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2/28/75

For Your Information:

If asked about General Brown's comment that Panama's recognition of Cuba poses a threat to the security of the Canal, you may say that the negotiations on a treaty with Panama are not completed. A final decision on the content of the treaty will be made by the President with the concurrence of other agencies. Regarding the statement that diplomatic relations with Cuba affect the security of the Canal, let me say that Panama's diplomatic relations with other countries are its own sovereign decisions.

The Panama Canal -- Since its opening, the peoples of the world have looked on the Panama Canal as an important lifeline of commerce and international security. It is essential that the Canal remain open to the ships of all nations on fair terms.

In acquiring the rights to build the Canal, the United States was granted exclusive control -- the rights which it would possess and exercise "if it were sovereign" -- over a ten-mile wide strip of Panamanian territory from the Atlantic to the Pacific. In the Canal Zone, we enforce U.S. laws, operate commercial enterprises and control most of the deepwater port facilities that serve Panama.

Over time the nature of the U.S. presence has come to be viewed by the people of Panama -- and indeed by most of the rest of the Hemisphere -- as an infringement upon their national sovereignty and their principal resource -- their country's strategic location.

Clearly both Panama and the United States have vital interests in the Canal. The challenge is to reconcile the security needs of the United States with Panama's national honor and sovereignty. Negotiations on this problem have gone on intermittently for eleven years; in the last year and a half they have moved forward rapidly. We now believe that an agreement on terms fair to all is possible.

We have made progress because each side has recognized the essential needs and constraints of the other. The United States understands that a treaty negotiated in 1903 does not meet the requirements of 1975. We are ready to acknowledge that it is reasonable for Panama to exercise jurisdiction over its territory and to participate in the operation and defense of the Canal. We are prepared to modify arrangements which conflict with Panamanian dignity and self-respect.

In turn we will expect Panama to understand our perspective -- that the efficient, fair and secure operation of the Canal is a vital economic and security interest of the United States; that a new treaty must provide for the operation and defense of the Canal by the United States for an extended period of time; and that a new treaty must protect the legitimate interests of our citizens and property in Panama.

A new treaty based on these principles will make the United States and Panama partners in the operation of the Canal, protect the essential national interests of both, and provide a secure arrangement for the long term.

Serious problems remain to be resolved in the negotiation. But we are confident that they will be overcome if both parties continue

3/5/75

8. Sen. Thurmond and others have expressed opposition to a new U.S. treaty with Panama. What is the Administration's reaction to this opposition?

3/5/75

GUIDANCE: As Sec. Kissinger stated in Houston Saturday, both the U.S. and Panama have vital interests in the Canal. The new treaty we are working on with Panama will, of course, have to take these interests into account, making us partners in the Canal operation and providing for a secure arrangement for both countries over the long term. (Relevant portion of the speech is attached.)

PANAMA CANAL

Q. In view of his Navy League speech emphasizing the need for an effective Navy, what is the President's position on U.S. interests in the Panama Canal and its eventual control?

A. ~~The President supports the negotiations now underway on the~~
The President supports the view of these negotiations
~~Canal. As you may recall, Secretary Kissinger, in his speech~~
in Feb 1974, when he
~~in Houston addressed the question of our interest in the Canal.~~

"We will expect Panama to understand our perspective -- that the efficient, fair and secure operation of the Canal is a vital economic and security interest of the United States; that a new treaty must provide for the operation and defense of the Canal by the United States for an extended period of time; and that a new treaty must protect the legitimate interests of our citizens and property in Panama."

~~A new treaty based on these principles will make the United States and Panama partners in the operation of the Canal, protect the essential national interests of both, and provide a secure arrangement for the long term."~~

~~In sum,~~ *approves* the President has no intention of ~~supporting~~ any agreement that would not protect our vital defense interests *in Panama or anywhere else.*



Statement by the Press Spokesman

~~Concerned~~
The President is ~~disappointed~~ by the action of the House in voting to cut off further funds for negotiations with Panama on the Canal. Under the Constituion, the President is empowered to negotiate, through his representatives, and sign treaties with foreign governments, and to submit them to the Senate for its advice and consent. The President does not believe that it is the proper role of the House to interfere in either of these Constitutional functions.

The United States has been committed to negotiating in good faith a new treaty with Panama through three Administrations.

These negotiations were undertaken by Ambassador Robert Anderson at the request of President Johnson after he had consulted with former Presidents Eisenhower and Truman. Ambassador Anderson continued them under President Nixon until Ambassador Bunker assumed the position of Chief Negotiator in 1973.

The House action damages our foreign policy interests in this Hemisphere and elsewhere in the world and prejudices the issue while negotiations are proceeding. If and when negotiations are concluded, to the Pres. satisfaction, the conclusions will be submitted to the Congress in accordance with

Constitutional procedures. The President trusts that this House action will be remedied before final passage of the legislation.

PANAMA CANAL

Q. In view of his Navy League speech emphasizing the need for an effective Navy, what is the President's position on U.S. interests in the Panama Canal and its eventual control?

A. The President supports the negotiations now underway on the Canal. As you may recall, Secretary Kissinger, in his speech in Houston addressed the question of our interest in the Canal. "We will expect Panama to understand our perspective -- that the efficient, fair and secure operation of the Canal is a vital economic and security interest of the United States; that a new treaty must provide for the operation and defense of the Canal by the United States for an extended period of time; and that a new treaty must protect the legitimate interests of our citizens and property in Panama.

A new treaty based on these principles will make the United States and Panama partners in the operation of the Canal, protect the essential national interests of both, and provide a secure arrangement for the long term."

In sum, the President has no intention of supporting an agreement that would not protect our vital defense interests.

June 27, 1975

TO: RON NESSEN
FROM: KATHLEEN TROIA
SUBJECT: Panama Canal Guidance

The guidance on Panama Canal question as signed off on today has been scrubbed. State will issue the following answer in response to a question which they took at today's briefing:

Q: What is the reaction to the Snyder amendment cutting off funds for the Panama Canal?

A: We regret this action. The Senate will consider it after the Fourth of July recess. We are confident the Senate will carefully deliberate the far-reaching consequences of its move."

If you get asked the same question say that State had the question this morning and this is what they said (without attributing it to the White House).

*Pat/Kelly
6/27/75* ~~In Response to Q's~~

The President has no intention of approving any agreement

that would not protect our vital defense interests, with Panama
or with anybody else.

The President supports the view of these negotiations stated
by Secretary Kissinger, in his speech in Houston in February
1974 when he addressed the question of our interest in the
Panama Canal. -- "We will expect Panama to understand our per-
spective -- that the efficient, fair and secure operation of
the Canal is a vital economic and security interest of the
United States; that a new treaty must provide for the operation
and defense of the Canal by the United States for an extended
period of time; and that a new treaty must protect the legitimate
interests of our citizens and property in Panama."

- 0 -

The President is concerned by ^{this} ~~the~~ action of the House ^{and} ~~on~~ ^{would}
we concerned about any action
~~voting~~ to cut off ~~the~~ funds for negotiations ~~in Panama~~
on any matter without the Constitutional authority of the President
~~on the Canal~~ Under the Constitution, the President is empowered
to negotiate, through his representatives, and sign treaties

with foreign governments, and to submit them to the Senate for its advice and consent.

