

**The original documents are located in Box 27, folder “Panama Canal - Treaty Negotiations (1)” of the John Marsh Files at the Gerald R. Ford Presidential Library.**

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THE PRESIDENT HAS SREN....

OFFICE OF THE VICE PRESIDENT  
WASHINGTON, D.C.

April 23, 1974

THE VICE PRESIDENT

Further reference to the Panama  
State Department officials called  
ask that you emphasize to the  
Panamanians that the Canal is a vital  
communications link for U.S. trade and  
commerce. I am not inclined to dwell too  
long on this point, because it seems to  
weaken our bargaining position.

19  
Jack Marsh



OFFICE OF THE VICE PRESIDENT  
WASHINGTON

April 22, 1974

MEMORANDUM FOR

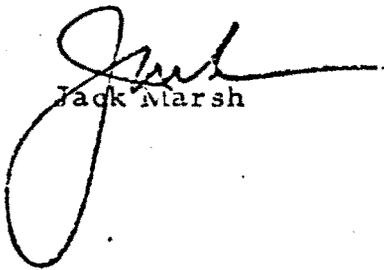
THE VICE PRESIDENT

SUBJECT: Your Meeting with the Foreign Minister  
of Panama

As per our conversation, considerable importance is attached to your meeting with Juan Tack, Minister of Foreign Relations of Panama, by the State Department.

Specifically, they are interested in your conveying to him the same message you gave to Ambassador Jordan before he departed for Panama and Ambassador Bunker when he met with you on the same situation.

Attached is some background material which relates to these earlier conversations. Also, I have attached the names of those members of the Senate who have signed a resolution opposing our making concessions on the Canal.

  
Jack Marsh



OFFICE OF THE VICE PRESIDENT  
WASHINGTON

March 18, 1974

Memorandum of Conversation

PLACE: OEOB  
TIME: 3:15 p. m.  
DATE: March 14, 1974

SUBJECT: Ambassador Jorden's Call on the Vice President

PARTICIPANTS: The Vice President  
Mr. John O. Marsh, Jr.

Ambassador William J. Jorden  
Mr. S. Morey Bell, Deputy Negotiator,  
Department of State

Vice President: Inquired as to the status of the Panama Canal negotiations.

Jorden: Responded that the Panamanians may expect too much by way of U.S. concession.

Vice President: Issued a strong concern about the attitude on Capitol Hill and cautioned that State may be over-optimistic about the Hill.

Jorden: Will advise Panama of the Hill attitude.

Vice President: Told Jorden to caution Panama-- no more concessions because they will cause problems here.

Jorden: Said he felt there was a change of mind in Panama -- more realistic attitude of not demanding too much.

Vice President: Cautioned Jorden there was no U.S. constituency to help you and that this is a type issue that can be used against an incumbent member. He emphasized it was a challenger's issue.

Jorden: Indicated his concern that if we don't make some moves, violence could erupt in Panama which might require strong U.S. countermeasures. If some progress is desirable we can avoid this eruption.

Vice President: Inquired about the status of the second canal.

Jorden: Responded there was no progress--it was not a key issue in the negotiations. He did point out that the present canal, because of its size, limits traffic.

There was a short exchange on the use of nuclear explosion for construction purposes (Plow Share).

Jorden: Indicated a test ban agreement would preclude.

Earlier Jorden had indicated Bunker would be in the Panama area prior to his arrival there, about 1 April. The conversation closed on a discussion about Britt Gordan, a friend of the Vice President, for whom Jorden expressed a high regard.

Prepared by:

 J. Marsh



OFFICE OF THE VICE PRESIDENT  
WASHINGTON

April 1, 1974

MEMORANDUM OF CONVERSATION

PLACE: OEOB  
TIME: 2:00 p. m.  
DATE: March 21, 1974

SUBJECT: Ambassador Bunker Visit

PARTICIPANTS: The Vice President  
John O. Marsh, Jr.

U.S. Ambassador at Large Ellsworth Bunker  
Mr. S. Morey Bell, Director, Office of  
Panamanian Affairs

Ambassador at Large Bunker met with the Vice President to discuss the Panama situation. He said the atmosphere in Panama was better, but could recognize lines were being drawn on Capitol Hill with strong opposition from Dan Flood and his followers.

The Vice President urged that there be no further announcements about Panama this year, and can shoot for 1975 as the year of decision and implementation.

Bunker said that DOD had been very helpful, but agreed there were problems ahead.

Reference to the negotiations he said we were asking for 50 years on the Canal but Panama wanted a termination end of 1999. By termination, this means they will get the Canal and the Zone. In the meantime, there will be a phasing-in of Panama jurisdiction. As a part of the arrangements, we are seeking to build a new sea level canal or to expand the old canal, but with an extension of time for operations.

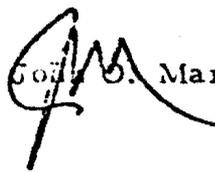
Sea level canal through Nicaragua or Colombia is not practical, but it is necessary to have a new facility or a modernized old facility since the present canal will not accommodate some of the larger vessels.

A sticking point in the negotiations is the Colombian right under the 1914 agreement to transit the canal with their warships.

Any agreement with Panama will require that the canal be open for international shipping.

Approval for implementation is necessary in both houses of the U.S. Congress and Bunker has talked to Albert, Morgan, Scott and Mansfield.

In response to a question, Bunker said that the present canal is breaking even financially.

Prepared by:  John O. Marsh, Jr.



OFFICE OF THE VICE PRESIDENT  
WASHINGTON

April 15, 1974

MEMORANDUM FOR

THE VICE PRESIDENT

SUBJECT: Senate Vote on Panama Canal

The following thirty-three Senators submitted a resolution in support of continued U.S. sovereignty and jurisdiction over U.S.-owned Panama Canal Zone:

Thurmond	Baker
McClellan	Randolph
Allen	McClure
Tower	Domenici
Byrd (Harry)	Bartlett
Bennett	Gurney
Dole	Hartke
Helms	Buckley
Goldwater	McIntyre
Cotton	Scott (William)
Cook	Eastland
Brock	Hollings
Hansen	Hruska
Fannin	Curtis
Nunn	Dominick
Talmadge	Beall
Young	



DEPARTMENT OF STATE

Washington, D.C. 20520

*Prepared by  
State*

April 30, 1974

CONFIDENTIAL - EXDIS

MEMORANDUM FOR: Mr. John O. Marsh  
Office of the Vice President

Jack:

Here is the informal memorandum of conversation I made up following Tack's conversation with the Vice President.

From my viewpoint, it can remain an "uncleared" memorandum. I simply needed a record to show to the people throughout this government who deal daily with Panama. It has gone to them on a CONFIDENTIAL-EXDIS basis.

Again, many thanks for making this visit possible. It was extremely useful to us.

S. Morey Bell  
Deputy United States Negotiator  
and Country Director for Panama

Attachment:  
Memorandum of Conversation.

