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VOLUME XXIX

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Volume XXIX

Panama

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General Editor Adam M. Howard

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About the Series

The *Foreign Relations of the United States* series presents the official documentary historical record of major foreign policy decisions and significant diplomatic activity of the U.S. Government. The Historian of the Department of State is charged with the responsibility for the preparation of the *Foreign Relations* series. The staff of the Office of the Historian, Bureau of Public Affairs, under the direction of the General Editor of the *Foreign Relations* series, plans, researches, compiles, and edits the volumes in the series. Secretary of State Frank B. Kellogg first promulgated official regulations codifying specific standards for the selection and editing of documents for the series on March 26, 1925. These regulations, with minor modifications, guided the series through 1991.

Public Law 102–138, the Foreign Relations Authorization Act, established a new statutory charter for the preparation of the series which was signed by President George H.W. Bush on October 28, 1991. Section 198 of P.L. 102–138 added a new Title IV to the Department of State's Basic Authorities Act of 1956 (22 U.S.C. 4351, et seq.).

The statute requires that the *Foreign Relations* series be a thorough, accurate, and reliable record of major U.S. foreign policy decisions and significant U.S. diplomatic activity. The volumes of the series should include all records needed to provide comprehensive documentation of major foreign policy decisions and actions of the U.S. Government. The statute also confirms the editing principles established by Secretary Kellogg: the *Foreign Relations* series is guided by the principles of historical objectivity and accuracy; records should not be altered or deletions made without indicating in the published text that a deletion has been made; the published record should omit no facts that were of major importance in reaching a decision; and nothing should be omitted for the purposes of concealing a defect in policy. The statute also requires that the *Foreign Relations* series be published not more than 30 years after the events recorded. The editors are convinced that this volume meets all regulatory, statutory, and scholarly standards of selection and editing.

Sources for the Foreign Relations Series

The *Foreign Relations* statute requires that the published record in the *Foreign Relations* series include all records needed to provide comprehensive documentation of major U.S. foreign policy decisions and significant U.S. diplomatic activity. It further requires that government agencies, departments, and other entities of the U.S. Government en-

gaged in foreign policy formulation, execution, or support cooperate with the Department of State historians by providing full and complete access to records pertinent to foreign policy decisions and actions and by providing copies of selected records. Most of the sources consulted in the preparation of this volume have been declassified and are available for review at the National Archives and Records Administration (Archives II), in College Park, Maryland.

The editors of the *Foreign Relations* series have complete access to all the retired records and papers of the Department of State: the central files of the Department; the special decentralized files ("lot files") of the Department at the bureau, office, and division levels; the files of the Department's Executive Secretariat, which contain the records of international conferences and high-level official visits, correspondence with foreign leaders by the President and Secretary of State, and the memoranda of conversations between the President and the Secretary of State and foreign officials; and the files of overseas diplomatic posts. All of the Department's central files for 1977–1981 are available in electronic or microfilm formats at the National Archives and Records Administration facility in College Park, Maryland (Archives II), and may be accessed using the Access to Archival Databases (AAD) tool. Almost all of the Department's decentralized office files covering this period, which the National Archives deems worthy of permanent retention, have been transferred to or are in the process of being transferred from the Department's custody to Archives II.

Research for *Foreign Relations* volumes is undertaken through special access to restricted documents at the Jimmy Carter Presidential Library and other agencies. While all the material printed in this volume has been declassified, some of it is extracted from still-classified documents. The staff of the Carter Library is processing and declassifying many of the documents used in this volume, but they may not be available in their entirety at the time of publication. Presidential papers maintained and preserved at the Carter Library include some of the most significant foreign-affairs related documentation from White House offices, the Department of State, and other federal agencies including the National Security Council, the Central Intelligence Agency, the Department of Defense, and the Joint Chiefs of Staff.

Some of the research for volumes in this subseries was done in Carter Library record collections scanned for the Remote Archive Capture (RAC) project. This project, which is administered by the National Archives and Records Administrations's Office of Presidential Libraries, was designed to coordinate the declassification of still classified records held in various Presidential Libraries. As a result of the way in which records were scanned for the RAC, the editors of the *Foreign Relations* series were not always able to determine whether attach-

ments to a given document were in fact attached to the paper copy of the document in the Carter Library file. In such cases, some editors of the *Foreign Relations* series have indicated the ambiguity by stating that the attachments were "Not found attached."

Editorial Methodology

Documents in this volume are presented chronologically according to Washington time. Memoranda of conversation are placed according to the time and date of the conversation, rather than the date the memorandum was drafted.

Editorial treatment of the documents published in the *Foreign Relations* series follows Office style guidelines, supplemented by guidance from the General Editor and the Chief of the Declassification and Publishing Division. The documents are reproduced as exactly as possible, including marginalia or other notations, which are described in the footnotes. Texts are transcribed and printed according to accepted conventions for the publication of historical documents within the limitations of modern typography. A heading has been supplied by the editors for each document included in the volume. Spelling, capitalization, and punctuation are retained as found in the original text, except that obvious typographical errors are silently corrected. Other mistakes and omissions in the documents are corrected by bracketed insertions: a correction is set in italic type; an addition in roman type. Words repeated in telegrams to avoid garbling or provide emphasis are silently corrected. Words and phrases underlined in the source text are printed in italics. Abbreviations and contractions are preserved as found in the original text, and a list of abbreviations and terms is included in the front matter of each volume. In telegrams, the telegram number (including special designators such as Secto) is printed at the start of the telegram.

Bracketed insertions are also used to indicate omitted text that deals with an unrelated subject (in roman type) or that remains classified after declassification review (in italic type). The amount and, where possible, the nature of the material not declassified has been noted by indicating the number of lines or pages of text that were omitted. Entire documents withheld after declassification review have been accounted for and are listed with headings, source notes, and the number of pages not declassified in their chronological place. All brackets that appear in the original document are so identified in the footnotes. All ellipses are in the original documents.

The first footnote to each document indicates the source of the document and its original classification, distribution, and drafting information. This note also provides the background of important documents and policies and indicates whether the President or his major policy advisers read the document.

Editorial notes and additional annotation summarize pertinent material not printed in the volume, indicate the location of additional documentary sources, provide references to important related documents printed in other volumes, describe key events, and provide summaries of and citations to public statements that supplement and elucidate the printed documents. Information derived from memoirs and other first-hand accounts has been used when appropriate to supplement or explicate the official record.

The numbers in the index refer to document numbers rather than to page numbers.

Advisory Committee on Historical Diplomatic Documentation

The Advisory Committee on Historical Diplomatic Documentation, established under the *Foreign Relations* statute, reviews records, advises, and makes recommendations concerning the *Foreign Relations* series. The Advisory Committee monitors the overall compilation and editorial process of the series and advises on all aspects of the preparation and declassification of the series. The Advisory Committee does not necessarily review the contents of individual volumes in the series, but it makes recommendations on issues that come to its attention and reviews volumes as it deems necessary to fulfill its advisory and statutory obligations.

Declassification Review

The Office of Information Programs and Services, Bureau of Administration, conducted the declassification review for the Department of State of the documents published in this volume. The review was conducted in accordance with the standards set forth in Executive Order 13526 on Classified National Security Information and applicable laws.

The principle guiding declassification review is to release all information, subject only to the current requirements of national security as embodied in law and regulation. Declassification decisions entailed concurrence of the appropriate geographic and functional bureaus in the Department of State, other concerned agencies of the U.S. Government, and the appropriate foreign governments regarding specific documents of those governments. The declassification review of this volume, which began in 2014 and was completed in 2015 resulted in the decision to withhold 2 documents in full, excise a paragraph or more in 2 documents, and make minor excisions of less than a paragraph in 14 documents.

The Office of the Historian is confident, on the basis of the research conducted in preparing this volume and as a result of the declassification review process described above, that the documentation and edito-

rial notes presented here provide a thorough, accurate, and reliable record of the Carter administration's foreign policy toward Panama.

Stephen P. Randolph, Ph.D.
The Historian

Adam M. Howard, Ph.D.
General Editor

Bureau of Public Affairs
October 2016

Preface

Structure and Scope of the Foreign Relations Series

This volume is part of a subseries of volumes of the *Foreign Relations* series that documents the most important issues in the foreign policy of the administration of Jimmy Carter. The volume covers U.S. policy toward Panama from 1977 to January 1981, with a focus on the Carter administration's efforts to negotiate, sign, ratify, and implement new Panama Canal treaties. The volume also covers issues between the United States and Panama not related to the Panama Canal treaties. For key companion volumes to this volume, see *Foreign Relations, 1969–1976, Volume XXII, Panama, 1973–1976*, which documents the Panama Canal treaty negotiations of the Nixon and Ford administrations that laid the foundation for the Carter administration's negotiations. See also *Foreign Relations, 1969–1976, Volume E–10, Documents on American Republics, 1969–1972*, which covers U.S.-Panamanian relations from 1969–1972. For documentation on the origins of the Panama Canal Treaty re-negotiation issue during the Johnson administration, see *Foreign Relations, 1964–1968, Volume XXXI, South and Central America; Mexico*. For key context documenting U.S. policy toward Central America and Panama's role in regional affairs during the Carter administration, see *Foreign Relations, 1977–1980, Volume XV, Central America*. For additional regional context, see *Foreign Relations, 1977–1980, Volume XXIV, South America; Latin America Regional and Foreign Relations, 1977–1980, Volume XXIII, Mexico, Cuba, and the Caribbean*.

Focus of Research and Principles of Selection for Foreign Relations, 1977–1980, Volume XXIX

This volume focuses on the Carter administration's efforts to negotiate, sign, ratify, and implement new Panama Canal treaties. The Carter administration inherited the Panama Canal treaties re-negotiation issue after 13 years of off-and-on-again negotiations, and Carter made it a top foreign policy priority when he took office in January 1977. The volume traces the administration's commitment to achieving what proved to be an unpopular, challenging, but ultimately successful foreign policy objective.

Documents selected for this volume highlight the high-level decision-making on this issue within the White House, Department of State, and Department of Defense and demonstrate how personally committed President Carter was to concluding new treaties. Even

though the negotiation of new treaties and the concept of turning the canal over to Panamanian control proved to be politically unpopular, Carter remained invested and highly involved in the issue from beginning to end, even as he recognized the political capital required to succeed.

Obstacles the administration faced to successfully concluding new treaties included having them ratified by the U.S. Congress, which, along with the U.S. public, remained largely opposed to negotiating a new treaty with Panama. The documentation covers the executive branch's rigorous public relations campaigns to win ratification votes in the Senate; the administration's outreach strategies to win over the U.S. people; attempts by members of Congress to defeat the treaties during the ratification process; and Carter administration officials' and U.S. diplomats' efforts to assuage the concerns and frustration of the Panamanian leadership, often expressed by its leader Omar Torrijos as the ratification fight unfolded.

This volume also documents the decision-making that drove the administration's approach to the legislation required to implement the treaties once they were ratified and the negotiations with those marshalling it through Congress. Day-to-day implementation of the treaties in Panama, overseen mainly by the Department of Defense, is not covered in this volume. In addition to the documentation concerning the treaties, the volume includes coverage of other significant bilateral issues and the expressed desire of leaders from both nations to move their relationship beyond the canal. These bilateral issues included U.S. attempts to influence Panamanian involvement in the affairs of other Central American nations, particularly Nicaragua and El Salvador, and Panama's hosting of the Shah of Iran in the winter of 1979–1980 at the request of the United States.

Acknowledgements

The editor thanks officials at the National Archives and Records Administration (NARA) Jimmy Carter Presidential Library and Museum, especially Ceri McCarron and Brittany Parris. Thanks are also due to officials of NARA's facility in College Park, Maryland, especially Alan Lipton, and to the Central Intelligence Agency (CIA) for arranging access to the Carter Library materials scanned for the Remote Archive Capture project. The editor wishes to recognize the CIA's Historical Staff for its help in arranging full access to CIA files and to Sandy Meagher for her valuable assistance in providing access to Department of Defense materials. The editor also thanks Alexander Poster and Michael McCoy, of the Department of State's Office of the Historian, and Jim Siekmeier, Bradley Coleman, and Thomas Percy, formerly of the Office of the Historian, for their assistance in the research of this volume.

Laura Kolar collected, selected, and edited the documentation for this the volume under the supervision of Myra Burton, Chief of the Africa and the Americas Division, and Adam M. Howard, General Editor of the Foreign Relations series. The volume was reviewed by Myra Burton and Stephen Randolph, *The Historian*. Dean Weatherhead coordinated the declassification review under the supervision of Carl Ashley, Chief of the Declassification Division. Margaret Ball and Heather McDaniel did the copy and technical editing. Do Mi Stauber prepared the index.

Laura R. Kolar
Historian

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Sources

Sources for Foreign Relations, 1977–1980, Volume XXIX, Panama, 1977–1981

The records of the White House, the Department of State, and the Department of Defense provided the bulk of the key documentation for this volume. The Carter Presidential Library in Atlanta, Georgia, is the best source of high-level decision-making on the administration's policies toward Panama. The Library's National Security Adviser files contain a number of important collections. In particular, the State Evening Reports from Secretary of State Vance to President Carter, found in the Brzezinski Material Subject File, contain some of the best records of Carter's handwritten thoughts and decision-making on the Panama Canal Treaties issue. The Brzezinski Material Trip File holds a wealth of important memoranda from National Security Adviser Brzezinski to Carter and between Brzezinski and other high-level interagency officials. The President's Correspondence with Foreign Leaders File in the Brzezinski Material provided critical correspondence between Carter and Torrijos and Royo, in addition to other records. The Brzezinski Material Country File and the Brzezinski Office File also contain valuable memoranda. Within the NSC staff, Robert Pastor was a key player on Panama issues, and the Pastor Country files on Panama in the Staff Material, North/South collection, provided numerous essential documents for this volume. In the Office of the Chief of Staff files, Hamilton Jordan's Files provided key documents on a range of issues, including two pivotal telcons between Carter and Torrijos in March of 1978 and congressional outreach and public relations records. Other valuable collections for this volume include the Papers of Walter F. Mondale, who was directly involved in the treaties issue, the NSC Institutional Files, which document the Presidential Review Policy Process and Policy Review Committee meetings as well as other important topics, and the Subject File in the White House Central Files.

Records of the Department of State, located at the National Archives and Records Administration facility in College Park, Maryland, and at the Department of State, provided essential materials for this volume. The Official and Personal Files of Ambassador at Large Ellsworth Bunker (Lot 78D300) contain the richest source of key documents on negotiating the treaties with Panama, including transcripts and summaries of negotiations, important memoranda of conversation, and strategizing documents. The files of Assistant Secretary for Congressional Affairs J. Brian Atwood (Lot 81D115) proved to be useful for doc-

umenting public and congressional outreach efforts. Files from American Embassy Panama were helpful, particularly the Panama Canal Treaty Negotiation Files, 1964–1977 (Lot 81F1) for providing important memoranda of conversation, telegrams, transcripts and other documents related to the 1977 negotiations. The files of Secretary of State Cyrus Vance and Deputy Secretary of State Warren Christopher provided select documents, and the records of David P. Newsom, Under Secretary for Political Affairs, 1978–1981 (Lot 81D154) were the main source of documents on the Shah of Iran’s stay in Panama. The Department’s Central Foreign Policy File contained useful telegrams.

The Department of Defense played a central role in the Carter administration’s foreign policy toward Panama, and the documents selected for this volume provide an essential high-level Department of Defense perspective. The key collections mainly came from Record Group 330, Records of the Office of the Secretary of Defense, held at the Washington National Records Center in Suitland, Maryland. The IA Region Files, 1974–1979, contain the records of the Department of Defense’s lead representative on the Panama Canal Treaties within the interagency, General Welborn G. Dolvin, and provided a rich source of materials. The Official Records (Secret and Below) of the Secretary of Defense, the Deputy Secretary of Defense and the Special Assistant to the Secretary and Deputy Secretary of Defense also proved valuable. In addition, the Records of the U.S. Joint Chiefs of Staff, RG 218, Records of Chairman George S. Brown and Records of Chairman David C. Jones contained helpful documentation.

Other valuable collections for this volume include Central Intelligence Agency files, the Sol M. Linowitz Papers at the Library of Congress, and Record Group 185, the records of the Panama Canal at the National Archives and Records Administration facility in College Park, Maryland.

In addition to the paper files cited below, a growing number of documents are available on the Internet. The Office of the Historian maintains a list of these Internet resources on its website and encourages readers to consult that site on a regular basis.

Unpublished Sources

Department of State, Washington, D.C.

Central Foreign Policy File. These files have been transferred or will be transferred to the National Archives and Records Administration in College Park, Maryland.

P Reels

D Reels

N Reels

INR/IL Historical Files. Files of the Office of Intelligence Coordination, containing records from the 1940s through the 1980s, maintained by the Office of Intelligence Liaison, Bureau of Intelligence and Research

Lot Files. These files have been transferred or will be transferred to the National Archives and Records Administration in College Park, Maryland.

American Embassy Panama

Panama Canal Treaty Negotiations Files, 1964–1977, Lot 81F1

Panama Canal Treaty Negotiation Files, Classified and Unclassified, Political and Economic Files 1976–1978, Lot 80F162

Political Section Classified Files, 1978, Lot 81F59

Political Section Unclassified Files, 1978, Lot 81F58

Classified Political Subject Files, 1979, Lot 82F93

Unclassified Political Subject Files, 1979, Lot 82F94

Classified and Unclassified Political Subject Files, 1979–1980, Lot 83F67

Bureau of Inter-American Affairs

Office of the U.S. Permanent Mission to the OAS, Luigi R. Einaudi Country Files, 1977–1989, Lot 91D371

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Office of the Executive Secretariat

Records of Cyrus R. Vance, Secretary of State, 1977–1980, Lot 84D241

Records of David P. Newsom, Under Secretary for Political Affairs, 1978–1981, Lot 81D154

Personal Files of Secretary of State Cyrus R. Vance, Lot 80D135

Principal and S/S Memoranda for 1977, Lot 79D31

Principal and S/S Memoranda for 1978, Lot 80D90

National Archives and Records Administration, College Park, Maryland

Record Group 59, Files of the Department of State

Central Foreign Policy File

Files of Assistant Secretary for Congressional Affairs, J. Brian Atwood, Subject Files and Chrons 1977/78/79/80, Lot 81D115

Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300

Official Working Papers of the Director of the Policy Planning Staff Anthony Lake, 1977—January 1981, Lot 82D298

Records of the Office of the Deputy Secretary, Warren Christopher, Lot 81D113

Records of the Under Secretary of State for Security Assistance, Science and Technology, Security Assistance Country and Subject Files, 1979, Lot 82D44

Subject Files of Secretary of State Edmund S. Muskie, 1963–1981, Lot 83D066

Record Group 185, Records of the Panama Canal

Negotiation and Planning Records for the 1977 Panama Canal Treaty

Subject Files of the 1979 Panama Canal Treaty Planning Group, 1950–1980 (Entry 13)

Record Group 218, Records of the U.S. Joint Chiefs of Staff

Records of Chairman George S. Brown

Records of Chairman David C. Jones

Jimmy Carter Presidential Library

Donated Historical Material

- Brzezinski Donated Material
- Papers of George D. Moffett
- Papers of Walter F. Mondale

National Security Affairs

- Brzezinski Material
 - Agency File
 - Brzezinski Office File
 - Country File
 - Presidential Correspondence with Foreign Leaders File
 - Subject File
 - Trip File

National Security Affairs

- Staff Material
 - North/South
 - Office
 - Press and Congressional Relations

National Security Council

- Institutional Files

President's Files

- Plains Files

Presidential Materials

- President's Daily Diary

Staff Office Files

- Records of the Office of the Chief of Staff
 - Hamilton Jordan's Files
 - Landon Butler's Files
- Records of the Office of Congressional Liaison
 - Bob Beckel's Subject Files
 - Frank Moore's Subject Files
 - Jeff Neuchterlein's Subject Files

Vertical File

White House Central Files

- Subject File

Central Intelligence Agency

Directorate of Intelligence, Office of Current Intelligence Files

- Job 79M00983A
- Job 80M00165A
- Job 80R01362A

Job 82B00007R
 Job 82B00421R
 Job 97S00360R

Library of Congress

Sol M. Linowitz Papers

National Security Council

Carter Intelligence Files

Washington National Records Center, Suitland, Maryland

Record Group 330, Records of the Office of the Secretary of Defense

IA Region Files, 1974–1979, FRC: 330–87–0068

AGC International Affairs, 1952–1981, FRC: 330–84–0047

1977 Country Files, FRC: 330–80–0035

Foreign Military Rights Affairs, 1970–1977, FRC: 330–79–0089

Foreign Military Rights Affairs, 1969–1978, FRC: 330–80–0024

1977 Official Records (Secret and Below) of the Secretary of Defense, the Deputy Secretary of Defense and the Special Assistant to the Secretary and Deputy Secretary of Defense, FRC: 330–80–0017

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- . *Public Papers of the Presidents of the United States: Gerald R. Ford, 1976–1977*. Washington: U.S. Government Printing Office, 1979.
- . *Public Papers of the Presidents of the United States: Jimmy Carter, 1977–1981*. Washington: U.S. Government Printing Office, 1978–1982.
- The Wall Street Journal*.
- The Washington Post*.

Abbreviations and Terms

AA/LA, Office of the Assistant Administrator and Deputy U.S. Coordinator
AFL-CIO, American Federation of Labor and Congress of Industrial Organizations
AID, Agency for International Development
AMB, Ambassador
ACAN-EFE, Panamanian news service
ASD/ISA, Assistant Secretary of Defense for International Security Affairs
APO, Army Post Office
ARA, Bureau of Inter-American Affairs, Department of State
ARA/ECP, Office of Regional Economic Policy, Bureau of Inter-American Affairs, Department of State
ARA/PAN, Office of Panamanian Affairs, Bureau of Inter-American Affairs, Department of State
ARA/USOAS, Permanent Mission of the United States of America to the Organization of American States, Bureau of Inter-American Affairs, Department of State
ASA, Assistant Secretary of State
ASAP, as soon as possible

BG, Brigadier General
BEQ, Bachelor Enlisted Quarters
BWG, Binational Working Group

CA, covert action
CBS, Columbia Broadcasting System
CEC USN, Civil Engineer Corps, United States Navy
CIA, Central Intelligence Agency
CIEC, Conference on International Economic Cooperation
CINC, Commander in Chief
CINCLANT, Commander in Chief, Atlantic Command
CINCSO, Commander in Chief, Southern Command
CINCSOUTH, Commander in Chief, Southern Command
CJCS, Chairman of the Joint Chiefs of Staff
CODEL, Congressional Delegation
COB, close of business
COL, Colonel
CONDECA, Central American Defense Council
CONUS, Continental United States
CRV, Cyrus R. Vance
CV, Cyrus Vance

D, Office of the Deputy Secretary of State; also Democrat
DA, David Aaron
DCM, Deputy Chief of Mission
DCI, Director of Central Intelligence, Central Intelligence Agency
DDCI, Deputy Director of Central Intelligence, Central Intelligence Agency
DDO, Deputy Director of Operations, Central Intelligence Agency
DDO/LA, Deputy Director of Operations for Latin America, Central Intelligence Agency
DEF, Defense

DIA, Defense Intelligence Agency
DISSEM, Dissemination Information
DO, Director of Operations, Central Intelligence Agency
DOA, Department of the Army
DOD, Department of Defense
DOD/ISA, Assistant Secretary of Defense for International Security Affairs
DOI, Department of Interior
DOT, Department of Transportation

E, Under Secretary of State for Economic Affairs
EB, Bureau of Economic and Business Affairs, Department of State
EDT, Eastern Daylight Time
EIS, Environmental Impact Statement
EMB, Embassy
EXDIS, Exclusive Distribution
EXIM, Export Import Bank
Ex-Im, Export Import Bank

FAA, Federal Aviation Administration
FFB, Federal Financing Bank
FM, from
FMS, Foreign Military Sales
FSLN, Sandinista National Liberation Front (Nicaragua)
FSO, Fund for Special Operations, Inter-American Development Bank
FY, Fiscal Year
FYI, For Your Information

GA, Georgia
G-2, Military Intelligence Unit
Gen., General
GN, *Guardia Nacional* (Panamanian National Guard)
GNP, Gross National Product
GOI, Government of Iran
GON, Government of Nicaragua
GOP, Government of Panama; also Grand Old Party (Republican Party)
GPO, Government Printing Office
GSP, Generalized System of Preferences

H, Bureau of Congressional Relations, Department of State
HA, Bureau of Human Rights and Humanitarian Affairs, Department of State
HB, Harold Brown
HEW, Department of Health, Education and Welfare
HFAC, House Foreign Affairs Committee
HIRC, House International Relations Committee
HR, House Resolution
HUD, Department of Housing and Urban Development

I, Independent
IA, Inter-America
IACHR, Inter-American Commission on Human Rights
IADB, Inter-American Development Bank
IDB, Inter-American Development Bank
IMET, International Military Education and Training
INR, Bureau of Intelligence and Research, Department of State

INR/IL, Intelligence Liaison, Bureau of Intelligence and Research, Department of State
INR/RAR, Office of Research and Analysis for the American Republics, Bureau of Intelligence and Research, Department of State

J, Jimmy Carter

JC, Jimmy Carter

JCE, Joint Commission on the Environment

JCS, Joint Chiefs of Staff

JRG, United States-Panama Joint Review Group; also *Junta Revolucionario de Gobierno* (Revolutionary Governing Junta; Junta of Revolutionary Government of El Salvador)

KY, Kentucky

L, Office of the Legal Adviser, Department of State

LIMDIS, Limited Distribution

Lt., Lieutenant

LTG, Lieutenant General

M, Million

MAAG, Military Assistance Advisory Group

Memcon, memorandum of conversation

MHD, Magnetohydrodynamic generator

MIL, Military

Milcon, military construction

MPH, Miles Per Hour

NAM, Non-Aligned Movement

NATO, North Atlantic Treaty Organization

NEPA, National Environmental Policy Act

NIE, National Intelligence Estimate

NIACT, Night Action, Needs Immediate Attention

NOCONTRACT, Not releasable to contractors or contractor/consultants

NODIS, No distribution

NOFORN, Not releasable to foreign nationals

NSA, National Security Agency

NSAM, National Security Action Memorandum

NSC, National Security Council

NSDM, National Security Decision Memorandum

NY, New York

OAS, Organization of American States

OASGA, Organization of American States General Assembly

OD, Operating Directive

OEOB, Old Executive Office Building

OES, Bureau of Oceans and International Environmental and Scientific Affairs, Department of State