If and when negotiations are concluded to the President's satisfaction, the conclusions ^{would} ~~will~~ be submitted to the Congress in accordance with Constitutional procedures. The President trusts that this House action will be remedied before final passage of the legislation.

HAK, Rumsfeld, Holtmann,
Marsh approve.

RHW

GF approved

1

July 3, 1975

Repealed

Margy called and dictated the following "Guidance"

In response to questions on the Panama Canal and the status of our treaty negotiations you may say the following:

With regard to the Panama Canal treaty negotiations, there are a number of questions which remain at issue between us and the Panamanians. The talks are continuing. No decision has been taken with regard to the timing of signature of an agreement and its submission to the Senate, and no such decision is possible until we are closer to reaching an agreement.

[The President continues to believe it will be possible to reach an agreement which would accommodate the interests of both nations, based on the Statement of Principles signed in February of 1974.]

#

Designed to answer charges that will appear in the story tomorrow.
per Margy

PANAMA

I have the following statement to issue concerning the Panama Canal negotiations and the speculation, which I understand may appear in some newspapers tomorrow, to the effect that the White House has lost interest in concluding a treaty this year:

It is difficult to predict when a draft treaty will be completed. During the last year there have been significant advances in important issues; these include Jurisdiction, the Administration of the Canal and conceptual aspects on Protection and Defense of the Canal. But it is still necessary to negotiate other fundamental issues, among them the possible expansion of the Canal, the duration of the new treaty and the distribution of land and water. The negotiators of both countries have agreed to proceed carefully and methodically but with all deliberate speed as they move forward in the negotiations. No artificial time limit for the negotiation has been set. Both governments are, of course, hopeful that they will be able to complete the negotiations as promptly as possible.

issued by Embassy in Panama

July 4

7/3/75

July 10, 1975

PANAMA CANEL TREATY NEGOTIATIONS

Q: In light of the Snyder Amendment approved by the House and in light of a newspaper story which says you plan to postpone conclusions on Panama Canel Treaty negotiations until after the election for political reasons, can you tell us the status of these negotiations and your views on these negotiations.

A: As you know, during the last three Administrations the United States has been discussing our differences with Panama over the canal. There are a number of questions which still remain at issue between us and the Panamanians. The discussions are continuing. The goal is to reach an agreement which would accommodate the interests of both nations while protecting our basic interests in defense and operation of the canal. Naturally any such agreement we will reach will be submitted to the full constitutional process including Senate approval, and we will be consulting closely with the Congress as the discussions continue.

There are a number of difficult questions remaining to be resolved. The President has no intention of approving or proposing to Congress any agreement that would not protect our vital defense interests with Panama or any one else.



dictated
(~~prepared~~ by
Ron Nease)

Panama

SECRETARY KISSINGER: The United States signed about 18 months ago a declaration of principles with the Government of Panama in which we committed ourselves to continue in good faith the negotiations that were started in 1964 looking towards a new arrangement for the Panama Canal.

The importance of this negotiation resides in the fact that Panama could become, in certain circumstances, a focal point for a kind of nationalistic guerrilla type of operation that we have not yet seen in the Western Hemisphere directed against the United States and might unify all of Latin America against the United States. Therefore, the United States has negotiated in good faith to see what can be achieved that would give the United States a guarantee with respect to the defense of the Canal and a substantial period of operation of the Canal, but which would remove some of the particularly degrading aspects of the present situation in Panama.

The United States will continue these negotiations. We do not yet know whether they can be concluded. We will stay in the closest contact with the Congress on this at each stage and consult intimately with the Congress about the negotiations. But we are continuing the negotiations.

Panama / Snyder
[Handwritten signature and a large circular mark with a diagonal line through it]

SNYDER AMENDMENT

Q: Comment on present position of Snyder Amendment.

A: Leaving aside any merits of the question, the Administration believes that the Executive Branch has the clear constitutional right to negotiate international agreements. And under the Constitution, the Senate has the right to give its advice and consent.

But there is no constitutional provision for the House of Representatives to legislate against the Executive Branch conducting negotiations.

Now, the Administration has not and will not proceed in negotiations over the Panama Canal except with the closest consultations with the Congress both:

- during negotiations for an agreement;
- after an agreement has been negotiated but before ratification.

July 7, 1975

Thomas C. Snyder, R, Ky.

REVISED 7/11/75

FOR BACKGROUND ONLY

SNYDER AMENDMENT

I. Text of Amendment to State-Justice-Commerce
FY 1976 Appropriations Bill

"SEC. 104. None of the funds appropriated in this title shall be used for the purposes of negotiating the surrender or relinquishment of any U.S. rights in the Panama Canal Zone."

II. Parliamentary Status

The bill passed by the House, which includes the Snyder Amendment, is now pending in the Senate Appropriations Committee. It is unclear when the Committee will hold mark-up sessions on the legislation, and thus it is difficult to predict when the bill will be reported out to the Senate floor. (New Hampshire Senate race is a factor.) This might not be until after the August recess.

Whatever happens in Committee, future debate on the Amendment is expected on the Senate floor. A Senate bill, with or without the Snyder provision--amended or as is--would still have to go before a Senate-House Conference Committee for reconciliation, of whatever differences exist between the Senate and House versions.

III. Department Position

We regret this hasty action. We are hopeful that the Senate will carefully deliberate the far-reaching consequences of this action. It is an attempt to interfere not only with the Executive Branch's foreign relations responsible but also with the Senate's role in the treaty ratification process.

The President has the power, under the Constitution, to conduct negotiations with foreign countries; the Congress cannot thwart that power by setting limits and preconditions on the President's scope of action.

The Senate has a proper constitutional role in treaty matters; to disregard that role by prejudging incomplete negotiations circumvents the constitution, injects the House of Representatives into a prerogative reserved for the Senate, and is irresponsible by affording less than a full hearing to matters vitally important to the United States.



ARP/PAN: R Howard

7/11/75

H-10-1000000000 (with 20
12/1/75)

Snyder 6/27/75 CW

Panama Q's and A's

Question: What is your reaction to the Snyder Amendment cutting off funds for Canal treaty negotiations?

Answer: We regret this hasty action. Its effect would be to interfere with the executives' foreign relations responsibility and the role of the Senate in the treaty ratification process.

Question: Do you think that this action will stand?

Answer:

The Senate will consider it after the 4th of July recess. We hope that the Senate will carefully deliberate the far reaching consequences of this move. We have been consulting with Senate members on the treaty and expect that it will be considered on its merits by that body as provided for in the Constitution.

Question: Doesn't this action indicate that no treaty would ever be accepted by the Congress?

Answer: We do not regard the House action as a fair indication of its attitude regarding the merits of the treaty we are negotiating. The amendment was adopted only a few hours after being introduced.

Question: What is the reaction in Panama to this news?

Answer: It is too soon to know what the public reaction will be but the official reaction was one of profound disappointment. This action plays into the hands of the extremists.