DECLASSIFIED  
E.O. 12958, Sec. 3.5  
State Dept. Guidelines  
By KBH, NARA, Date 3/24/00

CONFIDENTIAL - EXDIS

CONFIDENTIAL - EXDIS

MEMORANDUM OF CONVERSATION

April 15, 1974,  
10:45-11:15 AM  
Vice President's Office,  
EOB

PARTICIPANTS:

PANAMA: H.E. Juan Antonio Tack, Minister of Foreign  
Affairs and Chief Treaty Negotiator  
  
H.E. Nicolas Gonzalez-Revilla, Ambassador of  
Panama to the United States and Deputy  
Negotiator

UNITED  
STATES: The Vice President  
  
Ambassador at Large Ellsworth Bunker, Chief  
Negotiator  
  
S. Morey Bell, Deputy Negotiator and Country  
Director for Panama  
  
Mr. Jack Marsh, the Vice President's staff  
  
Interpreter Neil Seidenman

SUBJECT: Panama-U.S. Treaty Negotiations

(The following is an uncleared version of the  
conversation taken from the Deputy U.S.  
Negotiator's notes).

The Vice President Mr. Minister, it is nice to see you. I am  
extremely grateful for your taking time to come  
and see me.

The Minister Mr. Vice President, I am delighted to have this  
opportunity to see you, especially since I  
know of the numerous commitments you have.

May I convey to you the greetings of the  
President of Panama, Mr. Lakas, and of the  
Chief of Government, General Torrijos.

DECLASSIFIED

E.O. 12958, Sec. 3.5

State Dept. Guidelines

By KBH, NARA, Date 3/24/00

CONFIDENTIAL - EXDIS

We in Panama have followed closely the Vice President's brilliant career in the Congress and we are fully aware of his dedication to his nation and his service to it.

The Vice President

Thank you very much Mr. Minister. I must say in the last five months my life style has changed quite a lot.

I want you to know that I have always kept abreast of these negotiations. Indeed, I have followed them all throughout Ambassador Anderson's tenure. I know that both parties have worked extremely hard at this.

The Minister

Yes, we have been working very hard indeed -- in fact, we have been working ten years now, but with no success. The success began with Ambassador Bunker's appointment and since that event we have advanced in a very substantive manner toward a treaty.

I want you to know that the people in the Government of Panama have confidence in the present leadership of the United States -- in President Nixon, yourself, the Secretary of State, and Ambassador Bunker. They have all demonstrated a deep knowledge and, in fact, understanding of our problem.

The Vice President

The fact that the President has given this assignment to Ambassador Bunker indicates how important this negotiation is to him. After all, Ambassador Bunker is the foremost American diplomat and he never gets the easy tasks. In fact, I don't think he's ever had an easy task. (Laughter).

The Minister

Yes, and now they have put him in charge of two canals.

The Vice President

I remember that in the mid-50's there was a revision of the treaty. I believe it had something to do with an increase in payment.

The Minister

Yes. That was the 1955 Treaty which revised the 1903 Treaty. We have agreed now that we shall abrogate the 1903 Treaty and arrive at an entirely new one.

The Vice President

I fully support the President's efforts to find new answers to this problem. A new treaty is desirable from the viewpoint of both parties. But, of course, there are difficulties, as you know, with a treaty in the Congress. A two-thirds vote is required in the Senate by the Constitution. In the House, the interest is indirect, but I can tell you that the interest is very vocal indeed. (laughter).

The Minister

Yes, Secretary Kissinger told me recently that the letters which he received opposing his policy with respect to the treaty are so many that he thought there were probably several million people living in the Canal Zone itself. I told him that there were only some 40,000, and he said, Well they still make lots of noise. (laughter).

The Vice President

To be candid, I have watched very carefully the reaction in the House over the years. There is a group led by my good friend Dan Flood, but there are others too. More recently, I was surprised at the resolution in the Senate in opposition to the treaty which received support from 34 Senators. This is, of course, more than one-third. And if there is not the right kind of agreement, then we are in for trouble. Another point is that I was surprised at the bi-partisan nature of that resolution.

The Minister

Well, the position of the negotiators is very difficult. Each has to defend his country's interests, but both are committed to a new treaty so that as a matter of practice we have to take all elements in both countries into account.

The Vice President Yes, I am sure you have no unanimity of view in your country, either, just as we do not in the United States.

The fact of the matter is, if we want a treaty, then we have to find an answer that satisfies two-thirds of the Senate.

The Minister I understand that. This Government is willing to take the political decisions necessary to reach an agreement which we hope will be acceptable to the Congress. We have made a great deal of progress since we have stopped consulting the lawyers in our country.

The Vice President Well, I am surprised we have gotten as close as we have on some very difficult issues.

The Minister Yes, and we have done that despite the fact that there are 1.5 million negotiators in Panama -- that is, the entire Panamanian population.

The Vice President I suppose you have some very loud ones too. (laughter).

The Minister We are convinced that we are now on the road toward achieving a just and equitable treaty. Of course, it is fundamental that the treaty include nothing that will cause conflicts between the two countries in the future.

The Vice President I certainly agree with that. It is not in the interest of either side to have elements in the new treaty which would undermine our future relations.

The Minister I believe that for the United States the best security for the Canal is to have friends on both sides of it.

The Vice President There is no question about that. It would be a very, very unstable situation from our point of view if things were otherwise.

Let me be clear, Mr. Minister. I believe that the majority of our people basically want a solution to this problem. However, they of course do not know all of the details and many of those details are extremely difficult so the task ahead is going to be arduous.

The Minister Mr. Vice President, my entire visit here has been very positive and useful and I intend to tell that to the President of Panama and General Torrijos. May I hope that you, Mr. Vice President, will on some occasion have an opportunity to visit our country. It would be a great honor for us.

The Vice President I have been in your country once, for about 24 hours, on a Navy carrier passing through the Canal, and I would like to go back some time. As you know, a very dear friend of mine, Congressman Bow, had been appointed Ambassador, but unfortunately died before he could arrive in Panama, and I had intended to visit him.

I wish you would convey my respects and my gratitude for that kind invitation to visit your country to your President and the Chief of Government. I would hope to be able to travel to Latin America once a few of the problems with respect to the Congress are solved.

The Minister It has been a great pleasure for me to see you and I hope to have an opportunity to see you again whenever you are in my country.



