Panama agrees to procure its modification or annulment in such form that there shall not exist any conflict with the stipulations of the present convention.

**Article XXI.**

The rights and privileges granted by the Republic of Panama to the United States in the preceding Articles are understood to be free of all anterior debts, liens, trusts, or liabilities, or concessions or privileges to other Governments, corporations, syndicates or individuals, and consequently, if there should arise any claims on account of the present concessions and privileges or otherwise, the claimants shall resort to the Government of the Republic of Panama and not to the United States for any indemnity or compromise which may be required.

**Article XXII.**

The Republic of Panama renounces and grants to the United States the participation to which it might be entitled in the future earnings of the Canal under Article XV of the concessionary contract with Lucien N. B. Wyse now owned by the New Panama Canal Company and any and all other rights or claims of a purgatory nature arising under or relating to said concession, or arising under or relating to the concessions to the Panama Railroad Company or any extension or modification thereof; and it likewise renounces, confirms and grants to the United States, now and hereafter, all the rights and property reserved in the said concessions which otherwise would belong to Panama at or before the expiration of the terms of ninety-nine years of the concessions granted to or held by the above mentioned parties and companies, and all right, title and interest which it now has or may hereafter have, in and to the lands, canal, works, property and rights held by the said companies under said concessions or otherwise, and acquired or to be acquired by the United States from or through the New Panama Canal Company, including any property and rights which might or may in the future either by lapse of time, forfeiture or otherwise, revert to the Republic of Panama under any contracts or concessions, with said Wyse, the Universal Panama Canal Company, the Panama Railroad Company and the New Panama Canal Company.

The aforesaid rights and property shall be and are free and released from any present or revocatory interest in or claims of Panama and the title of the United States thereto upon consummation of the contemplated purchase by the United States from the New Panama Canal Company, shall be absolute, as far as concerns the Republic of Panama, excepting always the rights of the Republic specifically secured under this treaty.

**Article XXIII.**

If it should become necessary at any time to employ armed forces for the safety or protection of the Canal, or of the ships that make use of the same, or the railways and auxiliary works, the United States shall have the right, at all times and in its discretion, to use its police and its land and naval forces or to establish fortifications for these purposes.

**Article XXIV.**

No change either in the Government or in the laws and treaties of the Republic of Panama shall, without the consent of the United States, affect any right of the United States under the present convention, or under any treaty stipulation between the two countries that now exists or may hereafter exist touching the subject matter of this convention.

If the Republic of Panama shall hereafter enter as a constituent into any other Government or into any union or confederation of states, so as to merge her sovereignty or independence in such Government, union or confederation, the rights of the United States under this convention shall not be in any respect lessened or impaired.

**Article XXV.**

For the better performance of the engagements of this convention and to the end of the efficient protection of the Canal and the preservation of its neutrality, the Government of the Republic of Panama will sell or lease to the United States lands adequate and necessary for naval or coaling stations on the Pacific coast and on the western Caribian coast of the Republic at certain points to be agreed upon with the President of the United States.

**Article XXVI.**

This convention when signed by the Plenipotentiaries of the Contracting Parties shall be ratified by the respective Governments and the ratifications shall be exchanged at Washington at the earliest date possible. In faith whereof the respective Plenipotentiaries have signed the present convention in duplicate and have hereunto affixed their respective seals.

Done at the City of Washington the 18th day of November in the year of our Lord nineteen hundred and three.

JOHN HAY [SEAL]

P. BUNAU VARGILLA [SEAL]
APPENDIX B

GENERAL TREATY OF FRIENDSHIP AND COOPERATION BETWEEN THE UNITED STATES OF AMERICA AND PANAMA

Signed at Washington, March 2, 1936; ratified advised by the Senate of the United States, July 27, 1936; ratified by the President of the United States, July 29, 1936; ratified by Panama, July 17, 1939; ratified and exchanged at Washington, July 27, 1939; proclaimed by the President of the United States, July 27, 1939.

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS a Treaty between the United States of America and the Republic of Panama to strengthen further the bonds of friendship and cooperation between the two countries and to regulate on a stable and mutually satisfactory basis certain questions which have arisen as a result of the construction of the interoceanic canal across the Isthmus of Panama, was concluded and signed by their respective Plenipotentiaries at Washington on the second day of March, one thousand nine hundred and thirty-six, the original of which Treaty, being in the English and Spanish languages, is word for word as follows:

The United States of America and the Republic of Panama, animated by the desire to strengthen further the bonds of friendship and cooperation between the two countries and to regulate on a stable and mutually satisfactory basis certain questions which have arisen as a result of the construction of the interoceanic canal across the Isthmus of Panama, have decided to conclude a treaty, and have designated for this purpose as their Plenipotentiaries:

The President of the United States of America:

Mr. Cordell Hull, Secretary of State of the United States of America, and Mr. Sumner Welles, Assistant Secretary of State of the United States of America; and

The President of the Republic of Panama:

The Honorable Doctor Ricardo J. Alfaro, Envoy Extraordinary and Minister Plenipotentiary of Panama to the United States of America; and

The Honorable Doctor Narciso Garay, Envoy Extraordinary and Minister Plenipotentiary of Panama on special mission;

Who, having communicated their respective full powers to each other, which have been found to be in good and due form, have agreed upon the following:

ARTICLE I

Article I of the Convention of November 18, 1903, is hereby superseded.

There shall be a perfect, firm and inviolable peace and sincere friendship between the United States of America and the Republic of Panama and between their citizens.
UNITED STATES-PANAMA RELATIONS

ARTICLE III

In order to enable the Republic of Panama to take advantage of the commercial opportunities inherent in its geographical situation, the United States of America agrees as follows:

1) The sale to individuals of goods imported into the Canal Zone or purchased, produced or manufactured therein by the Government of the United States of America shall be limited by it to the persons included in classes (a) and (b) of Section 2 of this Article; and with regard to the persons included in classes (c), (d) and (e) of the said Section and members of their families, the sales above mentioned shall be made only when such persons actually reside in the Canal Zone.

2) No person who is not comprised within the following classes shall be entitled to reside within the Canal Zone:
   (a) Officers, employees, workmen or laborers in the service or employ of the United States of America, the Panama Canal or the Panama Railroad Company, and members of their families actually residing with them;
   (b) Members of the armed forces of the United States of America and members of their families actually residing with them;
   (c) Contractors operating in the Canal Zone and their employees, workmen and laborers during the performance of contracts;
   (d) Officers, employees or workmen of companies entitled under Section 5 of this Article to conduct operations in the Canal Zone;
   (e) Persons engaged in religious, welfare, charitable, educational, recreational and scientific work exclusively in the Canal Zone;
   (f) Domestic servants of all the beforementioned persons and members of the families of the persons in classes (c), (d) and (e) actually residing with them.

3) No dwellings belonging to the Government of the United States of America or to the Panama Railroad Company and situated within the Canal Zone shall be leased, hired or sublet except to persons within classes (a), (b), (c) and (e) above mentioned.

4) The Government of the United States of America will continue to permit, under suitable regulations and upon the payment of proper charges, vessels entering at or clearing from the ports of the Canal Zone to use and enjoy the dockage and other facilities of the said ports for the purpose of loading and unloading cargoes and receiving or disembarking passengers or from the territory under the jurisdiction of the Republic of Panama.

5) With the exception of concerns having a direct relation to the operation, maintenance, sanitation or protection of the Canal, such as those engaged in the operation of cable, shipping, or dealing in oil or fuel, the Government of the United States of America will not permit the establishment in the Canal Zone of private business enterprises other than those existing therein at the time of the signature of this Treaty.

6) In view of the proximity of the port of Balboa to the city of Panama and of the port of Cristobal to the city of Colon, the United States of America will continue to permit, under suitable regulations and upon the payment of proper charges, vessels entering at or clearing from the ports of the Canal Zone to use and enjoy the dockage and other facilities of the said ports for the purpose of loading and unloading cargoes and receiving or disembarking passengers or from the territory under the jurisdiction of the Republic of Panama.

The Republic of Panama will permit vessels entering at or clearing from the ports of Panama or Colon, in case of emergency and also under suitable regulations and upon the payment of proper charges, to use and enjoy the dockage and other facilities of said ports for the purpose of receiving or disembarking passengers to or from the territory of the Republic of Panama under the jurisdiction of the United States of America, and of loading and unloading cargoes either in transit or destined for the service of the Canal or of works pertaining to the Canal.

7) The Government of the United States of America will extend to private merchants residing in the Republic of Panama full opportunity for making sales to vessels arriving at terminal ports of the Canal or transiting the Canal, subject always to appropriate administrative regulations of the Canal Zone.

ARTICLE IV

The Government of the Republic of Panama shall not impose import duties or taxes of any kind on goods destined for or consigned to the agencies of the Government of the United States of America in the Republic of Panama when the goods are intended for the official use of such agencies, or upon goods destined for or consigned to persons included in classes (a) and (b) in Section 2 of Article III of this Treaty, who reside or sojourn in territory under the jurisdiction of the Republic of Panama during the performance of their service with the United States of America, the Panama Canal or the Panama Railroad Company, when the goods are intended for their own use and benefit.

The United States of America shall not impose import duties or taxes of any kind on goods, wares and merchandise passing from territory under the jurisdiction of the Republic of Panama into the Canal Zone.