Question: Can you confirm the report that Secretary Kissinger told Senator Goldwater that he realized the Senate would not pass a new Canal treaty?

Answer: No, I cannot from any personal knowledge confirm that report.

Question: ~~Have you any comment on the Berger article? (or~~
~~In response to queries about differences within the Executive?)~~

Answer: ~~Beyond what Amb.unker has said regarding the need for a new treaty to better protect U.S. interests in the Panama Canal, It is not our practice to comment publicly on internal aspects of the decision-making process~~ ^{with} the Executive Branch.

PANAMA CANAL NEGOTIATIONS

PANAMA

QUESTION: What is the present status of the negotiations?

ANSWER :

- Active negotiations have been in progress since June 1974.
- Both governments have been proceeding deliberately, and ~~satisfactorily~~ ^{Satisfactorily}.
- Good progress has been made, although there are still issues which are unresolved or remain to be negotiated.
- Our ability to reach agreement on a draft treaty will depend on the successful resolution of these remaining issues.
- It is, therefore, difficult for the negotiators to predict when a draft treaty will be ~~possible~~ ^{possible}.

QUESTION: Will the negotiations be affected by the Snyder Amendment?

ANSWER :

- While the Snyder amendment has passed the House, it will not be considered in the Senate until after the July 4th recess.
- We are hopeful that the Senate will carefully deliberate the far reaching consequences of this action.

operation
defense.



Panama

2

- As for the negotiations, we have been consulting with the Senate on any new treaty and expect that it would be considered on its merits by that body as the constitution provides.

QUESTION: What happens if the Senate passes the Snyder Amendment?

ANSWER :

-- As I indicated earlier, the Senate is constitutionally responsible for ratification ^{it} of treaties, and we assume that/would not want to prejudge the negotiations before it can carefully consider the completed treaty.



ARA/PAN: RHoward 7/3/75

ARA/PAN: M. Bell

Review

I have the following statement to issue concerning the Panama Canal negotiations and the speculation, which I understand may appear in some newspapers tomorrow, to the effect that the White House has lost interest in concluding a treaty this year:

It is difficult to predict when a draft treaty will be completed. (During the last year there have been significant advances in important issues; these include Jurisdiction, the Administration of the Canal and conceptual aspects on Protection and Defense of the Canal. But it is still necessary to negotiate other fundamental issues, among them the possible expansion of the Canal, the duration of the new treaty and the distribution of land and water. The negotiators of both countries have agreed to proceed carefully and methodically but with all deliberate speed as they move forward in the negotiations. No artificial time limit for the negotiation has been set. Both governments are, of course, hopeful that they will be able to complete the negotiations as promptly as possible.



out 7/14/75

PANAMA CANEL TREATY NEGOTIATIONS

Q: In light of the Snyder Amendment approved by the House and in light of a newspaper story which says you plan to postpone conclusions on Panama Canel Treaty negotiations until after the election for political reasons, can you tell us the status of these negotiations and your views on these negotiations.

A: As you know, during the last three Administrations the United States has been discussing our differences with Panama over the canal. There are a number of questions which still remain at issue between us and the Panamanians. The discussions are continuing. The goal is to reach an agreement which would accommodate the interests of both nations while protecting our basic interests in defense and operation of the canal. Naturally any such agreement we will reach will be submitted to the full constitutional process including Senate approval, and we will be consulting closely with the Congress as the discussions continue.

There are a number of difficult questions remaining to be resolved. The President has no intention of approving or proposing to Congress any agreement that would not protect our vital defense interests with Panama or any one else.

"We have no information to substantiate the allegation that a member of the previous administration was a secret CIA agent or indeed any kind of CIA agent, nor have we heard of such information. The questions apply to previous administrations. Those questions could best be addressed to those who were involved in the administrations.

"To the best of our knowledge, and we have no reason to believe otherwise, there is no employee working at the White House who has, or who has had, a CIA connection of which we are unaware. We have no reason to believe that anyone currently working at the White House, either as an employee of the White House or on detail from another agency, is surreptitiously reporting information on White House activities to any other government agency.

"I failed to make clear, in responding to questions in this area yesterday, and maybe I should have made clear, that I was speaking specifically of the present White House. I can only speak for this administration. I don't want you to think that this qualification I am mentioning today means we have discovered that any CIA agent infiltrated the White House in the past. We have no reason to believe there ever has been such an agent, but I want to make clear that I speak only for this administration and this President." (End of statement).

Ron

IF ASKED ONLY

PRESS OFFICE STATEMENT

Secretary Kissinger has authorized me to say with reference to his remarks before the Southern Governors last Tuesday on the Panama Canal negotiations that they have been misinterpreted and taken out of context.

He fully supports without reservation the Joint Statement of Principles which he and Minister Tack signed on behalf of their respective Governments in February 1974. The Statement, as you may recall, calls in part for negotiation of a new, fixed term treaty, and joint participation by the United States and Panama in the protection and defense of the canal.

Secretary Kissinger anticipates that while during the treaty's lifetime the United States will have primary responsibility for canal defense. Panama will participate importantly in this defense.

The Administration remains firmly committed to successful conclusion of the negotiations. We are pleased that Ambassador Bunker was able to return to Panama earlier this month and look forward to a continuation of the talks in the same spirit of frankness, cordiality and common interest which has marked them to date.

Clearances:

ARA - Mr. Rogers

S/AM - Amb. Bunker

9/19/75

THE DEPARTMENT OF STATE



News Release:

May 22, 1975
Seattle, Wash.

Bureau of Public Affairs
Office of Media Services

PANAMA AND THE UNITED STATES: TOWARD A NEW RELATIONSHIP

The following is the text of an address by Ellsworth Bunker, Ambassador at Large, before the Rainer Club.

I am happy to be with you this afternoon and to have this opportunity to speak on the efforts now underway to create a new relationship between Panama and the United States.

I know that the arrangements for the future operation of the Panama Canal are of great interest to a major maritime city such as Seattle. But there are broader reasons why negotiations over the future of the canal should concern Americans. For the successful conclusion of a new agreement on the canal:

- Would demonstrate the possibility, in the conduct of our foreign relations, of resolving problems when they are susceptible to accommodation and compromise, rather than waiting until they raise the danger of confrontation and possible use of military force;
- Would provide concrete evidence of our country's willingness to move toward a more mature partnership with Latin America, where we have often in the past been accused of paternalism or neglect; and
- Would serve as an example of practical cooperation between a large and a small country, a developed and a less-developed country. Such cooperation is indispensable if we are to achieve what the Secretary of State recently described as the aim of U.S. foreign policy [March 1, Houston]: "... to

help shape a new structure of international relations which promotes cooperation rather than force, negotiation rather than confrontation, and the positive aspirations of peoples rather than the accumulation of arms by nations."

In the past, when serving as a U.S. negotiator, I have made it a habit to keep my mouth shut publicly while negotiations were in progress. The fact that I have decided to discuss today some of the key issues in the current canal negotiations reflects another basic element of this Administration's conduct of foreign policy—the awareness that no foreign policy decision, and particularly no significant change in foreign policy, can take place without the advice and consent of Congress and the informed support of the American people, on the basis of candid and reasonable public discussion.