DEPARTMENT OF STATE

Washington, D.C. 20520

*Prepared by  
State*

April 30, 1974

CONFIDENTIAL - EXDIS

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E.O. 12958, Sec. 3.5  
State Dept. Guidelines  
By KBH, NARA, Date 3/24/00

CONFIDENTIAL - EXDIS

CONFIDENTIAL - EXDIS

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10:45-11:15 AM  
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EOB

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UNITED

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DECLASSIFIED

E.O. 12958, Sec. 3.5

State Dept. Guidelines

By KAH, NARA, Date 3/29/00

CONFIDENTIAL - EXDIS

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~~CONFIDENTIAL~~

CLOSE HOLD

JEX

DECLASSIFIED

E.O. 13526 SEC. 1.6

MR 00-9 #19 Aring Ltr 9/13/06

COL Walton/57126

ODUSA

4 November 1974

BY H2 NARA DATE 4/17/07

SUMMARY

SUBJECT: Ambassadors Bunker's and Jordan's Appearance Before the Panama Canal Company Board of Directors

PURPOSE: To summarize Ambassador-at-large Ellsworth Bunker's and U.S. Ambassador to Panama William J. Jordan's appearance before the Panama Canal Company Board of Directors and to record the decision resulting therefrom.

KEY POINTS:

1. Ambassadors Bunker and Jordan appeared before the Board on 25 October 1974 to discuss the status of treaty negotiations and to describe current relations with Panama.

2. Memorandum for record attached provides a detailed account of the Ambassadors' appearance and the discussions that ensued. In sum, however:

-Ambassador Jordan stated that the GOP is consolidating its position and that General Torrijos, who desires a new treaty soon, has faith in ongoing efforts to reach an accord.

-Ambassador Bunker observed that:

--negotiations are proceeding satisfactorily, but that it is crucial to U.S. interests that an agreement be reached for presentation to the Congress before political campaigning for the 1976 elections gets underway.

--the appointment of a Panamanian citizen as "Vice President of the Canal Company for U.S. -Panama Relations," enhances the prospects for a treaty, helps to avert a confrontation with the Panamanians should negotiations falter, provides a signal to other Latin nations that the U.S. is, in fact, moving toward equitability for Panama, prepares civilian residents of the Canal Zone for change that is inevitable, and contributes to improved relations between the Canal Company Administration and various elements in Panama.

OSE HOLD

~~CONFIDENTIAL~~

-Mr. Bunker requested the Board to consider favorably appointing a Panamanian national as a Company Vice President.

-Governor Parker supported the appointment of a Panamanian to a high position in the Company to improve two-way communications between the GOP and the Canal Administration but objected to the post being called "Vice President for U.S. -Panama Relations." The Governor's objection was based on the grounds that the "Vice President" title implied a more substantive management role than he thought should be contemplated.

-The Board engaged in a full and open discussion on Ambassador Bunker's proposal. The attitude of the Board toward the Ambassador's suggestion was initially negative to the general concept of a Panamanian holding such a high position in the Company. The Board, however, after discussion in executive session, changed its view and agreed that substantial benefits could be obtained from having a Panamanian citizen serve in an advisory and communication role with the Company.

-The Board, in executive session decided to:

--invite the GOP to nominate one of its citizens to occupy a high position in the Company to perform the duties proposed by Governor Parker.

--title the position "Counselor to the President of the Panama Canal Company for U.S. -Panama Relations."

--inform Ambassador Bunker informally of the Board's willingness to consider a Panamanian to fill the "Counselor" post so that the Ambassador could make the offer to the GOP during negotiations (Ambassador Bunker pointed out that the next round of negotiations would be 29 October-5 November 1974).

--apprise appropriate members of Congress of the Board's decision following its reconvening after the November elections. This was stipulated to be done in a low key fashion.

-Mr. Callaway informed Ambassador Bunker of the Board's decision and queried him on its acceptability. Mr. Bunker indicated that he believed that the Board's action would be useful for the purposes that he had outlined.

Attachment

~~CONFIDENTIAL~~

CLOSE HOLD



DEPARTMENT OF THE ARMY  
OFFICE OF THE UNDER SECRETARY  
WASHINGTON, D.C. 20310

4 November 1974

MEMORANDUM FOR RECORD

SUBJECT: Ambassadors Bunker's and Jorden's Appearance Before  
the Panama Canal Company Board of Directors

About 1000 hours, 25 October 1974, Ambassador-at-large Ellsworth Bunker and U.S. Ambassador to Panama William J. Jorden were welcomed to the meeting of the Panama Canal Company Board of Directors by Mr. Callaway, Board Chairman.

Mr. Callaway pointed out that Mr. Bunker's task was to negotiate a new treaty with Panama and asked the Ambassador to make any remarks he desired.

Ambassador Bunker expressed his thanks for the opportunity to speak to the Board on the status of treaty negotiations. Mr. Bunker introduced Ambassador Jorden and called on him to describe conditions in Panama as he saw them.

Mr. Jorden made the following major points:

-The Government of Panama (GOP) was now consolidating its position among the Panamanian people.

-The GOP established diplomatic relations with Cuba, because it no longer considered sanctions against the Castro regime to be in the hemisphere's best interest. Moreover, it wanted to take the lead in recognizing Cuba as well as to demonstrate its independence from the U.S.

-The recent demonstration against the American Embassy in Panama was carried out by a small group of Panamanian high school students with leftist leanings. The breaking of Embassy windows was caused by a bunch of hot heads. The Panama National Guard reacted sluggishly to the Embassy's request for assistance to avoid a confrontation with the students and the possible creation of a martyr.

DECLASSIFIED

E.O. 12958 SEC. 3.6

MR00-9420 Army Ltr 9/13/06

BY 142 NARA DATE 4/17/07

CLOSE HOLD

~~CONFIDENTIAL~~

-President Lakas and other Panamanian officials had apologized for the damages done to the Embassy and assured him that there would not be a recurrence.

-General Torrijos had personally called him several times to express his faith and confidence in Secretary Kissinger's and Ambassador Bunker's efforts to obtain a new treaty. Furthermore, the General had on occasion indicated some frustration over the progress of negotiations, emphasizing his six-year tenure in office and the fact that he had to maintain his revolutionary image to obtain a treaty to satisfy the people's long standing aspiration for full jurisdiction over the Zone.

Ambassador Bunker's opening remarks included these key points:

-President Johnson in 1964 and every succeeding President, including Mr. Ford, have committed the U.S. to negotiate a new treaty with Panama.

-The U.S. could attempt to maintain its present position in Panama, but it would have to do so in an increasingly hostile atmosphere of confrontation.

-Keeping the Canal open and operating for U.S. strategic and economic purposes was best served by a partnership arrangement for an extended period with Panama.

-A mutual agreement on the nature of Panamanian participation in the operation and defense of the Canal should mean a better functioning and more secure waterway.

-Negotiations have been proceeding carefully, methodically, and satisfactorily.

-Within the next several weeks the time will be right to get the kind of new relationship which will permit Panama to participate in the Canal's operation and defense as much as her capabilities permit and consistent with what the U.S. basically need to control the Canal for the treaty's lifetime.

-Timing is becoming more important. If in the next few months Panama is not provided with the equitable treatment promised, it is quite likely that negotiations would have to be postponed until 1977 (because of the undesirability of having the treaty issue become

entangled in the 1976 U.S. elections). The Panamanian people are not prepared to see the negotiating process go into its second decade.