OES/EN, Directorate for Environmental Affairs, Office of Environmental and Population Affairs, Bureau of Oceans and International Environmental and Scientific Affairs, Department of State

OJCS, Office of the Joint Chiefs of Staff

OMB, Office of Management and Budget

OPIC, Overseas Private Investment Corporation

OPR/LS, Office of Language Services, Bureau of Administration, Department of State

XXIV Abbreviations and Terms

ORCON, Dissemination and extraction of information controlled by originator
OSD, Office of the Secretary of Defense
OSD/ISA, Office of the Secretary of Defense, Bureau of International Security Affairs, Department of Defense
OSM, Office of Spectrum Management, National Telecommunications and Information Administration, Department of Commerce

P, Under Secretary of State for Political Affairs
PCA, Panama Canal Authority
PCC, Panama Canal Company; also Panama Canal Commission
PCNWG, Panama Canal Negotiations Working Group
PFC, Private First Class
PL, Public Law
PNA, Panama
PRC, Policy Review Committee; also Panama Review Committee; also People's Republic of China
PRM, Policy Review Memorandum
PX, Post exchange

R, Republican
RE, regarding
Reftel, reference telegram
RI, Karl "Rick" F. Inderfurth
RIFS, reductions in force
RG, Record Group
RP, Robert Pastor
RPT, Repeat

S, Office of the Secretary of State
S/AB, Ambassador-at-Large Ellsworth Bunker
S/P, Policy Planning Staff, Department of State
S/PTA, Special Representative of the Secretary for Panama Treaty Affairs, Department of State
S/S, Executive Secretariat, Department of State
S/S-I, Information Management Section, Executive Secretariat, Department of State
S/S-O, Operations Center, Executive Secretariat, Department of State
SSCI, Senate Select Committee on Intelligence
SAC, Senate Appropriations Committee
SALT, Strategic Arms Limitation Treaty
SC, Security Council, United Nations
SecDef, Secretary of Defense
Septel, separate telegram
SFRC, Senate Foreign Relations Committee
SOFA, Status of Forces Agreement
SOUTHCOM, United States Southern Command
SSO, Special Security Office
STADIS, distribution within the Department of State only

T-Day, Treaty into force day
TNT, Trinitrotoluene
TOSEC, designation for a message sent to the Secretary of State

UN, United Nations
UNGA, United Nations General Assembly

UPI, United Press International
US, United States
USAID, see AID
USG, United States Government
U.S., United States
USA, United States of America
USAF, United States Air Force
USCINCSO, Commander in Chief, Southern Command
USD/P, Under Secretary of Defense for Policy
USG, United States Government
USMILGP, United States Military Group
USMC, United States Marine Corps
USN, United States Navy
USOAS, United States Representative to the Organization of American States
USS, United States Senate
USSOUTHCOM, United States Southern Command
USSR, Union of Soviet Socialist Republics
USUN, United States United Nations Mission

VFW, Veterans of Foreign Wars, USA
VP, Vice President

WC, Warren Christopher
WHSITRM, White House Situation Room
WY, Wyoming

Z, Zulu (Greenwich) Mean time
ZB, Zbigniew Brzezinski

Persons

- Aaron, David L.**, Deputy Assistant to the President for National Security Affairs
- Adams, Brock**, Secretary of Transportation from January 23, 1977, until July 20, 1979
- Albright, Madeleine**, Congressional Relations Officer, National Security Council Staff, from March 1978 until January 1981
- Alexander, Clifford L., Jr.**, Secretary of the Army
- Allen, James B.**, Senator (D-Alabama) until June 1, 1978
- Andrus, Cecil D.**, Secretary of the Interior
- Aragon, Joseph**, Special Assistant to the President from January 1977 until January 1979
- Armao, Robert F.**, Chief Aide to Mohammed Reza Pahlavi, Shah of Iran
- Atwood, J. Brian**, Deputy Assistant Secretary of State for Congressional Relations and Legislative Officer for Atomic Energy, Bureau of Intelligence and Research, Legal Adviser, from 1977 until 1979; Assistant Secretary of State for Congressional Relations from August 3, 1979, until January 14, 1981
- AuCoin, Walter ("Les")**, member, U.S. House of Representatives (D-Oregon)
- Baker, Howard H., Jr.**, Senator (R-Tennessee); Senate Minority Leader
- Barkley, Richard C.**, Special Assistant to Ambassador at Large Ellsworth Bunker from 1974 until 1977
- Bauman, Robert E.**, member, U.S. House of Representatives (R-Maryland); Ranking Minority Member, Panama Canal Subcommittee
- Bayh, Birch**, Senator (D-Indiana); Chairman, Senate Select Committee on Intelligence from January 4, 1977, until December 16, 1980
- Barletta, Nicolás Ardito**, Panamanian Minister of Planning and Economic Policy
- Beckel, Robert G.**, Deputy Assistant Secretary of State for Congressional Relations from March 1977 until December 1977; Special Assistant to the President, White House Congressional Liaison Office, from January 1978
- Becker, John P.**, Office of Panamanian Affairs, Bureau of Inter-American Affairs, Department of State
- Bell, Griffin B.**, Attorney General from January 26, 1977, until July 19, 1979
- Bell, S. Morey**, Director, Office of Panamanian Affairs, Bureau of Inter-American Relations, Department of State
- Bellmon, Henry L.**, Senator (R-Oklahoma)
- Bennet, Douglas J., Jr.**, Assistant Secretary of State for Congressional Relations from March 18, 1977, until August 2, 1979; thereafter Administrator of the U.S. Agency for International Development
- Berger, Samuel R.**, member, Policy Planning Staff, Department of State
- Biden, Joseph R., Jr.**, Senator (D-Delaware)
- Blumenthal, W. Michael**, Secretary of the Treasury from January 23, 1977, until July 19, 1979
- Bonior, David E.**, member, U.S. House of Representatives (D-Michigan)
- Borg, C. Arthur**, Special Assistant to the Secretary and Executive Secretary, Department of State, until April 15, 1977; thereafter Deputy Chief of Mission, U.S. Embassy in Vienna
- Bowdler, William G.**, U.S. Ambassador to South Africa until April 19, 1978; Director, Bureau of Intelligence and Research, Department of State, from April 24, 1978, until December 17, 1979; Assistant Secretary of State for Inter-American Affairs from December 17, 1979, until January 16, 1981

- Bowen, David**, member, U.S. House of Representatives (D-Mississippi)
- Boyd, Aquilino Edgardo**, Panamanian Foreign Minister until February 1977
- Bremer, L. Paul, III**, Deputy Chief of Mission, U.S. Embassy in Oslo until 1979; thereafter Deputy Executive Secretary of the Department of State
- Brizill, Dorothy A.**, Special Assistant to Deputy Secretary of State Christopher from 1977 until 1979
- Brooke, Edward W. III**, Senator (R-Massachusetts) until January 3, 1979
- Brooks, Elmer T.**, Colonel, USAF; Military Assistant to Secretary of Defense Brown
- Brown, George S.**, General, USAF; Chairman of the Joint Chiefs of Staff from July 1, 1974, until June 20, 1978
- Brown, Harold**, Secretary of Defense
- Brzezinski, Zbigniew K.**, Assistant to the President for National Security Affairs
- Bunker, Ellsworth**, U.S. Ambassador at Large until June 30, 1978, Department of State
- Burdick, Quentin N.**, Senator (D-North Dakota)
- Bushnell, John A.**, Deputy Assistant Secretary of State for Inter-American Affairs
- Butler, Landon**, Deputy Assistant to the President from 1977 until 1979; Deputy to the White House Chief of Staff from 1979 until 1981
- Byrd, Harry F.**, Senator (I-Virginia)
- Byrd, Robert C.**, Senator (D-West Virginia); Senate Majority Leader
- Calderón, Jamie Arias**, Panamanian lawyer and negotiator
- Califano, Joseph A., Jr.**, Secretary of Health, Education, and Welfare from January 25, 1977, until August 3, 1979
- Campbell, Alan K.**, Director, Office of Personnel Management from January 2, 1979, until January 20, 1981
- Cannon, Howard**, Senator (D-Nevada)
- Carrington, Peter**, British Foreign Secretary from May 1979
- Carter, James Earl, Jr.**, ("Jimmy"), President of the United States
- Carter, J. Hodding, III**, Assistant Secretary of State for Public Affairs and Department of State Spokesperson from March 25, 1977, until June 30, 1980
- Case, Clifford P.**, Senator (R-New Jersey) until January 3, 1979
- Castro Ruz, Fidel**, Premier of Cuba
- Christopher, Warren M.**, Deputy Secretary of State
- Chester, Geraldene**, Attorney-Adviser, Office of the Assistant Legal Adviser for Inter-American Affairs, Office of the Legal Adviser, Department of State
- Chiles, Lawton**, Senator (D-Florida)
- Church, Frank**, Senator (D-Idaho)
- Claytor, W. Graham, Jr.**, Deputy Secretary of Defense from August 24, 1979, until January 16, 1981
- Clift, A. Denis**, member, National Security Council staff, from 1974 until 1977; thereafter Assistant to the Vice President for National Security Affairs
- Contreras, Armando**, Lieutenant Colonel, GN; GN Representative, Panamanian negotiating team
- Cooper, Richard N.**, Under Secretary of State for Economic Affairs
- Cranston, Alan**, Senator (D-California)
- Cronkite, Walter**, anchor, CBS *Evening News*
- Curtis, Carl T.**, Senator (R-Nebraska)
- Cutter, Curtis**, Legislative Officer, Inter-American Affairs, Bureau of Congressional Relations, Department of State
- Danforth, John C.**, Senator (R-Missouri)
- DeConcini, Dennis W.**, Senator (D-Arizona)

- Denend, Leslie G.**, member, Global Issues Cluster, National Security Council Staff, from July 1977 until June 1979; Special Assistant to the President's Assistant for National Security affairs from January 1980 until January 20, 1981
- Derwinski, Edward**, member, U.S. House of Representative (D-Illinois)
- Dodson, Christine**, Deputy Staff Secretary, National Security Council, from January 1977 until May 1977; thereafter Staff Secretary, National Security Council
- Dole, Robert**, Senator (R-Kansas)
- Dolvin, Welborn G.**, Lieutenant General, USA; Department of Defense Representative for Panama Canal Treaty Affairs
- Dornan, Robert**, member, U.S. House of Representatives (R-California)
- Duncan, Charles W., Jr.**, Deputy Secretary of Defense from January 31, 1977, until July 26, 1979
- Eastland, James O.**, Senator (D-Mississippi) until December 27, 1978
- Eizenstat, Stuart E.**, President's Assistant for Domestic Affairs and Policy and Executive Director of the Domestic Council
- Escobar Betancourt, Rómulo**, Principal Panamanian Negotiator, Panama Canal Treaty
- Ford, Charles R.**, Deputy and Acting Assistant Secretary of the Army for Civil Works until 1978; thereafter Executive Assistant and Staff Director to the Administrator of the Environmental Protection Agency
- Ford, Gerald R.**, President of the United States from August 9, 1974, until January 20, 1977
- Ford, Wendell H.**, Senator (D-Kentucky)
- Francois-Poncet, Jean**, French Minister of Foreign Affairs
- Ghotbzadeh, Sadegh**, Minister of Foreign Affairs for Iran from November 29, 1979, until August 1980
- Giscard d'Estaing, Valéry**, President of France
- Glenn, John H., Jr.**, Senator (R-Ohio)
- Goldsmith, Sydney**, Operations Center, Executive Secretariat, Office of the Secretary, Department of State
- Goldwater, Barry**, Senator (R-Arizona); Chairman, Senate Select Committee on Intelligence, from January 5, 1981, until October 12, 1984
- Gonzalez, Raymond E.**, Deputy Chief of Mission, U.S. Embassy in Panama City, until 1978; thereafter U.S. Ambassador to Ecuador
- Gonzalez, Rodrigo "Rory"**, aide and confidant of Torrijos
- Gonzalez-Revilla, Nicolas**, Panamanian Ambassador to the United States until February 1977; thereafter Panamanian Foreign Minister
- Grove, Brandon H., Jr.**, Acting Inspector General of the Department of State and the Foreign Service from May 1978 until July 1978; Deputy Assistant Secretary of State for Inter-American Affairs from 1979 until 1980
- Granum, Rex**, White House Deputy Press Secretary
- Guthrie, Donald K.**, Congressional Affairs Adviser, Office of Panamanian Affairs, Bureau of Inter-American Affairs, Department of State
- Haahr, James C.**, Director, Office of Panamanian Affairs, Bureau of Inter-American Affairs, Department of State
- Habib, Philip C.**, Under Secretary of State for Political Affairs from July 1, 1976, until April 1, 1978
- Hansell, Herbert J.**, Legal Advisor of the Department of State from April 8, 1977, until September 20, 1979
- Hatch, Orrin**, Senator (R-Utah)
- Hatfield, Mark**, Senator (R-Oregon)

- Hayakawa, Samuel**, Senator (R-California)
- Heinz, Henry John, III**, Senator (R-Pennsylvania)
- Helms, Jesse A.**, Senator (R-North Carolina)
- Hemenway, Brewster R.**, Director, Office of Central American Affairs, Bureau of Inter-American Affairs, Department of State, from January 1979 until July 1980
- Hodges, Kaneaster, Jr.**, Senator (D-Arkansas) from December 15, 1977
- Hodges, Luther H., Jr.**, Under Secretary of Commerce from 1979 until 1980; Deputy Secretary of Commerce from 1980 until 1981
- Hoinkes, Mary E.**, Assistant Legal Adviser for Oceans and International Environmental and Scientific Affairs, Office of the Legal Adviser, Department of State
- Holbrooke, Richard C.**, Assistant Secretary of State for East Asian and Pacific Affairs
- Holcolmb, M. Staser**, Rear Admiral, USN; Military Assistant to Secretary of Defense Brown
- Hollings, Ernest F. ("Fritz")**, Senator (D-South Carolina)
- Holloway, James L., III**, Admiral, USN; Chief of Naval Operations from 1974 until 1978
- Hornblow, Michael**, Acting Staff Secretary, National Security Council staff, from January until May 1977; thereafter Country Officer, Pakistan, Afghanistan, and Bangladesh, Bureau of Near Eastern and South Asian Affairs, Department of State
- Hubbard, Carroll**, member, U.S. House of Representatives, (D-Kentucky); Chairman, Panama Canal Subcommittee
- Huddleston, Walter**, Senator (D-Kentucky)
- Humphrey, Hubert H., Jr.**, Senator (D-Minnesota) until his death on January 13, 1978
- Hutcheson, Richard**, White House Staff Secretary
- Hyland, William G.**, member, National Security Council staff
- Inderfurth, Karl F. ("Rick")**, Special Assistant to the President's Assistant for National Security Affairs from January 1977 until April 1979; Deputy Staff Director, Senate Foreign Relations Committee, from 1979 until 1981
- Inouye, Daniel K.**, Senator (D-Hawaii)
- Jackson, Henry M. ("Scoop")**, Senator (D-Washington)
- Javits, Jacob K.**, Senator (D-New York)
- Jones, David C.**, General, USAF; Chief of Staff, USAF, from 1974 until 1978; Chairman, Joint Chiefs of Staff from June 21, 1978, until June 18, 1982
- Jordan, Hamilton**, Assistant to the President from 1977 until July 1979; White House Chief of Staff from July 1979 until June 1980
- Jorden, William J.**, U.S. Ambassador to Panama from April 17, 1974, until August 25, 1978
- Katz, Julius L.**, Assistant Secretary of State for Economic and Business Affairs until November 1979
- Kissinger, Henry A.**, former Secretary of State and Assistant to the President for National Security Affairs
- Knoche, Enno H.**, Deputy Director, Central Intelligence Agency, from July 7, 1976, until August 1, 1977; Acting Director from January 20, 1977, until March 9, 1977
- Komer, Robert W.**, Under Secretary of Defense for Policy
- Kozak, Michael G.**, Attorney-Adviser, Office of the Assistant Legal Adviser for Inter-American Affairs, Office of the Legal Adviser, Department of State, until 1978; thereafter Assistant Legal Adviser for Inter-American Affairs, Office of the Legal Adviser, Department of State
- Kreps, Juanita Morris**, Secretary of Commerce from January 23, 1977, until October 4, 1979

- Lakas Bahas, Demetrio Basilio**, President of Panama from December 19, 1969, until October 11, 1978
- Laxalt, Paul**, Senator (R-Nevada)
- Levin, Carl**, Senator (D-Michigan) from January 3, 1979
- Lewis Galindo, Gabriel**, Panamanian Ambassador to the United States; Panamanian Ambassador at Large
- Linowitz, Sol M.**, Panama Canal Treaty Co-Negotiator from February 10, 1977, until August 10, 1977, Department of State
- Lipshutz, Robert J.**, White House Counsel
- Long, Russell**, Senator (D-Louisiana)
- López-Portillo, Jose**, President of Mexico from December 1976 until November 1982
- Luers, William H.**, Deputy Assistant Secretary of State for Inter-American Affairs until 1977; Deputy Assistant Secretary of State for European Affairs from 1977 until 1978; Ambassador to Venezuela from October 9, 1978
- Manfredo, Fernando**, Minister to the President of Panama
- Mansfield, William H., III**, Office of Environmental Affairs, Bureau of Oceans and International Environmental and Scientific Affairs
- Massey, Donald F.**, Assistant Legislative Counsel, Office of Legislative Counsel, Central Intelligence Agency
- Matsunaga, Spark**, Senator (D-Hawaii)
- McAfee, William**, Deputy Director for Coordination, Bureau of Intelligence and Research, Department of State
- McAuliffe, Dennis P.**, Lieutenant General, USA; Commander in Chief, United States Southern Command from 1975 until 1979; Administrator, Panama Canal Commission from 1979
- McClellan, John L.**, Senator (D-Arkansas) until November 28, 1977
- McCloskey, Paul N., Jr.**, member, U.S. House of Representatives (R-California)
- McCullough, David**, Historian and author
- McGiffert, David E.**, Assistant Secretary of Defense for International Security Affairs
- McGovern, George**, Senator (D-South Dakota)
- McIntyre, James T., Jr.**, Deputy Director, Office of Management and Budget, from February 1977 until September 1977; thereafter Director
- McIntyre, Thomas J.**, Senator (D-New Hampshire) until January 3, 1979
- Meany, William George**, President of the AFL-CIO to 1979
- Melcher, John**, member, U.S. House of Representatives until 1977; Senator (D-Montana) from 1977.
- Metcalf, Lee**, Senator (D-Montana) until January 12, 1978
- Metzenbaum, Howard**, Senator (D-Ohio)
- Mondale, Walter F. ("Fritz")**, Vice President of the United States and President of the Senate
- Morgan, Robert B.**, Senator (D-North Carolina)
- Moore, Frank**, Assistant to the President for Congressional Liaison
- Moss, Ambler H., Jr.**, Special Assistant to Sol M. Linowitz in 1977; Deputy Assistant Secretary of State for Congressional Relations from 1977 until 1978; U.S. Ambassador to Panama from September 1978
- Murphy, Daniel J.**, Deputy Under Secretary of Defense
- Murphy, John M. ("Jack")**, member, U.S. House of Representatives (D-New York)
- Muskie, Edmund S.**, Secretary of State from May 8, 1980, until January 18, 1981
- Noriega, Manuel**, Lieutenant Colonel, GN; Panamanian Intelligence Chief, GN
- Nunn, Samuel, Jr.**, Senator (D-Georgia)
- Nutting, Wallace**, Lieutenant General, USA; Commander in Chief, United States Southern Command, from October 1, 1979

- Oberstar, James L.**, member, U.S. House of Representatives (D-Minnesota)
- Okita, Saburo**, Foreign Minister of Japan from November 1979
- O'Neill, Thomas Phillip ("Tip"), Jr.**, member, U.S. House of Representatives, (D-Massachusetts); Speaker of the House of Representatives
- Orfila, Alejandro**, Secretary General, Organization of American States
- Owen, Henry D.**, Ambassador at Large and Coordinator for Economic Summit Affairs from 1978, Department of State
- Packman, Martin**, Deputy Director for Research, Bureau of Intelligence and Research, Department of State
- Parfitt, Harold R.**, Major General; USA; Governor of the Panama Canal Zone from 1975 until 1979
- Pastor, Robert A.**, member, Latin American/Caribbean, North/South Cluster, National Security Council Staff
- Patton, David W.**, Lieutenant Colonel, USA; Chief of the Operations and Training Division, United States Southern Command
- Percy, Charles H.**, Senator (R-Illinois)
- Perez, Carlos Andres**, President of Venezuela
- Pezzullo, Lawrence A.**, Bureau of Congressional Relations, Department of State, in 1977; U.S. Ambassador to Uruguay from 1977 until 1979; U.S. Ambassador to Nicaragua from 1979
- Pinochet, Augusto**, President of Chile
- Popper, David H.**, Deputy for Panama Canal Treaty Affairs, Office of the Secretary, until 1978; thereafter Special Representative of the Secretary for Panama Treaty Affairs, Department of State
- Powell, Jody**, White House Press Secretary
- Precht, Henry**, Deputy Director, Office of Security Assistance and Sales, Bureau of Politico-Military Affairs, Department of State, in 1977; Deputy Director, Regional Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State, in 1978; thereafter Director, Office of Iranian Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State
- Press, Frank**, Special Adviser to the President for Science and Technology and Director, White House Office of Science and Technology Policy, from June 1, 1977
- Pritchard, Joel**, member, U.S. House of Representatives (R-Washington)
- Randolph, Jennings**, Senator (D-West Virginia)
- Raphel, Arnold L.**, member, Policy Planning Staff, Department of State, from 1978 until 1979; Special Assistant to the Secretary of State from 1979
- Read, Benjamin H.**, Deputy Under Secretary of State for Management (title changed to Under Secretary of State for Management in October 1978)
- Reagan, Ronald**, U.S. President-elect in 1980
- Ribicoff, Abraham A.**, Senator (D-Connecticut) until January 3, 1981
- Riegle, Donald W. Jr.**, Senator (D-Michigan)
- Rogers, Bernard W.**, General, USA; Army Chief of Staff until June 21, 1979; thereafter Supreme Allied Commander, NATO
- Roth, William V., Jr.**, Senator (R-Delaware)
- Royo, Aristides**, Panamanian Minister of Education; President of Panama from October 11, 1978
- Sarbanes, Paul S.**, Senator (D-Maryland)
- Sasser, James**, Senator (D-Tennessee)
- Saunders, Harold H.**, Director, Bureau of Intelligence and Research, Department of State, until April 10, 1978; thereafter Assistant Secretary of State for Near Eastern and South Asian Affairs

- Schecter, Jerrold**, member, Press and Congressional Liaison Office, National Security Council Staff; Press Officer and Associate Press Secretary from January 1977 until February 1980
- Schmitt, Harrison**, Senator (R-New Mexico)
- Sebastian, Peter**, Deputy Executive Secretary, Department of State
- Smith, William Y.**, General, USAF; Assistant to the Chairman of the Joint Chiefs of Staff until 1979; thereafter Chief of Staff for Supreme Headquarters Allied Powers, Europe
- Snyder, Marion Eugene ("Gene")**, member, U.S. House of Representatives (R-Kentucky)
- Solarz, Stephen J.**, member, U.S. House of Representatives (D-New York)
- Solomon, Anthony M.**, Under Secretary of the Treasury for Monetary Affairs from March 1977 until March 1980; New York Federal Reserve Bank President from April 1980
- Somoza Garcia, Anastasio**, President of Nicaragua
- Smith, Neal**, member, U.S. House of Representatives (D-Iowa)
- Sparkman, John J.**, Senator (D-Alabama); Co-Chairman, Senate Foreign Relations Committee until January 3, 1979
- Spear, Moncreiff J.**, Deputy Coordinator for Human Rights, Office of the Deputy Secretary of State, until mid-1977; member, Panama Canal Treaty Task Force, from mid-1977 until 1979
- Spiegel, John W.**, Special Assistant to Deputy Secretary of State Christopher from 1978
- Stennis, John C.**, Senator (D-Mississippi)
- Stone, Richard**, Senator (D-Florida)
- Strauss, Robert S.**, Special Representative for Trade Negotiations from 1977 until 1979; Personal Representative of the President from April 1979
- Stroessner, Alfredo**, President of Paraguay
- Tack, Juan**, Foreign Minister of Panama from 1969 until 1976; Chief Panamanian Negotiator for the Panama Canal Treaties from 1970 until 1976
- Talmadge, Herman**, Senator (D-Georgia)
- Tarnoff, Peter R.**, Special Assistant to the Secretary and Executive Secretary, Department of State
- Taylor, T. Elkin**, Chief, Political Section, U.S. Embassy in Panama City until 1979; thereafter Legislative Management Officer for Inter-American Affairs, Bureau of Congressional Relations, Department of State
- Thatcher, Margaret**, British Prime Minister from 1979
- Thomson, Robert**, White House Congressional Liaison Aide
- Thurmond, James Strom**, Senator (R-South Carolina)
- Todman, Terence A.**, Assistant Secretary of State for Inter-American Affairs until June 1978; Ambassador to Spain from July 20, 1978
- Torrijos Herrera, Omar**, General, GN; Military leader of Panama
- Tower, John**, Senator (R-Texas)
- Trudeau, Pierre**, Prime Minister of Canada
- Turner, Stansfield**, Admiral, USN; Director of Central Intelligence
- Twaddell, William H.**, Special Assistant to Secretary of State Vance until 1979
- Vaky, Viron P. ("Pete")**, Ambassador to Venezuela until June 24, 1978; Assistant Secretary of State for Inter-American Affairs from July 18, 1978, until November 30, 1979
- Vance, Cyrus R.**, Secretary of State from January 23, 1977, until April 20, 1980
- Vargas, Felix C.**, Special Assistant to Under Secretary of State for Political Affairs Newsom
- Waldheim, Kurt Josef**, United Nations Secretary-General
- Warren, Charles**, Chairman, Council on Environmental Quality, from 1977 until 1979
- Weicker, Lowell P.**, Senator (R-Connecticut)