Value of the Canal

The story begins 72 years ago. In 1903 the newly independent Republic of Panama granted to the United States—in the Hay-Bunau-Varilla Treaty—a strip of its territory 10 miles wide and 50 miles long for the construction, maintenance, operation, and protection of a canal between the Atlantic and Pacific. Panama also granted to the United States—in perpetuity—all the rights, power, and authority to act within that strip of territory 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 when it was considering the treaty for ratification: *"We shall have a Treaty very satisfactory, vastly advantageous to the United States, and we must confess, not so advantageous to Panama."* Hay added, in writing to Senator John C. Spooner: *"You and I know very well how many points are in the Treaty to which many patriotic Panamanians would object."* The Senate ratified the treaty promptly.

The exploits of Goethals, Gorgas, and Walter Reed led to a magnificent engineering achievement which has served us well and of which we are justly proud. For 60 years world shipping has been served efficiently and at low tolls. Today the canal, despite its age, is still of value to the United States. Economically, we continue to benefit from the shortened shipping lines and lower transportation costs it permits. Recent studies have estimated—for example—that some 9 percent of the total value of our exports and imports transited the canal in 1972.

However, we must be careful in assessing the canal's long-term value. It appears now that trading patterns are evolving and that alternatives to the canal have begun to emerge. As canal users take advantage of these alternatives, it appears likely that the canal's value will generally decline relative to our economy.

Militarily, the canal has also been important to the United States. Although our largest warships cannot use the canal now, it clearly enables us to shorten our supply lines to some areas. Its large contributions during the Second World War, Korean war, and Viet-Nam war have been amply documented. But, again, we should bear in mind the canal's growing vulnerability to hostile attack, which points to the fact that we should not rely too heavily on it.

The point that I wish to make is that the canal's value—while of continuing importance—is probably not as great relatively speaking as in earlier years. Moreover, our world today is a far different one than that of 1903. No nation, including ours, would accept today a treaty which permits exercise of rights as if sovereign on a foreign land in perpetuity. Panama has grown increasingly conscious of the fact that the treaty is heavily weighted in our favor. Consequently, the level of its consent to our presence there has—over the years—persistently declined. And by Panama, I

mean the Panamanian people of all strata—not simply their governments.

Conditions and Results of 1903 Treaty

Among the aspects of the 1903 treaty which have caused this decline in consent, Panama cites the following.

- The United States occupies a strip across the heartland of its territory—cutting the nation in two and curbing the natural growth of its urban areas.
- The United States rules as sovereign over this strip of Panama's territory—the Canal Zone.
- It maintains a police force, courts, and jails to enforce the laws of the United States—not only upon Americans but upon Panamanians as well.
- It operates, on Panama's territory, a full-fledged government—a government which has no reference to the Government of Panama, its host.
- It operates virtually all commercial enterprises within the Canal Zone—and denies to Panama the jurisdictional rights which would permit private Panamanian enterprise to compete.
- It controls virtually all the deepwater port facilities which serve Panama.
- It holds idle large areas of land and water within the Canal Zone.
- The United States pays Panama but \$2.3 million annually for the immensely valuable rights it enjoys on Panamanian territory.
- Finally—and perhaps most importantly—the United States can do all these things, the treaty says, forever.

To these conditions Panama objects, saying that they deprive their country of dignity, of the ability to develop naturally, and indeed, of full independence.

The United States attempted to respond to some of the Panamanian objections in the past. Treaty revisions were made in 1936 and 1955. But the most objectionable feature from Panama's viewpoint—U.S. exercise of rights as if sovereign in the Canal Zone in perpetuity—has remained unchanged.

Panamanian frustrations over this state of affairs, and over the apparent disinclination of the United States to alter it, have intensified over the years. These frustrations culminated in demonstrations and riots in January 1964 when 21 Panamani-

ans and three Americans were killed. Diplomatic relations were broken.

Following a major reassessment of our policy toward Panama, President Johnson, after consultations with President Truman and President Eisenhower, committed us—publicly and with bipartisan support—to negotiate a wholly new treaty to replace the old one. President Nixon and President Ford subsequently renewed that commitment.

Our purpose was and continues to be this—to lay the foundations for a new, a more modern, relationship between the two countries.

Without such a changed relationship I believe it safe to say that Panama's already low level of consent to our presence will become lower still. It will approach zero.

While it is true, of course, that we could attempt to maintain our present position with regard to the Panama Canal, we would have to do so in an increasingly hostile atmosphere. In these circumstances we would likely find ourselves engaged in hostilities with an otherwise friendly country—a conflict that, in my view, the American people would not long accept. At the same time, we should bear in mind that the canal is vulnerable to sabotage and terrorist acts. We would find it difficult, if not impossible, to keep the canal running against all-out Panamanian opposition. The problem, in my opinion, simply will not go away.

Attitudes—not only in Panama but in the hemisphere at large—have changed. The Latin American nations have made our handling of the Panama negotiation a test of our intentions in the hemisphere. When the Latin American Foreign Ministers met in Bogota, Colombia, in November 1973 they voted to put the Panama question on the agenda of the "New Dialogue" proposed by Secretary Kissinger. In March of this year the Presidents of Colombia, Costa Rica, and Venezuela publicly expressed their support for Panama's cause. More recently, the General Assembly of the Organization of American States, meeting in Washington in the last 2 weeks, approved unanimously a resolution reaffirming their interest in the negotiation.

We no longer can be—nor would we want to be—the only country in the world exercising extra-territoriality on the soil of another country. The evidence, it seems to me, strongly favors some form of partnership with Panama. Partnership with

Panama would help the United States preserve what it needs most respecting the canal. Partnership would provide an environment conducive to effective operation and defense of the canal by the United States. It would provide Panama with a meaningful stake in the operation and defense of the canal. It would help stimulate the cooperation and friendship both of the Panamanian people and of whatever government exists in Panama at any given time.

In short, partnership would mean that the United States would not have to divert any of its energies in Panama from the functions required for the efficient operation of the canal.

U.S. Partnership With Panama

Putting it simply, I believe our interest in keeping the canal open and operating for our own strategic and economic purposes is best served by a partnership agreement for a reasonable additional period of time. The plain fact of the matter is that geography, history, and the economic and political imperatives of our time compel the United States and Panama to a joint venture in the Panama Canal.

We must learn to comport ourselves as partners, and friends:

- Preserving what is essential to each;
- Protecting and making more efficient an important international line of communication; and, I suggest,
- Creating an example for the world of a small nation and a large one working peacefully and profitably together.

Such a new relationship involves giving up something of what we now possess. We want to keep the power but discard what is nonessential to our purpose in Panama.

Three examples should serve to explain my meaning.

- First, we will retain control over canal operations for the duration of the treaty, but Panama will participate progressively in these operations in preparation for its future role.
- Second, we will keep the lands and facilities we need to control and defend the canal but return what we can do without.

- Third, we will have defense rights but perform our defense tasks with Panamanian participation.