-There is a need to open a second avenue of activity to supplement negotiations. This would involve certain actions which could benefit the negotiating atmosphere as well as to demonstrate to the rest of the hemisphere that the U.S. is serious about its policy of a new dialogue with Latin America.

-The appointment of a Panamanian citizen as "Vice President of the Canal Company for U.S. -Panama Relations" is chief among the actions suggested along the second track.

-The decision to appoint a Panamanian as a Company Vice President rested with the Board, and he requested the Directors to give such a step favorable consideration.

-Mr. Edwin Fabrega, one of the most distinguished Panamanians, a former Minister of Public Works, now in charge of Panama's Water Authority, would most likely be nominated by the GOP to fill the Vice President position.

-Mr. Fabrega has the personal confidence of General Torrijos and is known for his:

- engineering expertise;
- management talent;
- skillful handling of the Panamanian bureaucracy;
- excellent rapport with Panamanian private enterprise;
- moderate political views which are in clear contrast to the ultra-nationalistic outlook common among many Panamanians;
- close knowledge of Canal Company operations, acquired through years of dealing with the Company and more recently through his leadership of a Panamanian group that underwent an orientation course sponsored by Governor Parker.

Ambassador Bunker stated that:

-he believed the Board might consider it useful to acquire a man capable of interpreting General Torrijos to the Canal Zone and the Canal Zone to General Torrijos;

~~CONFIDENTIAL~~

4

-Fabrega, serving as a channel of communication, could act as an intermediary and a broker in reducing the level of friction between the Zone and the Republic;

-the appointment of a Panamanian as a Company Vice President would be a meaningful step in preparing now for the transition to partnership with Panama in the operation of the waterway;

-from his viewpoint as a negotiator, the important reason for establishing the additional Vice Presidency was to present General Torrijos with a striking signal of the U.S.' firm intent to proceed toward partnership and to begin implementing that process now;

-to establish such a new position could:

--strengthen Torrijos' hand with those hardliners in the Panamanian leadership who have advocated confrontation rather than partnership;

--lead Torrijos to lower the level of Panama's demand in the negotiations;

--serve as an insurance policy by helping to avert trouble which might arise should negotiations falter;

--provide a signal to other Latin nations that the U.S. is, in fact, moving toward equitability for Panama and in advance of a new treaty, a move which would be beneficial in terms of the President's overall foreign policy;

--indicate to the civilian residents of the Zone that change is coming (Mr. Bunker commented that he was committed to helping make the transition to the new way of life under the treaty as painless as possible, and suggested that one method of doing so was to initiate a process of gradual change now).

-the appointment makes sense as good management practice since it would establish a channel of communication between the GOP and the Canal Company through a position which might well facilitate Company operations by keeping minor points of friction between Americans and Panamanians from growing into major controversies.

~~CONFIDENTIAL~~

Ambassador Bunker concluded by stressing that in order to extract the maximum benefit from the proposed Vice President signal to Panama, it should come now as he enters the next round of negotiations during which he hopes to lower Panama's demands. Mr. Bunker also observed that from his own consultations in past months with members of the Congress, he believed there would be little if any opposition to this action on the Hill because all power and rights would continue to reside in the U.S. members of the Board, without qualifications.

Following Mr. Bunker's conclusion, Mr. Callaway asked Governor Parker to comment on the Ambassador's proposal to appoint a Panamanian citizen as a Company Vice President.

Governor Parker stated that he:

- favored such an appointment to improve two-way communications between the Canal Administration and the GOP;

- did not like the title "Vice President" because it implied a more substantive management role than he thought should be contemplated;

- preferred the position being called "Special Assistant to President (Panama Liaison)." Alternatively, the position could carry the title "Panama Liaison Officer" or "Special Aide to President (Panama Liaison)."

The Governor noted that whatever the title, a Panamanian in a high managerial position in the Company:

- would serve directly under the authority and supervision of the Governor/President and under the Lieutenant Governor/Vice President who would remain in the chain of command in the number two position in the Corporation.

- have a job description as indicated on the inclosure, but his duties would not be confined to Company matters, and he would be used whenever appropriate in areas that fell on the Canal Zone Government side;

- would not in any way be a link in the chain of command between the Governor/President and any other official or employee of the organization;

-would have access to selected classified material on a strict need-to-know basis.

-would be afforded the same amenities and privileges as other employees in comparable positions.

Mr. Callaway invited questions from the Board members when Governor Parker had finished his remarks.

Members asked Ambassador Bunker a number of questions concerning negotiations in general and the appointment of a Panamanian as a Company Vice President in particular. The main questions and the essence of the answers provided were:

-Question: What is the current Presidential guidance with respect to negotiations with the GOP? Answer: Ensure that the treaty fully protects the U.S.' basic ability to operate and defend the waterway for the life of the treaty, yet, also ensure that the treaty reflects the striking changes within the hemisphere which have taken place over the past seventy years.

-Question: Was the Vice President idea suggested by Panama? Answer: No, the proposal had not been discussed with Panamanian officials.

-Question: How did Fabrega's name come up if the matter had not been discussed with the GOP? Answer: Ambassador Jordan described a conversation that he had with General Torrijos during which the appointment of Fabrega as a Company Vice President was mentioned.

-Question: Did Ambassador Bunker intend to ask the Board to consider appointing a Panamanian citizen as a member of the Board of Directors? Answer: No.

During the discussion:

-Governor Parker noted that it was legal to appoint a Panamanian citizen as a Company Vice President but observed that the bylaws of the Corporation would have to be amended to do so.

-Mr. Gordon commented that the "Vice President" title was what was causing the Board to have difficulties with Mr. Bunker's proposal and suggested that the position be called "Counselor to the President for Panama-U.S. Relations."

~~CONFIDENTIAL~~

7

-Mr. Callaway remarked that as an official of the present Administration, which was committed to obtain a new treaty with Panama, that he was obligated to support Ambassador Bunker's efforts. Further, he stated that:

--he hoped that the Board would decide on appointing a Panamanian to a high position with the Company.

--irrespective of a treaty, he felt that the Board should act favorably on actions which would serve the best interests of the Company, and if those measures also assisted Ambassador Bunker in his efforts, so much the better.

--a Board decision to appoint a Panamanian to a high position in the Company should not be publicly announced prior to the November elections.

After his concluding comments, Mr. Callaway announced that the Board would go into executive session to decide on Mr. Bunker's request and asked the two ambassadors to wait in the lounge until the Board had reached a decision.

During the executive session, Board members:

-questioned the propriety of a Panamanian citizen beholden to General Torrijos holding a key management position in a U.S. Government owned corporation.

-expressed concern as to the complications that could arise with regard to discussions of U.S. classified or sensitive material at Company staff meetings.

-queried the possible repercussions which could arise should the Board turn down the individual named by the GOP other than Fabrega.

After a full airing of views, Board members, by unanimous consent, decided to:

-invite the GOP to nominate one of its citizens to occupy a high position in the Company to perform the duties proposed by Governor Parker.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

8

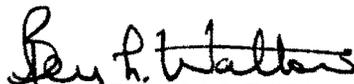
-title the position "Counselor to the President of the Panama Canal Company for U.S. Panama Relations."