Wells, William W., Deputy Director for Operations, Central Intelligence Agency

Wilson, Louis H., Jr., General, USMC; Commandant of the Marine Corps until June 1979

Wyrough, Richard R., Deputy Country Director and Senior Treaty Affairs Adviser, Office of Panamanian Affairs, Bureau of Inter-American Affairs, Department of State, in 1977; thereafter Deputy Director, Office of Panamanian Affairs, Bureau of Inter-American Affairs, Department of State

Young, Andrew J., U.S. Permanent Representative to the United Nations from January 30, 1977, until September 23, 1979

Zablocki, Clement J., member, U.S. House of Representatives (D-Wisconsin)

Zorinsky, Edward, Senator (D-Nebraska)

Panama, 1977–1980

Negotiation and Signing of the Panama Canal Treaties, October 6, 1976–September 9, 1977

1. Editorial Note

On October 6, 1976, during a Presidential campaign debate with President Gerald R. Ford, candidate Jimmy Carter stated he “would never give up complete control or practical control of the Panama Canal Zone, but I would continue to negotiate with the Panamanians . . . I believe that we could share more fully responsibilities for the Panama Canal Zone with Panama. I would be willing to continue to raise the payment for shipment of goods through the Panama Canal Zone. I might even be willing to reduce to some degree our military emplacements in the Panama Canal Zone, but I would not relinquish practical control of the Panama Canal Zone in the foreseeable future.” Ford responded: “The United States must and will maintain complete access to the Panama Canal. The United States must maintain a defense capability of the Panama Canal, and the United States will maintain our national security interests in the Panama Canal. The negotiations for the Panama Canal started under President Johnson and have continued up to the present time. I believe those negotiations should continue. But there are certain guidelines that must be followed, and I’ve just defined them.” (*Public Papers: Ford, 1976–77*, Book III, pp. 2430–2431)

In an October 7 meeting, Panamanian Foreign Minister Aquilino Boyd expressed his frustration with the Presidential candidates’ statements about Panama to Secretary of State Kissinger, commenting: “Everyone at home is upset by the debate.” Kissinger responded: “Everyone here is upset too. I am in complete agreement.” Kissinger called Carter’s comments “totally irresponsible” and professed the Ford administration’s commitment to the negotiations. (*Foreign Relations, 1969–1976*, Volume XXII, Panama, 1973–1976, Document 134) In an October 15 memorandum, Sol M. Linowitz, attorney for Coudert Brothers and head of the Linowitz Commission, described an October 7 meeting with Boyd during which he expressed his “great concern” regarding Ford and Carter’s public statements about the Panama Canal,

adding that Panamanian General Omar Torrijos was “deeply disturbed” by the remarks. Linowitz sought to assure Boyd “as to the commitment of Governor Carter to the improvement of U.S.-Latin American relations and said that it was my firm conviction that he would be approaching all hemispheric issues—including Panama—in a spirit of cooperation and understanding.” Linowitz proceeded to telephone Carter foreign policy advisor Cyrus R. Vance and “passed on to him the substance of the concern which had been expressed to me.” (*Foreign Relations, 1969–1976, Volume XXII, Panama, 1973–1976, Document 136*) In an October 24, 1976, paper, Vance outlined what he believed should be the key foreign policy themes for the Carter administration and argued for negotiating a new treaty with Panama. Vance recognized the treaty issue was charged and emotional and that the political situation in Congress was difficult, but he believed “that we must make the effort to negotiate such a treaty if we are to develop proper relations with Latin America . . . it must be noted that the U.S. is largely committed as a result of the negotiations to date. To move backward would be viewed by many as reneging on our commitments and would run the risk of conflict. Accordingly, I believe that the new Administration should not interfere in the negotiations which will be going on between now and the change of administration, but should keep itself closely informed. Thereafter, the new Administration must face up to completing the negotiations and carrying the battle to the Congress.” (National Archives, RG 59, Files of Anthony Lake, S/P, 1977–1981, Lot 82D298, Box 1, TL Vance/President Sensitive 12/78–1/79)

Kissinger, President-elect Carter, Vice President-elect Walter Mondale, and Mondale foreign policy adviser David Aaron discussed the Panama Canal negotiations during a November 20 meeting. (*Foreign Relations, 1969–1976, Volume XXII, Panama, 1973–1976, footnote 4, Document 136*) In a December 10, 1976, telegram, the Department reported that on December 3, 1976, Kissinger met with Boyd and assured him that Kissinger had “spoken with the president-elect on Panama; he would be suggesting that Secretary-designate Vance give resolution of this problem a high priority.” (*Foreign Relations, 1969–1976, Volume XXII, Panama, 1973–1976, Document 144*) Prior to his inauguration, Carter decided to name Linowitz as his representative on the negotiating team. Carter’s first Presidential Review Memorandum of January 21, 1977, addressed the issue of concluding new canal treaties with Panama.

2. Presidential Review Memorandum¹

Washington, January 21, 1977

TO

The Vice President
The Secretary of State
The Secretary of Defense

ALSO

The United States Representative to the United Nations
The Chairman, Joint Chiefs of Staff
The Director of Central Intelligence

SUBJECT

Panama (U)

The President has directed that the Policy Review Committee, under the chairmanship of the Department of State, undertake a review of our interests and objectives with regard to concluding new canal treaties with Panama.

The review should:

1. Review the key issues with respect to Panama Canal Treaty negotiations, including the principal changes in the positions of both sides.

2. Review and analyze our present interests and objectives with regard to concluding new treaties with Panama, including timing, and options open to us to achieve these objectives.

3. Provide a State/CIA assessment of the present internal situation in Panama and its relationship to our policy toward the Torrijos regime and our policy on the canal treaties.

4. Provide a Defense assessment of the military implications of various treaty options.

5. Assess the impact of Panama Canal Treaty negotiations on U.S.-Latin American relations and our relations with the developing world.

6. Suggest appropriate revisions to NSDM 302, dated August 18, 1975 (see attached).²

7. Suggest a strategy and program for dealing with the Congress and the general public.

¹ Source: Carter Library, National Security Council Institutional Files, Box 2, PRM/NSC 1–24 (1). Secret.

² Attached but not printed. See *Foreign Relations*, 1969–1976, vol. XXII, Panama, 1973–1976, Document 95.

The review should be no longer than 20 pages. It should be completed by January 20, in time for consideration by the Policy Review Committee in the week of January 24.³

The President has further directed that a comprehensive, long-term review of Latin America be undertaken by the Policy Review Committee. The review will be due in the spring, and a follow-on tasking memorandum will be forthcoming.⁴

Zbigniew Brzezinski

³ In a January 12 memorandum to Vance, Brown, Young and Turner, Brzezinski directed that a working group made up of representatives from the State, Defense, National Security Council (NSC) and Central Intelligence Agency (CIA) transition teams be established for this review, already begun by the State Department transition team under Vance. (Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, PRM-1, 1/77)

⁴ PRM/NSC 17, dated January 26, which directed a review of U.S. policy toward Latin America and the March 12 study prepared in response, are scheduled for publication in *Foreign Relations, 1977–1980*, vol. XXIV, South America; Latin America Regional, 1977–1980.

3. Paper Prepared in the Department of State¹

Washington, January 21, 1977

[Omitted here is the table of contents.]

POLICY REVIEW MEMORANDUM: PANAMA

I. CURRENT SITUATION

Our basic national interest in Panama is that the Canal remain efficient, secure, neutral, and continuously open to all world shipping at reasonable tolls. The present Canal has served us well over the years, and is still a “major” defense asset which enhances U.S. capability for timely reinforcement of U.S. Forces and flexibility in deployment (Tab 1, Strategic Importance of Canal).²

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Panama, PRM-1, 1/77. Secret. Prepared in response to PRM-1. The Defense Department and CIA contributed to the paper.

² Tab 1 is attached but not printed.

While its near-term economic value may be enhanced by the requirement to transport Alaskan oil to the Gulf Coast, it is now an aging utility of declining commercial value. Of total tonnage that transits the Canal, about 44% originates in, and 22% is destined for, U.S. ports. These figures represent 16% of total U.S. export and import tonnage. More than 30% of Panama's foreign exchange earnings and 13% of its GNP are attributed to the presence of the Canal.

Alternatives to the Canal have emerged—use of super tankers, land bridge, pipelines. After 63 years of operation, the Canal's strategic significance has diminished, while its potential as a source of conflict has increased. Moreover, it is the intelligence community's estimate that while delay in a treaty invites violence against the Canal, it would also endanger Torrijos' position.³ Therefore both Panama and the United States have incentives to negotiate seriously and quickly.

The Panama Canal Company and Canal Zone Government are independent financially self-supporting agencies of the United States Government. The Secretary of the Army acts as the direct representative of the President in supervising the operation of these agencies. (For further data concerning the Canal and Zone, see Tab 2.)⁴

Our central objective over the past 12 years has been to protect our national interest by negotiating a new treaty with Panama that would eliminate what have been viewed as anachronistic "colonial" aspects of our presence in Panama without endangering the continuing operation, safety and availability of the Canal. Any agreement must be acceptable to Panama, the Congress, the Federal agencies involved and the American public.

Our negotiators believe that we can, with continued effort, shortly be within reach of a treaty with Panama that will meet these requirements, provided that both sides are willing to make compromises on certain issues. Though we differ over questions related to the exercise of sovereignty, particularly over the nature and duration of the United States defense role, Panama's national interest in an open, efficient and safe canal is similar to ours. The Torrijos Government is—in comparison to any successor government conceivable now—one from which we can get more of what we want and one with which we have the best chance of negotiating a lasting treaty (National Intelligence Estimate [NIE] Summary, Tab 3).⁵

³ A reference to National Intelligence Estimate (NIE) 84-1-77, "Panama: Developments and Prospects," dated January 6. (Central Intelligence Agency, National Intelligence Council, Job 82B00421R: NFIB Documents—Microfiche, Box 1, Folder 4: Soviet Civil Defense Collection and Production Strategy for 1972)

⁴ Tab 2 is attached but not printed.

⁵ Tab 3, the précis of NIE 84-1-77, is attached but not printed.

Much progress has been made since 1974 including agreement to cede legal jurisdiction over the present Canal Zone to Panama and to increase Panamanian participation in the operation of the Canal while retaining a primary U.S. operation and defense role. The negotiations have, however, been essentially stalled since February 1976. The major issues that remain to be resolved include treaty duration (which is particularly important to Panama), and post-treaty defense rights and neutrality (which are particularly important to the U.S.). Other politically sensitive issues include employee benefits (which affect some 3,800 U.S. citizen employees) and United States use of the lands and waters of the Canal Zone during the treaty period on which positive movement has been made during the past year on an informal and “what if” basis.

Once our negotiators reach agreement in principle on the main treaty issues, they can begin to draft the actual treaty—a process that has not yet commenced.

It should be emphasized that domestic politics in both countries have added greatly to the numerous problems inherent in this complex negotiation; they affect—sometimes unpredictably—many individual issues, as well as the pace and conduct of the negotiations and their public presentation in both Panama and the U.S. (Tab 4, Major Forces Involved).⁶

The negotiation of a new Canal treaty, moreover, is not a purely bilateral issue. Panama has elicited broad expressions of support from individual countries, the United Nations, the OAS and in the non-aligned movement of developing countries.

While Panama probably overemphasizes the value of international support at the negotiating table, a breakdown of the negotiations would gravely burden our policies throughout this Hemisphere, where the talks are generally viewed as a practical test of U.S. credibility. Conversely, to many Latin American countries the Canal is even more important commercially than it is to the United States. Those countries are supportive of a Canal treaty that will insure continuous effective operation and defense of the Canal.

In sum, the successful conclusion of a new treaty that would protect our basic national interests in the Canal would do more than remove a source of tension and potential bloodshed: it would strengthen the reputation of the United States as a force for creative world leadership.

⁶ Tab 4 is attached but not printed.

II. BACKGROUND

A. *Negotiating History*

The commitment to negotiate a new treaty to replace the Hay-Bunau-Varilla Treaty of 1903—which gave the United States the rights to construct, operate, maintain and defend a canal across Panama in perpetuity—was made publicly in 1964 by President Johnson after consulting with former Presidents Truman and Eisenhower.⁷

Three draft treaties were initialled in 1967⁸ but never signed by either country. The 1971–72 negotiations ended in a stalemate which led to a United Nations Security Council meeting in Panama in 1973, where the United States was forced to exercise its right of veto.⁹

In February 1974 the Secretary of State and the Panamanian Foreign Minister signed a Joint Statement containing eight principles (Tab 5) to guide the formulation of a new treaty.¹⁰ These principles stipulate essentially that:

- the new treaty will be for a fixed term;
- Panama will grant the United States the rights and use of lands necessary to operate and defend the Canal during the treaty's lifetime;
- the United States will return to Panama jurisdiction over all of its territory (the Canal Zone) and provide for increased Panamanian participation in the operation of the Canal.

B. *Negotiating Approach and Guidance*

Ambassador Ellsworth Bunker was appointed Chief U.S. Negotiator in late 1973. Bunker's approach, which was fully coordinated between the Departments of State and Defense, was to attempt to satisfy Panamanian aspirations for full sovereignty over all of its territory, while ensuring that the U.S. would maintain primary responsibility for the operation and defense of the Canal during the treaty's lifetime.

⁷ On December 18, 1964, Johnson announced his decision to propose to Panama the negotiation of a new Panama Canal Treaty. For the full text of Johnson's remarks, see *Public Papers: Johnson, 1963–1964*, Book II, pp. 1663–1665.

⁸ See *Foreign Relations, 1964–1968*, vol. XXXI, South and Central America: Mexico, Document 439.

⁹ The U.N. Security Council held 10 meetings in Panama City March 15–21, 1973, many of which focused on the canal and the Canal Zone. On March 21, the Security Council voted on a draft resolution sponsored by Panama and Peru, which, among other things, called for the prompt execution of a new canal treaty. The U.S. vetoed the draft resolution, arguing that its matters were in the process of bilateral negotiations, making it inappropriate for the Security Council to adopt a resolution dealing with those matters. For further explanation of the meetings, the draft resolution and the Security Council decision, see *Yearbook of the United Nations, 1973*, pp. 165–170.

¹⁰ Tab 5 is attached but not printed. For the text of the principles, see the Department of State *Bulletin*, February 25, 1974, pp. 184–185.

Presidential Guidance is contained in NSDMs 302, 131 and 115 (Tab 6).¹¹ It should be noted that these NSDMs were written to address individual treaty questions at particular moments in the negotiations. They are not, therefore, all inclusive. The main issues treated in the NSDMs concern duration, jurisdiction, lands and waters, expansion and post-treaty guarantees.

Within the framework of this guidance, Ambassador Bunker was able to negotiate three conceptual agreements with Panama in November 1974. These are:

—Threshold Agreement on Protection and Defense of the Canal. This would give the United States primary responsibility for the protection and defense of the Canal during the lifetime of the treaty. Panama would participate in Canal protection. Panama and the United States would retain unilateral rights to take action necessary to protect and defend the Canal. Both parties committed themselves to maintain the permanent neutrality of the waterway.

—Threshold Agreement on Increasing Panamanian Participation in the Administration of the Canal. Panama agreed that the United States would have the primary responsibility for the operation of the Canal during the term of the treaty. Panamanian citizens would have growing participation in all levels of employment and in the formulation of overall policy concerning Canal operation.

—Threshold Agreement on Jurisdiction and Rights of Use. It was agreed that jurisdiction over the Canal Zone would return to Panama during a three-year transition period. Panama would confer upon the United States, the use of the areas which are necessary for the specific purposes of the operation, maintenance, protection and defense of the Canal. The specific lands and waters areas would be determined during the treaty negotiations.

In March 1975 Bunker also obtained Panama's agreement to a draft Status of Forces Agreement granting to United States military forces stationed in Panama standard military privileges and immunities (Tab 8).¹²

C. Areas of Disagreement with Panama

The major issues of disagreement are: (1) treaty duration; and (2) Canal neutrality and United States post-treaty defense rights:

—*Duration*. Panama believes this to be the key remaining issue. It has consistently, vigorously and publicly maintained that December 31, 1999, is the latest possible date for treaty termination. Its position

¹¹ NSDMs 302, 131, and 115 are attached but not printed. For the full texts of NSDM 302, 131, and 115, see *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, Document 95; *Foreign Relations, 1969–1976*, vol. E-10, Documents on American Republics, 1969–1972, Document 555; and *Foreign Relations, 1969–1976*, vol. E-10, Documents on American Republics, 1969–1972, Document 549.

¹² Tab 8 is attached but not printed.

appears fixed. The United States agreed basically with that date only as it applies to the termination of United States control over Canal operation. As provided in NSDM 302, we have insisted on a 40-year duration for United States defense rights (Paragraph B, Tab 9).

—*Neutrality Guarantees and Post-Treaty Defense Arrangements.* We have proposed that Panama and the United States guarantee the neutrality of the Canal jointly and that there be a post-treaty agreement on joint defense. Panama agrees in principle that the Canal should be permanently open on a nondiscriminatory basis to all world shipping. Panama, sensitive to the “perpetuity” implications of this formula, wants UN members to guarantee the Canal’s neutrality after the treaty’s termination (Paragraphs C and D, Tab 9).

—In addition, there are other areas of disagreement with Panama. They are:

—The lands and waters in the present Canal Zone, use of which will be required by the U.S. for the operation, maintenance, defense and protection of the Canal (Paragraph E, Tab 9).

—The privileges and immunities to be accorded U.S. employees of the entity (a very sensitive point for the “Zonians”) (Paragraph F, Tab 9).

—The nature and structure of the Canal entity (Paragraph G, Tab 9).

—The financial benefits which Panama would receive under the new treaty which involves the question of whether appropriated funds or only Canal earnings should be used for compensation (Paragraph H, Tab 9).

—Expansion (Paragraph I, Tab 9).

D. U.S. Options on Major Issues

Duration, neutrality and post-treaty arrangements are closely related and are the major issues in the negotiations. This inter-relationship makes these issues somewhat complex but also offers opportunities for negotiation of compromise formulas that will meet essential United States security interests while being consistent with Panamanian concerns and domestic pressures. It is important to keep in mind that on these issues tradeoffs which are mutually perceived to protect each party’s basic interests could provide the basis for a final agreement.

Panama has flatly rejected the duration position (December 31, 1999, for operation and 40 years for defense) presented by the United States negotiators. Informally, the Panamanian negotiators have emphasized, however, that if we could terminate both operation and defense rights (including military presence) by 2000, it could then be “flexible” concerning new arrangements for protecting United States security interests beyond the year 2000. Panama has not offered a formula for such arrangements.

Our options on the duration for U.S. control of Canal operation are: (1) hold with 1999; (2) go to 20 years as provided in existing guidance; or (3) choose some slightly earlier date (Tab 9A, Discussion).

On duration for defense, we can hold at 40 years with several sub-options or choose a shorter period down to the year 2000.

Panama's willingness to accept a given period for duration of U.S. defense rights under a new treaty is contingent at least in part on the type of military presence or rights which the U.S. would be authorized to maintain after Panama assumes full control of the Canal's operation. The options that may be acceptable from the point of view of our defense needs range from (a) a full military presence such as we now maintain to (b) a token presence for the purpose of maintaining a logistics base to (c) no presence but a right to return to protect the Canal. There has been no decision within the Government on whether it is necessary to keep troops and bases in Panama after our operation rights terminate in order to protect U.S. security interests (Tab 9B, Discussion). The uniformed services have not yet identified the level of residual military presence or the type of formal arrangements with Panama necessary to reasonably assure the Canal's defense in the post-treaty period.

Regarding the closely related questions of neutrality and post-treaty arrangements, Defense and State agree that the U.S. wants solid assurance (after our operational rights terminate) that the Canal will be kept open permanently and on a nondiscriminatory basis to world shipping and to U.S. military and commercial vessels.

The two Departments also agree that we could further the objective of assuring access by inserting a clause in the neutrality agreement guaranteeing that the waterway will be open on a nondiscriminatory basis to ships of all nations—a provision to which Panama has not objected. The issue is what states should be the guarantors and what provisions if any need to be included to make that abstract neutrality effective.

There is general Defense agreement that several options are open for attaining the guarantee of neutrality and to make clear that U.S. interest in the Canal is not diminished. One way to achieve this objective would be to provide for a continuing right for the U.S. to take such action unilaterally in Panama after the year 2000 as the U.S. (by itself) determined was necessary to protect our interests in the Canal. (This was the formal Defense position under the prior Administration.) Another way of meeting this objective—which is also consistent with the Defense position—would be a formal “agreement to agree” on a post-treaty defense arrangement. Obviously, this “agreement to agree” could take varied forms—e.g., a mutual security agreement separate from but coordinated with the Canal treaty.

State is convinced that Panama would never accept an explicit perpetual U.S. right of unilateral intervention. State further believes that if we were to agree to a treaty ending in 2000, Panama might accept a mechanism whereby Panama and the United States jointly guaranteed in the neutrality treaty (perhaps joined by others, such as

other Latins) that the waterway will always be open and neutral. State's reasoning is that if Panama ever closed the Canal to U.S. shipping, we could move to counter that threat unilaterally whatever the treaty formula. Defense believes a formal legal provision concerning post-treaty defense is important both in itself and from the point of view of ratification. State and Defense agree that some provision in the treaty, or a unilateral U.S. declaration relating to a U.S. role in post-treaty defense or insuring the Canal's neutrality, would be useful in the ratification process and would establish a basis for U.S. action if it were to become necessary.

Our options on a neutrality guarantee are:

- (a) joint U.S.-Panama guarantee with explicit right of intervention*;¹³
- (b) joint U.S.-Panama guarantee*;¹⁴
- (c) a guarantee joined by some other countries;
- (d) a unilateral U.S. guarantee; or
- (e) no external guarantee, with Panama promising to operate the Canal on a neutral and nondiscriminatory basis.

Our options on post-treaty defense arrangements involve three areas:

- (a) U.S. presence
 - (1) full presence similar to current forces
 - (2) token forces
 - (3) logistical base
 - (4) no presence
- (b) U.S.-Panama defense agreement
 - (1) continuous U.S. defense role until agreement reached on different role
 - (2) agreement to agree with continuation of treaty regime if no agreement reached
 - (3) agreement to agree without continuation of treaty regime if no agreement reached
 - (4) agreement to negotiate without continuation of treaty regime if no agreement reached
 - (5) no provision for continuing U.S. role

¹³ Defense prefers either Option (a), or Option (b) if coupled with either (1) an "agreement to agree" on a post-treaty U.S. defense role with a clear understanding that without such agreement, U.S. defense rights under the treaty will continue or (2) a treaty agreement on a post-treaty defense role. [Footnote is in the original.]

¹⁴ See footnote 13 above.

- (c) U.S. defense rights
 - (1) explicit Panamanian agreement to U.S. right to intervene
 - (2) unilateral U.S. declaration of intention to act if necessary to protect interests
 - (3) silence: U.S. reliance on Panama's realization of U.S. capability to intervene.

III. ISSUES—NEXT STEP

The discussion in this section assumes that the new Administration wishes to have a new treaty rapidly and, therefore, addresses how to resume the negotiations and carry them forward at a satisfactory pace to their completion. Another issue—Congressional concern—will be addressed later.

Option I—Start with a Formal Offer

Negotiations would be resumed only after inter-agency agreement had been reached on instructions regarding major outstanding issues. The instructions would involve the fixing of negotiating positions on these issues and would identify a range of choices for each.

Option II—Informal Exploration

At Presidential direction the U.S. would resume negotiations promptly and seek through informal exploration with Panama to fill remaining U.S. needs in exchange for U.S. acceptance of the year 2000 as the duration of a new treaty. Having first obtained—in lieu of formal guidance—an informal understanding with the President on the limits of his flexibility, the Chief Negotiator also would be empowered to address other options (trade-offs) on a “what if” basis if they emerge from the discussions. Following the talks with Panama, our negotiators would then report back to the President with a draft “conceptual agreement” and recommendations for such changes as may be necessary in Presidential instructions.

Discussion of Options

Option I would provide the new Administration an opportunity to examine in depth the status of the negotiations and reach a coordinated position on the major outstanding issues. It would provide clear guidance on how and at what pace to proceed. At the same time it could facilitate coordinated efforts to gain support for a treaty with the public and Congress. However, the time involved in early resolution of intra-USG differences would substantially delay resumption of negotiations. Such a delay could prevent us from reaching agreement with Panama and gaining Congressional acceptance of a treaty this year. Failure to resume the negotiations within a few weeks following the inauguration

could also be interpreted by our Congressional opponents, Panama and probably the nations of this hemisphere as a signal that the new Administration lacks commitment to move rapidly toward a new treaty.

Option II would allow early resumption of the negotiations and would provide the negotiators with broad flexibility to probe for the basis of agreement with Panama without requiring a time-consuming prior review of U.S. positions. By providing an early positive signal as to our intent, Option II would assure Latin America and the Third World of our interest in speedily resolving the issue. The first step under this option would be an initial airing of inter-agency views through discussion of an options paper culminating in an NSC meeting and an understanding between the President and the Chief Negotiator on the limits of U.S. proposals. The negotiators would then meet with their Panamanian counterparts for exploratory discussions. The improved understanding of possible alternatives resulting from these early discussions would then allow the different USG agencies to surface the issues more clearly for prompt Presidential decision.

Option II could permit the initialing of a “conceptual agreement” with Panama by mid-March and presentation of a draft treaty to the President for final concurrence by June 15. Formal treaty signing could occur by July 1 and presentation to the Senate could follow by as early as August 1 (an early submission would be broadly advantageous to permit ratification prior to the 1978 elections).