The Republic of Panama will permit vessels entering at or clearing from the territory under the jurisdiction of the Republic of Panama passing from the said territory into the Canal Zone, and no charges of any kind shall be imposed by the authorities of the Republic of Panama upon persons in the service of the United States of America or residing in the Canal Zone passing from the Canal Zone into territory under the jurisdiction of the Republic of Panama, all other persons passing from the Canal Zone into territory under the jurisdiction of the Republic of Panama being subject to the full effects of the immigration laws of the Republic.

In view of the fact that the Canal Zone divides the territory under the jurisdiction of the Republic of Panama, the United States of America agrees that, subject to such police regulations as circumstances may require, Panamanian citizens who may occasionally be imported from the Canal Zone shall be assured transit through the said Zone in order to pass from one part to another of the territory under the jurisdiction of the Republic of Panama.
UNITED STATES-PANAMA RELATIONS

ARTICLE III

In order to enable the Republic of Panama to take advantage of the commercial opportunities inherent in its geographical situation, the United States of America agrees as follows:

1) The sale to individuals of goods imported into the Canal Zone or purchased, produced or manufactured therein by the Government of the United States of America shall be limited by it to the persons included in classes (a) and (b) of Section 2 of this Article; and with regard to the persons included in classes (c), (d) and (e) of the said Section and members of their families, the sale shall be made only when such persons actually reside in the Canal Zone.

2) No person who is not comprised within the following classes shall be entitled to reside within the Canal Zone:
   (a) Officers, employees, workmen or laborers in the service or employ of the United States of America, the Panama Canal or the Panama Railroad Company, and members of their families actually residing with them;
   (b) Members of the armed forces of the United States of America and members of their families actually residing with them;
   (c) Contractors operating in the Canal Zone and their employees, workmen and laborers during the performance of contracts;
   (d) Officers, employees or workmen of companies entitled under Section 5 of this Article to conduct operations in the Canal Zone;
   (e) Persons engaged in religious, welfare, charitable, educational, recreational and scientific work exclusively in the Canal Zone;
   (f) Domestic servants of all the beforementioned persons and members of the families of the persons in classes (c), (d) and (e) actually residing with them.

3) No dwellings belonging to the Government of the United States of America or to the Panama Railroad Company and situated within the Canal Zone shall be rented, leased or sublet except to persons within classes (a) to (e), inclusive of Section 2 hereinafore.

4) The Government of the United States of America will continue to cooperate in all proper ways with the Government of the Republic of Panama to prevent violations of the immigration and customs laws of the Republic of Panama, including the smuggling into territory under the jurisdiction of the Republic of goods imported into the Canal Zone; the Republic of Panama or purchased, produced or manufactured therein by the Government of the United States of America.

5) With the exception of persons having a direct relation to the operation, maintenance, sanitation or protection of the Canal, such as those engaged in the erection of cables, shipping, or dealing in oil or fuel, the Government of the United States of America will not permit the establishment in the Canal Zone of private business systems or establishments, subject to the full effects of the immigration laws of the Republic of Panama.

6) In the port of Balboa in the city of Panama and of the port of Cristobal in the city of Colón, the United States of America will continue to permit, under suitable regulations and upon the payment of proper charges, vessels entering at or clearing from the ports of the Canal Zone to use and enjoy the dockages and other facilities of the said ports for the purpose of loading and unloading cargoes and receiving or disembarking passengers to or from the territory under the jurisdiction of the Republic of Panama.

7) The Republic of Panama will permit vessels arriving at or clearing from the ports of Panama or Colon, in case of emergency and also under suitable regulations and upon the payment of proper charges, to use and enjoy the dockage and other facilities of said ports for the purpose of receiving or disembarking passengers to or from the territory of the Republic of Panama under the jurisdiction of the United States of America, and of loading and unloading cargoes either in transit or destined for the service of the Canal or works pertaining to the Canal.

The Government of the United States of America will extend to private merchandising residents in the Republic of Panama full opportunity for making sales to vessels arriving at terminal ports of the Canal or transiting the Canal, subject always to appropriate administrative regulations of the Canal Zone.

ARTICLE IV

The Government of the Republic of Panama shall not impose import duties or taxes of any kind on goods destined for or consigned to the agencies of the Government of the United States of America upon persons resident in the territory of the Republic of Panama.

No charges of any kind shall be imposed by the authorities of the United States of America, the Panama Canal or the Panama Railroad Company, when the goods are intended for the United States of America in the performance of contracts; and with the United States of America in the performance of their service to private merchants residing in the Republic of Panama, and of loading and unloading cargoes either in transit or destined for the service of the Canal or works pertaining to the Canal.

The Government of the Republic of Panama will permit vessels arriving at or clearing from the ports of the Canal Zone to use and enjoy the dockages and other facilities of the said ports for the purpose of loading and unloading cargoes and receiving or disembarking passengers to or from the territory under the jurisdiction of the Republic of Panama.

The Republic of Panama will permit vessels arriving at or clearing from the ports of Panama or Colon, in case of emergency and also under suitable regulations and upon the payment of proper charges, to use and enjoy the dockage and other facilities of said ports for the purpose of receiving or disembarking passengers to or from the territory of the Republic of Panama under the jurisdiction of the United States of America, and of loading and unloading cargoes either in transit or destined for the service of the Canal or works pertaining to the Canal.

The Government of the United States of America will extend to private merchandising residents in the Republic of Panama full opportunity for making sales to vessels arriving at terminal ports of the Canal or transiting the Canal, subject always to appropriate administrative regulations of the Canal Zone.

In view of the fact that the Canal Zone divides the territory under the jurisdiction of the Republic of Panama, the United States of America agrees that, subject to such police regulations as circumstances may require, Panamanian citizens who may occasionally be deported from the Canal Zone shall be assured transit through the said Zone, in order to pass from one part to another of the territory under the jurisdiction of the Republic of Panama.
UNITED STATES-PANAMA RELATIONS

ARTICLE V

Article IX of the Convention of November 18, 1903, is hereby superseded.

The Republic of Panama has the right to impose upon merchandise destined to be introduced for use or consumption in territory under the jurisdiction of the Republic of Panama, and upon vessels touching at Panamanian ports and upon the officers, crew or passengers of such vessels, the taxes or charges provided by the laws of the Republic of Panama; it being understood that the Republic of Panama will continue directly and exclusively to exercise its jurisdiction over the ports of Panama and Colon, and to operate exclusively with Panamanian personnel such facilities as are or may be established therein by the Republic or by its authority. However, the Republic of Panama shall not impose or collect any charges or taxes upon any vessel using or passing through the Canal which does not touch at a port under Panamanian jurisdiction or upon the officers, crew or passengers of such vessels, unless they enter the Republic; it being also understood that taxes and charges imposed by the Republic of Panama upon vessels using or passing through the Canal which touch at ports under Panamanian jurisdiction, or upon their cargo, officers, crew or passengers, shall not be higher than those imposed upon vessels which touch only at ports under Panamanian jurisdiction and do not transit the Canal, or upon their cargo, officers, crew or passengers.

The Republic of Panama also has the right to determine what persons or classes of persons arriving at ports of the Canal Zone shall be admitted to the Republic of Panama and to determine likewise what persons or classes of persons arriving at such ports shall be excluded from admission to the Republic of Panama.

The United States of America will furnish to the Republic of Panama free of charge the necessary sites for the establishment of customshouses in the ports of the Canal Zone for the collection of duties on importations destined to the Republic of Panama for the examination of merchandise, baggage and passengers consigned to or bound for the Republic of Panama, and for the prevention of contraband trade, it being understood that the collection of duties and the examination of merchandise and passengers by the agents of the Government of the Republic of Panama, in accordance with this provision, shall take place only in the customshouses to be established by the Government of the Republic of Panama as herein provided, and that the Republic of Panama will exercise exclusive jurisdiction within the sites on which the customshouses are located so far as concerns the enforcement of immigration or customs laws of the Republic of Panama, and over all property therein contained and the personnel therein employed.

To further the effective enforcement of the rights hereinbefore recognized, the Government of the United States of America agrees that, for the purpose of obtaining information useful in determining whether persons arriving at ports of the Canal Zone and destined to points within the jurisdiction of the Republic of Panama should be admitted or excluded from admission into the Republic, the immigration officers of the Republic of Panama shall have the right of free access to vessels upon their arrival at the Balboa or Cristobal piers or wharves with passengers destined for the Republic; and that the appropriate authorities of the Panama Canal will adopt such administrative regulations regarding persons entering ports of the Canal Zone and destined to points within the jurisdiction of the Republic of Panama as will facilitate the exercise by the authorities of Panama of their jurisdiction in the manner provided in Paragraph 4 of this Article for the purposes stated in Paragraph 3 thereof.

ARTICLE VI

The first sentence of Article VII of the Convention of November 18, 1903, is hereby amended so as to omit the following phrase: "or by the exercise of the right of eminent domain".

The third paragraph of Article VII of the Convention of November 18, 1903, is hereby superseded.

ARTICLE VII

Beginning with the amount payable in 1934 the payments under Article XIV of the Convention of November 18, 1903, between the United States of America and the Republic of Panama, shall be four hundred and thirty thousand Balboas ($430,000.00) as defined by the agreement embodied in an exchange of notes of this date. The United States of America may discharge its obligation with respect to any such payments, upon payment in any coin or currency, provided the amount so paid is the equivalent of four hundred and thirty thousand Balboas ($430,000.00) as so defined.