Simply stated, we will work together with Panama, but—for the treaty's life—we will operate the canal. We will secure the lands we need by releasing what we do not need. By having Panamanian participation in operation and defense we will have a more secure canal. In sum, we see a new treaty as the most practical means for protecting our interest.

Whereas continuance of the status quo will lead surely to prolonged problems—possible loss of what we are trying to preserve—partnership promises a greater assurance of success in achieving our essential interest—a canal that is open, efficient, and neutral.

Negotiating a New Treaty

Turning to the negotiations, they have proceeded step by step during the past 21 months through three stages.

Stage 1 ended 15 months ago when Secretary of State Kissinger journeyed to Panama to initial with the Panamanian Foreign Minister a set of eight "Principles" to serve as guidelines in working out the details of a new treaty. Perhaps Gen. Torrijos, the Chief of Government in Panama, best characterized these principles when he said they constitute "a philosophy of understanding." Their essence is that:

- Panama will grant the United States the rights, facilities, and lands necessary to continue operating and defending the canal, and
- The United States will return to Panama jurisdiction over its territory and arrange for the participation by Panama in the canal's operation and defense.

We have also agreed in the "Principles" that the treaty will provide for any expansion of canal capacity in Panama that may eventually be needed; that Panama will get a more equitable share of the benefits resulting from the use of its geographical location; and—last, but surely not least—that the new treaty shall not be in perpetuity but rather for a fixed period.

Stage 2 involved the identification of the

major issues under each of the eight principles. This in turn provided the basis for substantive discussions.

Stage 3 began last June and continues.

For almost 1 year now we have been discussing—with the helpful cooperation and support of the Department of Defense—the substantive issues associated with the Statement of Principles to which we agreed in February 1974.

We have made significant advances in important subjects, including agreements relating to jurisdiction, canal operation, and canal defense.

Resolution of Outstanding Issues

Besides these three issues several other major elements of a treaty package still require resolution. They concern:

- Increased economic benefits to Panama;
- Some capability to expand the canal should we wish to do so;
- The size and location of the land/water areas we will need for control of canal operation and defense; and
- Finally, and perhaps most importantly, the extent of duration of the treaty period.

I shall comment now on only three of these questions—economic benefits, land use, and duration—and then only in a general way.

On economic benefits—Panama for many years has complained that it receives a direct annuity of only \$2.3 million. It has complained that the low tolls charged to canal users mean, in effect, that Panama has been subsidizing world shipping.

Moreover, Panama believes that it can obtain additional benefits from greater Panamanian exploitation of its geographic position and the presence of the canal by developing a wide range of commercial and service activities in the canal area and by deriving tax revenues from these activities—something Panama could do once it exercised jurisdiction over the area.

For example, Panama says it could develop certain unused land areas, improve the Atlantic and Pacific ports by installing larger, more efficient cranes for handling cargo and developing greater port facilities, and expand the Colón Free Zone. Already Panama has plans which call for construction of an oil pipeline which would reduce the cost

of transporting petroleum across the Isthmus.

The United States agreed in the eight principles that Panama would receive greater economic benefits from the operation of the canal.

As for the issue of land use—that is, the land and water areas that the United States will need to continue to operate and defend the canal—it is not easily susceptible to rapid resolution.

Panama wishes to recover sizable land and water areas—especially those adjacent to its urban centers—that are now under U.S. jurisdiction and would be the most logical areas for urban expansion.

For our part we want use—through the life of the treaty—of those lands and waters that are necessary for the operation and defense of the canal.

The problem will be to ensure that we get sufficient areas to efficiently perform these functions while at the same time reducing the physical presence which is so objectionable to Panama.

Closely linked to the question of land use is the issue of treaty duration. Panama has publicly said that “there is no colonial situation which lasts for 100 years or a Panamanian who could endure it.”

For the United States, it is difficult to predict with any accuracy the duration of the canal's utility to us. And yet, we believe that the canal will have an importance for an extended period of time.

The agreements we reach on these issues will determine the final outcome of the negotiation. For better or worse, they could shape our relationship with Panama—and, indeed, with all Latin America—over the next decades. Although we have no fixed timetable, we are proceeding—as I have said—with all deliberate speed.

Overcoming Misconceptions

There is opposition in both countries. In Panama some stand ready to challenge any “surrender” by their government of aspirations to immediate control of the canal.

Here at home, I recognize that there are some who hold the view that we should not relinquish any rights acquired under the 1903 treaty. I understand this point of view. But for reasons I have mentioned I believe it is time for a new relationship. I hope that it will be understood:

- That a new relationship means good foreign policy and good defense policy;
- That a new relationship based on partnership is consistent with good business management; and
- That a new relationship signals a new era of cooperation between the United States and the rest of the hemisphere.

We need to overcome several misconceptions. I will mention four.

First, we need to overcome the belief that sovereignty is essential to our needs. In reality we have never claimed sovereignty over the Canal Zone. Under the 1903 treaty we have extensive rights.

The new treaty would grant us continued rights to operate and defend the canal, but we would relinquish some rights which we don't need to accomplish these missions. Our essential requirement is not abstract sovereignty but the specific rights—accepted by Panama—that give the control we need.

Second, we need to overcome the idea that perpetuity is essential to defense and operation of the canal. On the contrary U.S. insistence on perpetual control is likely to create the kind of hostile environment which will jeopardize our ability to operate and defend the canal for an extended period of time. What is required is a relationship based on mutual respect and dignity.

Third, we must overcome the belief that the Canal Zone is part of the United States or a U.S. territory.

In the 1903 treaty Panama granted us “rights, power and authority within the zone . . . which the United States would possess . . . if it were the sovereign of the territory.” We were not granted “sovereignty” as such. The United States, for many years, has considered the Canal Zone as Panamanian territory, albeit under U.S. jurisdiction.

Fourth—and last—we must overcome the notion that a new treaty will somehow lead inevitably to the canal's closure and loss. This concern appears based upon an erroneous view of the Panamanians as well as a lack of knowledge about our negotiating objectives.

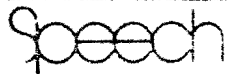
There are still people who believe that Panamanians lack the technical aptitude and the inclination to manage the operation of the canal. These people ignore the fact that Panamanians already comprise over three-fourths of the employees of

the canal enterprise. While it is true that many of these employees have not held supervisory positions, no one who has been to Panama and seen its thriving economy can persuasively argue that Panamanians—given the proper training—would not be able to keep the canal operating effectively and efficiently.

Whereas Panama's participation in the canal's operation and defense would increase its stake in the canal and provide it with a greater incentive to help us keep the canal open and operating efficiently, adherence to the status quo would more likely lead to the canal's closure and loss.

I firmly believe that our most critical problem at home is not fundamental antipathy to a new relationship with Panama; it is ignorance of why the new relationship is needed to protect our interests. We need a straightforward and productive dialogue. Considerable public education is needed if a new treaty is not to be regarded as bad politics domestically. Debate on an issue of such national import is not only inevitable but desirable.

After education, dialogue, and debate I believe that we will emerge with a reasonable and mutually satisfactory treaty which will be examined and which will stand on its merits.