Implementing Actions Needed by Option I

—Develop a USG position on all outstanding issues; subsequently, issue instructing NSDM. If this option is selected, see Tab 9 for a discussion of the major unresolved treaty issues together with their related options.

—Explain to Panama that the new Administration will require some time to formulate new positions.

—Take the necessary steps to obtain public support for a treaty (Tab 10).

Implementing Actions Needed by Option II

—Instruct the negotiators after prompt inter-agency coordination and early NSC consideration to explore informally Panama’s willingness to accept our needs on all outstanding issues in the event we were to accede to the year 2000 as the date of the treaty’s termination. Empower the negotiators to address other options (tradeoffs) on a “what if” basis if they emerge from the discussions.

—Take the necessary steps to obtain public support for a treaty (Tab 10).

There are two matters which will require early attention, whatever the option selected.

The first concerns Congressional relations and the negative impact from a possible reintroduction in the Senate of the Thurmond Resolution opposing the treaty negotiations.¹⁵ While there is almost no possibility that such a resolution would be adopted, it could be a liability for the success of the negotiations and the treaty effort if it were to attract the sponsorship of something approaching a blocking third of the Senate membership. Sponsorship would tend to commit Senators and make it more difficult for them to support a treaty when one is submitted to the Senate. There is a danger that a number of Senators might sign the resolution without fully appreciating the depth of the Administration's commitment to a new treaty effort—or the dangers to our interests in the Canal from failure to have a new treaty. It would be highly desirable to communicate the Administration's views to individual Senators and to urge them not to pre-judge the treaty issue.

The second matter which will require attention concerns inter-agency coordination. Until now the negotiators have relied on ordinary interagency coordination procedures supplemented by the efforts of the State-Defense Support Group, which has functioned as a negotiators' "think-tank". This group regularly drafts informal papers which, if approved by the negotiators, are then introduced into the formal inter-departmental clearance process.

State believes that it is likely that this procedure will not fully serve the Administration's purposes once the negotiating process is resumed and efforts are accelerated in pursuit of an early treaty. It is State's view that a mechanism must be established which will permit rapid coordination of negotiating issues. Accordingly, *State believes* that it would be highly desirable to establish an interagency committee under the chairmanship of the Under Secretary of State for Political Affairs. The members of this committee, which would function below the level of the Policy Review Group, would be fully empowered to speak for their agencies in addressing rapidly the negotiators' requests for Executive Branch guidance. The Committee would include representatives from State, Defense, NSC, Secretary of the Army, and Treasury and (when appropriate) Labor, Commerce, Transportation, Justice, CIA, OMB and the Civil Service Commission. *Defense believes* that except for the most unusual circumstances, the coordination authority available to the negotiators and the existing Washington interagency mechanism will be more than adequate for issues not requiring higher level

¹⁵ Thurmond introduced Senate Resolution 301 on March 29, 1974. The resolution sought to ensure that the U.S. Government retained and protected its sovereign rights and jurisdiction over the Panama Canal Zone. Thurmond reintroduced this resolution on March 4, 1975, as Senate Resolution 97. For more information on Thurmond's resolution, see *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, Documents 38 and 39.

decision. Issues involving other agencies/departments of the Executive Branch will be complex in nature and necessarily require thorough analysis to insure that irrevocable mistakes are not permitted, through haste, to become part of a major new treaty. When interagency issues are identified, the appropriate agency should be tasked to respond to State/Defense request for coordination. Defense suggests that standby representatives of agencies listed above be identified early on, and if a full interagency committee effort should be required at some future date, the committee be chaired by a designated member of the NSC staff.

Tab 1—Strategic Importance of the Panama Canal

Tab 2—Description of Canal operations

Tab 3—NIE Summary

Tab 4—The Forces Involved in the U.S. and Panama

Tab 5—Joint Statement of Principles

Tab 6—NSDM 302, 131 and 115

Tab 7—Threshold Agreements

Tab 8—SOFA (Summary)

Tab 9—Major Unresolved Treaty Issues

Tab 10—Steps to Obtain Public Support for a Treaty.

Tab 9

Major Unresolved Treaty Issues¹⁶

Washington, undated

MAJOR UNRESOLVED TREATY ISSUES

The following issues deal with the substance of the negotiations. They should be examined with the understanding that:

—except for lands and waters, our perception of specific Panamanian views is clouded by the pause in the negotiations which has existed since February 1976. Exploration of the issues with Panama will give a clearer focus as to what is, and what is not, negotiable;

—a seriatim review—in which each issue and the options for dealing with it are considered in isolation—leaves out certain considerations which need to be taken into account in devising an overall treaty package that meets U.S. interests. Some interests are more important than others. In addition, the issues are interrelated and trade-offs

¹⁶ Secret.

among them are possible, so that the selection of an option under one issue may depend in part on what option is chosen under another related issue.

—the negotiability of an option relating to a specific issue may be affected by the nature of our positions on other issues. For example, so called “hard” positions on some issues might be acceptable to Panama in exchange for a concessionary U.S. position on others. Therefore, a preferable approach to the issuance of negotiating guidance would be to identify preferred *and* fallback positions wherever possible.

A. ISSUE—*Duration of U.S. Control of Canal Operation*

Definition

This issue involves determining duration of effective U.S. control of canal operations.

Background

Presidential guidance (NSDM 302)¹⁷ requires that the U.S. obtain the rights to operate the Canal for a period not to terminate before December 31, 1999. As a fallback negotiators are authorized to offer a reduction of the duration of operation to a period of not less than 20 years. The Panamanian position is that U.S. operation rights shall terminate by the year 2000. The most recent U.S. offer was 20 years for U.S. Canal operation rights if Panama would accept 40 years for U.S. Canal defense duration. Earlier the U.S. had offered to end Canal operation by the year 2000. It should be noted that the new treaty’s duration applicable to operation-related rights might exceed the duration of U.S. control over Canal operation. This possibility is discussed further under the issue of the nature of the Canal entity.

Options

Option I. U.S. Canal operation rights will end by December 31, 1999.

Option II. U.S. Canal operation rights will end in 20 years.

Option III. U.S. Canal operation rights will extend for some period of less than 20 years.

Discussion

We have omitted any options which would call for a duration in excess of our current guidance because selection of such options would preclude any possibility of agreement with Panama. The three options identified all appear acceptable to Panama. On the other hand, the briefer the time period included in the three options, the more likely it will encounter opposition from the Congress and the public.

¹⁷ See footnote 11 above.

Guidance Changes Needed

Option I. No change needed.

Option II. No change needed.

Option III. Would require a change in Presidential guidance to permit agreement on a period of less than 20 years.

*B. ISSUE—Duration of U.S. Canal Defense Rights**Definition*

This issue involves determining the duration of U.S. Canal defense rights.

Background

Presidential guidance requires the negotiators to obtain a U.S. right for unilateral defense of the Canal and Canal areas for a period of (NSDM 302) not less than 50 years with a fallback of not less than 40 years. Panama's position is that U.S. defense rights must terminate no later than December 31, 1999. Panama has rejected the U.S. negotiators' November 1975 offer of 40 years for defense.

Options

Option I. Defense duration for 40 years.

Option II. Canal defense rights for 40 years with full military presence through 1999; residual military presence with limited combat forces in Panama for the balance of the 40 years.

Option III. Canal defense rights for 40 years. Full military presence through 1999; residual military presence without combat forces present in Panama for the balance of the 40 years.

Option IV. Canal defense rights for 40 years. Full military presence through 1999; no U.S. military presence in Panama for the balance of the 40 years.

Option V. Canal defense rights and full military presence through 1999 with reliance thereafter on separate post-treaty defense and/or neutrality arrangements.

Discussion

We have omitted any options which would call for a duration in excess of our current offer to Panama (40 years) because selection of such an option would preclude any possibility of agreement with Panama.

Panama has "definitively" rejected Option I and indicated strong opposition to Options II, III and IV. Conceivably Panama would accept some limited period for U.S. defense rights beyond the year 2000, but the cost to the U.S. could be unacceptable in terms of less than satisfac-

tory neutrality or post-treaty defense arrangements. On the other hand, Option V could meet Panama's main political concern that the treaty terminate by 2000 while guaranteeing that there would be a mutually satisfactory post-treaty defense and/or neutrality agreement. If Option V were selected, Defense believes a strong post-treaty defense arrangement would be essential to safeguard U.S. interests in the Canal. State believes that a neutrality agreement would be an adequate basis for further U.S. action.

Each of these options would encounter some resistance in Congress and with the public. However, this opposition will be based more on the general idea of "surrender" or "give away" than upon the adequacy of a particular duration proposal. The shorter the term of U.S. defense rights, the greater will be the U.S. concern. However, under Option V independent arrangements would be provided to protect long-term U.S. security interests.

Guidance Changes Needed

Option I. No change to current Presidential guidance required.

Option II. No change to current Presidential guidance required.

Option III. No change to current Presidential guidance required.

Option IV. No change to current Presidential guidance required.

Option V. Instruct the U.S. negotiators to obtain a treaty with a termination date of not earlier than 1999, on the condition that separate post-treaty arrangements can be negotiated which will adequately protect U.S. security interests in the Canal.

C. ISSUE—Permanent Neutrality Guarantee

Definition.

This issue involves determining the best means for guaranteeing the permanent neutrality of the canal.

Background.

Presidential guidance (NSDM 115)¹⁸ requires the negotiators to seek a joint U.S. Panamanian guarantee that the canal will be open to all world shipping without discrimination (at reasonable tolls). Panama has not opposed the concept of the canal's permanent neutrality but has been unwilling to accept any special role in perpetuity for the U.S. in ensuring neutrality. Panama has indicated that it would enter into a neutrality agreement, either without a U.S. neutrality guarantee or with a guarantee to which any country could adhere.

¹⁸ See footnote 11 above.

Options.

There are five options, all of which would be in the context of a permanent agreement which would establish the rules of neutrality for the operation of the canal:

Option I. A permanent joint U.S.-Panamanian guarantee of the canal's neutrality which would contain a provision that each party could take whatever action it deems appropriate, including military action, to counter a threat to the neutrality or security of the canal.

Option II. A permanent joint U.S.-Panamanian guarantee to each other in broad, general language that the canal will be operated in accordance with neutrality rules specified in the treaty, but with no specific reference in the treaty to military action.

Option III. Same as Option II, but with a formal declaration by the U.S. which Panama agrees not to challenge, that the U.S. interprets the general guarantee language to encompass military action if necessary.

Option IV. A neutrality treaty which would be multilateral and would contain a provision obligating all signatory states to guarantee to each other that the canal would be operated forever in accordance with the neutrality rules specified in the treaty. The signatories could be limited specifically to a small number of invited states, to states party to the Rio Pact,¹⁹ or opened to any state desiring to sign under United Nation auspices.

Option V. A bilateral neutrality treaty which would *not* contain any provision obligating the U.S. to guarantee operation of the canal in accordance with the neutrality rules set out in the treaty, but would create only an obligation by Panama to the United States to operate the canal forever in accordance with the neutrality rules.

Discussion of Options.

The differences among the five options are significant more in terms of political pressures and posturing than in terms of strict legal benefits. Any of them would legally bind Panama to keep the canal neutral. None of them would provide the U.S. with an independent legal right to act with force to remedy a violation of this obligation by Panama. This is so because of restraints on the unilateral use of force to settle disputes (even obvious violations of clear legal rights) in the UN and OAS Charters. Therefore, the important factors in considering these Options are their initial political acceptability and the strength of the political justification they would provide for any necessary future U.S. military actions.

¹⁹ The Inter-American Treaty of Reciprocal Assistance, known as the Rio Pact or Rio Treaty, was signed by 19 American countries on September 2, 1947, in Rio de Janeiro. It asserted that aggression toward one American state would be considered an attack on all countries bound by the treaty.

Option I presumably would be attractive to much of the Congress and the public, since it would be a very specific formulation of what the United States can do to protect its security interest in the canal forever. On the other hand, a growing segment of the Congress and the public might believe that such a provision is an extension of a colonial relationship and would therefore be harmful to long-term U.S. interests in the canal and elsewhere and likely to engender opposition from within Panama—opposition in which many countries of the world would support Panama.

Even though most uses of force in Panama against Panama's will would violate the UN and OAS Charters and provoke considerable international criticism, circumstances could develop in which the President felt compelled to act with force. In such a case, it could prove very helpful to our justification for so acting if we had the language suggested in Option I to cite.

However, in State's view, Panama could never accept such a U.S. right and might even be inclined to question the good faith of the United States in proposing it. Also, it would be contrary to our interest to present this Option unless we were reasonably sure that Panama would accept it. Were Panama to reject it, the negotiating record would show we had wanted an explicit intervention right, but had been unable to obtain it. Thereafter, we would have even more difficulty in arguing that the broad and very general neutrality guarantee provision we finally got was intended to mean that the U.S. could take any action it deemed appropriate, including intervention, to ensure the neutrality of the canal.

Defense believes that, packaged appropriately with careful drafting, this Option may be acceptable to Panama. Its proposal and rejection would not make appreciably more difficult any argument that we had an intervention right without specific use-of-force language to cite.

Option II, while imposing an obligation on Panama to keep the canal neutral, would probably be less attractive to the Congress and U.S. public because it would not provide as strong a political justification for any U.S. military action as Option I. This option would communicate our commitment to the permanent neutrality of the canal without stating explicitly that we would take measures, against Panama's will, to see that the canal's neutrality is maintained. State believes that Option II would provide almost as much protection for our long-term interests as Option I and could be sold to the Congress and the public on this basis. The Department of Defense believes that this Option would encounter stiff opposition on the Hill. There is a good chance that Panama ultimately would accept a skillfully worded formulation of Option II as part of an overall package satisfactory to Panama on the duration issue.

Option III is very similar in all respects but form to Option I.

Option IV would add other nations as guarantors to the Option II formulation. Although this option has the advantage of probable acceptability to Panama, it has the disadvantage of encumbering U.S. unilateral actions to protect the canal's neutrality.

Option V has already been proposed by Panama. It is less attractive as a basis for future political justification of U.S. action than the other Options and thus less attractive to Congress and the public. So although its strictly legal effects would not be significantly different from that of the other options, it probably would have to be coupled with other post-treaty defense arrangements to satisfy the public and Congress of our ability to protect our long-term security interests.

Guidance Changes Needed

Option I. Current guidance neither requires nor precludes this option.

Option II. No change required. This option is required, as a minimum, by present guidance.

Option III. No change required.

Option IV. Presidential guidance would have to be changed to authorize a multilateral guarantee.

Option V. Provide authority to agree to a bilateral neutrality treaty which would rely upon a unilateral Panamanian obligation to the U.S. to guarantee the canal's neutrality.

D. ISSUE—Post-Treaty Defense Arrangements

Definition.

This issue involves the nature of U.S. rights to continue to participate in canal defense subsequent to the terminating of the treaty.

Background.

Current Presidential guidance (NSDM 302) tasks the negotiators with making efforts to obtain a right in principle for the United States to participate in post-treaty canal defense, including a limited military presence. The U.S. negotiators proposed to Panama in November 1975, a modified U.S. position on post-treaty defense; namely, an agreement to negotiate in good faith prior to the treaty termination concerning post-treaty defense rights. Panama has not officially responded.²⁰ However, its publicly stated position has been that all U.S. defense commitments must terminate by the year 2000.

²⁰ See *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, Documents 102 and 108.

Options.

Option I. Panama would agree in the treaty to a right in principle for the U.S. to participate in canal defense, with a limited military presence following the termination of the treaty. However, the U.S. defense rights in the treaty would not terminate until agreement was reached on the U.S. role following termination.

Option II. Panama would agree in the treaty to a right in principle for the U.S. to participate in canal defense, with a limited military presence, following termination of the treaty.

Option III. Panama would agree in the treaty to a right in principle for the U.S. to participate in canal defense, without a military presence in Panama following termination of the treaty.

Option IV. Panama would agree to negotiate with the U.S., in good faith, before treaty termination, on a role for the U.S. in post-treaty canal defense.

Option V. Panama and the U.S. would agree to the terms for a separate, periodically renewable mutual security agreement to become effective upon termination of the canal treaty.

Option VI. The U.S. would make a unilateral declaration or treaty reservation, of its intent to ensure the security of the canal. Panama would either not respond or would issue a statement of no-objection.

Discussion.

Option I is, in essence, a defense right in perpetuity. Thus this option would be subject to considerations similar to those expressed under Neutrality Option I. This position provides the U.S. with the strongest assurance of a post-treaty defense capability.

Option II was presented to Panama in September of 1975.²¹ Because of Panama's strenuous objection to it as "perpetuity", it was later withdrawn. However, it is only an "agreement to agree" and might be acceptable ultimately to Panama in the context of an acceptable duration proposal particularly if the element of military presence were eliminated. It would have some attraction for the Congress and public opinion because it would show Panama has agreed in principle to our continued involvement in canal defense beyond the term of the treaty.

Option III is similar to Option II with the modification that the U.S. participation in canal defense would be without a military presence in Panama. While preferable to no post-treaty defense arrangements, this option is not favored over Option I since lack of forces in place significantly complicates any U.S. exercise of its defense role.

Option IV would not commit Panama to anything other than good faith negotiation on a U.S. post-treaty defense role. Thus, it would not

²¹ See *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, Document 99.

of itself protect U.S. long-term security interests or be of more than some slight psychological value in convincing the Congress and the public of our ability to protect those long-term interests. Its value, however, might be in making it easier politically for Panama to agree to a continuing U.S. defense role at the time the treaty terminates.

Option V would affirm that Panama would be an ally of the United States beyond the treaty period. It would also demonstrate our continuing commitment to ensure the security of the canal. The psychological effect of Panama's commitment to remain our ally would be significant to Congress and to the public.

Under Option VI Panama would not be agreeing to any U.S. action, but the public and Congress would be somewhat reassured by our declaration of intent to take necessary action to protect our interests. This, however, is not as protective to our security interests as a mutual security agreement would be because it does not demonstrate that Panama would be a continuing ally of the U.S. and could be countered at any time by a declaration from Panama that it must consent in advance to U.S. action.

Guidance Changes Needed

Option I. Harden existing Presidential guidance to indicate clearly that U.S. Canal defense will not terminate until the U.S. and Panama have agreed on a new role for the U.S. in canal defense.

Option II. Harden existing Presidential guidance clearly to require a right in principle for the U.S. to participate in post-treaty canal defense, with a limited presence.

Option III. Harden existing Presidential guidance clearly to require a right in principle for the U.S. to participate in post-treaty canal defense without a U.S. military presence.

Option IV. No change in guidance needed.

Option V. Present Presidential guidance allows but does not require this option. Only if Option V is considered mandatory should guidance be changed to require Panama's agreement to the terms of a separate mutual security treaty to be effective after treaty termination and to run for a specified period.

Option VI. Present Presidential guidance allows but does not require this option. Only if Option VI is considered mandatory should guidance be changed to require Panama's agreement not to object to a unilateral U.S. declaration of intent to take any necessary action to ensure the neutrality of the canal.

E. ISSUE—Lands and Waters

Definition.

The definition of those lands and waters whose use will be required by the United States to execute its responsibilities for the operation,

maintenance, protection and defense of the canal under the new treaty, and securing the rights necessary for their use.

Background.

Until December 1975, the United States position on this issue envisaged relinquishing only those areas of the current Canal Zone which were of limited value to the United States. The Presidential guidance contained in NSDM 302 endorsed this approach. The Panamanian position was based upon: (a) its narrow definition of those areas whose use it considered that the United States would require for canal operation and defense, as modified by; (b) its perception of its own requirements in terms of domestic political acceptability and for purposes of economic development. The two positions based on these divergent approaches to the issue resulted in a stalemate. In December 1975, the United States Negotiators initiated development of a compromise lands and waters position designed to accommodate the United States' requirements for operation and defense of the canal in a combined United States-Panamanian defense arrangement, while taking into account to the extent possible, Panama's economic and political requirements.²²

Options.

Option I. Stand fast with existing guidance.

Option II. Pursue the exploratory approach used by the negotiators in 1976 on a "what if" basis.²³

Discussion of Options

The return of any areas of the present Canal Zone to Panama will result in some criticism by the Congress and the general public. However, it is improbable that the degree of such criticism will relate to the details of what specific areas are relinquished to Panama and what areas are retained by the United States so long as these details have the support of all interested agencies of the Executive Branch.

From the Panamanian standpoint, retention by the United States of the entire Canal Zone, or of what appeared in Panama to be overly-substantial parts of it, would mean no agreement. It is now generally recognized by both State and Defense that agreement with Panama is therefore not possible on the basis of the lands and waters position reflected in current Presidential guidance. Option I is not realistically supported by any interested agency of the United States Government.

The process of negotiation on this issue has consisted of seeking both to educate the Panamanian negotiators as to the nature of United

²² See footnote 20 above.

²³ See *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, Document 114.

States requirements relating to the operation and defense of the canal, and seeking to develop a compromise United States position as described above.

State and Defense consider that essential United States interests on this subject may be achieved through continuing to pursue these discussions with the Panamanian negotiators. Our objective in doing so should continue to be to resolve the manifold individual questions making up this issue in a manner which takes maximum account of Panama's requirements while retaining for the United States the necessary rights to use those specific lands and waters which will be needed for canal operation and defense under a new treaty assuming a combined United States–Panamanian defense arrangement. It should be noted that the Secretary of the Army has presented a lands-and-waters position which differs in some respects from the negotiators' unofficial proposal. These differences are being considered by the negotiators in the preparation of their position.

Guidance Changes Needed.

Option I. No guidance change needed.

Option II. Change existing guidance to read as follows: "Authorize the United States negotiators to continue to negotiate to obtain appropriate rights to use such lands and waters areas as may be concurred in by the Department of Defense and State as the minimum necessary for the operation of the canal and for its defense under a combined United States–Panamanian defense arrangement."

F. ISSUE—Rights, Benefits and Privileges for United States Citizen Employees of the Canal Entity

Definition.

This issue concerns the rights, benefits and privileges which will be provided to United States citizen employees of the Canal entity under a new agreement with the Republic of Panama.

Background.

No direct Presidential guidance exists on this issue. However, the United States negotiators have sought to achieve rights and immunities for United States citizen Canal employees equivalent to those which United States civilian employees of the Armed Forces receive under the Status of Forces Agreement (SOFA). The Panamanian negotiators have indicated that Panama attaches importance to agreement on those benefits necessary to retain a trained Canal work-force, but has difficulty in accepting certain specific rights which we have sought for United States citizen employees.

Options.

Option I. Obtain rights equivalent to those for civilian employees of the United States Armed Forces under the Status of Forces Agreement (Summary of SOFA attached at Tab 8).

Option II. Obtain job guarantees and other privileges approaching those in the SOFA (As identified in the fallback position contained in the current Defense position on this issue.)

Discussion of Options.

Retention of an adequate United States citizen component of the Canal work-force is essential until such time as the particular skills provided by this group are obtainable—as in many cases they presently are not—in the Panamanian labor market. Our basic objective on this issue is the provision of rights, privileges and benefits sufficient to permit the retention and/or recruitment from the U.S. labor force of the skills required.

Everyone, including Panamanians, agrees that United States citizen Canal employees should not suffer economic losses or job insecurity as a result of a new treaty and that employee rights should be adequately covered in the treaty. However, there is still a marked difference in United States and Panamanian perceptions of what, in specific terms, will be required to achieve our objectives in relation to Canal operation.

This issue has generated a tremendous emotional charge in the Canal Zone; Canal employees actively campaigning against a new treaty have exploited the insecurities of other employees concerning their uncertainties as to their status under a new treaty. The issue has therefore assumed additional importance in humanitarian terms and as a political issue within the United States.

United States labor organizations appear disposed to support an arrangement which provides normal job guarantees for employees, without evidencing a particular concern for special status for U.S. citizens. The U.S. public and Congress would probably go along with an arrangement which appeared fair to the U.S. citizen employees.

Many of the actions necessary in relation to Canal employees would fall outside the scope of the treaty as being either within the competence of the management of the new Canal entity, and/or as subjects for unilateral resolution by the United States Government.

Panama's negotiators have declined to consider outright inclusion of Canal entity U.S. citizen employees under the SOFA, but might accept some modified version of rights analagous to those accorded in the SOFA if "repackaged." The degree to which these rights would approach those under the SOFA will probably be increased greatly in the event we were to agree to a "favorable" resolution of the duration issue.

Some employees will voluntarily leave their employment before or immediately after a new treaty enters into force. However, a combination of adequate actions to allay employee concerns while treaty negotiations progress, unilateral U.S. Government actions to preserve the employee's confidence in his job security, and adequate resolution of the details of this issue with Panama will probably permit a sufficient number to adjust to their situation under the new treaty to preserve our operational objectives in the Canal.

Guidances Changes Needed.

Option I. No change needed.

Option II. No change needed.

G. ISSUE—*Nature of Canal Operating Entity*

Definition.

This issue involves the nature and structure of the new entity that will operate the canal for the life of the new treaty.

Background.

Current Presidential guidance directs that effective U.S. control of canal operations (for a duration of time consistent with guidance) is to be considered non-negotiable; it provides further that the *first* negotiating objective should be continued exclusive U.S. control of canal operations, and that the *fallback* U.S. position should be an arrangement whereby the U.S. retains control of canal operations with Panamanian participation in the canal organization (NSDM 115).

The Panamanian position on this issue is that the new entity be an international juridical entity, jointly created by means of the treaty, with U.S. majority control. Under the Panamanian approach, the existence of the entity would terminate along with the termination of U.S. control at the end of the treaty. Recent Panamanian proposals have included the concept of a termination of U.S. majority control in the year 1995 with U.S. minority participation until the end of the treaty, which would be the year 2000.

In the February 1974 Joint Statement of Principles²⁴ and in the November 1974 Threshold Agreements, the U.S. agreed to the concepts of participation by Panama, and increasing participation by Panamanians, in the administration of the canal. In those same agreements, however, Panama agreed to “grant to the United States” the rights necessary to operate and maintain the canal for the duration of the new treaty. Implicit was that a USG agency would exercise these rights

²⁴ See footnote 10 above.

on behalf of the USG. More recently, Panama has proposed that the treaty grant the operation-related rights to a jointly created international juridical entity, as outlined above. The U.S. negotiators have consistently maintained that the new entity be a USG agency, but recently have indicated a willingness to explore the possibility of an international juridical entity along the lines of OPTION III below.