ARTICLE VIII

In order that the city of Colon may enjoy direct means of land communication under Panamanian jurisdiction with other territory under jurisdiction of the Republic of Panama, the United States of America hereby transfers to the Republic of Panama jurisdiction over a corridor, the exact limits of which shall be agreed upon and demarcated by the two Governments pursuant to the following description:

(a) The end at Colon connects with the southern end of the east half of the Paseo del Centenario at Sixteenth Street, Colon; thence the corridor proceeds in a general southerly direction, parallel to and east of Bolivar Highway to the vicinity of the northern edge of Silver City; thence toward the shore line of Folsom River, around the northeast corner of Silver City; thence in a general southeasterly direction and generally parallel to the Randolph Road to a crossing of said Randolph Road, about 1200 feet east of the East Diversion; thence in a general northeasterly direction to the eastern boundary line of the Canal Zone near the southeastern corner of the Fort Randolph Reservation, southwest of Capiat. The approximate route of the corridor is shown on the map which accompanies this Treaty, signed by the Plenipotentiaries of the two countries and marked "Exhibit A".

(b) The width of the corridor shall be as follows: 25 feet in width from the Colon end to a point east of the southern line of Silver City; thence 100 feet in width to Randolph Road, except that, at any elevated crossing which may be built over Randolph Road and the
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railroad, the corridor will be no wider than is necessary to include the viaduct and will not include any part of Randolph Road proper, or of the railroad right of way, and except that, in case of a grade crossing over Randolph Road and the railroad, the corridor will be interrupted by that highway and railroad; thence 200 feet in width to the boundary line of the Canal Zone.

The Government of the United States of America will extinguish any private titles existing or which may exist in and to the land included in the above-described corridor.

The stream and drainage crossing of any highway built in the corridor shall not restrict the water passage to less than the capacity of the existing streams and drainage.

No other construction will take place within the corridor than that relating to the construction of a highway and to the installation of electric power, telephone and telegraph lines; and the only activities which will be conducted within the said corridor will be those pertaining to the construction, maintenance and common use of a highway and of power and communication lines.

The United States of America shall enjoy at all times the right of unimpeded transit across the said corridor at any point, and of travel along the corridor, subject to such traffic regulations as may be established by the Government of the Republic of Panama; and the Government of the United States of America shall have the right to such use of the corridor as would be involved in the construction of connecting or intersecting highways or railroads, overhead and underground power, telephone, telegraph and pipe lines, and additional drainage channels, on condition that these structures and their use shall not interfere with the purpose of the corridor as provided hereinabove.

**ARTICLE IX**

In order that direct means of land communication, together with accommodation for the high tension power transmission line, may be provided under jurisdiction of the United States of America from the Madden Dam to the Canal Zone, the Republic of Panama hereby transfers to the United States of America jurisdiction over a corridor, the limits of which shall be demarcated by the two Governments pursuant to the following descriptions:

A strip of land 200 ft. in width, extending 62.5 ft. from the center line of the Madden Road on its eastern boundary and 137.5 ft. from the center line of the Madden Road on its western boundary, containing an area of 105.8 acres or 42.81 hectares, as shown on the map which accompanies this Treaty, signed by the Plenipotentiaries of the two countries and marked "Exhibit B."

Beginning at the intersection of the located center line of the Madden Road and the Canal Zone-Republic of Panama 5-mile boundary line, said point being located N. 29°20' W. a distance of 1,639.9 ft. to station 485 plus 42.0 ft.; thence on a 5° curve to the left a distance of 446.4 ft. to station 480 plus 65.4 ft.; thence N. 30°12' E. a distance of 479.6 ft. to station 490 plus 64.5 ft.; thence on an 8° curve to the left a distance of 446.4 ft. to station 485 plus 64.9 ft.; thence N. 16°52' E. a distance of 1,665.0 ft. to station 436 plus 69.4 ft.; thence on a 5° curve to the right a distance of 329.4 ft. to station 493 plus 93.9 ft.; thence N. 30°12' E. a distance of 479.6 ft. to station 490 plus 65.4 ft.; thence on an 8° curve to the left a distance of 446.4 ft. to station 485 plus 64.9 ft.; thence N. 30°12' E. a distance of 479.6 ft. to station 490 plus 64.5 ft.; thence on a 5° curve to the right a distance of 329.4 ft. to station 493 plus 93.9 ft.; thence N. 16°52' E. a distance of 1,665.0 ft. to station 436 plus 69.4 ft.; thence on a 5° curve to the right a distance of 329.4 ft. to station 493 plus 93.9 ft.; thence N. 16°52' E. a distance of 1,665.0 ft. to station 436 plus 69.4 ft.; thence on a 5° curve to the right a distance of 329.4 ft. to station 493 plus 93.9 ft.; thence N. 16°52' E. a distance of 1,665.0 ft. to station 436 plus 69.4 ft.; thence on a 5° curve to the right a distance of 329.4 ft. to station 493 plus 93.9 ft.; thence N. 16°52' E. a distance of 1,665.0 ft. to station 436 plus 69.4 ft.; thence on a 5° curve to the right a distance of 329.4 ft. to station 493 plus 93.9 ft.; thence N. 16°52' E. a distance of 1,665.0 ft. to station 436 plus 69.4 ft.;
UNITED STATES-PANAMA RELATIONS

The Government of the Republic of Panama will extinguish any private titles existing or which may exist in and to the land included in the above-described corridor.

The stream and drainage crossings of any highway built in the corridor shall not restrict the water passage to less than the capacity of the existing streams and drainage.

No other construction will take place within the corridor than that relating to the construction of a highway and to the installation of electric power, telephone and telegraph lines; and the only activities which will be conducted within the said corridor will be those pertaining to the construction, maintenance and common uses of a highway, and of power and communication lines, and auxiliary works thereof.

The Republic of Panama shall enjoy at all times the right of unimpeded transit across the said corridor at any point, and of travel along the corridor, subject to such traffic regulations as may be established by the authorities of the Panama Canal; and the Government of the Republic of Panama shall have the right to such use of the corridor as would be involved in the construction of connecting or intersecting highways or railroads, overhead and underground power, telephone, telegraph and pipe lines, and additional drainage channels, on condition that these structures and their use shall not interfere with the purpose of the corridor as provided hereinabove.

ARTICLE X

In case of an international conflagration or the existence of any threat of aggression which would endanger the security of the Republic of Panama or the neutrality or security of the Panama Canal, the Governments of the United States of America and the Republic of Panama will take such measures of prevention and defense as they may consider necessary for the protection of their common interests. Any measures, in safeguarding such interests, which it shall appear essential to one Government to take, and which may affect the territory under the jurisdiction of the other Government, will be the subject of consultation between the two Governments.

ARTICLE XI

The provisions of this Treaty shall not affect the rights and obligations of either of the two High Contracting Parties under the treaties now in force between the two countries, nor be considered as a limitation, definition, restriction or restrictive interpretation of such rights and obligations, but without prejudice to the full force and effect of any provisions of this Treaty which constitute addition to, modification or abrogation of, or substitution for the provisions of previous treaties.

ARTICLE XII

The present Treaty shall be ratified in accordance with the constitutional methods of the High Contracting Parties and shall take effect immediately on the exchange of ratifications which shall take place at Washington.

UNITED STATES-PANAMA RELATIONS

In witness whereof, the Plenipotentiaries have signed this Treaty in duplicate, in the English and Spanish languages, both texts being authentic, and have hereto affixed their seals.

Done at the city of Washington the second day of March, 1936.

CORDELL HULL [SEAL]
SUMNER WELLES [SEAL]
R. J. ALFARO [SEAL]
NARCISO GARAY [SEAL]

AND WHEREAS the said Treaty has been duly ratified on both parts, and the ratifications of the two Governments were exchanged in the city of Washington on the twenty-seventh day of July one thousand nine hundred and thirty-nine;

NOW, THEREFORE, be it known that I, Franklin D. Roosevelt, President of the United States of America, have caused the said Treaty to be made public, to the end that the same and every article and clause thereof may be observed and fulfilled with good faith by the United States of America and the citizens thereof.

In testimony whereof, I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

Done at the city of Washington this twenty-seventh day of July in the year of our Lord one thousand nine hundred and thirty-nine and of the Independence of the United States of America the one hundred and sixty-fourth.

FRANKLIN D ROOSEVELT
By the President:
CORDELL HULL
Secretary of State.
TREATY OF MUTUAL UNDERSTANDING AND COOPERATION

Treaty, with memorandum of understandings reached; signed at Panama, January 25, 1955; ratified by the Senate of the United States of America, July 29, 1955; ratified by the President of the United States of America, August 17, 1955; ratified by Panama, August 18, 1955; ratifications exchanged at Washington, August 25, 1955; proclaimed by the President of the United States of America, August 26, 1955; entered into force, August 26, 1955.