Houston, Texas
March 1, 1975

Bureau of Public Affairs
Office of Media Services

THE UNITED STATES AND LATIN
AMERICA: THE NEW OPPORTUNITY
Secretary Henry A. Kissinger

The Panama Canal. Since its opening, the peoples of the world have looked on the Panama Canal as an important lifeline of commerce and international security. It is essential that the canal remain open to the ships of all nations on fair terms.

In acquiring the rights to build the canal, the United States was granted exclusive control—the rights which it would possess and exercise “if it were sovereign”—over a 10-mile-wide strip of Panamanian territory from the Atlantic to the Pacific. In the Canal Zone, we enforce U.S. laws, operate commercial enterprises, and control most of the deepwater port facilities that serve Panama.

Over time the nature of the U.S. presence has come to be viewed by the people of Panama—and indeed by most of the rest of the hemisphere—as an infringement upon their national sovereignty and their principal resource—their country’s strategic location.

Clearly both Panama and the United States have vital interests in the canal. The challenge is to reconcile the security needs of the United States with Panama’s national honor and sovereignty. Negotiations on this problem have gone on intermittently for 11 years; in the last year and a half they have moved forward rapidly. We now believe that an agreement on terms fair to all is possible.

We have made progress because each side has recognized the essential needs and constraints of the other. The United States understands that a treaty negotiated in 1903 does not meet the requirements of 1975. We are ready to acknowledge

that it is reasonable for Panama to exercise jurisdiction over its territory and to participate in the operation and defense of the canal. We are prepared to modify arrangements which conflict with Panamanian dignity and self-respect.

In turn we will expect Panama to understand our perspective—that the efficient, fair, and secure operation of the canal is a vital economic and security interest of the United States; that a new treaty must provide for the operation and defense of the canal by the United States for an extended period of time; and that a new treaty must protect the legitimate interests of our citizens and property in Panama.

A new treaty based on these principles will make the United States and Panama partners in the operation of the canal, protect the essential national interests of both, and provide a secure arrangement for the long term.

Serious problems remain to be resolved in the negotiation. But we are confident that they will be overcome if both parties continue to display the seriousness and mutual understanding they have shown so far.

The Administration has been consulting with the Congress as our negotiations have proceeded. We will intensify these consultations and discuss in detail the arrangements which we envisage. A new treaty which reflects the advice and consent of the Senate and the full support of the American people will be a concrete and significant demonstration that with good will on both sides cooperative solutions to the problems of the Western Hemisphere are possible.

WHY A NEW CANAL TREATY IS NECESSARY

-- In 1903 the United States and Panama signed a treaty which:

- permitted the U.S. to construct, operate, maintain, and defend the Panama Canal, and
- gave the United States ^{the same} rights ^{it would have} "if it were the sovereign" in perpetuity on Panamanian territory.

-- Today the 1903 Treaty is 72 years old.

- it led to an engineering achievement which has served us well and of which we are justly proud.
- it also led to a U.S. governmental structure on Panamanian territory which causes serious offense to Panama.

-- The terms of the 1903 Treaty no longer reflect the many changes that have occurred in Panama, the U.S. and the world.

-- Today no nation, including ours, could continue to accept a treaty which permits the exercise of such extensive extra-territorial rights in "perpetuity."

-- Thus, we now seek a new treaty relationship that will give us the rights we need and will create the cooperative environment most conducive to continued U.S. operation and defense of the waterway.

-- We are negotiating because:

- We want to protect our basic national interest in Panama -- a canal that is open, efficient, secure and neutral.
- Panama's acceptance of our presence is declining, and as it declines, our ability to operate and defend the Canal will grow more difficult.



- We have a bipartisan commitment to negotiate that President Johnson made publicly 11 years ago.
 - Latin America's strong support for Panama's aspirations will create a serious problem in our hemispheric relations without a new treaty.
 - We perceive an opportunity that, if lost, may not emerge again on terms as acceptable as those of the present moment.
-

- We are negotiating pragmatically, not in a spirit of "do goodism."
 - We believe that future protection and operation of a vulnerable canal such as the Panama Canal depends not on sovereignty and not on perpetuity -- but in a practical sense, on gaining a cooperative environment and removing the unnecessary irritants from our existing relationship.
 - We are seeking specific treaty rights -- accepted by Panama that will
 - enable us to operate and defend the Canal for a reasonably extended period of time, and
 - guarantee that our national interest in the canal will be protected after this period.
-

- We believe that the costs of trying to maintain the status quo would be unnecessarily large and likely to lead to confrontation.
 - A new treaty relationship based on the concept of partnership would give Panama a tangible stake in contributing to the effective operation and defense of the canal; whereas
 - Confrontation would risk losing what both we and the Panamanians want to protect -- a secure and open canal.



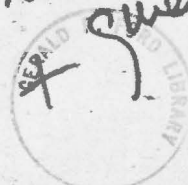
- In sum, a treaty which satisfies the legitimate interests of both countries:
 - means sound business management
 - represents realistic foreign and defense policy, and
 - signifies an important step toward constructive relations between the U.S. and the hemisphere.
-
- Active negotiations have been underway since June 1974 and both governments are proceeding deliberately.
 - Progress has been made on some issues, including Panama's participation in Canal operation and defense and the rights we need to operate and defend the Canal.
 - A number of difficult issues (treaty duration, expansion rights, economic benefits to Panama and definition of lands and waters required for Canal operation and defense) are either unresolved or remain to be negotiated.
 - Our ability to reach eventual agreement on a draft treaty will depend on the successful resolution of remaining issues. We cannot predict at this time when a draft treaty might be completed.
 - We hope people will reserve their judgment on the proposed treaty terms until there is a document which presents the situation in its entirety.

Q: (GOVERNOR GEORGE WALLACE, ALABAMA) MR. SECRETARY, AFTER THE UNFORTUNATE CONCLUSION OF THE MATTER OF INDOCHINA, DO YOU FEEL THAT THE UNITED STATES NOW CAN AFFORD TO GIVE UP CONTROL OF THE PANAMA CANAL?