-inform Ambassador Bunker informally of the Board's willingness to consider a Panamanian to fill the "Counselor" post so that the Ambassador could make the offer to the GOP during negotiations.

-advise appropriate members of Congress of the Board's decision following its reconvening after the November elections. This was stipulated to be done in a low key fashion.

At the conclusion of the vote, Mr. Callaway told Ambassador Bunker the Board's decision and asked him if the judgment was acceptable. The Ambassador replied that it was and expressed his appreciation for the Board's action.

Attachment



BEN L. WALTON

Colonel, GS

Military Assistant, ODUSA

~~CONFIDENTIAL~~

PROPOSED JOB DESCRIPTION FOR  
COUNSELOR TO THE PRESIDENT OF THE PANAMA CANAL COMPANY  
FOR U.S. -PANAMA RELATIONS

This position is in the office of the President of the Panama Canal Company and under the authority and direct supervision of the President. The Counselor to the President for Panama-U.S. Relations performs the following duties:

1. Serves, upon appointment by the President of the Panama Canal Company with the consent of the Board of Directors, for a one-year term as "Counselor to the President of the Panama Canal Company for United States-Panama Relations."

2. Functions as liaison between the Panama Canal Company and the Government of Panama and private businesses and organizations in Panama.

3. Provides advice on policies and procedures of mutual interest to the Panama Canal Company and the Government of Panama.

4. Provides counsel on problems involving Panama Canal Company employees, including the monitoring of personnel employment practices.

5. Monitors and provides advice on the procurement of goods and services from the Panamanian economy.

6. Serves among the representatives of the President of the Company on joint U.S. /Panama technical and coordinating committees in which the PCC participates.

7. Undertakes such special assignments as requested by the President of the Company.

FOR BOARD MEMBERS ONLY

DECLASSIFIED  
E.O. 12958 SEC. 5.6

~~CONFIDENTIAL~~

CLOSE HOLD

Amend MR 00-9 # 19  
Army Ltr 9/13/06  
BY IJR NARA DATE 4/17/07

COL Walton/57126  
ODUSA  
4 November 1974

7

### SUMMARY

**SUBJECT:** Ambassadors Bunker's and Jorden's Appearance Before the Panama Canal Company Board of Directors

**PURPOSE:** To summarize Ambassador-at-large Ellsworth Bunker's and U.S. Ambassador to Panama William J. Jorden's appearance before the Panama Canal Company Board of Directors and to record the decision resulting therefrom.

#### KEY POINTS:

1. Ambassadors Bunker and Jorden appeared before the Board on 25 October 1974 to discuss the status of treaty negotiations and to describe current relations with Panama.
2. Memorandum for record attached provides a detailed account of the Ambassadors' appearance and the discussions that ensued. In sum, however:

-Ambassador Jorden stated that the GOP is consolidating its position and that General Torrijos, who desires a new treaty soon, has faith in ongoing efforts to reach an accord.

-Ambassador Bunker observed that:

--negotiations are proceeding satisfactorily, but that it is crucial to U.S. interests that an agreement be reached for presentation to the Congress before political campaigning for the 1976 elections gets underway.

--the appointment of a Panamanian citizen as "Vice President of the Canal Company for U.S. -Panama Relations," enhances the prospects for a treaty, helps to avert a confrontation with the Panamanians should negotiations falter, provides a signal to other Latin nations that the U.S. is, in fact, moving toward equitability for Panama, prepares civilian residents of the Canal Zone for change that is inevitable, and contributes to improved relations between the Canal Company Administration and various elements in Panama.

CLOSE HOLD

~~CONFIDENTIAL~~

-Mr. Bunker requested the Board to consider favorably appointing a Panamanian national as a Company Vice President.

-Governor Parker supported the appointment of a Panamanian to a high position in the Company to improve two-way communications between the GOP and the Canal Administration but objected to the post being called "Vice President for U.S. -Panama Relations." The Governor's objection was based on the grounds that the "Vice President" title implied a more substantive management role than he thought should be contemplated.

-The Board engaged in a full and open discussion on Ambassador Bunker's proposal. The attitude of the Board toward the Ambassador's suggestion was initially negative to the general concept of a Panamanian holding such a high position in the Company. The Board, however, after discussion in executive session, changed its view and agreed that substantial benefits could be obtained from having a Panamanian citizen serve in an advisory and communication role with the Company.

-The Board, in executive session decided to:

--invite the GOP to nominate one of its citizens to occupy a high position in the Company to perform the duties proposed by Governor Parker.

--title the position "Counselor to the President of the Panama Canal Company for U.S. -Panama Relations."

--inform Ambassador Bunker informally of the Board's willingness to consider a Panamanian to fill the "Counselor" post so that the Ambassador could make the offer to the GOP during negotiations (Ambassador Bunker pointed out that the next round of negotiations would be 29 October-5 November 1974).

--apprise appropriate members of Congress of the Board's decision following its reconvening after the November elections. This was stipulated to be done in a low key fashion.

-Mr. Callaway informed Ambassador Bunker of the Board's decision and queried him on its acceptability. Mr. Bunker indicated that he believed that the Board's action would be useful for the purposes that he had outlined.

Attachment



~~CONFIDENTIAL~~  
DEPARTMENT OF THE ARMY  
OFFICE OF THE UNDER SECRETARY  
WASHINGTON, D.C. 20310

CLOSE HOLD

4 November 1974

MEMORANDUM FOR RECORD

SUBJECT: Ambassadors Bunker's and Jorden's Appearance Before  
the Panama Canal Company Board of Directors

About 1000 hours, 25 October 1974, Ambassador-at-large Ellsworth Bunker and U.S. Ambassador to Panama William J. Jorden were welcomed to the meeting of the Panama Canal Company Board of Directors by Mr. Callaway, Board Chairman.

Mr. Callaway pointed out that Mr. Bunker's task was to negotiate a new treaty with Panama and asked the Ambassador to make any remarks he desired.

Ambassador Bunker expressed his thanks for the opportunity to speak to the Board on the status of treaty negotiations. Mr. Bunker introduced Ambassador Jorden and called on him to describe conditions in Panama as he saw them.

Mr. Jorden made the following major points:

-The Government of Panama (GOP) was now consolidating its position among the Panamanian people.

-The GOP established diplomatic relations with Cuba, because it no longer considered sanctions against the Castro regime to be in the hemisphere's best interest. Moreover, it wanted to take the lead in recognizing Cuba as well as to demonstrate its independence from the U.S.

-The recent demonstration against the American Embassy in Panama was carried out by a small group of Panamanian high school students with leftist leanings. The breaking of Embassy windows was caused by a bunch of hot heads. The Panama National Guard reacted sluggishly to the Embassy's request for assistance to avoid a confrontation with the students and the possible creation of a martyr.