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

WHEREAS a Treaty of Mutual Understanding and Cooperation between the United States of America and the Republic of Panama, together with a related Memorandum of Understandings Reached, was signed at Panama on January 25, 1955;

WHEREAS the texts of the said Treaty and related Memorandum of Understandings Reached, in the English and Spanish languages, are word for word as follows:

TREATY OF MUTUAL UNDERSTANDING AND COOPERATION BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF PANAMA

The President of the United States of America and the President of the Republic of Panama, desirous of concluding a treaty further to demonstrate the mutual understanding and cooperation of the two countries and to strengthen the bonds of understanding and friendship between their respective people, have appointed for that purpose as their respective Plenipotentiaries:

The President of the United States of America:

Selden Chapin, Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Panama,

Octavio Figueroa, Minister of Foreign Relations of the Republic of Panama,

who, having communicated to one another their respective full powers, found in good and due form, and recognizing that neither the provisions of Article XIII of the Convention signed November 18, 1903, nor the General Treaty signed March 2, 1936, nor the present Treaty may be modified except by mutual consent, agree upon the following articles:

ARTICLE I

Beginning with the first annuity payable after the exchange of ratifications of the present Treaty, the payments under Article XIV of the Convention for the Construction of a Ship Canal between the United States of America and the Republic of Panama, signed November 18, 1903, as amended by Article VII of the General Treaty of Friendship and Cooperation, signed March 2, 1936, shall be One Million Nine Hundred Thirty Thousand and no/100 Balboas ($1,930,000) as defined by the agreement embodied in the exchange of notes of March 2, 1936, between the Secretary of State of the United States of America and the Members of the Panamanian Treaty Commission. The United States of America may discharge its obligation with respect to any such payment in any coin or currency, provided the amount so paid is the equivalent of One Million Nine Hundred Thirty Thousand and no/100 Balboas ($1,930,000) as so defined.

On the date of the first payment under the present Treaty, the provisions of this Article shall supersede the provisions of Article VII of the General Treaty signed March 2, 1936.

Notwithstanding the provisions of this Article, the High Contracting Parties recognize the absence of any obligation on the part of either Party to alter the amount of the annuity.

ARTICLE II

(1) Notwithstanding the provisions of Article X of the Convention signed November 18, 1903, between the United States of America and the Republic of Panama, the United States of America agrees that the Republic of Panama may, subject to the provisions of paragraphs (2) and (3) of this Article, impose taxes upon the income (including income from sources within the Canal Zone) of all persons who are employed in the service of the Canal, the railroad, or auxiliary works, whether resident within or outside the Canal Zone, except:

(a) members of the Armed Forces of the United States of America;

(b) citizens of the United States of America, including those who have dual nationality;

(c) other individuals who are not citizens of the Republic of Panama and who reside within the Canal Zone.

(2) It is understood that any tax levied pursuant to paragraph (1) of this Article shall be imposed on a non-discriminatory basis and shall in no case be imposed at a rate higher or more burdensome than that applicable to income of citizens of the Republic of Panama generally.

(3) The Republic of Panama agrees not to impose taxes on pensions, annuities, relief payments, or other similar payments, or payments by way of compensation for injuries or death occurring in connection with, or incident to, service on the Canal, the railroad, or auxiliary works paid to or for the benefit of members of the Armed Forces or citizens of the United States of America or the lawful beneficiaries of such members or citizens who reside in territory under the jurisdiction of the Republic of Panama.

The provisions of this Article shall be operative for the taxable years beginning on or after the first day of January following the year in which the present Treaty enters into force.
UNITED STATES-PANAMA RELATIONS

ARTICLE III
Subject to the provisions of the succeeding paragraphs of this Article, the United States of America agrees that the monopoly granted in perpetuity by the Republic of Panama to the United States for the construction, maintenance and operation of any system of communication by means of canal or railroad across its territory between the Caribbean Sea and the Pacific Ocean, by Article V of the Convention signed November 18, 1903, shall be abrogated as of the effective date of this Treaty in so far as it pertains to the construction, maintenance and operation of any system of trans-Isthmian communication by railroad within the territory under the jurisdiction of the Republic of Panama.

Subject to the provisions of the succeeding paragraphs of this Article, the United States further agrees that the exclusive right to establish roads across the Isthmus of Panama acquired by the United States as a result of a concessionary contract granted to the Panama Railroad Company shall be abrogated as of the date of the entry into force of this Treaty, in so far as the right pertains to the establishment of roads within the territory under the jurisdiction of the Republic of Panama.

In view of the vital interest of both countries in the effective protection of the Canal, the High Contracting Parties further agree that such abrogation is subject to the understanding that no system of inter-oceanic communication within the territory under the jurisdiction of the Republic of Panama by means of railroad or highway may be financed, constructed, maintained, or operated directly or indirectly by a third country or nationals thereof, unless in the opinion of both High Contracting Parties such financing, construction, maintenance, or operation would not affect the security of the Canal.

The High Contracting Parties also agree that such abrogation as is contemplated by this Article shall in no wise affect the maintenance and operation of the present Panama Railroad within the Canal Zone and in territory subject to the jurisdiction of the Republic of Panama.

ARTICLE IV
The second paragraph of Article VII of the Convention signed November 18, 1903, having to do with the issuance of, compliance with, and enforcement of, sanitary ordinances in the Cities of Panama and Colón, shall be abrogated in its entirety as of the date of entry into force of this Treaty.

ARTICLE V
The United States of America agrees that, subject to the enactment of legislation by the Congress, there shall be conveyed to the Republic of Panama free of cost all the right, title and interest held by the United States of America or its agencies in and to certain lands and improvements in territory under the jurisdiction of the Republic of Panama when and as determined by the United States to be no longer needed for the operation, maintenance, sanitation or protection of the Panama Canal or of its auxiliary works, or for other authorized purposes of the United States in the Republic of Panama. The lands and improvements referred to in the preceding sentence and the determinations by the United States of America respecting the same, subject to the enactment of legislation by the Congress, are designated and set forth in Item 2 of the Memorandum of Understandings Reached which bear the same date as this Treaty. The United States of America also agrees that, subject to the enactment of legislation by the Congress, there shall be conveyed to the Republic of Panama free of cost all its right, title and interest to the land and improvements in the area known as PAITILLA POINT and that effective with such conveyance the United States of America shall relinquish all the rights, power and authority granted to it in such area under the Convention signed November 18, 1903. The Republic of Panama agrees to save the Government of the United States harmless from any and all claims which may arise incident to the conveyance of the area known as PAITILLA POINT to the Republic of Panama.

ARTICLE VI
Article V of the Boundary Convention, signed September 2, 1914, between the United States of America and the Republic of Panama, shall be replaced by the following provisions:

Italicized text is a description of the boundary between the City of Colón (including the Harbor of Colón, as defined in Article VI of the Boundary Convention of 1914, and other waters adjacent to the shores of Colón, and the Canal Zone) as it be as follows:

Beginning at an unmarked point called "E", located on the northeasterly boundary of the Colón Corridor (at its Colón extremity), the geodetic position of which, referred to the Panama-Colón datum of the Canal Zone triangulation system, is in latitude 9° 21' N. plus 0.00 feet (0.000 meters) and longitude 79° 54' W. plus 356.09 feet (108.536 meters).

Thence from said initial point by metes and bounds:
Due East, 2662.83 feet (811.632 meters), along North latitude 9° 21' plus 0.00 feet (0.000 meters); to an unmarked point in Folks River, called "F", located at longitude 79° 53' W. plus 3700.00 feet (1127.762 meters):
N. 36° 36' 30" E., 2316.00 feet (707.338 meters), to an unmarked point in Manzanillo Bay, called "G";
N. 56° 49' 00" W., 777.00 feet (236.830 meters), to an unmarked point in Manzanillo Bay, called "H";
N. 56° 06' 11" W., 4258.85 feet (1298.100 meters), to an unmarked point in Manzanillo Bay, called "I";
N. 50° 00' 00" W., 3292.00 feet (1003.404 meters), to an unmarked point in Limón Bay, called "J";
S. 55° 06' 11" W., 4358.85 feet (1261.000 meters), to an unmarked point in Limón Bay, called "K", which is located on the northerly boundary of the Harbor of Colón.

Thence following the boundary of the Harbor of Colón, as described in Article VI of the Boundary Convention signed September 2, 1914, to monument "D", as follows:
N. 78° 39' 30" W., 2104.73 feet (641.523 meters), on a line to the right house on Tons Point, to an unmarked point in Limón Bay, called "L", located 330 meters or 1082.87 feet easterly and at right angles from the centerline of the Panama Canal;
S. 00° 14' 50" W., 2074.45 feet (327.097 meters), parallel to and 330 meters or 1082.67 feet easterly from the centerline of the Panama Canal, to an unmarked point in Limon Bay, called "N";
N. 79° 30' 50" E., 3922.97 feet (1194.885 meters), to monument "D", which is a concrete monument, located on the easterly shore of Limon Bay.

Thence following the boundary between the City of Colon and the Canal Zone, as described in Article V of the Boundary Convention signed September 2, 1914, to monument "B", as follows:

3. 76° 30' 50" E., 228.65 feet (79.377 meters) through monuments Nos. 28 and 27 which are brass plugs in pavement, to monument "A". which is a concrete monument, the distances being 109.96 feet (33.375 meters), 25.26 feet (7.614 meters), and 70.43 feet (21.467 meters), successively, from beginning of the course;

N. 74° 17' 50" E., 333.60 feet (102.684 meters), along the centerline of Eleventh Street, through monuments Nos. 24, 23, 22, 21, 20, and 19, which are brass plugs in the pavement, to "C", which is an unmarked point beneath the clock pedestal on the centerline of Bolivar Avenue, the distances being 95.16 feet (29.005 meters), 116.71 feet (35.433 meters), 153.66 feet (46.380 meters), and 22.05 feet (6.721 meters), successively, from beginning of the course;

S. 18° 50' 00" E., 963.89 feet (294.312 meters), along the centerline of Bolivar Avenue, through monuments Nos. 22, 21, 20, and 19, which are brass plugs in the pavement, to monument "B", which is a brass plug, the distances being 14.35 feet (4.374 meters), 95.63 feet (28.656 meters), 228.77 feet (70.777 meters), 328.77 feet (99.600 meters) and 342.57 feet (104.225 meters), successively, from beginning of the course. (Monument "B" is the point of beginning referred to in Article I of the Convention between the United States of America and the Republic of Panama regarding the Colon Corridor and certain other corridors through the Canal Zone, signed May 24, 1900.)