A: ON THE ISSUE OF THE PANAMA CANAL--THE QUESTION IS, WHAT IS MEANT BY CONTROL OF THE PANAMA CANAL AND HOW DO WE DEFINE OUR VITAL INTERESTS IN RELATIONS TO THE PANAMA CANAL? THE UNITED STATES MUST MAINTAIN THE RIGHT UNILATERALLY TO DEFEND THE PANAMA CANAL FOR AN INDEFINITE FUTURE, OR FOR A LONG FUTURE. ON THE OTHER HAND, THE UNITED STATES CAN EASE SOME OF ITS OTHER CONDITIONS IN THE CANAL ZONE. OUR PROBLEM WITH RESPECT TO THE PANAMA CANAL ZONE IS THIS: HOW DO WE BEST DEFEND OUR DEFENSE REQUIREMENTS THAT ARE VITAL IN THE PANAMA CANAL AREA? DO WE DO IT MOST EFFECTIVELY BY DIGGING IN, TURNING PANAMA INTO A POTENTIAL AREA OF GUERRILLA CONFLICT BACKED BY ALL OF LATIN AMERICA AND TURNING IT INTO A ISSUE OF PERMANENT CONFRONTATION BETWEEN ALL OF LATIN AMERICA AND THE UNITED STATES IN WHICH MILITARY FORCE MAY HAVE TO BE USED FOR AN INDEFINITE PERIOD, OR IS IT POSSIBLE TO MAKE ARRANGEMENTS IN WHICH OUR DEFENSE INTEREST CAN BE MAINTAINED FOR MANY DECADES AND OUR OPERATING INTERESTS CAN ALSO BE MAINTAINED FOR SEVERAL DECADES AND THEREBY DEFEUSE THE IMMEDIATE SITUATION? NOBODY IS IN FAVOR OF TURNING OVER OUR DEFENSE OF THE PANAMA CANAL AND NOBODY IS IN FAVOR OF TURNING OVER THE ESSENTIAL OPERATING REQUIREMENTS. WHAT WE ARE TALKING ABOUT IS WHETHER WE CAN DEVELOP A STATUS FOR THE PANAMA CANAL--AND WE ARE NOT SURE YET THAT THIS CAN BE DONE--THAT MEETS OUR ESSENTIAL DEFENSE REQUIREMENTS AND AVOIDS THE SITUATION IN WHICH WE MAY HAVE A VITE-NAM TYPE SITUATION IN CENTRAL AMERICA FOR THE INDEFINITE FUTURE BACKED BY ALL OF LATIN AMERICA. IF WE CAN FIND AN HONORABLE WAY OF DOING IT, WE WOULD LIKE TO EXPLORE IT. AS WE EXPLORE IT, WE WILL CONSULT CLOSELY WITH THE INTERESTED MEMBERS OF THE CONGRESS, AND THERE WILL NOT BE ANY SECRET NEGOTIATIONS THAT ARE SPRUNG ON PEOPLE UNEXPECTEDLY. THIS IS REALLY THE ISSUE. WE ARE IN THE PROCESS OF EXPLORING IT AND I DO NOT KNOW WHETHER IT IS POSSIBLE TO ACHIEVE WHAT I'VE DESCRIBED. IF IT ISN'T, THEN THERE CAN BE NO AGREEMENT. END OF SECRETARY'S REMARKS AT GOVERNOR'S CONFERENCE.

~~THE FOLLOWING GUIDANCE WAS PRESENTED BY THE SECRETARY~~

*Secretary's
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THE DEPARTMENT OF STATE



*Principles
page 4*

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

1905 it recognized Panama's titular sovereignty over the Canal Zone. The treaty was revised in 1936, 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 20 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 sea-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, which 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 are consistent with the broader policy stated in Secretary Kissinger's call in October 1973 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 15 to March 21, 1973. In those sessions, Panama criticized the U.S. posture on the canal question and sought a resolution supporting its position. Thirteen nations voted for the resolution; the United Kingdom abstained. The United States vetoed the resolution on the grounds that it recognized Panama's needs but not those of the United States; that it was incomplete in 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 6 and 7, 1974, to discuss with Panamanian Foreign Minister Juan Antonio Tack general principles upon which a new treaty might be based. These discussions resulted in the Statement of Principles of February 7, 1974 (See p. 3), 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 Statement of Principles, Ambassador Bunker and Foreign Minister Tack 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 have to permit it to continue to operate, maintain, and defend the canal? What geographic areas 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 Tack, 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 the 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 accor-

dance 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 said traffic, shall agree bilaterally on provisions for new projects which will enlarge canal capacity. Such provisions will be incorporated in the new treaty in accord with the concepts established in principle 2.

DEPARTMENT OF STATE, U.S.A.
WASHINGTON, D.C. 20520

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PANAMA -- "ZONIANS" OPPOSED TO PROSPECTS OF U. S. TREATY

Q. The Washington Post reports today (A-14) that U. S. officials are having a difficult time persuading Americans living in the Canal zone that a new U. S. - Panama treaty would be in their interest.

The President has said that he has no intention of proposing an agreement that would not protect our vital interests. How does he reconcile this statement with the views and concerns of the more than 39, 000 Americans living in the Canal Zone, some for 2 or 3 generations?

A. The goal of the negotiations on the Panama Canal is to reach an agreement which would accommodate the interests of both nations while protecting our basic interests in the defense and operation of the Canal. There are a number of questions remaining to be resolved and the negotiations are continuing. Naturally, in any agreement concluded, the ^{situation} ~~status~~ of Americans living in the Canal Zone will be taken into account,

TORRIJOS THREATS ON THE PANAMA CANAL

Q. General Omar Torrijos has reportedly warned that if negotiations on turning over the U.S. controlled Panama Canal to Panama fail, that the Panamanians would have to resort to the violent stage. How does the U.S. respond to such threats and is this an indication that the U.S. is dragging its feet on the negotiations?

A. First of all, let me just say that these negotiations have been conducted in a spirit of seriousness and cooperation. We feel the best way to resolve differences of the kind that exist is through serious and good faith negotiations with the parties involved. We feel both countries are dedicated to resolving the problems in this spirit. The U.S. will continue to participate in these negotiations with a recognition of Panama's concerns and a determination to protect our vital interests in the Canal.

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PANAMA CITY ARAMCO MEETING:

BACKGROUND INFORMATION

The meetings going on in Panama City are private. Arrangements were made by Aramco. While the U. S. Government arranged for security, it has not had any contact with the Saudi government on the meetings, nor has the USG had anything to do with the purpose or agenda.

The purpose of the meeting appears to be to discuss arrangements leading to 100% participation by the Saudis in Aramco. Discussions were supposed to begin in December following the OPEC Meeting in Vienna, but the kidnaping incident forced postponement of the meeting.

The first discussions between Saudi Arabia and Aramco began in 1972 when negotiations for a 25% Saudi participation arrangement were initiated. In 1974, a 60% participation arrangement was discussed, followed by the current round of discussions on 100% participation. These talks are on the technical and financial arrangements, on management questions, fees for ongoing services, and on access to oil. The oil companies are likely to maintain a management and servicing role to continue exploration, facilitate marketing arrangements, and provide technical expertise.

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4/19/76

PANAMA CANAL NEGOTIATIONS

Q: In Dallas you said that the United States would never give up its control of the defense or operation of the Panama Canal. But Ambassador Bunker has testified that you instructed him to negotiate giving up both the Canal and the Canal Zone. Can you explain this contradiction?

A: Let me explain what the Panama negotiations are all about.

The original Panama Canal Treaty has been revised a number of times to accommodate to changing conditions. The United States interest has been, and remains, assuring safe passage of ships through the Canal. A series of developments, culminating in the deadly riots of 1964, convinced President Johnson that the present treaty was no longer adequate to preserve U.S. interests in the Canal and in Latin America. He undertook negotiations in 1964 and they have been continuing with a few interruptions ever since.

The issue involves not just Panama. All of Latin America feels strongly on this issue. They consider these negotiations a test of American willingness to deal with Latin America on a basis of equality and respect.