Options.

Option I. A USG agency, with Panamanian participation, would operate the canal until U.S. operating rights terminate. At the termination of U.S. operating rights, Panama would assume total responsibility for canal operation.

Option II. A joint U.S.-Panamanian international juridical entity, created in the treaty, would operate the canal until its operating rights terminate. The U.S. would enjoy majority control until the entity's operating rights terminate. At that time, Panama would assume total responsibility for canal operation.

Option III. A joint U.S.-Panamanian international juridical entity, created in the treaty, would operate the canal until the entity's operating rights are terminated. The U.S. would enjoy majority control until at least a certain date, but would have a right to a minority participation for a specific time thereafter. Panama would enjoy minority participation for the duration of U.S. majority control, and would have a right to majority control at a certain date subsequent to the termination of U.S. majority control. Selected user nations would have minority participation for the entity's life.

Discussion of Options.

State and Defense both believe that Option I (USG agency) would lend itself to the simplest treatment in the treaty and the process of negotiation. It would also be attractive to Congress, since Congress would establish the USG agency and delegate to it the operating rights. Correspondingly, Option I would also insure Congressional control over the exercise of our operation-related rights, including the rights to control employee relations, navigation and tolls, which Panama has already agreed to. It also would be, however, the most difficult of the three options for Panama to accept, and is not necessarily the most protective for our interest of the three options.

State and Defense agree, conversely, that Option II would be acceptable to Panama, but would be the least attractive of the three options to Congress.

State and Defense believe that Option III might be acceptable to Panama if the duration of U.S. minority participation were relatively short, but likely unacceptable with a long duration of U.S. minority

participation, particularly if the U.S. insisted on the same duration of U.S. majority control as under Option I. Panama's willingness to accept a longer duration of U.S. minority participation would be increased if the U.S. would also be willing to accept a shorter duration of U.S. majority control than is authorized by current guidance. (A reduced duration is not key to this option for U.S. majority control.) Domestic U.S. acceptability of Option III would be enhanced by a period of U.S. minority participation following the termination of U.S. majority control, but would be hampered by any reduction in the period of U.S. majority control of canal operations. Further, Option III would give selected user nations some understanding of the problems of canal management, and their participation would add a measure of stability to canal operation over the long term and could have a moderating effect on Panamanian ambitions to realize excessive profits from canal operations. Finally, this option would, as a practical matter, allow for the possibility of Panama's continuing the entity voluntarily beyond the termination of the U.S. *right* to minority participation, and ideally, would result in the creation of a permanent entity structure continued by all interested parties on a voluntary basis indefinitely.

Guidance changes needed.

Option I. No change in guidance required.

Option II. No change in guidance required.

Option III. No change in guidance would be required to authorize the option as stated, but a change in current guidance on the issue of duration of U.S. control of canal operation would be required in the event it is considered desirable, as part of this option, to authorize the negotiators to propose a shorter duration of majority U.S. control than is presently authorized in exchange for a longer duration of the U.S. right to minority participation.

H. ISSUE—*Nature and Level of Financial Benefits*

Definition.

This involves determining what financial benefits will accrue to Panama as a result of a new treaty.

Background.

Existing guidance calls for substantially increased income to Panama from Canal operations (even though this may involve significant increases in tolls) and the opening of commercial opportunities to Panama in the Canal area (NSDM 115). We believe that Panama will expect to receive considerable compensation under any new treaty arrangements. The issue has not yet been discussed in any depth in the treaty negotiations, beyond the tabling by the U.S. in January 1975

of a proposal for an annual payment during the life of the treaty based initially on 27 cents per ton of cargo transiting the Canal.²⁵ (This proposal would have amounted to about \$35 million at the 1975 traffic level.) Both sides have agreed that they would reserve discussion of this issue until all others have been resolved.

Options.

Option I. Substantial payment to Panama to be financed from tolls and based on volume of traffic in tons transiting the Canal (current position).

Option II. Payment to Panama from tolls (reduced below level of Option I) plus additional compensation based on some combination of the following: economic and security assistance and/or a fixed annuity, and/or payments for base rights all to be financed by Congressional appropriations; credit for USG physical assets transferred and services provided to Panama (e.g., technical training, utilities, etc.).

Discussion of Options.

There has been limited study within the USG of the question of financial benefits. Further immediate review is planned in order to determine specific compensation packages which might appropriately be proposed in the negotiations.

Option I, by making Panamanian receipts dependent on the volume of shipping using the Canal, provides an incentive for Panama to cooperate in insuring that the Canal operates efficiently and that maximum traffic is encouraged. Its principal disadvantage is that the amount generated may be insufficient to meet Panamanian desires. Further, if Canal revenue were insufficient to cover the payments, the USG would have to seek Congressional appropriations in order to meet its obligations to Panama.

Option II would permit us to offer a larger package of financial benefits to Panama. This would contribute to facilitating overall agreement on a new treaty. By offering to Panama, through a variety of means, U.S. assistance in integrating the Canal into its economy and furthering its own development, it would contribute to increased prospects for long-term Panamanian stability and for providing the secure environment that is essential to continued efficient operation of the Canal. It would also enable us to assist Panama in such activities as preparing the Panamanian armed forces to participate in defense of the canal, to develop the manpower needed to operate it, and to help Panama meet the costs of taking over certain functions (fire, police,

²⁵ For a brief summary of the January 1975 meetings in Panama, see *Foreign Relations*, 1969–1976, vol. XXII, Panama, 1973–1976, Document 66.

courts, etc.) as jurisdiction passes early in the new treaty period. Since Panama, because of its pressing financial problems and high debt service levels, will find it difficult to find international lenders for planned projects, Panama would certainly be attracted by a U.S. package involving investments in the Canal operation and infrastructure and funds to support a smooth transition to Panamanian jurisdiction. By helping to provide the favorable economic climate in Panama that would serve U.S. interests, a well-designed Option II package presumably could be made acceptable to the Congress in spite of its inherent preference for an option financed from tolls.

Many of the items that might be included in this option—such as base rights payments, economic and security assistance, or an annuity, would require Congressional appropriations, with consequent requirement to justify these expenditures to Congress. We anticipate that Congress might be more resistant to appropriations for general economic and security assistance than for expenditures that have some close relation to canal operations, such as aid to help Panama exploit commercial opportunities in the Zone (e.g., construction of a container port) or to improve Panamanian military forces to enable them to contribute to Canal defense. Defense opposes payments for base rights during the life of a new treaty on the grounds that the primary function of the bases is canal defense, which is equally of benefit to Panama and the U.S.

With regard to credit for physical assets, the monetary value of the package could be substantially increased if these items were included. However, it is likely that Panama will not attach much weight to benefits of this sort, since these assets will be available to Panama under a new treaty in any event.

Guidance Changes Needed.

Option I. No guidance change needed.

Option II. Changes in Presidential guidance would be proposed as the elements of a package and levels of financial benefits are developed and refined. Defense believes that before preparing proposals under this option, Presidential guidance should be sought on the appropriateness of incorporating elements in such proposals that would require the use of appropriated funds.

Defense believes that an exceptionally large compensation package to Panama, as may be envisioned in Option II, could well endanger Congressional and public acceptance of the treaty.

I. ISSUE—Expansion

Definition.

This issue involves determining the rights the United States should have in the treaty to expand canal capacity.

Background.

Current guidance asks the negotiators to obtain an exclusive right, under terms and conditions set out in the treaty, to expand canal capacity through addition of a third lane of locks or construction of a sea-level canal throughout the period of U.S. canal operation with agreements that (a) the neutrality guarantee will apply to any new canal ever constructed in Panama; and (b) no third country will ever have responsibility for operation or defense of a canal within Panama. As a fallback, duration of the U.S. right to expand may run for less than the total period of U.S. canal operation with agreement by Panama that the U.S. will be given a right of first refusal on any expansion project during the remainder of the period of U.S. canal operation (NSDM 302).

The Panamanian position is that the U.S. would have the right, in the treaty, to expand canal capacity during the first ten years of the duration of this treaty. Thereafter, during the period of U.S. control of canal operations, both Panama and the U.S. would have to agree upon any project for expansion of canal capacity undertaken in Panama.

Options.

Options I. U.S. would have a detailed and exclusive right to expand canal capacity, including a commitment by Panama to preserve in advance the required territorial right of way and to extend the treaty duration if expansion is undertaken.

Option II. U.S. would have a defined and exclusive right to expand canal capacity, but without Panama's agreement (a) on the necessary land areas in advance; and (b) on extending the duration of the treaty if expansion is undertaken.

Option III. U.S. would have a detailed and exclusive right for some period less than full term of U.S. canal operation, with a U.S. first refusal right thereafter during term of U.S. canal operation.

Discussion.

The resolution of this issue will not have a significant impact on U.S. interests as it now does not appear likely that we will make a decision to expand canal capacity during the period of U.S. control of canal operations. Option I would be similar to the rights the United States would have obtained under the 1967 draft treaties.²⁶ Panama would object to it strongly and while it would be particularly attractive to a limited number of members of Congress and the public, it would be of minor significance to most of the Congress and the public.

²⁶ See footnote 8 above.

Option II is the position we currently have tabled with Panama. It will give us a right definitive enough to allow us to undertake the addition of a third lane of locks to the present canal should we decide to do so. This will be attractive to some members of Congress and the public. Panama's current position is so close to Option II that it seems likely Panama would accept this option in the context of an entire treaty package.

Option III would allow us to agree to Panama's current position. It is less attractive to all interests in the U.S. because our rights would be less, but acceptance of it would not significantly affect our national interest.

Guidance Changes Needed.

Option I. Harden guidance to require negotiators to obtain Panama's agreement (a) to preserve a territorial right-of-way for future U.S. use in construction of a sea-level canal and (b) to extend the duration of the treaty if U.S. decides to expand the canal.

Option II. No guidance change necessary.

Option III. No guidance change necessary.

Tab 10

Steps to Obtain Congressional and Public Support for a Treaty²⁷

Washington, undated

*STEPS TO OBTAIN CONGRESSIONAL AND PUBLIC SUPPORT
FOR A TREATY*

a. Hold another Presidential meeting with the Congressional leadership,²⁸ to be attended also by the Secretaries of State and Defense, the JCS Chairman, and the U.S. negotiators. The President would: (a) set forth the status of the negotiations and his plans for the treaty timetable; (b) seek the Congressional leadership's advice on the course to be followed in the negotiations and on a strategy for winning Congressional approval; and (c) explore how best to involve members of the Congress in the negotiations.

²⁷ Secret.

²⁸ According to the President's Daily Diary, Carter hosted a breakfast meeting with Democratic congressional leaders on January 25 from 7:57 to 9:08 a.m. (Carter Library, Presidential Materials, President's Daily Diary)

b. Issue a Presidential statement, to follow immediately after the above meeting, setting forth the Administration's objectives and commitment to obtaining a new treaty.²⁹

c. Issue Presidential instructions³⁰ directing State, in coordination with Defense and White House congressional staffs to begin immediate, intensive, coordinated and continuing consultations with the Congress.

d. Instruct appropriate agencies to begin working promptly to lessen congressional support, particularly in the Senate, for prospective anti-treaty initiatives including those designed to cut off funds for the negotiations.

e. Undertake White House-directed effort to obtain support of concerned interests groups—veterans organizations, business groups, labor unions, church groups, Hispanic Americans. Perhaps also the organization of a national "Citizen's Committee for a Panama Treaty", its membership to be solicited by the White House.³¹

f. Make follow-up Presidential statements (including a fireside chat) to inform the public and to build support for the treaty. If an early fireside chat is decided upon to set a positive public framework for the negotiations, it should focus more on the U.S. interests and objectives that would be served by a new treaty, rather than on details that might weaken our negotiating position or compromise the President.³²

g. Undertake private Presidential consultations with selected department heads and other senior officials to emphasize the priority attached to the treaty effort and the desire that all agencies concerned cooperate in the attainment of a new treaty.

²⁹ Not found.

³⁰ Not found.

³¹ See Document 43.

³² Carter delivered remarks to the American people on February 2 but did not mention Panama. For the text of the remarks, see *Public Papers: Carter, 1977*, Book I, pp. 69–77.

4. **Memorandum From the Chairman of the Joint Chiefs of Staff (Brown) to the Members of the Joint Chiefs of Staff¹**

Washington, January 26, 1977

Subj: Panama Canal Negotiations

1. Following our meeting today, I discussed the Panama Canal Negotiations with the Secretary of Defense in preparation for the Policy Review Committee Meeting tomorrow.²

2. There are two basic issues, i.e., duration and defense.

3. It appears that following the PRC Working Group report PRM #1³ that duration will be; "The Treaty on the operation, protection, and defense of the Canal will terminate 31 December 1999."

4. As for defense in the post-treaty period, Secretary Brown leans toward inclusion of the following words in the proposed treaty: "The United States and Panama agree that the neutrality of the Canal will continue beyond the termination of US operations and each country commits itself to protect the Canal after the termination of US operations."

5. In my view, the position reflected above is one I can support and will give us what we need in the way of assurance that the Canal will be available to us for as long as we may require it and that the US can intervene in defense of the Canal when it feels it should. It also has the advantage of probably being palatable to Panama. I would like to have your views on this by 0900, tomorrow, 27 January, prior to my departure for the Policy Review Committee Meeting on this subject.⁴

George S. Brown

General, USAF

Chairman, Joint Chiefs of Staff

¹ Source: National Archives, RG 218, Records of Chairman George S. Brown, Box 48, 820 (Panama) Bulky 1 Jan 1976–31 May 1977. Confidential; Eyes Only. Sent to Holloway, Jones, Rogers and Wilson.

² For the minutes of the January 27 Policy Review Committee Meeting, see Document 6.

³ See Document 3.

⁴ According to a January 27 memorandum to Brown from Colonel Conlin summarizing the responses of the Joint Chiefs, the Air Force responded "no problem" via telephone; the Navy preferred an inclusion in the treaty guaranteeing a role in defense but supported the neutrality option, suggesting it be tied to duration via an attached memorandum; the Marine Corps preferred a harder line but agreed, via telephone, to the negotiated position; and the Army expressed the same views as the Navy via an attached memorandum. (National Archives, RG 218, Records of Chairman George S. Brown, Box 48, 820 (Panama) Bulky 1 Jan 1976–31 May 1977)

5. **Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)**¹

Washington, January 26, 1977

SUBJECT

Background Comments on the PRM Study in Response to PRM/NSC-1

Attached is the response to PRM/NSC-1/Panama, the paper requested by PRM/NSC-1.² I think the paper represents a basis for discussing the issue. The *major* issues are correctly identified and the major differences between State and Defense are stated in the options, if not in the body of the paper. As I mentioned to you, State believes that the Canal is of declining strategic and economic utility, and its primary interest is in securing a treaty with Panama. The Defense Department continues to see the Canal as "vital", but has reluctantly agreed to a treaty; any departure from the status quo, however, is painful to Defense. These differences are reflected in the text where a State Department sentence (or clause) declaring the Canal's declining significance is balanced against a Defense Department's sentence proclaiming it a "major" defense asset.

The continuing debate (see pp. 6–9) between State and Defense served to focus the paper to an unwarranted degree, in my judgment, on only the major issues of the negotiations *with Panama*. There are, however, three negotiating arenas which count: (1) U.S.-Panama; (2) Congress-Executive; (3) Congress-Executive-Zonians. As a result of Carter's meeting with Congressional leaders,³ the anticipated appointment of Linowitz as co-negotiator⁴ and my own appointment (in my capacity as Director of the Linowitz Commission,⁵ I have been in regular contact with the Panamanians for two years), the U.S. has sent and the Panamanians have already received a signal that Carter plans to do something positive on this issue. It is my opinion that relatively greater

¹ Source: Carter Library, National Security Council Institutional Files, Box 24, PRM-01(1). Confidential. Sent for information.

² Paper not attached, printed in Document 3.

³ See footnote 28, Document 3.

⁴ The Carter administration asked Linowitz to negotiate the Panama Canal Treaties, and he accepted on the condition that he co-negotiate with Bunker. On February 8, Carter designated Linowitz to be part-time co-negotiator of the Panama Canal negotiations. For the text of the designation, see *Public Papers: Carter, 1977*, Book I, p. 101.

⁵ A reference to the Commission on United States-Latin American Relations under the Center for Inter-American Relations, which Linowitz chaired before becoming co-negotiator of the Panama Canal Treaties in 1977.

emphasis should be placed on winning over the Congress and the Zonians first—in a sense, securing our flanks before we advance on (negotiations with) Panama.⁶ This interest—in making sure the Congress, the Zonians, and the American people can support a treaty was unfortunately missing in the debate. It was inserted in the paper (Tab 10) but still does not have the kind of emphasis which, I believe, it merits.

Even if the Thurmond Resolution⁷ is slowed or stopped, the anti-treaty forces in Congress will probably decide to give Linowitz a difficult time in confirmation hearings, and the Executive should be prepared to make a strong effort to assure his confirmation, and in doing so, to gain *substantive* support for a new treaty. The argument that we should ask Senators to allow Carter time to make *his own* decisions on the issue strikes me as insufficient.⁸ We should take a more positive approach, persuading Congress of the need of a new treaty.

The discussion in the PRC should focus on four sets of decisions:

1. Overall strategy for resuming negotiations (pp. 9–10: “Issues—Next Step”).⁹
2. Major Unresolved Treaty Issues (Tab 9).¹⁰
3. Steps to Obtain Congressional and Public Support for a Treaty (Tab 10).¹¹
4. Outcome of PRC Meeting: Messages to and for the President¹²

1. Overall Strategy (pp. 9–10)

The State Department has erased a third, middle option providing some Presidential guidance short of fixed instructions to the negotiators. Option 1 (a formal offer) seems to expect too much to transpire at a single PRC meeting, while Option 2 (informal exploration), in my opinion, expects too little. The reason, I believe, that the State Department deleted the middle option is because they think even that option would lead to a bureaucratic stalemate, and they believe it is essential for the negotiators to return to Panama as soon as possible, and, of course, Option 2 (informal exploration) will accomplish that objective.

⁶ Brzezinski highlighted this sentence.

⁷ See footnote 15, Document 3.

⁸ Brzezinski highlighted this sentence.

⁹ See footnote 2.

¹⁰ Ibid.

¹¹ Ibid.

¹² For the outcome of the January 27 PRC meeting and Carter’s responses to it, see Document 8.

In my opinion, the process will be most effectively speeded up, if the negotiators could return to Panama with some sense of where the President stood on the major unresolved issues. Thus, an informal understanding between the President and the negotiators prior to their return combined with a coordinated lobbying campaign represents the best strategy for moving toward a new treaty.

As to *Interagency Coordination*, State's argument for a committee chaired by the Under Secretary of State for Political Affairs strikes me as sound, although Defense will require some special role or veto. Even though it is not mentioned, I believe it is essential for a Congressional Liaison to play a full role in these discussions.¹³

2. Major Unresolved Issues (Tab 9)

This section will demand the most time, and we should, therefore, move briskly through the discussion to this section. *Suggested* choices:

a. *Duration of Canal Operation Rights*. Try to get as much flexibility here as possible. (Thus, Option 3.)

b. *Duration of Canal Defense Rights*. The real question here is: What will Panama accept? And the clear answer appears to be Option 5. (This is the only issue—i.e., question of terminating defense rights by the year 2000 in which Panama's position appears fixed.) I have spoken to people at Defense and have been told that General Brown will accept this.¹⁴

c. *Permanent Neutrality Guarantee*. The question here is how to ensure the right of the U.S. to guarantee the neutrality of the Canal after the treaty without making it appear that this represents a new form of perpetuity. This is the principal area where exploration of the Panamanian position is necessary, and where differences within the USG might be the widest. Options 2, 3, 4 or 5 might work.

In the last NSC meeting on Panama,¹⁵ the pivotal question was the duration of defense rights. With new flexibility by Defense on this issue, the debate has shifted to the neutrality issue and to *post-treaty* defense rights, and here Defense has again dug in its heels and insisted on a treaty provision which recognizes the unilateral right by the U.S. to intervene.¹⁶ State, correctly, in my view, believes Panama will view this as another attempt at perpetuity and reject it outright. Remaining sensitive to the perpetuity complaint of the Panamanians is an essential

¹³ Brzezinski highlighted this sentence.

¹⁴ Brzezinski wrote in the left margin: "bilat [illegible] after 2000."

¹⁵ See *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, Document 90.

¹⁶ Brzezinski highlighted this sentence.

factor in deciding on a negotiating position on neutrality and post-treaty rights.

d. *Post-Treaty Defense Arrangements*. Given the student pressure on Torrijos, it will be very difficult for him to accept a provision giving the U.S. any defense rights beyond the year 2000. Indeed, I would guess that the best way to get these rights is not to include it in the treaty or to have a secret protocol, but rather to ignore this item for ten years until the responsibility for operations and defense begin to shift to Panama and the relationship between the two countries rises to a more mature level. Thus, Options 5, 4, 6, 3, in that order, would probably offer the best approach.

The real post-treaty problem for the U.S. is not in addressing a genuine threat to the Canal, but in dealing with “salami-type” policies—e.g. (the equivalent of) excluding Israel from the Canal, or raising rates for one or two countries. We could not send the Marines in for this; and probably the only response by the U.S. could be diplomatic or economic.

e. *Lands and Waters*. The initial U.S. position on this (85% of the Zone to be retained) was unrealistic. The new position (around 45%, I think) is still much higher than the amount of land we use (6%). An exploratory option (2) is necessary here.¹⁷

f. *Zonians*. There are two issues here: (1) how to ensure an adequate American work force to operate the Canal; and (2) how to guarantee the job safety and benefits for the U.S. employees in the Zone. Only the first question is addressed in this paper, and Option 1 (rights equivalent to SOFA) appears the best means to achieve this objective.

The second issue, however, must be addressed quickly to ensure that the AFL-CIO, which is very concerned about the jobs of its union members in the Zone, is transformed from a major obstacle to treaty ratification into a significant supporter.

g. *Canal Operating Entity*. Option 1 is the present U.S. position, but it would be helpful to permit negotiators to explore other possibilities.

h. *Financial Benefits*. On this issue, it is important to keep in mind that Congress would not be very receptive to the idea of generously compensating Panama for, in effect, taking the Canal.¹⁸

i. *Expansion*. Flexibility on this issue is essential—i.e., it should not be permitted to hold up negotiations—since we will probably never use the option to expand the Canal anyway.

¹⁷ Brzezinski highlighted this sentence.

¹⁸ Brzezinski highlighted this sentence.

3. *Steps to Obtain Congressional and Public Support For a Treaty.*

In State's agenda, this section will be discussed only "if time permits". In my opinion, this should be the second item on the agenda, and Tab 10 provides a good list of all those steps that need to be taken. In addition to those points, however, it would be useful to discuss:

a. The role of Linowitz in coordinating this effort. Linowitz and Bunker have a good personal relationship and can work out their respective roles in negotiations on an informal basis; but on the issue of mobilizing domestic support, Linowitz clearly has a comparative advantage, which he could most effectively exploit if he were working out of the White House, rather than State. This is an essential point: every important and successful lobbying campaign on a major foreign policy issue—from the Marshall Plan to the Trade Expansion Act—has been run out of the White House, where the coordinator can involve domestic groups much more easily and engage the Defense Department as well as State.

b. Bunker should testify in open as well closed session (or closed, only if we could make a "sanitized" transcript immediately available for distribution) at the earliest.

c. The President should encourage congressional leaders to organize a Consultative Committee to work closely with the U.S. negotiators.

4. *Outcome of Meeting*

a. It is important for a summary of the meeting to be sent to the President and that the Secretary of State or yourself brief him on the meeting. Then, the President should meet with the negotiators either in the NSC or informally to provide guidance for them on the major issues.¹⁹

b. President Carter should immediately move to set in motion the steps needed to obtain congressional and public support and should appoint Linowitz his personal liaison and coordinator of this effort.

¹⁹ Brzezinski highlighted this sentence. See footnote 12 for the summary of the PRC meeting. Carter met with Bunker and Linowitz on February 11 (see Document 14).

6. Minutes of a Policy Review Committee Meeting¹

Washington, January 27, 1977, 10:50–11:25 a.m.

SUBJECT

Panama

PARTICIPANTS

State

Secretary of State Vance (Chairman)

Terrence Todman

Amb. Ellsworth Bunker

Amb. Sol Linowitz

Amb. Andrew Young

Amb. William Jordan

Defense

Secretary of Defense Harold Brown

Eugene McAuliffe

JCS

Gen. George S. Brown

Lt. Gen. Welborn G. Dolvin, U.S. Army (Ret.)

CIA

Enno Knoche

[*name not declassified*]

NSC

Zbigniew Brzezinski

William G. Hyland

Robert Pastor

Jeanne W. Davis

SUMMARY OF ACTIONS AND CONCLUSIONS

It was agreed that:

1) it was essential to reaffirm the Tack-Kissinger principles;²

2) we would resume the negotiations on an exploratory basis without a formal position (option 2 of the State Department's paper);³ it was also agreed, however, that Dr. Brzezinski would get some guidance from the President as to his views so that we could be clearer as to our position when we enter into these exploratory discussions.

¹ Source: Carter Library, National Security Council Institutional Files, Box 59, PRC 770001—1/27/77—Panama. Top Secret. The meeting took place in the White House Situation Room. All brackets except those that indicate omitted text are in the original.

² See footnote 10, Document 3.

³ See Document 3.

3) we should move quickly, hoping for completion of a treaty by June, submission to the President in July and to the Congress in August.

4) the President should make some reference to Panama in his fireside chat and/or in the State of the Union message;⁴ the NSC staff would work with the U.S. negotiators and the State Department on draft wording.