Thence following the boundary between the City of Colon and the Canal Zone, as described in Article I of the Corridor Convention referred to in the next preceding paragraph:

S. 18° 57' 40" E., 117.16 feet (35.692 meters) along the centerline of Avenue A to Monument No. 9-F, which is a brass plug located at the intersection with the centerline of the canal at the point of beginning, in North latitude 9° 21' plus 1983.43 feet (305.346 meters) and West longitude 79° 54' plus 534.32 feet (162.812 meters) from the point of beginning referred to in Article I of the Commentary of the Convention of the Canal Zone; (Monument No. 9-F is the point of intersection of the course and the line of the west curb of Avenue A.); and Southwesterly, 23.26 feet (7.090 meters), along a curve to the left with a radius of 1250.6 feet (381.234 meters), to an unmarked point called #1.

The above-described boundary is as shown on Panama Canal Company drawing No. 617-32, entitled "Boundary Line Between the City of Colon and the Canal Zone", scale 1 inch to 600 feet, dated December 23, 1936, prepared for the Canal Zone Government, attached to an open border and forming a part hereto.

Article VIII of the General Treaty signed March 2, 1903, as amended by Article XIII of the Convention between the United States of America and the Republic of Panama regarding the Colon Corridor and certain other corridors through the Canal Zone, signed May 24, 1900, is hereby modified by removing from the Colon, or westerly, end of the Colon Corridor the portion thereon lying north of North latitude 9° 21' and incorporating such portion within the boundary of the City of Colon as described above.

This Article shall become effective upon completion of the withdrawal by the United States of America from the sections of the city of Colon known as New Cristobal, Colon Beach and the de Lesseps Area, with the exception of the lots retained for consular purposes, except that it shall in no case become effective prior to the exchange of instruments of ratification of this Treaty and the exchange of instruments of ratification of the Convention signed May 24, 1900, referred to in the preceding paragraph.
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ARTICLE VII

The second paragraph of Article VII of the Boundary Convention signed September 2, 1914, between the United States of America and the Republic of Panama, shall be abrogated in its entirety as of the date of entry into force of the present Treaty.

The landing pier situated in the small cove on the southerly side of Manzanillo Island, constructed pursuant to provisions contained in the second paragraph of Article VII of the Boundary Convention of 1914 between the two countries, shall become the property of the Government of the Republic of Panama as of the date of entry into force of the present Treaty.

ARTICLE VIII

(a) The Republic of Panama will reserve exclusively for the purpose of maneuvers and military training the area described in the maps (Nos. SGN-7-54 and SGN-8-54, each dated November 17, 1954) and accompanying descriptions prepared by the Comisión Catastral of the Republic of Panama, attached as the Annex hereto, and will permit the United States of America, without cost and free of all encumbrances, exclusively to utilize said area for the indicated purpose for a period of fifteen (15) years, subject to extension thereafter as agreed by the two Governments. This authorization includes the free access to, egress from, and movements within and over said area. This utilization will not affect the sovereignty of the Republic of Panama, or the operation of the Constitution and the laws of the Republic over the mentioned area.

(b) The United States Armed Forces, the members thereof and their families actually residing with them, and United States nationals who, in an official capacity, are serving with or accompanying the Armed Forces of the United States and members of their families actually residing with them will be exempted within the said area from all taxation by the Republic of Panama or any of its political subdivisions.

(c) Prior to the expiration of the period envisaged in this Article and within a reasonable time thereafter the United States shall have the right to remove from this training and maneuver area, or otherwise to dispose of, without limitation or restriction all structures, installations, facilities, equipment and supplies brought into, or constructed or erected within this training and maneuver area by or on behalf of the United States. The Republic of Panama will not be required to reimburse the United States for any structures, installations, facilities, equipment and supplies not removed or otherwise disposed of as provided herein.

(d) The United States shall be under no obligation to restore this training and maneuver area or the facilities and installations therein to their original condition upon the termination of this Article, except for the landing strip which will be returned in at least as good condition as that obtaining at the time of coming into effect of this Article.

(e) The provisions of this Article shall in no manner terminate or modify the provisions concerning the holding of military maneuvers in the Republic of Panama established by the Notes ancillary to the General Treaty signed March 2, 1936 other than as provided herein for this training and maneuver area.

ARTICLE IX

The Republic of Panama hereby waives the right under Article XIX of the Convention signed November 18, 1903, to transportation by railway within the Zone, without paying charges of any kind, of persons in the service of the Republic of Panama, or of the police forces charged with the preservation of public order outside of the Canal Zone, as well as of their luggage, munitions of war and supplies.

ARTICLE X

The High Contracting Parties agree that, in the event of the discontinuance of the Panama Railroad, and of the construction or completion by the United States of a strategic highway across the Isthmus lying wholly within the Canal Zone intended primarily for serving the operation, maintenance, civil government, sanitation and protection of the Panama Canal and Canal Zone, and notwithstanding anything to the contrary in Article VI of the Convention signed November 18, 1903, the United States of America may in its discretion either prohibit or restrict the use, by buses or trucks not at the time engaged exclusively in the servicing of, or the transportation of supplies to, installations, facilities or residents of the Canal Zone, of that portion of such highway which lies between Mount Hope, Canal Zone and the intersection of such highway with the Canal Zone section of the Trans-Isthmian Highway referred to in the Trans-Isthmian Highway Convention between the United States of America and the Republic of Panama, signed March 2, 1936.

The Republic of Panama agrees, notwithstanding the provisions of Article III of the General Treaty signed March 2, 1936, that the United States of America may extend the privilege of purchasing at post exchange small items of personal convenience and items necessary for professional use, to military personnel of friendly third countries present in the Zone under auspices of the United States.

ARTICLE XI

The United States of America agrees that, effective December 31, 1956, there will be excluded from the privilege of making purchases in the commissaries and other sales stores in the Canal Zone as well as of the privilege of making importations into the Canal Zone all those persons who are not citizens of the United States of America, except members of the Armed Forces of the United States, and who do not actually reside in the Canal Zone but who are included in the categories of persons authorized to reside in said Zone; it being understood nevertheless that all personnel of the agencies of the United States of America will be permitted under adequate controls to purchase small articles such as meals, sweets, chewing gum, tobacco and similar articles near the sites of their jobs.

The United States of America further agrees that, effective December 31, 1956, and notwithstanding the provisions of the first paragraph of Article IV of the General Treaty signed March 2, 1936, the Government of the Republic of Panama may impose import duties.
and other charges upon goods destined or consigned to persons, other than citizens of the United States of America, included in class (a) in Section 2 of Article III of said Treaty, who reside or sojourn in territory under the jurisdiction of the Republic of Panama during the performance of their service with the United States of America or its agencies, even though such goods are intended for their own use and benefit.

ARTICLE XIII

The present Treaty shall be subject to ratification and the instruments of ratification shall be exchanged at Washington. It shall enter into force on the date of the exchange of the instruments of ratification.

MEMORANDUM OF UNDERSTANDINGS REACHED

In connection with the 1953-1954 negotiations between representatives of the United States of America and the Republic of Panama, which have resulted in the signature of a Treaty between the two countries, the following understandings have been reached:

On the part of the United States of America:

1. Legislation will be sought which will authorize each agency of the United States Government in the Canal Zone to conform its existing wage practices in the Zone to the following principles:

(a) The basic wage for any given grade level will be the same for any employee eligible for appointment to the position without regard to whether he is a citizen of the United States or of the Republic of Panama.

(b) In the case of an employee who is a citizen of the United States, there may be added to the basic pay an increment representing an overseas differential plus an allowance for those elements, such as taxes, which operate to reduce the disposable income of such an employee as compared with an employee who is a resident of the area.

(c) The employee who is a citizen of Panama will be entitled to greater annual leave benefits and travel allowances because of the necessity for periodic vacations in the United States for recuperation purposes.

2. Legislation will be sought to make the Civil Service Retirement Act uniformly applicable to citizens of the United States and of the Republic of Panama employed by the Government of the United States in the Canal Zone.

3. The United States will afford equality of opportunity to citizens of Panama for employment in all United States Government positions in the Canal Zone for which they are qualified and in which the employment of United States citizens is not required, in the judgment of the United States for security reasons.

4. Legislation will be sought to authorize and direct the Panama Canal Company to remove its railway terminal operations from the city of Colon and to transfer to the Republic of Panama free of cost of all the right, title and interest of the Panama Canal Company in and to the lands known as the Panama Railroad Yard, including the improvements thereon and specifically including the railway passenger station. This action will also relieve the Government of the Republic of Panama of its obligation under Point 10 of the General Relations Agreement between the United States of America and the Republic of Panama signed May 18, 1942 to make available without cost to the Government of the United States of America a suitable new site for such terminal facilities.