Our objectives are clear -- to achieve an agreement in which our interests in the defense of the Canal and in its operation are fully safe-guarded but which will avoid a situation in which all Latin America will be united against us on that narrow issue.

Such a treaty arrangement may not be possible. And we will defend our interests in the Panama Canal against all of Latin America if we must. But we owe it to ourselves and to our relations with our neighbors to the south to try to achieve our objectives in a cooperative manner. That is my policy and I intend to stick with it.

The United States will not surrender its interests in the operation and defense of the Canal. We are instead seeking the best way to preserve them -- in an atmosphere of partnership rather than confrontation. Any agreement negotiated will be submitted to the Congress for its approval and we continue to consult closely with the Congress as negotiations proceed.

20 April

PANAMA CANAL GUIDANCE FOR STATE.

(FYI: This is what State will say. You can refer to them.)

Q: The President is quoted in the Baltimore Sun as having said that we are going to insist during the duration of the treaty, that we have the right to operate, maintain and defend the Canal. Isn't this inconsistent with the Eight Principles which talk about shared responsibilities?

A: No, the prime responsibility for these activities will remain in US hands. I refer you to the sixth of the Eight Principles which reads in part, " 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."

PANAMA CANAL: CLEMENTS STATEMENT

Q. Yesterday in Texas, Deputy Secretary Clements said in quoting the 8 principles governing the new Panama Canal Treaty that "the new treaty shall be for a fixed period rather than in perpetuity -- "(except for the above mentioned defense rights.)" Is this, in fact, a change in our position on the Canal, or did Clements err in his statement?

A. We have said before that the role of the United States in the Canal after the termination of the treaty is one of the subjects of negotiation.

Our interest in the Canal is, of course, to make sure, as Secretary Clements said, that it "remains open for the commerce of the world and that it is efficiently operated on a non-discriminatory basis at reasonable prices."

May 24, 1976

PANAMA CANAL EXPANSION

Q: Governor Reagan has proposed putting a billion dollars into the Panamanian economy for reconstruction of the Canal. Do you have any comment on this?

A: This latest scheme of my opponent represents a sharp turn-around from his previous position of charging give-away to one of proposing one to the tune of as much as \$2 billion dollars. He is consistent in one respect however -- in both cases he steadfastly refuses to be swayed by facts. Let's take his latest scheme to expand the Canal's capacity. Actually this idea first surfaced in 1964 when the Congress asked for a study commission to be appointed to examine the need for expansion of the Canal. In 1970, that commission reported to the President that with modernization the existing canal was adequate and recommended against its expansion. The least expensive option for expansion set forth in the report involved construction of a third set of locks and would have cost \$1.5 billion in 1970. That would be likely to be at least \$2 billion now. As people who have studied the canal know, usage of the canal has been decreasing for several years. So the proposal so far as I can see it is to spend \$2 billion on a project ^{if only don't feel worth even it} that ~~no one~~ wants.

FYI: The 88th Congress commissioned the Atlantic-Pacific Inter-Oceanic Study Commission to examine expansion of

the present Canal and alternate sea-level routes. The least expensive proposal was to build a third set of locks. This proposal has been frequently supported by Senator Thurmond and Congressman Flood. They claim it would not require Panama's approval. The Commission, which was headed by Texas banker Robert Anderson and included Milton Eisenhower among its members, estimated in 1970 that the third set of locks would cost \$1.53 billion. That figure would probably be closer to \$2 billion today. It is, furthermore, highly unlikely that Panama would agree to the expansion and very possibly would oppose it.

- Q: Mr. Reagan also said that the United States guarantees the independence of Panama. Is this correct?
- A: Under the 1903 Treaty the United States committed itself to the defense of the independence of Panama. However, Mr. Reagan may have overlooked the fact that this provision was rescinded by Article I of the 1936 amendment approved by the Senate of the United States.
- Q: Mr. Reagan has stated the military picture in Panama is overwhelmingly in the US favor with 1,500 men in the Panamanian National Guard and 20,000 US military. Is this a correct picture?
- A: Not at all. The Panamanian National Guard has approximately 7,000 men, while our own military force is about 10,000.
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The Atlantic-Pacific Inter-Oceanic Study Commission was established pursuant to Public Law 88.609, as amended. In its final report to the President, dated December 1, 1970, the Commission recommended that the existing Canal be modernized to provide its maximum potential transit capacity but that no additional locks should be constructed.

U. S. - PANAMA NEGOTIATIONS

Q. Did the United States Government tell Panama last Spring that talks would resume in September? Did the United States Government commit itself to resuming the negotiations following the Democratic and Republican Conventions?

A. I would like to emphasize that the United States remains fully committed to a serious effort to accommodate the mutual interests and aspirations of both the United States and Panama. The United States Government has made no commitment to Panama with respect to the timing of the next round of discussions. Further, it would be incorrect to suggest that these negotiating rounds have proceeded according to any fixed schedule planned in advance. It is correct, however, that our negotiators did express to their Panamanian counterparts the personal hope that they would be in a position to meet in the early autumn.

Q. Did Secretary Kissinger tell Ambassador Gonzalez-Revilla that he hoped that the U. S. negotiators would be able to go to Panama "in the first days of October."?

A. You should refer to the State Department any questions regarding the Secretary's conversations with foreign ambassadors.

PANAMA CHARGES ON U. S. INVOLVEMENT

Q. Does the United States have any comment on the communique issued in Panama today which alleges involvement by U.S. Government agencies in the recent domestic disturbances in Panama?

A. Our Ambassador in Panama in Panama issued the following statement earlier today which I believe speaks for itself:

"Neither the United States Government nor any of its agencies has been involved in any of the recent disturbances in Panama.

"We regret that unfounded allegations have been made which can only impact unfavorably on the friendly relations between the United States and Panama and affect adversely the ongoing negotiations between our two countries."

Q. There are reports of the arrest by the Government of Panama of some American soldiers for their alleged involvement in recent demonstrations. Can you comment on this?

A. We have been informed by the Pentagon that two members of the 193rd Infantry Brigade were detained by Panamanian authorities while they were in Panama City on authorized pass the night of September 16. I understand that the charge concerns a rock throwing incident and that they are now in a Panamanian jail. I refer you to State for any further information that may be available.

PANAMA CANAL

IF ASKED

Q: Can you confirm that Ambassador Bunker is about to return to Panama for another round of negotiations on a new treaty?

A: Yes. The Ambassador expects to leave for Panama next Monday.

Q: How long will the Ambassador stay in Panama?

A: In the past, most visits have lasted about a week.

Q: What are the issues that are scheduled for discussion?

A: No agenda has yet been agreed upon.

Q: Can anything useful be accomplished in the short time left for the present Administration?

A: Both we and the Panamanians believe so. A number of issues remain for exploration and discussion. Since the Panamanians requested this next round, we presume that they will have some material which they wish to bring to the attention of our negotiators.

Q: Has there been any specific guidance for these negotiations given by the incoming Administration?

A: Not that I know of. These talks simply reflect our continuing commitment to negotiations which have been underway, as you know, for some time.