DECLASSIFIED  
E.O. 12858 SEC. 3.6

*Same as MR 00-420*  
*Army Ltr 9/13/06*  
BY *HR* NARA DATE *4/17/07*

CLOSE HOLD

~~CONFIDENTIAL~~

-President Lakas and other Panamanian officials had apologized for the damages done to the Embassy and assured him that there would not be a recurrence.

-General Torrijos had personally called him several times to express his faith and confidence in Secretary Kissinger's and Ambassador Bunker's efforts to obtain a new treaty. Furthermore, the General had on occasion indicated some frustration over the progress of negotiations, emphasizing his six-year tenure in office and the fact that he had to maintain his revolutionary image to obtain a treaty to satisfy the people's long standing aspiration for full jurisdiction over the Zone.

Ambassador Bunker's opening remarks included these key points:

-President Johnson in 1964 and every succeeding President, including Mr. Ford, have committed the U.S. to negotiate a new treaty with Panama.

-The U.S. could attempt to maintain its present position in Panama, but it would have to do so in an increasingly hostile atmosphere of confrontation.

-Keeping the Canal open and operating for U.S. strategic and economic purposes was best served by a partnership arrangement for an extended period with Panama.

-A mutual agreement on the nature of Panamanian participation in the operation and defense of the Canal should mean a better functioning and more secure waterway.

-Negotiations have been proceeding carefully, methodically, and satisfactorily.

-Within the next several weeks the time will be right to get the kind of new relationship which will permit Panama to participate in the Canal's operation and defense as much as her capabilities permit and consistent with what the U.S. basically need to control the Canal for the treaty's lifetime.

-Timing is becoming more important. If in the next few months Panama is not provided with the equitable treatment promised, it is quite likely that negotiations would have to be postponed until 1977 (because of the undesirability of having the treaty issue become

entangled in the 1976 U.S. elections). The Panamanian people are not prepared to see the negotiating process go into its second decade.

-There is a need to open a second avenue of activity to supplement negotiations. This would involve certain actions which could benefit the negotiating atmosphere as well as to demonstrate to the rest of the hemisphere that the U.S. is serious about its policy of a new dialogue with Latin America.

-The appointment of a Panamanian citizen as "Vice President of the Canal Company for U.S. -Panama Relations" is chief among the actions suggested along the second track.

-The decision to appoint a Panamanian as a Company Vice President rested with the Board, and he requested the Directors to give such a step favorable consideration.

-Mr. Edwin Fabrega, one of the most distinguished Panamanians, a former Minister of Public Works, now in charge of Panama's Water Authority, would most likely be nominated by the GOP to fill the Vice President position.

-Mr. Fabrega has the personal confidence of General Torrijos and is known for his:

--engineering expertise;

--management talent;

--skillful handling of the Panamanian bureaucracy;

--excellent rapport with Panamanian private enterprise;

--moderate political views which are in clear contrast to the ultra-nationalistic outlook common among many Panamanians;

--close knowledge of Canal Company operations, acquired through years of dealing with the Company and more recently through his leadership of a Panamanian group that underwent an orientation course sponsored by Governor Parker.

Ambassador Bunker stated that:

-he believed the Board might consider it useful to acquire a man capable of interpreting General Torrijos to the Canal Zone and the Canal Zone to General Torrijos;

-Fabrega, serving as a channel of communication, could act as an intermediary and a broker in reducing the level of friction between the Zone and the Republic;

-the appointment of a Panamanian as a Company Vice President would be a meaningful step in preparing now for the transition to partnership with Panama in the operation of the waterway;

-from his viewpoint as a negotiator, the important reason for establishing the additional Vice Presidency was to present General Torrijos with a striking signal of the U.S.' firm intent to proceed toward partnership and to begin implementing that process now;

-to establish such a new position could:

--strengthen Torrijos' hand with those hardliners in the Panamanian leadership who have advocated confrontation rather than partnership;

--lead Torrijos to lower the level of Panama's demand in the negotiations;

--serve as an insurance policy by helping to avert trouble which might arise should negotiations falter;

--provide a signal to other Latin nations that the U.S. is, in fact, moving toward equitability for Panama and in advance of a new treaty, a move which would be beneficial in terms of the President's overall foreign policy;

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Ambassador Bunker concluded by stressing that in order to extract the maximum benefit from the proposed Vice President signal to Panama, it should come now as he enters the next round of negotiations during which he hopes to lower Panama's demands. Mr. Bunker also observed that from his own consultations in past months with members of the Congress, he believed there would be little if any opposition to this action on the Hill because all power and rights would continue to reside in the U.S. members of the Board, without qualifications.

Following Mr. Bunker's conclusion, Mr. Callaway asked Governor Parker to comment on the Ambassador's proposal to appoint a Panamanian citizen as a Company Vice President.

Governor Parker stated that he:

- favored such an appointment to improve two-way communications between the Canal Administration and the GOP;

- did not like the title "Vice President" because it implied a more substantive management role than he thought should be contemplated;

- preferred the position being called "Special Assistant to President (Panama Liaison)." Alternatively, the position could carry the title "Panama Liaison Officer" or "Special Aide to President (Panama Liaison)."

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-Question: How did Fabrega's name come up if the matter had not been discussed with the GOP? Answer: Ambassador Jordan described a conversation that he had with General Torrijos during which the appointment of Fabrega as a Company Vice President was mentioned.

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~~CONFIDENTIAL~~

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~~CONFIDENTIAL~~

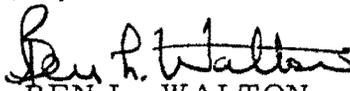
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Attachment



BEN L. WALTON

Colonel, GS

Military Assistant, ODUSA

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7. Undertakes such special assignments as requested by the President of the Company.

FOR BOARD MEMBERS ONLY

5 November 74

TALKING PAPER

SUBJECT: Panama Canal Zone Government and Panama Canal Company Operations

PURPOSE: To provide information for discussions with Mr. Jack Marsh on 5 November.

1. Points of Contact - Coordination Route:

- Non-military related matters: Mr. Jack Marsh  
(Panama Canal Government, (Cmdr Kerr)  
Panama Canal Company)
- National Security Council matters LTG Scowcroft  
(Mr. Steve Low)
- DOD Related Matters Normal staffing  
through DOD to  
White House
- DOD will be kept informed on all  
matters relating to Panama by the  
Secretary of the Army

2. Major Issues:

- Appointment of new Governor
  - Military or civilian appointed as Governor?
  - Skills/experience required.
- Proponency for Canal Zone if civilian governor should be appointed. Should it remain with the Army?