5. With respect to those areas in the city of Colon known as the de Lesseps area, Colon Beach and New Cristobal (with the exception of two lots in the de Lesseps area which the United States intends to use for consulate purposes), legislation will be sought to authorize and direct the gradual withdrawal from these areas and the conveyance or transfer to the Republic of Panama free of cost of all the right, title and interest of the United States and of its agencies, the Panama Canal Company, in and to the lands and improvements therein. Under this process of gradual withdrawal the United States Government, and/or its agencies, will not be obligated to install any new structures in such areas and, as severable parts of the areas cease to be needed, the lands and improvements would be conveyed or transferred. The severability of parts of the areas depends upon a number of practical considerations including those having to do with the present obligations of the United States, with respect to the subject areas, concerning water and sewerage facilities, street cleaning and paving, water
supply, et cetera, as stipulated in the Instrument of Transfer of Water and Sewerage Systems, executed between the Governor of the Panama Canal and the Foreign Minister of Panama on December 28, 1945.

(d) With respect to the railroad passenger station and site in the city of Colón, legislation will be sought to authorize and direct the withdrawal from such site and structure at such time as the withdrawal from the areas known as Lesseps, Colón Beach and New Cristóbal, contemplated by the next preceding subparagraph, shall have been fully completed, and the conveyance to the Republic of Panama free of cost of all the right, title and interest of the United States and of its agency, the Panama Canal Company, in and to such site and structure. However, the railroad tracks and trackage area in Colón, being required for switching purposes serving the Cristobal pier, will be retained for such purposes.

(a) All transfers or conveyances of lands and improvements contemplated by this Item, subject to legislative authorization and direction, will necessarily be made subject to any leases which may be outstanding in the respective areas, and will also contain provisions fully protecting the Government of the United States of America against any claims by lessees for damages or losses which may arise as a result of such transfers or conveyances.

(f) The transfers or conveyances contemplated by this Item, subject to legislative authorization, are in addition to the conveyance of Paitilla Point as specifically covered by Article V of the Treaty signed between the Republic of Panama and the United States of America, the United States of America agrees, effective December 31, 1956, and in benefit of Panamanian commerce, to the performance of ship repair operations by any agency of the Government of the United States of America, free of all cost save for the recited consideration of one dollar.

(b) All transfers or conveyances of lands and improvements subject to legislative authorization and direction, will necessarily be made subject to any leases which may be outstanding in the respective areas, and will also contain provisions fully protecting the Government of the United States of America against any claims by lessees for damages or losses which may arise as a result of such transfers or conveyances.

(g) All transfers or conveyances of lands and improvements subject to legislative authorization and direction, will necessarily be made subject to any leases which may be outstanding in the respective areas, and will also contain provisions fully protecting the Government of the United States of America against any claims by lessees for damages or losses which may arise as a result of such transfers or conveyances.

(h) All transfers or conveyances of lands and improvements subject to legislative authorization and direction, will necessarily be made subject to any leases which may be outstanding in the respective areas, and will also contain provisions fully protecting the Government of the United States of America against any claims by lessees for damages or losses which may arise as a result of such transfers or conveyances.

(i) All transfers or conveyances of lands and improvements subject to legislative authorization and direction, will necessarily be made subject to any leases which may be outstanding in the respective areas, and will also contain provisions fully protecting the Government of the United States of America against any claims by lessees for damages or losses which may arise as a result of such transfers or conveyances.

(j) All transfers or conveyances of lands and improvements subject to legislative authorization and direction, will necessarily be made subject to any leases which may be outstanding in the respective areas, and will also contain provisions fully protecting the Government of the United States of America against any claims by lessees for damages or losses which may arise as a result of such transfers or conveyances.

(k) All transfers or conveyances of lands and improvements subject to legislative authorization and direction, will necessarily be made subject to any leases which may be outstanding in the respective areas, and will also contain provisions fully protecting the Government of the United States of America against any claims by lessees for damages or losses which may arise as a result of such transfers or conveyances.

(l) All transfers or conveyances of lands and improvements subject to legislative authorization and direction, will necessarily be made subject to any leases which may be outstanding in the respective areas, and will also contain provisions fully protecting the Government of the United States of America against any claims by lessees for damages or losses which may arise as a result of such transfers or conveyances.
UNITED STATES-PANAMA RELATIONS

4. In connection with the authorization granted to the United States of America in Article VIII of the Treaty, the United States shall have free access to the beach areas contiguous to the maneuver area described in said Article VIII for purposes connected with training and maneuvers, subject to the public use of said beach as provided under the Constitution of Panama.

The provisions of this Memorandum of Understandings Reached shall enter into force upon the exchange of instruments of ratification of the Treaty signed this day by the United States of America and the Republic of Panama.

APPENDIX D

COMPARISON OF THE RIGHTS AND OBLIGATIONS OF THE UNITED STATES UNDER THE TERMS OF THE THREE BASIC TREATIES WITH PANAMA

HAy-BUNAU-VARILLA TREATY, 1903

RIGHTS RECEIVED

(1) In perpetuity, to a zone of land and land under water 16 miles in width and extending 3 miles into the Caribbean Sea and 3 miles into the Pacific Ocean, plus certain small islands in the Bay of Panama, for the maintenance, operation, sanitation, and protection of a canal across the Isthmus of Panama.

(2) In perpetuity, the use, occupation, and control of any other lands and waters outside of the zone which may be necessary and convenient for the construction, maintenance, operation, sanitation, and protection of the canal.

(3) The power and authority within the zone and within the limits of all auxiliary lands and waters which the United States would possess and exercise if it were sovereign, to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, powers, or authority.

(4) All the rights of the New Panama Canal Company and the Panama Railroad upon purchase of the Company's rights, privileges, properties, and conveniences.

(5) At all times and at its discretion to use its police and its land and naval forces or to establish fortifications for the safety or protection of the canal, or of the ships that transit it, or the railways and auxiliary works.

CONCESSIONS

(1) Guaranteed the independence of the Republic of Panama.

(2) Granted the right to have official dispatches of the Government of Panama transmitted over any telegraph and telephone lines established for canal purposes and used for public and private business at rates not higher than those required from officials in the service of the United States.

(3) $10 million in gold coin of the United States and an annual payment of $250,000, beginning 9 years after the date of the exchange of ratifications.

(4) Given the right to transport over the canal its vessels and its troops and munitions of war at all times without paying charges of any kind. The exemption is extended to the auxiliary railway for the transportation of persons in the service of the Republic of Panama, or of the police force charged with the preservation of public order outside of the zone, as well as to their baggage, munitions of war, and supplies.

(5) United States assumes the costs of damages caused to owners of private property of any kind by reason of the grants contained in the treaty or by reason of the operations of the United States, its agents or employees, or by
(6) To use the rivers, streams, lakes, and other bodies of water in the Republic of Panama for navigation, the supply of water, or water power or other purposes as may be necessary and convenient for the construction, maintenance, operation, sanitation, and protection of the canal.

(7) A monopoly in perpetuity for the construction, maintenance, and operation of any system of communication by means of canal or railroad connecting the Caribbean Sea and the Pacific Ocean across Panamanian territory.

(8) To acquire in the cities of Panama and Colon, by purchase or by the exercise of the right of eminent domain, any lands, buildings, water rights, or other properties necessary and convenient for the construction, maintenance, operation, and protection of the canal and of any works of sanitation, such as the collection and disposition of sewage and the distribution of water in the said cities of Panama and Colon, at the discretion of the United States.

(9) To impose and collect water rates and sewerage rates which shall be sufficient to provide for the payment of interest and the amortization of the principal of the cost of such works within a period of fifty years, upon which time the system of sewers and water works shall revert to and become the properties of the cities of Panama and Colon.

(10) To enforce in perpetuity sanitary ordinances prescribed by the United States in the cities of Panama and Colon and the territories and harbors adjacent thereto in case the Republic of Panama should not be, in the judgment of the United States, able to maintain such order.

reason of the construction, maintenance, operation, sanitation, and protection provided for in the treaty.

(6) After 50 years, the system of sewers and waterworks constructed and maintained by the United States shall revert to and become the properties of the cities of Panama and Colon.
(11) In perpetuity, to maintain public order in the cities of Panama and Colon and the territories and harbors adjacent thereto in case the Republic of Panama should not be, in the judgment of the United States, able to maintain such order.

(12) To make use of the towns and harbors of Panama and Colon as places of anchorage, and for making repairs, for loading, unloading, deposition, or transshipping cargoes either in transit or destined for the service of the canal and for other works pertaining to the canal.

(13) Freedom from taxation upon the canal, the railways and auxiliary works, tugs, and other vessels employed in the service of the canal, storehouses, workshops, offices, quarters for laborers, factories of all kinds, warehouses, machinery and other works, property and effects appertaining to the canal or railroad and auxiliary works, or their officers or employees, situated within the cities of Panama and Colon, and freedom from taxation upon officers, employees, laborers, and other individuals in the service of the canal and railroad and auxiliary works.

(14) To import at any time into the zone and auxiliary lands, free of customs duties, imposts, taxes, or other charges, and without any restrictions, all materials necessary and convenient in the construction, maintenance, operation, sanitation, and protection of the canal and all
provisions necessary and convenient for employees in the
service of the United States and their families.

(18) The right to purchase or lease lands adequate and
necessary for naval or coaling stations on the Pacific coast
and on the western Caribbean coast of the Republic of
Panama at certain points to be agreed upon.