5) we should immediately begin a well-organized and coordinated effort, involving the Joint Chiefs of Staff and the Defense and State Departments, to obtain Congressional support, particularly among the new Senators; it was also suggested that a National Citizens Committee on the Panama Canal be set up to stimulate a national educational campaign, directed at defense-oriented and other groups.

6) we would agree to the year 2000 for Panamanian assumption of control of the Canal provided adequate arrangements could be made for neutrality and post-treaty events; all agreed, including the Chiefs of Staff, on a formula which would make the U.S. and Panama both guarantors of the neutrality of the Canal without specifying how this responsibility would be exercised.

Secretary Vance: I'm sorry the papers for this meeting were late. In the future, we will get them out on time. It was a big bundle and I hope you had time to get through them.

With regard to the international and domestic setting, (Foreign Minister) Boyd arrives January 31 for meetings with Ambassadors Bunker and Linowitz and with me and other State Department people.⁵ This is not a formal meeting; there is no specific agenda. I think CIA has something for us on this.

Mr. Knoche: [*2½ lines not declassified*] and we assume it will have to be, particularly since Boyd has been tangled in some differences with Gonzalez who apparently takes a harder line. This is the first real evidence we have of what may be a breakthrough. Boyd takes the position that the most important items are duration and neutrality. He is prepared to go to the year 2000 on duration along with a proviso which would permit the US to intervene in the event of a threat to the Canal, with the express permission of the Panamanian Government. It looks as though they have blinked. Gonzalez doesn't like the idea of a bilateral guarantee and would prefer international attention to this, but Boyd has said this is not realistic. He believes the US will stick with the year 2000 and must have some assurances on neutrality and defense.

⁴ See footnote 32, Document 3. No record of a State of the Union message has been found.

⁵ See Document 9.

Secretary Vance: The Panamanians first envisaged this as a negotiating session, but I instructed (Ambassador) Bill Jorden to make it clear that this will not be a negotiating session.⁶ We will merely discuss the background of the negotiations.

Amb. Jorden: I saw Boyd yesterday morning and he has backed off the idea of a formal negotiating session.⁷ He has a list of items on which he will express the Panamanian point of view. He will also raise the idea of some joint statement following the talks. He understands we have made no commitment to a statement. I have a copy of their proposed text which is rather bland. It basically reaffirms the Tack-Kissinger principles.

Secretary Vance: That is our first question. Do we want to reaffirm the Tack-Kissinger principles? I think we should and Ambassador Bunker agrees.

Secretary Brown: I am in complete agreement.

Secretary Vance: Does anyone disagree? We could reaffirm the principles, then possibly later make a statement as to how we propose to proceed with the negotiations.

Amb. Linowitz: This is particularly important because of the President's statements during the campaign.⁸ Reaffirmation of the Tack-Kissinger principles is indispensable.

Secretary Vance: Did you see the ticker item reporting⁹ that the widow of Chilean Prime Minister Salvatore Allende was refused admission to Ft. Amador? Apparently Torrijos' sister jumped out of the car and demanded entrance. It was quite a scene. This has become public and is getting a big press play in Panama and elsewhere.

Gen. Brown: You must realize there was some poor PFC at the gate and he was just following instructions. We can always have an event such as this if someone wants to provoke one.

Amb. Jorden: There have been special security measures in the Zone since the bombings last November.¹⁰ The Papal Nuncio has been stopped as have several members of the diplomatic corps.

⁶ Jorden relayed this information to Boyd in a January 26 meeting. (Memorandum of Conversation, January 27, National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents, 1977)

⁷ Ibid.

⁸ See *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, footnote 4, Document 134.

⁹ Not found.

¹⁰ Three bomb explosions occurred in the Panama Canal Zone between October 31 and November 1, 1976. See *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, Document 140.

Dr. Brzezinski: Do you mean they were not allowed in at all or had to go through some sort of controls?

Amb. Jorden: They have to go through some control. We have succeeded in getting special passes for the diplomatic corps, but Mrs. Allende has not asked for a pass. These gates are manned by a lot of young people—some are not MPs, just soldiers pulled off other duty.

Gen. Brown: Mrs. Torrijos (Torrijos' sister) was lucky she wasn't handcuffed and marched off to the brig!

Secretary Vance: Oh, that makes me feel better!

Mr. Knoche: In connection with our intelligence on the Boyd position, he has made a statement saying that the Panamanians want a truly neutral Canal and that they are more than willing to give the US and the world a guarantee of neutrality so that after 2000 the Canal will be open to all and will not be a target of reprisal by enemy nations.

Secretary Vance: Could we have some consideration of the conduct of the negotiations. We have two basic options: 1) to start with a formal offer or 2) to commence with informal explorations. We should start promptly, particularly with the latter, since we would like to look toward completion of the treaty in June, submission to the President in July and to Congress in August. Let's go around the table on these two options. Ellsworth (Bunker)?

Amb. Bunker: I am strongly in favor of Option 2. Option 1 would be too time-consuming. Also, we don't know enough about the Panamanian attitude. We assume they will stick to the year 2000 but we should explore what we can get in return. We could talk on a "what-if" basis, ad referendum, of course. This latest intelligence confirms what Boyd said to me. I told him that if we agreed to 2000 we would need the strongest kind of neutrality guarantee. I told him the US can't depend on anyone else for its security—that we had to assure this ourselves. Boyd said he understood this. I think we can make progress if we start exploring. They're more flexible now than at any time during my negotiations with them. They need a treaty; their economic situation is bad. If we want to get a treaty by June 1, Option 2 is the only way to go.

Secretary Vance: This is, of course, interrelated to the Congressional and public aspects which we will discuss later. Harold (Brown)?

Secretary Brown: I think negotiating flexibility is necessary. It would be helpful for them to know where we want to come out, but a formal position at this time would leak and might not be an acceptable solution.

Gen. Brown: I agree.

Amb. Young: Fine with me.

Dr. Brzezinski: I support Option 2 but I feel that if we do not stake out a clearer position now we will have a problem with the Congress

and with the Panamanians. I agree we should reaffirm the Tack-Kissinger principles, but I believe we should get some idea of the President's views. The faster we can move the better off we will be. I support Option 2 but with some clarification of the line we will take, taking into account the President's views.

Amb. Linowitz: I agree with Zbig.

Secretary Vance: Bill (Jordan)? You're the man on the ground.

Amb. Jordan: It is very important for us to move quickly. The mood in Panama now is optimal for settlement.

Secretary Vance: Terry (Todman)?

Mr. Todman: Option 2.

Secretary Vance: Let's talk about Congressional attitudes. Senator Thurmond is about to introduce his anti-treaty resolution again.¹¹ I don't know the vote count. I have tried to reach (Senator) Cranston to get a reading.

Amb. Linowitz: I have talked to Cranston and he tells me that 12 out of the 18 Democrats who signed on to Thurmond's proposal before will not do it again. He thinks that if Thurmond finds the Democrats are not supporting him, he may not proceed.

Secretary Vance: There were 37 last time. I think we can talk to some of the new Senators. I can talk to John Chaffee.

Amb. Linowitz: I've talked to him—he's okay.

Secretary Vance: Do we have a count on the Republican side? I'll ask Cranston.

Amb. Linowitz: Cranston would be very pleased to get a call from you.

Amb. Bunker: Jake Javits could be helpful on the Republican side.

Dr. Brzezinski: And Howard Baker.

Amb. Jordan: Javits has been very helpful.

Dr. Brzezinski: Would it be useful for the President to make some reference to Panama in his fireside chat or in the State of the Union message?¹²

Secretary Vance: That is essential.

Amb. Young: In the broader political context, could we turn around some of this anti-American feeling by getting Torrijos up here on a state visit soon?

Secretary Vance: I just don't see how we could fit him in. The President is swamped.

¹¹ See footnote 15, Document 3.

¹² See footnote 4 above.

Gen. Brown: Also, his image wouldn't turn these red-necks around. It's the first time I have ever been eyeball-to-eyeball with a revolutionary, at least knowingly. He's a soldier and a tough soldier. There's no humility there.

Secretary Vance: I'm sympathetic to the idea, and that's why we asked Boyd to come up so early, practically a week after Inauguration. That's about all we can do.

Amb. Young: Thurmond is up for reelection in 1978 and he is trying desperately to divide the black vote in South Carolina. I could call some of the black leaders down there and have them call him.

Amb. Linowitz: We should have an organized effort to approach the new Senators—at least get them to keep open minds. Some of them don't feel that they have been brought into things enough.

Secretary Vance: I agree. They feel lonely and that they really need more information than they are getting to do their jobs.

Could we look at Tab 10 a minute, on Congressional and public support.¹³ We need to plan our strategy, based on these ideas and ideas from others. The fireside chat idea is a good one.

Mr. Knoche: I don't want to get the CIA into this, but when I was meeting with the Senate Select Committee on Intelligence the other day, I got a long lecture from Thurmond on his views on Panama which he asked me to pass on to the Administration. He was citing the strength of the polls which support his position. In that light, a Presidential statement is essential.

Secretary Vance: There is a Roper poll. It shows large opposition but analysis indicates that this opposition is thin and can be turned around if people are made to understand the alternatives through a frank and full discussion of the issues.

Amb. Linowitz: Right after the President makes his comments it would be helpful to the President and to Cy (Vance) to launch a National Citizens' Committee on Panama. There are lots of people who are interested and who could be marshalled.

Dr. Brzezinski: We should also get the defense-oriented groups in the country to try to convince the Congress. Their doubts concern national security and they might be reassured. Are we agreed to recommend to the President that he insert a statement into his speech? Bob Pastor can work with Ambassadors Bunker and Linowitz on precise wording.

Gen. Brown: A while ago we had a group of about 60 from the American Legion, VFW, etc. We didn't put our case well and we didn't

¹³ See Document 3.

do very well with them. I was invited into the exercise late and by the time I [arrived] there the earlier speakers had put them up in arms. They were really fired up. I tried to calm them down a little. We should do this again.

Secretary Vance: (to Gen. Brown) Your support is the key.

Gen. Brown: It can be done if it's done right. The American Legion is dead set against us. They have mounted an active campaign.

Secretary Brown: They are motivated by patriotism but they are misguided.

Dr. Brzezinski: They think they are countering weak civilians.

Secretary Brown: That's why we have to depend on the military. Sometime when George (Brown) and I are on the Hill we will have a question planted. Then we can speak out.

Gen. Brown: I'm worried about the backlash on Panama. I used to give a speech saying that our involvement in Vietnam was not in our national interest, it was thousands of miles away, but the situation in Panama was in our national interest. They would stand up and cheer. I would tell them they were misinterpreting me, they were wrong, but they would still cheer. I finally stopped giving the speech. (Showing an American Legion pamphlet) They send me these all the time. Here we're accused of selling arms to Panama, paid for in cash, by a country that is broke.

Secretary Vance: So we have decided to develop more fleshed-out programs for Congress and the public. We will count on Gen. Brown's help.

Gen. Brown: I'm a believer. I'll do whatever I can.

Secretary Vance: And Zbig will get a statement for the President to issue and some guidance from him.

Dr. Brzezinski: Right.

Secretary Vance: It is important for us to give Boyd a date on which we are ready to resume negotiations. What about the 2nd week of February?

Amb. Linowitz: Will we have something public from the President before that date?

Dr. Brzezinski: If it is the fireside chat. The State of the Union is tentatively scheduled for February 12.¹⁴

Secretary Vance: The 12th is okay for the Presidential statement.

¹⁴ See footnote 4 above.

Dr. Brzezinski: Could we go over Tab 9 and get a sense of where we are headed on the issues.¹⁵

Secretary Vance: I think the year 2000 is a given. I don't think they will budge on that.

Dr. Brzezinski: So that's Option 1.

Secretary Vance: Right. On duration, we will have to feel them out. The rest of the issues are intertwined. We can't decide definitely on them today. I have my own ideas and I imagine there are differing views around the table. We won't press on that today.

Gen. Brown: We will need to know the results of the Boyd meeting.¹⁶ There's no point in our going in with something that is entirely unrealistic.

Secretary Vance: Post-treaty arrangements and neutrality are clearly intertwined. The remaining issues are not that important, are they?

Amb. Bunker: Right. We have made a lot of progress on some of the minor issues.

Secretary Vance: So we are agreed on 2000 with an adequate way to work on neutrality and post-treaty events.

Gen. Brown: The Chiefs are now with us. I went back to them last night after my talk with Harold (Brown). The Navy would like to be a little harder but can accept the position that both nations will guarantee the neutrality of the Canal after the tenure is up, but we won't say how.¹⁷

Secretary Brown: The Panamanians may interpret that as being with their specific approval, but if we don't, that's okay.

Dr. Brzezinski: Defense had wanted residual rights in perpetuity?

Gen. Brown: At first. Then Harold (Brown) suggested something simpler and the Chiefs went along.

Secretary Brown: Each country will guarantee neutrality in the Canal.

Dr. Brzezinski: And we would interpret that to mean that if there were a violation we would move in?

Gen. Brown: We would decide that at the time.

Secretary Vance: That's real progress; that's very good.

Amb. Linowitz: To whom is this guarantee made?

¹⁵ See Document 3.

¹⁶ See Document 9.

¹⁷ See Document 4.

Gen. Brown: It is stated in the treaty, then it is seen on the Hill. We would have to decide what action we would take at the particular point in time. We can't decide now what we would do 50 years from now.

Secretary Vance: The US and Panama are guarantors of the neutrality of the Canal. Excellent.

Secretary Brown: Of course it may not work when we get into words.

Gen. Brown: But it points the direction.

7. Memorandum From Secretary of State Vance to President Carter¹

Washington, January 27, 1977

1. *Panama Canal Negotiations*: I am encouraged by the progress that we are making in preparing for the Panama Canal negotiation. At the PRC meeting this morning² we agreed to recommend to you that:

a. The Tack-Kissinger principles should be reaffirmed as the basis for further negotiations;³

b. We should commence negotiations within the first two weeks of February;⁴

c. We should accept the year 2000 as the termination date of the treaty;⁵ and

d. We should not attempt to hammer out our final position before starting negotiations, but should have our negotiators explore on a what-if basis what the Panamanians would be prepared to give on the remaining issues if we agreed to the year 2000.⁶

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 17, Evening Reports (State) 1/77–2/10/77. Secret. A note on the document reads: "The President has seen." Carter initialed the memorandum and wrote: "cc: Vance."

² See Document 6.

³ Carter wrote: "Tack out traded Kissinger to begin with" under this sentence. For the Tack-Kissinger principles, see footnote 10, Document 3.

⁴ Carter wrote: "ok" under the sentence. Negotiations resumed February 15.

⁵ Carter wrote: "ok" under the sentence.

⁶ Carter wrote: "Be tough" under the sentence.

All of these recommendations will come to you for decision promptly in a Presidential Decision Memorandum.⁷

After my meeting next Monday with Foreign Minister Boyd,⁸ I recommend that we publicly reaffirm the Tack-Kissinger principles⁹ for dealing with the Panama Canal talk and state that our negotiators will resume negotiations in the first or second week of¹⁰ February.

I was most favorably impressed by the Chiefs' attitude this morning. George Brown is prepared publicly to support the Administration's position and the Chiefs' willingness to help with Congress, press and public opinion will be essential to achieving the broad national support that we must obtain.¹¹

I spoke with Cranston. Cranston has contacted all 17 Democrats who signed the Thurmond resolution last time and has commitments from 15 to delay, at least until the progress of the new negotiations can be evaluated. This includes, for example, Harry Byrd and Jim Allen.

Cranston believes Thurmond will not introduce the resolution unless he has one-third of the Senate plus one—enough to block the Treaty. He therefore recommends that you not call anyone at this time.¹²

The last procedural question I am wrestling with is to try to find a way to get Sol Linowitz on board as Co-Negotiator without having the Senate hold formal hearings on his nomination that would quickly turn into a wide ranging debate on the Panama issue of the kind that we should avoid for the time being.¹³

[Omitted here is information unrelated to Panama.]

⁷ Carter wrote: "ok" under the sentence. In a January 27 memorandum to Carter, Brzezinski indicated that a presidential directive was not necessary because further discussions in the PRC would be scheduled after Vance met with Boyd on January 31. (Carter Library, National Security Council Institutional Files, Box 59, PRC 770001—1/27/77—Panama)

⁸ See Document 9.

⁹ Carter underlined the phrase "publicly reaffirm the Tack-Kissinger principles" and wrote "Why?" in the right margin. On a copy of the Tack-Kissinger principles, Carter commented on principles 2 and 8. Regarding the elimination of the concept of perpetuity and the establishment of a fixed termination date, Carter wrote: "with mutual defense commitment—unilaterally implemented." Regarding the possibility of new projects to enlarge canal capacity should the canal not be able to handle demand, Carter wrote: "should not promise new canal to be in Panama." (Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 17, Evening Reports (State) 1/77—2/10/77)

¹⁰ Carter underlined the phrase "resume negotiations" and wrote "ok" in the right margin.

¹¹ Carter wrote: "C" in the margin.

¹² Carter wrote: "good" in the right margin.

¹³ Carter wrote: "discuss Sat. mtg." in the right margin.

8. **Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to Multiple Recipients¹**

Washington, January 27, 1977

SUBJECT

Policy Review Committee Meeting, January 27, 1977

Agreement was reached on the following points:

1. The U.S. Government should re-affirm the Kissinger-Tack Joint Statement of Principles,² and Secretary Vance should convey this to Foreign Minister Boyd on January 31.

2. To obtain critical domestic support, the following steps need to be taken:

a. A general reference to issue in the President's first fireside chat and/or a more specific statement re-affirming that our national interest requires a new treaty in the State of the Union Message on February 12;³

b. An immediate, well-organized and coordinated effort, involving the Joint Chiefs of Staff and the Defense and State Departments, to enlist the support of the Senate and the House of Representatives (responsible for implementing legislation) for a new treaty on the Panama Canal;⁴ and

c. It was suggested that a National Citizens Committee on the Panama Canal be set up to stimulate a national educational campaign, directed at defense-oriented and other groups.⁵

3. Negotiations with Panama should begin again in the second week of February, right after the State of the Union Message.⁶

4. U.S. Negotiators should explore informally Panama's willingness to accept fundamental U.S. requirements if the U.S. accepts a treaty termination date of October 31, 1999. One formula for assuring the neutrality of the Canal after the treaty's termination acceptable to the JCS, as well as other participants, was that both governments would commit themselves to protect and defend the Canal and assure its

¹ Source: Carter Library, National Security Council Institutional Files, Box 59, PRC 770001—1/27/77—Panama. Secret. Sent to Vance, Harold Brown, Young, George Brown, Bunker, and Linowitz.

² See footnote 10, Document 3.

³ Carter wrote: "ok" in the right margin. See footnote 31, Document 3.

⁴ Carter wrote: "Must be directed from me" in the right margin.

⁵ Carter wrote: "doubt advisability" in the right margin.

⁶ Carter wrote: "ok" in the right margin. Negotiations resumed on February 15.

neutrality. Panama would agree not to challenge the U.S. interpretation that we could exercise this responsibility unilaterally.⁷

⁷ Carter wrote: "My only promise is 'not to relinquish *practical* control'—sovereignty, etc open to negotiation—Need to review this Sat a.m." and initialed at the end of the memorandum.

9. Memorandum of Conversation¹

Washington, January 31, 1977, 11:30 a.m.

SUBJECT

Meeting between Secretary Vance and Foreign Minister Boyd of Panama

PARTICIPANTS

Panama

Foreign Minister Aquilino Boyd
Ambassador to the United States Gonzalez-Revilla
Romulo Escobar Bethancourt, Treaty Adviser
Ambassador to the United Nations Jorge Illueca
Ambassador to the Organization of American States Nander Pitty
Edwin Fabrega Velarde, Treaty Group Member

United States

The Secretary
Deputy Secretary Christopher
Ambassador-at-Large Ellsworth Bunker
Ambassador Sol Linowitz
Assistant Secretary-designate Terence Todman
Ambassador William J. Jordan
Minister S. Morey Bell (Notetaker)
Antonio Hervas (Interpreter)

The Secretary noted his pleasure at participating in so auspicious an occasion—the effective resumption of negotiations. He then confirmed for the Foreign Minister that the United States intended to reach for an early treaty, fulfilling previous Presidential commitments. The

¹ Source: Department of State, Records of Cyrus R. Vance, Lot 84D241, Box 10, Nodis Memcons 1977. Secret; Nodis. Drafted by Bell on February 2; cleared by Bunker and Todman, and approved by William H. Twaddell (S) on February 14. The meeting took place in the Secretary's Suite and the James Madison Room.

process had already been stretched out too long, he said. He then made these points:

1. The process of negotiations will not be helped if there are pressures on the United States in international fora or if there are “incidents” which have an adverse impact on public opinion in the United States.

2. The United States cannot sacrifice its fundamental interests in these negotiations, nor ignore the opinion of the Congress and of the American people.

3. If an agreement is to be reached promptly, there must be flexibility on both sides—there must be discussion of the issues, and compromise, at all difficult points.

4. The parties might try to agree today on an exact—and early—date for resumption of the negotiations. Both sides must move with all deliberate speed to achieve a prompt conclusion of the treaty.

5. Each must recognize the other’s aspirations. The major U.S. interest is an open and neutral canal to which all nations can always have access. Panamanian aspirations and U.S. views do not appear to be inconsistent. Consequently it is surely possible to come to an agreement that is satisfactory to both sides.

Minister Boyd responded that it is essential to continue negotiating within the context of the Tack-Kissinger principles of 1974² and all the other official announcements over the years which have spoken of eliminating the causes of conflict between the two countries.

He observed that the invitation to visit Washington—the first Foreign Minister to be so invited—in order to hold serious discussions on a serious matter is symbolic of how important the United States regards the Panama question. He assured the Secretary that this gesture had had favorable repercussions not only in Panama but also throughout Latin America—and was the best possible response to the letter from seven Latin American Presidents to President Carter urging that the Panama question be given a high priority in the new Administration.³

The Minister explained that the Secretary’s remark about the United States wishing to achieve a treaty as promptly as possible had made a “magnificent” impression on the Panamanian Delegation. Not only Latin American public opinion but also world opinion favors a prompt

² See footnote 10, Document 3.

³ On January 10, the Presidents of Colombia, Costa Rica, El Salvador, Mexico, Nicaragua, and Venezuela and the Chief of State of Honduras, wrote to Carter congratulating him on his election and expressing their hope for favorable change in inter-American relations and a new Panama Canal Treaty. (National Archives, RG 185, Negotiation and Planning Records for 1977 Treaty, Entry 13, Box 3, Treaty Negotiations S/REP 7/2 Volume XVI Fr: January 1977 to March 1977)

solution of this problem. Thus, if the two countries move seriously and speedily, Panama will have no time to present its sentiments—nor any necessity to do so—in international fora.

If the United States cannot be expected to sacrifice its fundamental interests, he said, it is also true that the United States must respond to Panama's "basic needs", such as fixing a reasonable duration for the new treaty—and that should be the year 2000.

Panama appreciates how the fundamental institutions of the U.S. operate, and knows the problem of public and Congressional opinion.

Panama, too, has problems. 1.7 million Panamanians consider themselves experts on resolving the Panama problem; it is the matter that they think about constantly.

Turning to the question of a joint communique, Minister Boyd noted President Ford's reaffirmation of the "Principles". If the Democratic Administration now reaffirmed those Principles it would be useful for public opinion in the U.S., and would be useful in Panama and all Latin America.

The Secretary agreed that a joint statement would be useful as tangible evidence of progress.

He then raised the fundamental guidelines under which the negotiations will continue. Noting Panama's intent to work seriously, and the Minister's statement that Panama will have neither time nor need for raising this matter in other fora, the Secretary stated that he is prepared to proceed on the basis of the Tack-Kissinger Joint Statement of Principles.

He noted, however, that this was not an easily-made decision—that long and serious consideration had been given to it. The United States believes that with a spirit of cooperation and flexibility the two countries can proceed under the Tack-Kissinger Principles, and that this decision constituted a major first step toward a treaty.

Concerning the joint announcement, the Secretary stated that it would be useful to note that the two countries have agreed to make a sustained effort to conclude a new treaty at an early date.

The Secretary asked Ambassadors Bunker and Linowitz for a date for the next meeting. Ambassador Bunker suggested the 10th of February.

Minister Boyd noted that the reports of Ambassador Linowitz' appointment had been taken very well in Panama. He also noted Panama's admiration for Ambassador Bunker and said that his presence at the negotiating table lends a specific significance to the United States purpose. He also stated that Panama knows Linowitz as a lawyer and statesman who is knowledgeable about Latin America. He observed that the combination of Bunker/Linowitz will have an "explosive

impact” on the pursuit of the negotiators’ objectives. He accepted February 10 as a satisfactory date and stated that this will have a favorable impact in Panama, Latin America and the whole world.

Minister Boyd also asked that the joint statement refer to the objective of concluding the negotiations in 1977.

The Secretary replied that it would be better to refer only to conclusion of a treaty “at an early date”, without a time limit because mention of a date would cause problems with Congress. The term “an early date” conveys the correct message without creating problems. He also suggested that it be called a “joint statement” rather than “joint communique”, a term usually reserved for Presidential use. He suggested drafting a text, reading it to the press and answering a few questions after luncheon.⁴

The Minister agreed and asked Dr. Escobar and Dr. Illueca to represent Panama in the drafting of a statement.

The Secretary asked Ambassadors Bunker and Linowitz to represent the U.S. (At this point all but the drafters proceeded to luncheon.)

During the lunch, Ambassador Illueca asked the Secretary how the National Security Council viewed the negotiations. The Secretary replied that there had been a meeting only a few days ago.⁵ The subject was given much serious thought. The question of continuing under the Tack-Kissinger Principles arose, and it was decided that if Panama wished to move seriously and flexibly, then the Tack-Kissinger Principles represented a good starting point.

The Secretary offered a toast noting that the United States cares deeply about its relationship with Panama and is determined to move the negotiations forward successfully and promptly. While there will, of course, be bumps in the road, the United States feels that a melding of the aspirations of Panama and the necessities of the United States (which lie in an open and neutral canal always) will lead to a solution which is just.