3. Major Problem Areas:

- Labor-Management relations
  - Relationship with labor unions
  - Equal employment opportunity (upward mobility for Panamanians)
- Treaty Negotiations
  - Unilateral actions in support of negotiations
  - Panama's participation in Canal administration and defense
  - Panama jurisdiction over the Canal Zone and US operation and defense rights
  - Duration and Canal expansion rights
  - Compensation to Panama under treaty
  - Status of forces agreement
- Relations with Government of Panama
  - Limited or no communications between Governor and GOP officials
- Fringe benefits for employees (housing, pay)



5 November 74

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SUBJECT: Panama Canal Zone Government and Panama Canal  
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- |  |  |
|--|--|
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| - National Security Council matters  | LTG Scowcroft<br>(Mr. Steve Low)                 |
| - DOD Related Matters  | Normal staffing<br>through DOD to<br>White House |
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- Relations with Government of Panama
  - Limited or no communications between Governor and GOP officials
- Fringe benefits for employees (housing, pay)



SECRETARY OF THE ARMY  
WASHINGTON

7 November 1974

JPM  
M  
FL

Dear Jack:

I really appreciated the opportunity to meet with you and Brent Scowcroft Tuesday to discuss the issues regarding the Panama Canal. I am delighted with the "operating" procedures which we have established. I believe it is very important that we maintain a close working relationship on Panama Canal/Government matters. If I can be of assistance to you in any way or if you have suggestions for us on how to do things better or different, please let me know. We stand ready to support you in every way.

Thank you for the excellent and most enjoyable lunch.

Sincerely,

Howard H. Callaway

Honorable Jack Marsh  
Counselor to the President  
The White House  
Washington, D. C. 20500

~~CONFIDENTIAL~~

CLOSE HOLD

7 November 1974

Dear Howard:

I really appreciated the opportunity to discuss, all too briefly, Panama Canal matters with you Tuesday.

We look forward to maintaining a close working relationship with you. Colonel John Rogers, who has spoken with you by phone, I believe, monitors Panama Canal activities in my office. I have told John to keep you fully informed as to what is going on. Should you have any questions, please feel free to call him at any time.

Inclosed for your reference are copies of some of the material I left with Jack Marsh.

It was great to see you.

Sincerely,

(SIGNED) BO CALLAWAY

Howard H. Callaway

Inclosures

Commander Howard Kerr  
Military Assistant to the  
Counselor to the President  
The White House  
Washington, D. C. 20500

REGRADED UNCLASSIFIED WHEN SEPARATED  
FROM CLASSIFIED INCLOSURES

~~CONFIDENTIAL~~

MAY 8 1975

(CLASSIFICATION)

DEPARTMENT OF STATE  
EXECUTIVE SECRETARIAT  
TRANSMITTAL FORM

S/S: 7508450

Date: May 7, 1975

For: Lt. Gen. Brent Scowcroft  
National Security Council  
The White House

Pursuant to referral dated 4/28/75, NSC No. 2598 (if any)  
a copy of which is attached, we are enclosing the following:

XX Information copy of direct reply               Translation               Other  
         Draft reply for:          President's signature               Other signature

         We believe no response is necessary for the reason cited below

The attached item, which was sent directly to the Department  
of State, is being forwarded for your attention.

         We believe no response is necessary for the reason cited below

         A draft reply is attached

         A draft reply will be forwarded

         A translation is attached

X Other *for your handling*

REMARKS:

DOCUMENT DESCRIPTION:

To: John O. Marsh

From: Arthur L. Denchfield, Jr

Date: 4/15/75

Subject: Panama Canal Zone Situation

*(for) Paul Elms*  
George S. Springsteen  
Executive Secretary



Date: April 28, 1975

NSC REFERRAL TO STATE SECRETARIAT

MEMORANDUM FOR:

GEORGE SPRINGSTEEN  
EXECUTIVE SECRETARY  
DEPARTMENT OF STATE

NSC LOG# 2598

DOCUMENT DESCRIPTION:

TO: John O. Marsh, orig to Robert Hartmann

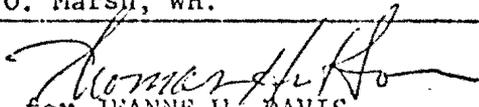
FROM: Arthur L. Denchfield Jr.

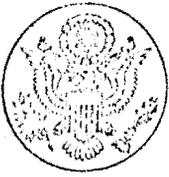
DATE: April 15, 1975

SUBJECT: Panama Canal Zone situation

ACTION REQUESTED:         DRAFT REPLY FOR:         PRESIDENT'S SIGNATURE         WHITE HOUSE STAFF SIGNATURE         OTHERxxx DIRECT REPLYxxxx FURNISH INFO COPY         DISPATCH         RECOMMENDATIONS/COMMENTS         TRANSLATION         APPROPRIATE HANDLING         INFORMATION         FOR ADDITIONAL PROCESSING AS INDICATED:         DUE DATE:         URGENT         ROUTINECOMMENTS: Please direct reply, with an info copy of reply to the NSC/S

and an additional info copy to John O. Marsh, WH.

  
for JEANNE W. DAVIS  
Staff Secretary



DEPARTMENT OF STATE

Washington, D.C. 20520

May 6, 1975

Mr. Arthur L. Denchfield, Jr.  
3601 Durango Street  
Coral Gables, Florida 33134

Dear Mr. Denchfield:

I have been asked to reply to your letter of April 15 to Robert Hartmann concerning the Panama Canal Zone.

I appreciate your concern about "giving away U.S. territory." However, the common belief that the Canal Zone is territory of the United States is incorrect. The United States did not obtain sovereignty over the Canal Zone through the Hay Bunau Varilla Treaty of 1903. Under the treaty, the United States enjoys rights to exercise almost complete jurisdiction over the Zone while Panama retains sovereignty. This interpretation has been repeatedly recognized by both governments. For example, in Article 3 of the 1936 treaty in which the Canal Zone is described as "territory of the Republic of Panama under the jurisdiction of the United States of America." Thus the Canal Zone is Panamanian territory in which the United States has substantial treaty rights.

The goal of the current treaty negotiations is to protect critical United States national interests through a new treaty relationship between the United States and Panama which provides the basis for an enduring, mutually acceptable relationship with Panama.

As in all negotiations both sides have put forth positions. Many issues remain to be resolved and negotiations are continuing. We cannot predict when an agreement on a new treaty will be reached.

Any decision which the President might make affecting the future of the Canal will be designed to protect United States interests. In fact, a major reason for initiating

these negotiations is to reduce the likelihood that a situation might develop which would endanger our interests. A draft treaty, of course, would be submitted to the Senate for approval and would be subject to full constitutional process.

Information concerning the issues involved in the Canal treaty negotiations is contained in the enclosed copy of the Background and Status of the Panama Canal Treaty Negotiations prepared by the Office of Panamanian Affairs. Also enclosed is a copy of a speech by Ambassador Bunker on the treaty issue.

I hope that the foregoing information is helpful.

Sincerely,

Richard Wyrrough  
Office of Panamanian Affairs

Enclosures:

As stated.

7509450  
ARTHUR L. DENCHFIELD, JR.  
3601 DURANGO STREET  
CORAL GABLES, FLORIDA 33134

President

April 15, 1975

*Mr Marshall  
For your attention.*

Honorable  
Robert A. Hartmann,  
Presidential Counselor,  
Presidential Staff,  
The White House,  
Washington, D. C.