TREATY OF 1936

(1) Jurisdiction of a corridor from Madden Dam to the
Canal Zone.
(2) Unimpeded transit across the Colon corridor (pro-
vided for in the treaty) at any point, and of travel along
the corridor, and to such use of the corridor as would be
involved in the construction of connecting or intersecting
highways or railroads, overhead and underground power,
telephone, telegraph and pipe lines, and additional
drainage channels.

(1) Renounces the guarantee of Panamanian independ-
ence.
(2) Renounces the right to expropriate without restric-
tion additional land for canal use. Henceforth, in the
event of some unforeseen contingency, should the utili-
sation of lands or waters additional to those already em-
ployed be necessary for the maintenance, sanitation, or
efficient operation of the canal, or for its effective protec-
tion, the two governments will agree upon such measures
as may be necessary to take.
(3) Renounces right of "eminent domain" in cities of
Panama and Colon.
(4) Renounces right to intervene to maintain public
order in the cities of Panama and Colon.
(5) Renounces unlimited right to defend canal. In the
event that the security of the Republic of Panama or the
canal is threatened, the matter will be the subject of con-
sultation between the two governments.
(6) Increases annuity from $250,000 to $430,000.
(7) Persons not connected with the operation or admin-
istration of the canal are not to rent dwellings in the
Canal Zone belonging to the Government of the United
States or to reside in the zone.
(8) Sale of goods imported into the zone or purchased, produced, or manufactured there by the Government of the United States is limited to persons employed by the United States in the Canal Zone and members of the Armed Forces of the United States, and their families. Contractors operating in the zone and their employees and persons engaged in religious, welfare, charitable, educational, recreational, and scientific work may purchase such items only when they actually reside in the zone.

(9) All private business enterprises in the zone, with the exception of concerns having a direct relation to the operation, maintenance, sanitation, or protection of the canal, other than those existing at the time of the signature of the treaty, are prohibited.

(10) United States extends to merchants residing in Panama full opportunity for making sales to vessels arriving at terminal ports of the canal or transiting the canal.

(11) United States will permit vessels entering at or clearing from ports of the Canal Zone to use and enjoy the dockage and other facilities of the ports for the purpose of loading or unloading cargoes and receiving or disembarking passengers to or from territory under the jurisdiction of the Republic of Panama.

(12) Republic of Panama is given right to collect tolls from merchant ships in the ports of Panama City and Colón, even though they later pass through the canal.

(13) United States will furnish to the Republic of Panama free of charge the necessary sites for the establishment of customhouses in the ports of the Canal Zone for the collection of duties on importations destined to the Republic and for the examination of merchandise and passengers consigned to or bound for the Republic of Panama. Panama is given exclusive jurisdiction to enforce the immigration or customs laws of the Republic of Panama within the sites so provided.

(14) Republic of Panama given right to determine what persons or classes of persons arriving at ports of the Canal Zone shall be admitted or excluded from its jurisdiction.
TREATY OF 1955

RIGHTS RECEIVED

(1) Exclusive use without cost, for a period of at least 15 years, of a military training and maneuver area (approximately 19,000 acres) in the Rio Hato region.

(2) Panama waives the right, under article XIX of the 1903 convention, to free transportation over the Panama Railroad of persons in the service of the Republic of Panama, or of the police force charged with the preservation of public order outside of the Canal zone, as well as to their baggage, munitions of war, and supplies.

(3) Panama waives certain treaty rights in order to enable the United States to prohibit or restrict the use of a contemplated new strategic highway within the Canal Zone by commercial transisthmian traffic.

(4) Panama waives certain treaty provisions in order to enable the United States to extend limited post exchange privileges to military personnel of friendly foreign countries visiting the Canal Zone under U.S. auspices.

(5) A lease for a period of 99 years without cost to two parcels of land contiguous to the U.S. Embassy residence site in the city of Panama.

(6) Panama will reserve permanently as a park area certain land in front of the U.S. Embassy office building site in the city of Panama.

(7) A reduction of 75 percent in the import duty on alcoholic beverages which are sold in Panama for importation into the Canal Zone.

CONCESSIONS

(1) The annuity is increased from $430,000 to $1,000,000.

(2) Subject to certain general conditions, Panama is enabled to levy income taxes on the following categories of personnel employed by Canal Zone agencies: (1) Panamanian citizens irrespective of their place of residence and (2) citizens of third countries who reside in territory under the jurisdiction of Panama.

(3) Renounces monopoly with respect to the construction, maintenance, and operation of transisthmian railroads and highways with the provision that no system of interoceanic communication by railroad or highway within territory under Panamanian jurisdiction may be financed, constructed, maintained, or operated directly or indirectly by a third country or nationals thereof unless in the opinion of both parties such action would not affect the security of the canal.

(4) Renounces treaty right to prescribe and enforce sanitary measures in the cities of Panama and Colon.

(5) Certain lands, with improvements thereon, previously acquired for canal purposes (including Paitilla Point and the Panama Railroad yard and station in the city of Panama) but no longer needed for such purposes, are to be transferred to Panama and there is to be a gradual transfer to Panama of the New Cristobal, Colon Beach, and Fort de Lessens areas in Colon.

(6) Canal Zone commissary and import privileges of non-U.S. citizen employees of Canal Zone agencies, except members of the Armed Forces of the United States, who do not reside in the zone are withdrawn.

(7) The U.S. Congress will be requested to enact legislation authorizing establishment of a single basic wage scale for all United States and Panamanian employees of the U.S. Government in the Canal Zone and providing for uniform application of the Civil Service-Retirement Act to citizens of the United States and citizens of Panama employed by the U.S. Government in the Canal Zone.

(8) The United States will afford equality of opportunity to citizens of Panama for employment in all U.S. Government positions in the Canal Zone for which they are qualified and in which the employment of U.S. citizens is not required, in the judgment of the United States, for security reasons.

(9) Citizens of Panama will be afforded opportunity to participate in such training programs as may be conducted for employees by U.S. agencies in the Canal Zone.

(10) Articles, materials, and supplies that are mined, produced, or manufactured in the Republic of Panama, when purchased for use in the Canal Zone, will be exempted from the provisions of the Buy American Act.

(11) The U.S. Congress will be requested to enact the necessary legislation for the construction across the canal at Balboa of a bridge.
To implement item 1 of a Memorandum of Understandings attached to the treaty of January 25, 1955, entered into by the Government of the United States of America and the Government of the Republic of Panama with respect to wage and employment practices of the Government of the United States in the Canal Zone.

SEC. 1. (a) The Congress of the United States of America hereby finds that the Government of the United States and the Government of the Republic of Panama, as respectively constituted as of January 25, 1955, entered into a treaty (known as the Treaty of Mutual Understanding and Settlement), signed by such governments on such date.

(b) The Congress further finds that, under such Memorandum of Understandings, the Government of the United States assumed certain obligations set forth in item 1 of such Memorandum as follows:

(i) Legislation will be sought which will authorize each agency of the United States Government in the Canal Zone to conform its existing wage practices in the Zone to the following principles:

(a) The basic wage for any given grade level will be the same for any employee eligible for appointment to the position without regard to whether he is a citizen of the United States or of the Republic of Panama.

(b) The head of each department is authorized and directed to conduct the employment and wage practices in the Canal Zone to conform to the principles established in item 1 of the Memorandum of Understandings.

(c) The employee who is a citizen of the United States will be eligible for greater annual leave benefits and travel allowances because of the necessity for periodic vacations in the United States for recuperation purposes and to maintain contact with the employee's home environment.

SEC. 2. As used in the following provisions of this Act, the term—

(i) "department" means a department, agency, or independent establishment in the executive branch of the Government of the United States (including a corporation wholly owned or controlled by the United States) which conducts operations in the Canal Zone;

(ii) "position" means those duties and responsibilities of a civilian nature under the jurisdiction of a department (A) which are performed in the Canal Zone or (B) with respect to which the exclusion of individuals from the Classification Act of 1949, as amended, is provided for by section 202(21)(B) of such Act as amended by section 16(a) of this Act;

(iii) "employee" means any individual holding a position; and

(iv) "continental United States" means the several States of the United States of America existing on the date of enactment of this Act and the District of Columbia.

SEC. 3. (a) The head of each department is authorized and directed to conduct the employment and wage practices in the Canal Zone of such department in accordance with—

(i) the principles established in item 1 of the Memorandum of Understandings set forth in section 1(b) of this Act;

(ii) the provisions of this Act; and

(iii) the regulations promulgated by, or under authority of, the President of the United States in accordance with this Act; and

(iv) the provisions of applicable law.

(b) The President is authorized, to the extent he deems appropriate,

(i) to exclude any employee or position from this Act or from any provision of this Act, and

(ii) to issue such regulations as may be necessary in the execution of this Act.
(2) to extend to any employee, whether or not such employee is a citizen of the United States, the same rights and privileges as are provided by applicable laws and regulations for citizens of the United States employed in the competitive civil service of the Government of the United States.

EMPLOYMENT STANDARDS

Sec. 4. (a) The head of each department shall establish written standards, in conformity with this Act, the regulations promulgated under section 15(b) of this Act, and the Canal Zone Merit System established under section 10 of this Act, for—

(1) the determination of the qualifications and fitness of employees and of individuals under consideration for appointment to positions, and

(2) the selection of individuals for appointment, promotion, or transfer to positions.

(b) Such standards shall be placed in effect on such date as the President shall prescribe but not later than the one hundred and eightieth day following the date of enactment of this Act.