Minister Boyd replied that Panama and Latin America are very, very much interested in coming to terms with the United States in 1977. He said that emotions are even higher now than in 1964⁶—the “colonial enclave” has grown to be a still greater burden. Panama

⁴ Vance read the joint statement, which affirmed continuing the negotiations on the basis of the Tack-Kissinger principles, at an informal news briefing he and Boyd held following their meeting. For the text of the statement, see the Department of State *Bulletin*, February 21, 1977, p. 146.

⁵ See Document 6.

⁶ A reference to the violent riots which erupted in the Panama Canal Zone on January 9, 1964, and resulted in a temporary breaking of relations between Panama and the United States.

believes that President Carter is on the road toward avoiding another episode like 1964. He expressed the hope that the morality of the new Administration will serve as a “floating balloon” to by-pass the bumps in the road mentioned by the Secretary.

To the Secretary’s query, Ambassador Bunker noted that the negotiators have completed a SOFA and conceptual agreements on administration, canal defense, jurisdiction and use rights.

Minister Boyd mentioned the lands and water papers which, when agreed to, will constitute an annex to the Status of Force Agreement. He added that on lands and waters Panama still has some concerns, among them the Balboa port. The United States wants to provide Panama only one pier and wants the canal operating entity to keep the rest, to be rented to private enterprises. He described this as unacceptable.

Ambassador Gonzalez-Revilla commented that during the last substantive negotiating round Panama presented a document which outlined its comprehensive view of the exact state of the negotiations.⁷ Panama feels that the ball is now in the United States court. He asked whether Panama can expect that on February 10 the United States will deliver its response.

The Secretary explained that it is his policy to place the responsibility for the negotiations on the negotiators. He noted that he prefers to choose skilled negotiators and let them proceed.

Minister Boyd repeated Panama’s desire for a reply to the October 21 paper.⁸ In reply the Secretary noted the importance of flexibility. He asked Panama to look at its negotiating positions as outlined in the paper and to come into the new round with no rigid positions. He said the United States would follow a similar practice.

⁷ See *Foreign Relations*, 1969–1976, vol. XXII, Panama, 1973–1976, Document 137.

⁸ *Ibid.*

10. **Letter From the Commander in Chief of United States Southern Command (McAuliffe) to the Chairman of the Joint Chiefs of Staff (Brown)**¹

New York, February 2, 1977

Dear General Brown,

Colonel John Conlin of your Staff Group has informed me that the NSC Policy Review Committee has reached agreed broad negotiating positions on the duration of US defense rights pertaining to the Panama Canal and its neutrality.² As I understand it, US defense responsibilities and operations under the treaty would end on 31 December 1999. However, for the period after 31 December 1999, both the US and the Republic of Panama would commit themselves to protect and defend the Canal and assure its neutrality. In addition, Panama would agree not to challenge the US interpretation that it could exercise this responsibility unilaterally.

I fully support these positions. The position on neutrality has the strength of not only protecting essential US interests in the years ahead, but also providing leverage to assist in treaty ratification.

Concerning the duration of US defense responsibilities, there is a pertinent and I believe useful provision in the 1974 Threshold Agreement³ to the effect, "Panama shall confer on the US use rights for the purpose of protecting and defending the waterway . . . which . . . shall lapse at the end of the treaty's lifetime unless the two parties agree otherwise through negotiation to be held five years before the expiration of the treaty." I would very much like to see such a provision in the new treaty.

I continue to believe that the exercise of the US right to respond unilaterally to a challenge to Canal neutrality should be accomplished by maintaining a residual US force in Panama beyond the treaty period. I visualize a small ground-air force, not more than a battalion in strength, with a supporting base structure which would permit ready access to reinforcing forces if they were needed to meet a threat to the neutrality of the Canal. While I recognize the political problem in

¹ Washington National Records Center, IA Region Files, 1974–1979: FRC 330–87–0068, 1974–1978 JCS Defense Concepts. Secret. On February 7, an unknown hand wrote: "DJS approve action incl. draft reply" on the memorandum. A stamped notation reads: "No foreign dissem."

² See Document 8.

³ See *Foreign Relations*, 1969–1976, vol. XXII, Panama, 1973–1976, footnote 2, Document 47.

attempting to insert language to this effect in the treaty, I do urge that it be pursued through a bilateral mutual defense agreement.

With a new treaty apparently imminent, I consider that there is an immediate requirement for an assessment of the mission to be assigned to the US military commander in Panama during the treaty period. The size of his forces and the supporting base structure, as well as the definition of lands and waters for defense, are dependent on the extent to which that mission includes unilateral and combined defense aspects. This is also a prerequisite to the development of the defense concept and the development of the Guardia Nacional's (GN) force capability for combined defense of the Canal. The treaty should provide that the US commander will validate the capability of the GN to contribute to Canal defense as a condition precedent to any US force reduction or US base relinquishment during the treaty period.

In addition to the positions addressed above, it is important that a close look be given to negotiators' proposals for a shedding of certain of the logistic and administrative functions of the present Panama Canal Company/Canal Zone Government to the Department of Defense (DOD). For example, present proposals are that DOD assume responsibility for health and education services for all members of the military forces, dependents and employees as well as for the employees of the Canal entity and their dependents. If performed by DOD, these major support activities would require, among other aspects, a larger amount of housing to be placed under US military control than we now plan, as well as an evaluation of the statutory basis of providing these services to non-DOD personnel.

While not a central defense issue, I believe it pertinent to ask the Joint Chiefs of Staff to urge an early guarantee of the rights of the employees of the Panama Canal Company. Such a public assurance from the United States Government while the negotiating and ratifying process is going on would do much to neutralize the expected disquiet of the employees and, concomitantly, reduce a possible threat to the security of the Canal.

I appreciate this opportunity to consider the latest DOD position on defense and neutrality of the Panama Canal, and I am prepared to participate in a continuing review of these and other Canal defense matters.

Sincerely,

D.P. McAuliffe
Lieutenant General, USA
Commander in Chief

11. Memorandum for the Record¹

Washington, February 2, 1977

SUBJECT

Meeting with Marty Gold, Senate Select Committee on Intelligence Staff,
Regarding Plans for the Committee's Investigation [*less than 1 line not declassified*]

1. I met today with Marty Gold, Senate Select Committee on Intelligence staff, to discuss the Committee's plans² [*2½ lines not declassified*] Rather the Committee is preparing for what all expect to be a very lengthy and heated debate on a new Panama Canal treaty. Gold believes a new treaty will be before the Senate by September 1977 at the latest. Although the major responsibility for informing the Senate will lie with the Committee on Foreign Relations and the Committee on Armed Services, the Select Committee feels that they will have some role to play in enlightening the Senate on the issues involved. The Committee would like to prepare a classified report which will deal with two questions expected to be discussed during the ratification debate:

a. [*1 paragraph (2½ lines) not declassified*]

b. What is the Cuba/Panama connection? Mr. Knoche had discussed [*less than 1 line not declassified*] incident occurring in Panama involving transfer of information from the Panamanians to the Cubans.³

2. Gold said the Committee expects there to be many charges and counter-charges made by the pro and anti-treaty elements in the Senate and the Committee wants to be able to contribute some facts to this debate on the above two points.

¹ Source: Central Intelligence Agency, Office of Congressional Affairs, Job 79M00983A, Box 8, Folder 4: SSCI Countries—Panama Sept 1972–May 1977. Secret. Drafted by Massey. All brackets except those that indicate omitted text are in the original.

² In a February 3 letter, Inouye informed Secretary Brown of the Senate Select Committee on Intelligence's (SSCI's) plans to undertake a project "which relates to basic United States interests in the Panama Canal Zone" and asked for Defense's cooperation with the investigation. (National Archives, RG 218, Records of Chairman George S. Brown, Box 48, 820 (Panama) Bulky 1 Jan 1976–31 May 1977) The CIA received a similar letter from Inouye on February 16. (Central Intelligence Agency, Office of Congressional Affairs, Job 79M00983A, Box 8, Folder 4: SSCI Countries—Panama Sept 1972–May 1977)

³ In an internal February 19 report, the Central Intelligence Agency provided a detailed account of its February 11 briefing of SSCI staff members [*text not declassified*], including accusations that a Panamanian G-2 passed IADB documents to the Cubans. The Agency noted that "although there is cooperation in areas of mutual interests such as exiles, the Panamanian GN/G-2 should not be considered a Cuban tool nor should it be assumed that the flow of information from the Panamanians to the Cubans is unrestricted." (Central Intelligence Agency, Office of Congressional Affairs, Job 79M00983A, Box 8, Folder 4: SSCI Countries—Panama Sept 1972–May 1977)

3. Gold said that he, Mike Madigan, and Walt Ricks, of the Select Committee staff, plus one Committee research assistant, would be the staff members conducting the study. The Committee's report would be classified, subject to Agency views on dissemination, with it probably available only in the Committee offices to Senators during the debate. Gold said that the three staff members, after thoroughly researching the subject here, will probably fly to the Canal Zone via military transport to examine the same questions in Panama. [2 lines not declassified] Hence, no Senators would participate in the trip.⁴

4. Regarding the objective of the Committee's study, Gold said that Ricks had been interested in the allegations of Agency involvement in the swine fever outbreak in Cuba. [1½ lines not declassified] Gold said Ricks might want to follow up this angle as well. I'm not sure that Ricks is cognizant of the Agency's press statement on this subject.

Donald F. Massey
Assistant Legislative Counsel

⁴ A March 1 memorandum from the Office of Legislative Counsel, CIA, summarized the February 23–28 SSCI staff trip to Panama, concluding that “no problems turned up. SSCI staffers seemed satisfied.” (Central Intelligence Agency, Office of Congressional Affairs, Job 79M00983A, Box 8, Folder 4: SSCI Countries—Panama Sept 1972–May 1977)

12. Letter From President Carter to the Panama Canal Treaty Co-Negotiator (Linowitz)¹

Washington, February 3, 1977

To Sol Linowitz

Cy Vance has brought the Report of the Commission on U.S.-Latin American Relations to my attention, and I want you to know that I welcome and appreciate the initiative of you and your colleagues.² I

¹ Source: Carter Library, White House Central Files Subject File, Box C0 121, 1. No classification marking.

² See footnote 5, Document 5. In 1976, the Commission issued a report which stressed the “great urgency of negotiating a new Panama Canal Treaty” among other issues. (Linowitz, *The Making of a Public Man*, p. 144)

also want to assure you that it will be given very careful consideration by my Administration.

I am very pleased that you have agreed to serve as Co-Negotiator on the Panama Canal Treaty, as I place the highest priority on negotiating a new treaty. We need it both to protect our interests in the Canal and to begin to build more realistic relationships with the countries of Latin America and the Caribbean.

Sincerely,

Jimmy Carter

13. Telegram From the Department of State to the Embassy in Panama¹

Washington, February 4, 1977, 0232Z

25459. For the Ambassador from the Secretary. Subject: Panama Canal negotiations.

I leave to your discretion the desirability of seeking an appointment with General Torrijos to convey following oral message concerning my meeting with Boyd and our views on Panama Canal negotiations:²

(1) I was very pleased to be able to have such an early meeting with the foreign minister to discuss the Canal negotiations and thus underscore the importance we attach to an early settlement.³

(2) Our conversation revealed a mutual interest in pursuing serious sustained negotiation without any diversionary tactics in order to conclude a treaty at the earliest possible date.

(3) I was surprised and disturbed to be informed by Foreign Minister Boyd that you were unhappy over reports of U.S. insistence on security rights after the termination of the treaty. I wish to emphasize

¹ Source: Department of State, Bureau of Inter-American Affairs, Office of the U.S. Permanent Mission to the OAS, Einaudi Country Files, 1977–1989, Lot 91D371, Box 6, Panama 1977. Confidential; Priority; Exdis. Drafted by Todman; cleared by Habib and Goldsmith; and approved by Vance.

² See Document 9.

³ In telegram 1001 from Panama City, February 10, Jorden reported that he was unable to transmit the message to Torrijos directly and instead met with Gonzalez on February 10, on instructions from Torrijos. The meeting focused primarily on the sudden resignation of Boyd as Foreign Minister. (Department of State, Bureau of Inter-American Affairs, Office of the U.S. Permanent Mission to the OAS, Einaudi Country Files, 1977–1989, Lot 91D371, Box 6, Panama 1977)

that during my discussions with Foreign Minister Boyd I stressed the importance of the continued neutrality of the Canal. No hard and fast positions were taken but you should be well aware of our concern about that issue, a concern strongly felt by many members of our congress.

(4) I stressed to the foreign minister the need for flexibility on both sides as we face complex issues in which both sides would understandably be defending the interests of our respective countries.

(5) The basic U.S. purpose in the negotiations and in the treaty is to ensure a safe, efficient and neutral Canal.

(6) The details of the negotiations will be left to our negotiators in whom we have the highest confidence.

Vance

14. Memorandum From the Panama Canal Treaty Co-Negotiator (Linowitz) for the Files¹

Washington, February 14, 1977

Re: Meeting with President Carter on February 11, 1977

At noon on February 11th, Ambassador Ellsworth Bunker and I arrived at the White House for a meeting with the President, Secretary of State Vance and National Security Advisor Brzezinski in connection with the Panama Canal Treaty negotiations.

Soon after we arrived Brzezinski greeted us and then took us into the Oval Office, where we awaited the President. As we entered Brzezinski encountered the President's Appointment Secretary, a young man who had served in the Peace Corps in Guatemala before he returned to the University, where he acquired an interest in politics and ultimately became a devoted supporter of Jimmy Carter in 1975.

Jody Powell, the President's Press Secretary, entered for a few moments and then suddenly the President came into the room quietly and as he saw me he called out, "Hello, Sol" and came striding forward. He shook hands with Ellsworth Bunker and told him how pleased he was to see him and then he and I shook hands.

¹ Source: Library of Congress, Manuscript Division, Linowitz Papers, Box 113, Panama Canal Treaties, Carter, Jimmy and White House Staff 1977, Feb–1978, Jan. Confidential; Personal.

Although it was a warm spring day there was a fire crackling in the fireplace and after a few moments of standing around the President asked us to sit down. His first question to Ellsworth Bunker was, "How do you like working with Sol?" Bunker told him how much he liked the idea and said that he was pleased that we were in harness together. I told the President that Bunker had been my mentor and that we therefore had an especially personal relationship. Bunker endorsed that warmly and the President seemed pleased.

The President then asked what were the prospects for a new Treaty and Bunker told him about the main problem being the defense-security one. The President made quite clear that if there were not a proper provision for defense and neutrality after the year 2000 the Treaty would not be approved by the Senate even if he himself signed it. He then asked what were the toughest issues and again Bunker talked about defense and security and I added a word about the Zonians and the matter of compensation.

The President wanted to know what the effect would be of Boyd's resignation as Foreign Minister and I pointed out that one possible favorable interpretation would be that Torrijos might smell a new Treaty developing and wanted his own name on it rather than that of Boyd.² The President said, "You don't have to worry about that with me. I would be perfectly willing to have it the Bunker-Linowitz Treaty."

I talked a bit to the President then about payments to the Panamanians and the situation with reference to the tolls which had already been raised twice recently. He asked what the cost was for a ton through the Canal in light of the charge of \$1.29 per Panama ton. I pointed out that the cost generally included all the costs of the Zone and he indicated that perhaps this was "unfair".

I then mentioned to the President that it was possible that we might reach an impasse in the negotiations and in that event a letter from him to Torrijos might be helpful for us to have. I then read to him a proposed letter which I had written out shortly before coming to the meeting. He found it acceptable and Brzezinski asked for it so that he could have it prepared and signed by the President. The President said that in the light of Torrijos' interest in obtaining recognition he might be pleased to have the President suggest that Carter and Torrijos would

² In telegram 1009 from Panama City, February 11, the Embassy analyzed Boyd's resignation: "Differences of both form and substance between him and Torrijos almost certainly played a part in his departure—but it was also a renewed sign that the general is the one who runs things here and that others had better not forget it. We see in Boyd's departure a signal that Torrijos is determined to make a greater share of decisions in the negotiations himself." (Department of State, Bureau of Inter-American Affairs, Office of the U.S. Permanent Mission to the OAS, Einaudi Country Files, 1977–1989, Lot 91D371, Box 6, Panama 1977)

be signing the Treaty together and he asked Brzezinski to add that to the letter.³

With reference to the new Treaty itself the President made clear several times that he believes that it is vitally important to us and that after signature he would do everything he could to assure that it got ratification by the Senate.

He then went on to say that if we thought it were necessary for him to come in at any time to talk to Torrijos or otherwise, he stood ready to do so and to be of help in any other way he might. Similarly, Cy Vance, who joined us later indicated that he, too, would be available in any way that it might be helpful.

At that point the President was briefly interrupted to be told that his mother had been suggested to go to India as his representative with his son, Chip, to attend the funeral of the President of India. He then asked Vance for his reaction and Vance thought it was fine and said he would assure proper protection and inform Mrs. Carter.

I then took a moment to say to the President that it seemed to us that a citizens committee for support of the Treaty would be a good and, indeed, a necessary move. I pointed out that we could get someone like Dean Rusk or Admiral Zumwalt⁴ to serve as the head of such a committee and told him that I had talked to Zumwalt. The President responded quite favorably and seemed to react especially to the suggestion that Dean Rusk would take it on.

Before leaving I asked him what we might tell the press about the meeting and he suggested that it would be appropriate to say that we talked over the main points of the proposed negotiations and that the prospects for a Treaty were good.

I found the President extraordinarily well informed on the Treaty negotiations, confident, informal and in excellent spirit. He seemed, indeed, to look presidential and acted as if he were perfectly comfortable to be occupying the post of President of the United States.

³ In telegram 38993, February 19, the Department transmitted the text of Carter's letter to Torrijos, in which Carter expressed his "hope that these negotiations will bear fruit and will result in a treaty which will be fair, reasonable and appropriate in every respect." Carter assured Torrijos that the United States intended to "proceed in a cooperative and flexible spirit in the effort to arrive at a treaty which will satisfactorily meet the proper concerns of both Panama and the United States." If the treaty negotiations were successful, and "as a sign of our friendship and determination to place our relations on a firm basis, it might be fitting for us to meet and sign the treaty jointly," Carter concluded. (Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 127, POL 33.3.2)

⁴ A reference to Elmo R. "Bud" Zumwalt, Chief of Naval operations, July 1970–June 1974.

15. Memorandum of Conversation¹

Contadora Island, February 15, 1977, 10 a.m.

SUBJECT

Informal Meeting of the Negotiators February 1977 Round

PARTICIPANTS

United States

Ambassador Ellsworth Bunker
 Ambassador Sol M. Linowitz
 Mr. Anthony Hervas, Interpreter

Panama

Sr. Romulo Escobar Bethancourt
 Sr. Edwin Fabrega
 Sr. Jorge Carasco, Interpreter

(For the use of the negotiating team only)

Ambassador Escobar: First, as the Foreign Minister did at the airport, I would like to welcome Ambassador Bunker and Ambassador Linowitz on the occasion of your visit to Contadora Island. We expect Ambassador Linowitz will enjoy his stay here. We already know Ambassador Bunker enjoys his visits. I have had the honor to participate in many of these meetings with Ambassador Bunker, and I want to give new recognition to the positive attitude he has always shown in the negotiations between our two countries. I wish to express to you that we are grateful for your presence here as well as for the declarations that President Carter has made, and we sincerely hope that this round will be the most fruitful one between our two countries. We are convinced that you have arrived here with this purpose and I can assure you that our side also shares the same purpose. With these words of salutation, I would like to end my remarks and listen to the distinguished representatives of the United States Delegation. Thank you.

Ambassador Bunker: Mr. Escobar, Ambassador Linowitz and I are very pleased to be here. We are colleagues and old friends and have worked together on many things over a number of years. Because we want to achieve an agreement on a new treaty we felt it would be useful to hold this preliminary talk before our session this morning to explain our concerns and our views. We feel this will facilitate agreement. We want to inform you about the procedures we would like to suggest and we would like to hear how you feel about these procedures.

As you know, with a new administration we have a new ball game. As you know, and as I mentioned in the statement regarding our

¹ Source: Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 127, POL 33.3.2. Confidential. The meeting took place in the conference room at the Hotel Contadora. The meeting ended at noon.

conversations with President Carter,² Ambassador Linowitz and I have talked with the President, and with the Secretary of State of course. We have received his views and his concerns. He is anxious to see some progress toward the conclusion of a treaty. However, he is also concerned that such a treaty should be on a basis that will protect your interests as well as the interests of the United States. These interests, as I stated in my last talks with Minister Boyd,³ are that the United States must see its security in the Canal adequately maintained and protected. A country which is as large as the United States has to fend for itself in order to provide for its own security and cannot depend on someone else for its own security. Any agreement must protect your interests and the United States interests. Ambassador Linowitz and I talked to the President. Ambassador Linowitz knows the President very well, and he will explain to you how he sees the matters before us.

Ambassador Linowitz: First, let me tell you that it was a deep honor to be asked by the President to join Ambassador Bunker in the negotiations. I share with most Americans great respect and admiration for Ambassador Bunker and as a friend and admirer I feel it is a great responsibility to join him in these talks. Perhaps you already know, without me further protesting the point, of my friendship for Panama and of my desire to see a new Canal treaty. I want to say this first to establish my credentials as a friend of Panama. In this context, as Ambassador Bunker suggested, I will offer you my views on the problems and issues we face as well as on President Carter's attitudes and position.

I had an opportunity to discuss the matter with President Carter both during the campaign and since the campaign ended. I can assure you, like Ambassador Bunker has stated, that we are seeking a new Panama Canal treaty which is fair and equitable and which meets both the interests of the United States and Panama. I can also tell you that the President feels that he is under an obligation not to approve a treaty that does not have adequate protection for the long-term interest of the United States. He will not sign a treaty that will not be ratified by the Senate. It is clear that he feels a responsibility toward the people of the United States to work in a cooperative manner to achieve a new treaty which is fair and properly meets the needs of Panama and fairly meets the needs of the United States. With this in mind he asked that

² Presumably a reference to arrival statements, transmitted by the Department in telegram 32525 to Panama City, February 12. (National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 1, Negotiating Round, Feb. 13–23, 1977)

³ See Document 9.

I convey to you that what we seek in the negotiations is not confrontation but cooperation. What we seek in the negotiations is an effort to cooperatively meet our mutual needs. We need your help in reaching an agreement that will be approved by President Carter and will be ratified by the Senate. If this is not achieved, there will be no treaty. Unless we understand this, both our sides would be working to our disadvantage. One more thing I would like to state, in this same spirit of friendship and candor, is that you should understand that it is politically costly for the President of the United States to engage in a strong fight for a new Canal treaty. The forces that in the United States have already aligned themselves against a new treaty are quite formidable. Politically, any gains are not internal gains for the President. He wants a new treaty because he feels that it is both right and important to reach one. However, when he asked me to come to negotiate, he mentioned that he recognized the political costs, yet was willing to bear those costs if the treaty reflects the objectives we want. In such a case he is willing to make the effort that is required.

Ambassador Bunker: In the talks Ambassador Linowitz and I had with the President before we left he said to us: "If you can get the kind of treaty which satisfies Panama's aspirations and US security interests, I will go all out in support of such a treaty."

I think we are aware of your aspirations. You have made clear how you feel about the matter of duration, a matter which is tied up to the question of adequate neutrality guarantees for the United States and to arrangements for post-treaty defense of the Canal. These, from our point of view, are as important to us as the matter of duration is to you.

I thought it would be useful before we go into the formal talks to have this informal exchange to tell you about our fundamental concerns in the interest of making greater progress, progress which I hope we can achieve during this session. I did wish to make clear to you where our concerns lie.

Ambassador Linowitz: With this in mind, it is that we are proposing, as Ambassador Bunker indicated earlier, that we leave aside now the questions of duration, post-treaty neutrality, and defense, and focus first on the other issues, with the intention of making a constructive contribution, as will be set forth in our position paper.⁴ And that we leave for later the questions of duration, post-treaty neutrality, and defense. I thought that you should know about this in advance of our formal session. That is why we chose this informal private meeting to tell you the reasons why we will be proceeding in the manner I have

⁴ See Document 17.

described and in case you had any questions that we could answer before the formal session.

Ambassador Escobar: I am happy that Ambassador Bunker and Ambassador Linowitz have both referred to this issue because we feel that it is truly the “gordian knot” of our problem. The basis for any progress in our negotiations is precisely the determination of the term of duration of the treaty. During many years we have been negotiating with the United States. Ambassador Bunker can witness to the fact that in previous years, when we were asked to meet the greatest security concerns of the United States, which were to clearly establish that the defense of the Canal would be the responsibility of the U.S., the Panamanian side worked very seriously on this matter. That is the reason we reached the draft of the SOFA. At that time we also reached the decision that the United States would have the primary right of defense of the Canal. That is also why we accepted to continue having in our own territory defense sites and U.S. troops. Both our teams have also been working hard with the purpose of determining the necessary areas for operation so that guarantees would be real ones. We also agreed that the operation and administration of the Canal should continue to be under U.S. responsibility. At all times during our negotiations Panama has been searching not for confrontation but for cooperation with the United States in order to find solutions to those problems which are vital to both countries and important to the rest of the countries of Latin America and to many nations throughout the world. I bring this up so you can clearly see that the policy of the Republic of Panama, the policy of the government, and the policy of General Torrijos has always been a policy of understanding and of seeking solutions to the difficult problems that are confronted. Along the same line of thought, we also expect the U.S. to understand what the vital interests of Panama are. These vital interests of Panama are: to perfect its sovereignty; to have jurisdiction over its entire national territory; and to be free to direct its own destiny, as all nations do. We honestly believe that the new administration that has assumed office in the United States, led by a President who is looked upon now as a man of great moral authority, as a man of great personal character, not only by his own people but also by the people of Latin America, and I would also say by many countries throughout the world, has in its power the capacity to disseminate within its own country the truth about all these issues in the assurance that the American people will be sufficiently qualified to fully understand the situation. The people of the United States have never been colonialists. The US has not been a country intent on subjugating other countries. We feel that in the case of Panama, with the exception of some groups in the United States similar to some we also have in Panama, there is a general consensus

that on this issue we should proceed with justice and equity. I would say that what the US people need to know is the fact that we have already agreed on measures that will guarantee the interests and the military security of the United States in relation to the Panama Canal. This matter has already been established. The other matter that we also have to clearly establish is that both countries are committed to agree to a new treaty with a duration date.