Dear Counselor Hartmann:-

As a sadly-disappointed but loyal Republican I address you in the hope that thru your influence on the President you may apprise him of a real danger just around the corner.

You will recall the infamous Teapot Dome Scandal of Harding's administration when his Secretary of the Navy Denby transferred certain valuable US-owned oil lands at Elk Hills and Teapot Dome to the Secretary of the Interior Fall, who then leased these very valuable lands to Sinclair and Doherty in exchange for bribes in the approximate amount of \$400,000.00. These oil lands eventually returned to the jurisdiction of the Navy Department where they now are. President Ford visited part of the Elk Hills property recently.

As insignificantly as the Teapot Dome scandal appears to be when compared to present-day scandals, yet the term "Teapot Dome" can easily be found in any history or reference book in our country and abroad as an indelible blemish on the Republican administration of national government.

As the President's Chief Counselor it is my assumption that you would wish to keep him harmless from a scandal somewhat similar but far graver in its national and international consequences.

Our President is being insisently persuaded by Secretary Kissinger to authorize the sending to the Senate for possible ratification a proposed newly revised Treaty with the Republic of Panamá. The proposed treaty is based on the so-called "8 articles of agreement" already signed in Panamá on February 7, 1974, on behalf of the US whereby amongst other obnoxious clauses the US "promises to give to Panamá the US-owned canal and canal zone located in the Isthmus of Panamá (known confusingly enough as the Panamá Canal) based on the false premise that the land and water on which we built that greatest engineering feat of man, belongs to Panamá !

The possibility of scandal arises in the fact that NO US President in his right mind can possibly conceive of giving away US territory in which US taxpayers have spent to date over \$6 billion in acquisition, improvements, defense, and maintenance.

At Teapot Dome and Elk Hills US government lands were only leased and then only to US tenants/leasees within our country and these

issinger proposes is NOT to lease but to give away free to a foreign dictator, unconstitutionally in office, pro-soviet, and anti-american and we refer to Brig. General Omar Torrijos.

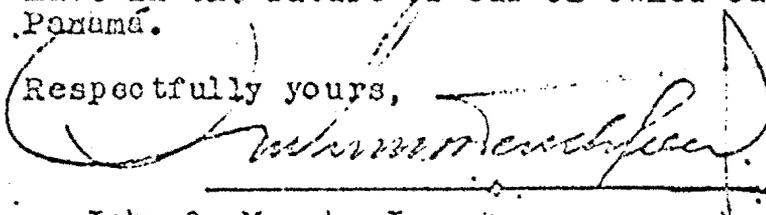
This, therefore, is the possible scandal which will be printed in history and reference books forever, if it ever happens, and what citizens were once to call "an honest, clean, decent man such as Ford is" will be but a smokescreen for one of the most dastardly conceived treachery ever to be perpetrated on the unsuspecting US public.

The solution, Counselor Hartmann, is very simple and I am sure you have already given it some serious thought. The President should immediately return to the jurisdiction of the Department of the Army, under the Secretary of Defense (where it was for many years) the Panamá Canal Company, the Canal territory, and all improvements and by executive order forbidding the State Department from any further interference in this matter of US-owned territory. A simultaneous solution to the same problem would, of course, be the relinquishing of his position as Chief National Security Advisor to the President since Secretary Kissinger, as time has already told us, is definitely not the man for such vital and enormous responsibilities at this time.

There are hundreds of concise articles written on the important Panamá Canal matter but since I have been an avid student of this matter for many years I am enclosing a copy of an excellent article written by one of the most highly respected authorities on the subject, General Thomas A. Lane. General Lane replies in depth to the false information circulated amongst the Catholic hierarchy in this country by the Catholic Archbishop of Panamá who recently travelled about our land, Marco McGrath, planting seeds of doubt and discord as to what the American position should be. I trust that, despite your many labours, you will have time to read this excellent article.

I know that as a close advisor of our President you will bring to his attention the concern that literally millions of Americans have in the future of our US-owned Canal Zone at the Isthmus of Panamá.

Respectfully yours,

  
cc John O. Marsh, Jr.,  
Presidential Counselor,  
Presidential Staff,  
The White House, Washington, DC.

ENCL:1

# Ford Aides Reportedly Challenged Kissinger's Security-Adviser Role

By RICHARD GROWA  
United Press International

WASHINGTON — Secretary of

took part according to the sources.

There has been no public statement on the affair by Kissinger or

chantment with the secretary.

According to the sources, the aides wanted a new national security

"America on Trial", and "The War For Vietnam"

# Bishops Misled On Panama Issue

By THOMAS A. LANE

# THE DEPARTMENT OF STATE



## News Release:

January 1975

Bureau of Public Affairs  
Office of Media Services

### 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—in 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, power, 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 44 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 use of larger vessels which would bypass 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 new-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 in Panama's view, are the provisions in the Treaty of 1903 which give to a foreign power in perpetuity governmental jurisdiction within a portion of Panamanian territory. Increasingly in recent years Panama has insisted that U.S. control over the Canal Zone prevents the country from realizing its full economic potential.

The United States has responded sympathetically to some of these Panamanian concerns. In

# NEWS BUREAU OF PUBLIC AFFAIRS RELEASE



Speech Text:  
AMBASSADOR BUNKER ON THE  
PANAMA CANAL TREATY NEGOTIATIONS

FOR IMMEDIATE RELEASE  
April 1, 1974

Address by Ambassador at Large  
Ellsworth Bunker, Chief U.S. Negotiator  
for the Panama Canal Treaty, before the  
Center for Inter-American Relations,  
March 19, 1974, New York City, N.Y.

The reason that I am particularly pleased to be with you is that I could hardly hope for a better audience before which to venture my first public thoughts on the matter of a new treaty relationship between the United States of America and the Republic of Panama.

This audience will understand that because the new relationship is a matter of transcendence for the two countries - and, in some measure, for the whole hemisphere and the world community - it is one which demands the constant application by both governments of:

- Reason rather than emotion;
- New ideas rather than old memories; and
- The will to accommodate rather than the wish to confront.

All that makes it quite a difficult matter, possibly the most difficult I have yet addressed as a negotiator.

I should like you to have the background of it, then the foreground as I can perceive it.

## Background

We start from a treaty that is 70 years old. In 1903 the newly-independent Republic of Panama granted to the United States -- in perpetuity -- the use of a strip of land ten miles wide and 50 miles long for the construction, maintenance, operation, and protection of a canal between the Atlantic and the Pacific.

Panama also granted to the United States all the rights, power, and authority to act within that strip of land as "if it were the sovereign."

That the treaty favored the United States was acknowledged promptly. John Hay, then Secretary of State, told the Senate, in submitting it for ratification:

"...We shall have a treaty very satisfactory, vastly advantageous to the United States and, we must confess...not so advantageous to Panama."