COMPENSATION

Sec. 5. (a) The head of each department shall establish and may revise, from time to time, in accordance with this Act, the rates of basic compensation for positions and employees under his jurisdiction.

(b) Such rates of basic compensation may be established and revised in relation to the rates of compensation for the same or similar work performed in the continental United States or in such areas outside the continental United States as may be designated in regulations promulgated under section 15(b) of this Act.

(c) The head of each department may grant increases in such rates of basic compensation in amounts not to exceed the amounts of the corresponding rates of compensation in the appropriate schedule or scale of pay. The head of the department concerned may make such increases effective as of such date as he may designate but not earlier than the effective date of the corresponding increases provided by Act of Congress.

(d) No rate of basic compensation established under this section shall exceed by more than 25 per centum, when increased by the amounts of the allowance and the differentials authorized by section 7 of this Act and the Canal Zone Merit System regulations promulgated under section 15(b) of this Act.

(e) The initial adjustments in rates of basic compensation under authority of this section shall be effective on the first day of the first pay period which begins more than sixty days after the date on which regulations are promulgated under section 15(b) of this Act.

UNIFORM APPLICATION OF EMPLOYMENT-STANDARDS AND RATES OF COMPENSATION

Sec. 6. The employment standards established under section 4 of this Act and the rates of basic compensation established under section 5 of this Act shall be applied uniformly, within and among all departments, to the respective positions, employees (other than employees who are citizens of the United States and are assigned to work in the Canal Zone) on temporary detail, and individuals under consideration for appointment to positions, irrespective of whether the employee or individual concerned is a citizen of the United States or a citizen of the Republic of Panama.

ADDITIONAL ALLOWANCE AND DIFFERENTIAL

Sec. 7. (a) Each employee who is a citizen of the United States shall receive, in addition to basic compensation at the rate established under section 5 of this Act, such amounts as the head of the department concerned may determine to be payable, as follows:

(1) an allowance for taxes which operate to reduce the disposable income of such United States citizen employee in comparison with the disposable income of those employees who are not citizens of the United States; and

(2) an overseas (tropical) differential not in excess of an amount equal to 25 per centum of the aggregate amount of the rate of basic compensation established under section 5 of this Act and the amount of the allowance provided in accordance with paragraph (1) of this subsection.

(b) The allowances and differentials provided for by subsection (a) of this section shall become effective initially on the first day of the first pay period which begins more than sixty days after the date on which regulations are promulgated under section 15(b) of this Act.

SECURITY POSITIONS

Sec. 8. Notwithstanding any other provision of this Act but subject to regulations promulgated under section 15(b) of this Act, the head of each department may designate any position under his jurisdiction as a position which for security reasons shall be filled by a citizen of the United States.

BENEFITS BASED ON COMPENSATION

Sec. 9. For the purposes of determining—

(1) amounts of insurance under the Federal Employees' Group Life Insurance Act of 1944, as amended (5 U.S.C. 2091-2102),

(2) amounts of compensation for death or disability under the Federal Employees' Compensation Act, as amended (5 U.S.C. 751 et seq.),

(3) amounts of overtime pay or other premium compensation,

(4) benefits under the Civil Service Retirement Act, as amended (5 U.S.C. 2231-2267), and

(5) annual leave benefits,
(6) any other benefits which are related to basic compensation, the basic compensation of each employee who is a citizen of the United States shall include:

(A) the rate of basic compensation for his position established in the manner provided by section 5 of this Act, and

(B) the amount of the allowance and the differential determined in the manner provided by section 7 of this Act.

CANAL ZONE MERIT SYSTEM

Sec. 10. (a) There shall be established, in conformity with this Act, and by regulations promulgated by, or under authority of, the President, a Canal Zone Merit System of selection for appointment, reappointment, reinstatement, reemployment, and retention with respect to positions, employees, and individuals under consideration for appointment to positions.

(b) The Canal Zone Merit System, irrespective of whether the employees or individuals concerned are citizens of the United States or citizens of the Republic of Panama, shall—

(1) be based solely on the merits of the employee or individual and upon his qualifications and fitness to hold the position concerned, and

(2) apply uniformly within and among all departments to positions, employees, and individuals concerned.

(c) The Canal Zone Merit System—

(1) shall conform generally to policies, principles, and standards established by or in accordance with the Civil Service Act of January 16, 1883, as amended and supplemented, and

(2) shall include provision for appropriate interchange of citizens of the United States employed by the Government of the United States between such merit system and the competitive civil service of the Government of the United States.

(d) The Canal Zone Merit System shall be placed in effect on such date as the President shall prescribe but not later than the one hundred and eightieth day following the date of enactment of this Act.

SALARY PROTECTION IN CONNECTION WITH CONVERSION OF COMPENSATION BASE

Sec. 11. Whenever the rate of basic compensation of an employee established prior to, on, or after the date of enactment of this Act in relation to rates of compensation for the same or similar work in the continental United States is converted on or after the effective date of the initial adjustments under authority of section 5 of this Act to a rate of basic compensation established in relation to rates in areas other than the continental United States in the manner provided by section 5(b) of this Act, such employee shall, pending transfer to a position for which the rate of basic compensation is established in relation to rates of compensation in the continental United States in the manner provided by such section 5(b), continue to receive a rate of basic compensation not less than the rate of basic compensation to which he was entitled immediately prior to such conversion so long as he remains in the same position or in a position of equal or higher grade.
(2) the Civil Service Retirement Act (5 U.S.C. 2251-2267) shall apply with respect to those individuals who are in the service of the Canal Zone Government or the Panama Canal Company and who, except for the operation of paragraph (1) of this subsection, would be within the classes of individuals subject to such Act of July 9, 1947.

(b) On or before the first day of the first pay period which begins in the third calendar month following the calendar month in which this Act is enacted, the Panama Canal Company shall pay, as an agency contribution, into the civil service retirement and disability fund created by the Act of May 22, 1920, for each individual—

(1) who is employed, on such first day of such first pay period, by the Canal Zone Government or by the Panama Canal Company, and

(2) who, by reason of the enactment of this section and the operation of the Civil Service Retirement Act (5 U.S.C. 2251-2267), is subject to such Act on and after such first day of such first pay period, for service performed by such individual in the employment of—

(A) the Panama Railroad Company during the period which began on June 29, 1948, and ended on June 30, 1951, or

(B) the Panama Canal (former independent agency), the Canal Zone Government, or the Panama Canal Company during the period which began on July 1, 1951, and which ends immediately prior to such first day of such first pay period,

an amount equal to the aggregate amount which such individual would have been required to contribute for retirement purposes if he had been subject to the Civil Service Retirement Act during such periods of service.

(c) Nothing contained in this section shall affect—

(1) the rights of any individual existing immediately prior to such first day of such first pay period above specified, or

(2) the continuing obligations of the Canal Zone Government and the Panama Canal Company under section 4(a) of the Civil Service Retirement Act (5 U.S.C. 2201(a)), to reimburse the civil service retirement and disability fund for Government contributions to such fund covering service performed, on or after such first day of such first pay period above specified, by the employees concerned.

PARTICIPATION IN TRAINING PROGRAMS

Sec. 14. Any training program established by a department shall be applied with respect to such employee irrespective of whether such employee is a citizen of the United States or of the Republic of Panama.

Each such employee who is a citizen of the Republic of Panama shall be afforded opportunity to participate in such training program on the same basis as that upon which opportunity to participate in such training program is afforded to employees who are citizens of the United States.
APPENDIX F
PRESS RELEASE ON 9-POINT PROGRAM FOR IMPROVEMENT OF RELATIONS BETWEEN THE UNITED STATES AND PANAMA, APRIL 19, 1960
THE WHITE HOUSE,
Augusta, Ga.

The President today approved a nine-point program for improvement of relations between the United States and Panama in reference to operations in the Canal Zone. The program calls for substantial employee benefits including pay increases and improved housing for Panamanian employees, the expansion of the apprentice program to train more Panamanians in skilled trades and support of legislation to increase the pensions of disabled former employees.

The program also calls for the installation of a new water main to serve the city of Panama, and a reduction in the rate charged for water sold to the Government of Panama for distribution within that country. The President has also directed that jobs in the Canal Zone be continuously reviewed with a view to employing the maximum number of Panamanians.

Nearly all of the items in the program will be made effective immediately.

The complete program includes the following points:

1. A 10 percent increase in the wage rate schedules of unskilled and semiskilled employees.

2. The Panama Canal Company's apprentice program will be expanded to afford an opportunity to 25 Panamanians each year to begin 3- and 4-year courses leading to qualification as skilled workmen in various trades. This is a marked expansion of opportunity for Panamanians to learn those skills that are useful both in the Canal Zone and in the Republic of Panama. This program, in implementation of assurances given in the treaty, will provide to Panamanians upon graduation access to more positions, the pay rates of which are based on those in the United States.

3. Substandard housing occupied by Panamanian employees in the Canal Zone will be replaced by modern construction. Construction of approximately 500 units of modern rental housing is planned. Construction of the first houses in the program will be commenced immediately.

4. The Panama Canal Company will also pursue a course of action leading to the construction of 500 houses in Panama for sale to Panamanians employed in the Canal Zone but living in Panama.

5. The Panama Canal Company will proceed with the construction of a new water main at a cost of $750,000 to supply the rapidly expanding suburbs of the city of Panama.

6. The Panama Canal Company will also substantially reduce the rate at which water is sold to the Government of Panama for distribution in the cities of Panama and Colon.