Panama has already made political sacrifices in agreeing to: the draft SOFA; the draft document on defense sites; and the draft document on administration and operation of the Canal.⁵ These have had an internal cost and have met with considerable opposition among certain sectors of Panama. However, General Torrijos, demonstrating great responsibility, understood that this was the only way in which both countries could advance toward the solution of existing problems. He also felt that, in a certain manner, this could also offer an example of how to conduct relations between such a powerful country as the United States and countries in the rest of Latin America. Panama has set forth a very reasonable term for the duration of the treaty. We feel that a treaty to the year 2000 is very reasonable. Even Senator Humphrey told us while we were in the United States that he felt this was a reasonable term for duration.⁶ Upon reaching the year 2000 Panama must assume all attributes inherent in a sovereign, independent nation. After the year 2000 the US should not fear for the security and operation of the Canal because first, it is a basic interest of Panama that it be so, and secondly, because the General has stated that a declaration of neutrality by Panama can be strengthened, through the United Nations, by all the countries of the world. If all the countries of the world agree to the neutrality of the waterway, we honestly believe that it will be assured. This will represent a greater assurance of real neutrality than that which can be individually guaranteed by any one country alone. We feel that the concept that the United States, after the year 2000, should continue to have defense rights and a guarantee of neutrality is not realistic, because it is unnecessary for a great power such as the United States, and also because it does not conform to the manner in which agreements between nations operate in the world.

I honestly believe that the administration of President Carter, with the assistance of a negotiating team of great intellectual caliber and a vision of the future, can face up to this problem knowing that the

⁵ See Document 9.

⁶ According to telegram 23441 to Panama City, February 2, Boyd met with members of the Senate Foreign Relations Committee. After the meeting, Senators Sparkman and Case issued a joint press statement endorsing the Carter administration effort to negotiate a new treaty. (National Archives, RG 59, Central Foreign Policy File, D770037-0895)

concept of a need for a guarantee extending beyond the year 2000 is not realistic and that it would be impossible for Panama to accept it. No government in our country would be able to present to our people a treaty with the United States that does not place a termination date for the duration. I would like to say, with all due respect to Ambassador Bunker and Ambassador Linowitz, that the procedure in the present round should be directed to the decision of the issue of duration of the treaty. In our country public opinion is conscious of the fact that, if after 13 years of negotiations we cannot make a determination on the matter of duration, these negotiations cannot continue eternally.

Though it is true that we face a series of problems in other related areas of the treaty, a decision on the issue of duration would permit both teams to work faster in search of a solution to the remaining problems. Otherwise, no progress is practicable because we would be working without knowing until when the arrangements would have to last. I would therefore propose, with all due respect, that we try a discussion in depth on this matter and arrive at a decision that is clearly useful to end our negotiations.

Ambassador Bunker: I think we have already recognized that Panama's objective was to perfect its own sovereignty. We have also agreed, in the principles,⁷ that the treaty would have a termination date. We have gone a long way, in the area of jurisdiction, towards perfecting Panama's sovereignty over the Canal. However, equally important to a country of over 200 million people, a country which is the most powerful country in the world, is to make sure that its vital interests are protected in the Canal not only during the term of the treaty, but always. The Canal is of vital interest to the United States. The matter is how do we compromise your aspirations and our security interests. Ambassador Linowitz has said that there are other issues that are equally important to us during the term of the treaty. You have made a unilateral declaration on the year 2000. We feel it is clear that agreements, adjustments, and compromises on other issues are essential to the progress of our negotiations before we can reach agreement on a date. We want to discuss these issues and find a solution to many that are hanging fire and see if we can achieve some progress. The issues of neutrality and post-defense arrangements are vital to the United States. We cannot take back a treaty to the Senate unless we can convince them that US interests are protected. I personally think, and I believe Ambassador Linowitz agrees, that we can find formulae to resolve these issues if we address ourselves to them. Let us meet on

⁷ The Tack-Kissinger principles of February 7, 1974. See footnote 10, Document 3.

these key issues and then take on the matters of our interests and your aspirations.

Ambassador Linowitz: I would like to supplement very briefly what Ambassador Bunker has said. We have both come here in a spirit of cooperation and we want to ask you to understand US needs in the same manner as you wish us to understand Panama's needs and we want to ask for your help in developing a position that may have good prospects of approval. It will not help the President and it will not help a new treaty if we come back with a position that we know is not acceptable to the President and to the Senate. We would be doing you a disservice if we did not point out the risks of reaching a solution that would not have a chance to prosper. If we go back with an agreement on duration and we have not satisfactorily solved the other key issues, the treaty does not stand a chance of approval by the President or by the Senate. We have to deal with the other interests if we are to serve our mutual interest to reach a new treaty. One more word. You mentioned Senator Humphrey. Ambassador Bunker and I met with him a few days before our departure and he himself pointed out the importance of returning to the Senate a treaty which, while taking care of your aspirations on duration, deals appropriately with U.S. concerns regarding post-treaty arrangements.⁸ You know that Senator Humphrey is very "simpatico" and he is aware of the aspirations of Panama. He recognizes that if we try to help with your concerns on duration, you also must help us regarding the other issues that are important to us.

Senor Fabrega: I wanted to say that we are apparently in a situation in which we are trying to find out what came first, the chicken or the egg. Ambassador Escobar has said that once the two fundamental aspects of duration and defense are decided, it will be very easy to reach agreement on all other remaining matters which would be part of the treaty. It would be very easy to reach an agreement on all other issues relating to the operation, maintenance, and defense of the Canal, both with respect to the fundamental and to the practical aspects. We believe that if we could get from you an integrated proposal, we would be in a position to give consideration to it and to provide an answer to your position.

Ambassador Bunker: Thank you for your response Mr. Fabrega. We have first a presentation for you⁹ which in part responds to your

⁸ This meeting took place on February 9 in Humphrey's office. A memorandum of conversation of the meeting is in the National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 3, Panama, Congress.

⁹ See Document 17.

October presentation, as you had asked.¹⁰ However, our feeling is, and we want to propose, that we deal first with other issues that are important to the United States and then deal with the questions of duration, neutrality, and post-defense arrangements.

Ambassador Linowitz: I would like to say a word in that connection. We understand your chicken and egg dilemma. Sometimes I don't know which is the chicken. It is not our intent to place you in a difficult position. We understand what you must have regarding duration, but we must look at our common ground to achieve some progress. In line with Ambassador Bunker's remarks regarding our presentation, it might be helpful in the discussions on the other issues for you to make the assumption (without having in any way our formal acquiescence) that we will deal properly with the issue of duration. In this manner you would not feel that we are moving in an unrelated way. It would help us to move forward if we discussed as if a satisfactory solution to the issue of duration would be forthcoming, and later on we will deal specifically with duration, neutrality, and post-treaty arrangements.

Dr. Escobar: The problem we have is that there are a number of outstanding issues on which we have been working intensively. For instance, the teams of Architect Fabrega and General Dolvin have been making progress in the area of lands and waters. We have also discussed the problems of US citizens working in the Canal Zone. We have also discussed military housing, outside defense sites. We have also discussed the status of defense sites and of military and civilian personnel. We have even discussed issues unrelated to the management of the Canal. The problem that we face is that we are not advancing on these issues because we do not know the duration of the treaty. We do not know until when such measures will exist and we are simply speculating, thus simply prolonging the negotiations. We ask that we should center this round on the solution of the problem of duration because we are conscious that once this is resolved, all other problems will have an easier solution. We can assure you that on all other issues, we have had in the past, and we continue to have, a positive attitude with a view to resolving such issues in a manner that satisfies the interests of the United States and of US public opinion. On these problems we do not have an intransigent attitude. What happens is that when we get into those issues we are working in thin air, because we do not know when the treaty will end. The fear we have is that in this round, which has aroused great hopes and expectations among the people of Panama and the Government, as well as in the United States

¹⁰ See footnote 5 above.

and in many Latin American countries, we will simply limit our discussions to the status of U.S. employees in the Canal Zone, or to how the Entity will function, or to the size of the Entity. Without denying the importance of those issues, as far as Panama is concerned, they are all contingent on duration. What would happen in practice is that we would sit around for another round, during which we would reiterate our points of view already expressed in October, and the U.S. Delegation would simply respond to those points. It would be just one more round in our negotiations, and we want to avoid this because we feel that the new US Administration is interested in finding an equitable solution and we are willing to collaborate. However, because of our experience of many years of negotiations, we know that in discussing issues of secondary importance we are not defining the basic problems and we are unnecessarily prolonging the negotiations. That is the reason we are advocating a procedure that would center our work on the issue of duration. Panama is not interested in causing harm or difficulties to the United States or in losing the cooperation of both countries. These are not negotiations between two enemy countries but between two countries that have always cooperated and therefore no fear should exist on the part of the United States. On the contrary, I would suggest that arriving at a just solution would increase the cooperation and solidarity between our countries as well as strengthen the US position vis-a-vis the other nations of Latin America. We feel that the Carter Administration, with its present negotiators, has sufficient authority and sufficient prestige in the United States to assure that no U.S. citizen would dare think that you have failed to defend the interests of the United States. Because of your reputation, because of your prestige, because you are known as just men, it is that we appeal to you to help us find a solution to that which is a basic problem for our country.

Senor Fabrega: I would like to confirm whether I have understood correctly. Do you indicate that we could go into the rest of the issues always assuming that our basic requirement would be satisfied? In other words, contingent upon the satisfactory solution of our basic requirement?

Ambassador Linowitz: You can proceed on the assumption that the solution on duration will be one that you will find acceptable if we reach agreement; that is, you are not committed until we reach agreement on duration, neutrality, and post-treaty arrangements.

Ambassador Escobar: Does it mean that consideration of all issues in this round will include consideration of the term of duration?

Senor Fabrega: Will we be able to cover all issues in this round?
(BRIEF BREAK FOR CONSULTATION AND COFFEE.)

Ambassador Linowitz: I want to clarify to make sure that we understand each other. We believe that the most difficult issues to settle are

duration, neutrality, and post-treaty arrangements and that if we both apply ourselves to the other issues on a “what if” basis or on a contingency basis, we can assume that those three issues will receive a satisfactory solution. In this manner we may be able to work and find out how close we are. It is President Carter’s charge to us that we come back with a set of proposals regarding what is required to achieve a treaty. In this manner we will be able to resolve as many issues as possible and to define the common ground. We can discuss all matters, excluding duration, neutrality, and post treaty arrangements, on the assumption we will find a satisfactory answer to these later.

Ambassador Escobar: The problem is that in October Panama submitted its global position which included the problem of duration.¹¹ Therefore, if as Ambassador Linowitz and Ambassador Bunker have stated, the U.S. is going to answer our October document, it is very difficult for us to conceive how their reply could possibly exclude precisely the problem of duration. We would like to ask you whether in your presentation in response to our October document there is an answer to the question on duration.

Ambassador Bunker: There is an answer and it is that duration is tied to neutrality and post-defense arrangements.

Ambassador Linowitz: I think it is fair to say that we will be in a position to put before you answers to the entire range of issues even though our formal presentation does not deal with duration, neutrality, and post-treaty defense arrangements. However, after our presentation, we will be in a position to talk about it.

Senor Fabrega: We will consult and we will call you to see if it is possible to hold a meeting this afternoon.¹²

Ambassador Bunker: Who will you have with you?

Ambassador Escobar: Architect Fabrega, Minister Ahumada, Jaime Arias, Ambassador de la Rosa and myself. We do have some advisers but their participation will not be necessary. We have two who are working on the subject of lands and waters.

Ambassador Linowitz: We asked because we would not want to overwhelm you.

Senor Fabrega: We thought that once we had reached an agreement on principles, our working group on lands and waters could meet with General Dolvin’s group to continue discussions.

Ambassador Escobar: I wish to express to Ambassador Bunker and Ambassador Linowitz that both Mr. Fabrega and I will consider with

¹¹ See *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, Document 137.

¹² See footnote 4 above.

deepest sympathy any suggestion regarding any meetings that you consider advisable to be held only between the four of us. Sometimes discussions with fewer people can make more progress, and we have authorization from the General to meet privately any time we feel it is necessary.

Ambassador Bunker: That can be very helpful indeed.

Ambassador Linowitz: We will await your word regarding an afternoon meeting.

**16. Memorandum From the Deputy Secretary of State
(Christopher) to the Assistant Secretary for Congressional
Relations (Bennet)¹**

Washington, February 16, 1977

Doug—

Following up on our corridor conversation, I am returning the attached memorandum² regarding the Panama Canal Strategy, in the thought that you may wish to consider it in light of the following developments and comments:

1. The resignation of Foreign Minister Boyd may cause some changes in the details, if not the overall approach, of our negotiating strategy. For example, I have heard a rumor that the Panamanians are now talking about ultimate United Nations approval of any agreement that is reached. This would be a major complication.

2. It seems to me to be difficult and perhaps risky to have very many conversations on Capitol Hill until the new negotiating team returns from its initial conversations, and gives us an initial indication of the current position of the Panamanians. It would be most unfortunate to persuade some of the doubtful Congressmen on a given hypothesis only to find that our negotiating posture has changed. You will know best about this, but it might not be desirable to do more than general backgrounding and “conditioning” until we get further information.

¹ Source: Department of State, Principal and S/S Memoranda for 1977, Lot 79D31, Box 1, Principal Memoranda, July-September 1977. Confidential.

² Not attached.

3. As I mentioned, I have reservations about the style of the proposed letter to the President,³ and as a footnote I might mention that the term “fireside chat” apparently is a casualty of cold winter and fuel shortage.

In any event if you wish, I am inclined to think that there is time for you to reconsider this package and present it to Cy when he returns from his Middle Eastern trip.⁴ However, should it be useful, I would be glad to meet with you or consider it before then.

³ Not found.

⁴ Vance was in the Middle East February 15–21. Bennet and others forwarded the strategy paper to Vance on March 2. See Document 24.

17. Briefing Memorandum From the Assistant Secretary for Inter-American Affairs (Todman) to the Deputy Secretary of State (Christopher)¹

Washington, February 17, 1977

Panama Canal Negotiations

Ambassador Bunker just informed me by the secure line that the Panamanians are adopting a very tough position in the negotiations.

Our negotiating team has had three meetings. The first was a private session on Tuesday² with Romular Escobar, Political Advisor to Torrijos and head of the Panamanian negotiating team, and Edwin Fabrega, a team member, during which Ambassadors Bunker and Linowitz outlined our general approach, their talk with President Carter and what they hoped to accomplish.³

At the second session the same day, between the two complete teams, they presented the statement of US proposals minus any comment on duration and post-treaty defense.⁴

¹ Source: Department of State, Bureau of Inter-American Affairs, Office of the U.S. Permanent Mission to the OAS, Einaudi Country Files, 1977–1989, Lot 91D371, Box 6, Panama 1977. Confidential. Drafted by Todman.

² February 15.

³ See Document 15.

⁴ The memorandum of conversation, including attachments, of this February 15 negotiating session is in the Department of State, American Embassy Panama, Panama Canal Treaty Negotiations Files, 1964–1977, Lot 81F1, Box 127, POL 33.3.2.

The Panamanian reaction given the following day was very tough and simply restated the old uncompromising position. They kept the US delegation waiting for 2-½ hours, from 3:30 to 6:00, for the scheduled meeting. At that meeting, Jaime Arias, a businessman and close friend of Torrijos, made a short but very strong emotional speech. Ambassador Bunker felt it necessary to reply that Arias's speech was unwarranted. He reaffirmed that the negotiators were there in good faith seeking a mutually advantageous treaty. Ambassador Linowitz spoke along the same lines.⁵ At that meeting, the US negotiators also presented our position on neutrality and post-treaty defense, and expressed the hope that now that the full package was available, the Panamanians would consider it carefully. The Panamanians said that they would inform the US negotiators on Friday⁶ when the next meeting would be held. It is not known whether that meeting will be on Friday or the following day.⁷

As an expression of their displeasure with what they considered to be a tough US negotiating stance, the Foreign Minister canceled a meeting he had scheduled with visiting US Congressmen and the Panamanians did not attend the dinner for the Congressmen to which they had been invited.⁸

Ambassador Bunker asked if we could try to get the letter from President Carter to General Torrijos sent as soon as possible. I have been in touch with the NSC and have learned that it will be before the President this evening.⁹

⁵ Arias accused the United States of not negotiating in good faith and called the paper presented by the United States on its basic position requirements at the February 15 negotiating session a "brazen power play." Both Bunker and Linowitz expressed their extreme disappointment in the negative Panamanian response and their hope that the negotiations would be able to proceed in an atmosphere of respect and honesty. (Memorandum of conversation, February 16, 6:30 p.m.; Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964-1977, Lot 81F1, Box 127, POL 33.3.2)

⁶ February 18.

⁷ The next negotiation meetings took place at 12:05 p.m. and 3:00 p.m. on February 18.

⁸ In a February 18 memorandum to Carter, Christopher summarized Todman's briefing memorandum. Christopher noted that two of the visiting Congressmen, Dornan and Smith, made "intemperate statements, calling Panama a one-man dictatorship and asserting that the Panamanians do not want a treaty." Carter wrote: "We can't let them push us around—But public relations is *important*—here & in Panama—Let's stay on the correct & proper side of the issue." (Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 17, Evening Reports (State), 2/11-28/77)

⁹ See footnote 3, Document 14.

18. Memorandum From Secretary of State Vance to President Carter¹

Washington, February 23, 1977

1. *Canal Negotiations Suspended*: Ellsworth and Sol will be arriving in Washington late tonight to report on the suspension of their talks with the Panamanians. They will be bringing a message to you from Torrijos.² [1 line not declassified] Torrijos has concluded that the core of our position is the need for a bilateral guarantee of the canal's neutrality and defense.³ He believes that if Panama agrees to the principle of such a guarantee, it can oblige the U.S. to accept the Panamanian positions on most other outstanding issues. I will discuss the status of the talks with Ellsworth and Sol tomorrow afternoon and give you my recommendations on how we should proceed.⁴

2. *My Testimony before the Slack Subcommittee*: I testified this morning on the State Department's FY-78 budget before John Slack's Appropriations Subcommittee. Slack and several of his colleagues had just returned from Panama where they were not well treated by the government. Nevertheless, there were no recriminations but they did want more details on our negotiations. I will ask that Sol Linowitz go talk to them.⁵ Bill Alexander who has been very anti-treaty actually invited us to help "educate" his constituents about the Canal.

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 17, Evening Reports (State), 2/11–28/77. Secret. Carter initialed the memorandum and wrote: "To Cy" in the upper right margin. All brackets except those that indicate omitted text are in the original.

² See Document 20.

³ Carter wrote in the left margin: "Sounds accurate for us."

⁴ See Document 19.

⁵ Carter underlined the phrase "Sol Linowitz go talk to them" and wrote in the left margin: "Let me have Sol's report first."

19. Memorandum From Secretary of State Vance to President Carter¹

Washington, February 24, 1977

1. *Panama Canal Negotiations*: Ellsworth and Sol briefed me today on their exploratory talks with the Panamanians on a new treaty. They reported having extensive discussions primarily on the treaty's duration, the formula for guaranteeing the Canal's neutrality and the nature of post-treaty arrangements for the Canal's security. While the talks probed these issues more deeply than at any time in the past, the two delegations reached no agreement. I said to Ellsworth and Sol that I felt we should stand firm as our position is a sound one.

Ellsworth and Sol are preparing a report to you which will include a proposed reply to the message to you from General Torrijos.² After reporting to you, and subject to your concurrence, I suggested that they meet the press in order to report some progress while noting that significant differences remain on the major treaty issues.³ In addition, I recommend that they hold meetings with selected Congressmen and then call on several Latin American leaders in order to gain support for a reasonable settlement of the issue.

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 17, Evening Reports (State), 2/11–28/77. Secret. Carter initialed the memorandum and wrote: "Cy."

² See Document 20. A copy of the suggested reply from Carter to Torrijos is in the Department of State, Bureau of Inter-American Affairs, Office of the U.S. Permanent Mission to the OAS, Einaudi Country Files, 1977–1989, Lot 91D371, Box 6, Panama 1977.

³ Carter wrote: "ok" in the left margin. No record of the meeting with the press has been found.

20. Briefing Memorandum From Ambassador at Large (Bunker) and Panama Canal Treaty Co-Negotiator (Linowitz) to Secretary of State Vance¹

Washington, February 25, 1977

PANAMA

We have just returned from nine days of talks with Panama's negotiators. As specified by the Policy Review Committee on January 27² and the President on February 11,³ the objective of these talks was to explore informally whether Panama would be willing to satisfy fundamental United States requirements in the event that the United States were to accept a treaty termination date of December 31, 1999.

Through this process, we hoped:

- to reach informal agreement with Panama on the possible outlines of a treaty package, or
- to identify clearly Panama's position on unresolved issues so that the President and the Policy Review Committee might judge accurately the remaining distance between our positions and make appropriate decisions.

In any event, we hoped to place the United States in a posture with respect to the negotiations which would be perceived as reasonable and fully supportable in the international community.

As we have pressed forward to complete the conceptual framework for a new treaty arrangement, Panama has presented a hard response. While it is too early to draw a firm judgment as to the reason for Panama's action, our preliminary assessment is that it is a negotiating tactic. We recognize that it could also be:

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents, 1977. Secret. The report was forwarded to Brzezinski on February 26 under a covering memorandum from Borg. (Ibid.) Brzezinski forwarded the report to Carter in a March 1 memorandum. (Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama, 1–10/77)

² See Document 8.

³ See Document 14.

—a reflection of Torrijos' widely-reported indecisiveness and/or unpredictability;⁴ or

—a more fundamental judgment on Panama's part that it cannot afford politically to accept the compromises we judge necessary in order to protect our interests.

During our eleven meetings with Panama's senior delegates,⁵ we explored in depth the three key and related issues of treaty duration, neutrality and post-treaty defense arrangements. Other members of the United States Delegation considered more technical issues such as the identification of lands and waters needed to operate and defend the Canal and the form of the entity that will operate the Canal.

In the course of our discussions, we indicated to Panama that we were willing to explore all other issues informally on an assumption of a termination date for the treaty of December 31, 1999. In that context, we presented an initial proposal on the two remaining key issues—neutrality and post-treaty defense—with these features:

—a separate neutrality treaty with no termination date in which Panama and the United States jointly would agree to establish and maintain a regime of neutrality in order that the Canal remain permanently secure, and free and open to all world shipping.

—an addendum to that treaty containing a United States interpretation of it as providing a basis for the United States to take unilateral action, if necessary, to protect the Canal's neutrality even after the termination of United States control of canal operation.

—a mutual agreement to conclude, before the basic treaty's expiration, an agreement to facilitate United States participation in post-treaty Canal defense.

⁴ In telegram 829 from Panama City, February 4, Jorden reported on contradictory signals and a "high degree of indecision and caution in the Panamanian Government on key treaty issues." In particular, Torrijos appeared to be drawing back, cautioning against premature optimism and hardening his stance on post-treaty neutrality guarantees. A senior Panamanian treaty advisor said Torrijos was "personally insecure and often erratic in decision-making." (Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 127, POL 33.3.2) In a February 8 memorandum to Todman, Packman offered various explanations for Torrijos's public pessimism about the negotiations, concluding that "he has become harshly critical of those who have a different outlook." (Department of State, Bureau of Inter-American Affairs, Office of the U.S. Permanent Mission to the OAS, Einaudi Country Files, 1977–1989, Lot 91D371, Box 6, Panama 1977)

⁵ The memoranda of conversation for the February round of negotiations are in the Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 127. In a February 28 memorandum to the Panama Canal Negotiation Working Group, Dolvin provided a summary of the meetings. (Washington National Records Center, OSD Files, FRC: 330–84–0047, Neg Panama & Panama Canal Zone—16 Feb 77–15 Apr 77)

Panama declined to accept our proposal on the contention that it violated Panama's sovereignty and gave the United States a special responsibility for the Canal in perpetuity.

Panama's negotiators subsequently suggested that we attempt to accommodate our mutual concerns by separating clearly the arrangements for the Canal's neutrality and post-treaty security. In response, we offered for exploration a two-point formula. First, Panama would guarantee to the United States the Canal's permanent neutrality. Second, the United States and Panama would conclude, prior to treaty termination, a mutual security agreement to become effective upon termination of the basic treaty.

Panama accepted the first element of our formula, but proposed that our mutual security agreement be modified to include:

- a specific limitation to threats from third countries;
- a fixed termination date; and
- an assurance that there would be no United States military presence in Panama after 1999.

We felt these modifications, taken together, essentially vitiated the formula in terms of the protection of long term United States security interests in the Canal and of the acceptance of the overall treaty package by the Congress and the American people. Therefore, we proposed that Panama reconsider, as an alternative, the initial United States proposal on these key issues with the deletion of the addendum asserting the unilateral United States interpretation of the neutrality agreement as providing a basis for unilateral action in the post-treaty period. (We did not suggest that this deletion would change our interpretation of the provision to authorize such action.)

At this point in the talks we described the three necessary elements of any treaty arrangement:

- that the United States could not accept a date for Canal operation earlier than the year 2000;
- that a termination date of December 31, 1999 for United States Canal defense could be acceptable only in the context of the fulfillment of basic U.S. requirements on the other outstanding issues; and
- that the United States would require a continuing arrangement which it would use as a basis for protecting the Canal against a threat to its security from *any* source (read: Panama).

As the talks progressed, we continued to encounter an unwillingness by Panama to proceed at this time on the basis of these three elements. The talks concluded February 22 with presentation by Panama of a four-point document and a personal message to the President from General Torrijos. We agreed to present both documents to the President (translations are attached).⁶

⁶ Attached but not printed.

The negotiating document contains the following elements:

—United States responsibility for Canal operation would end in the year 1990;

—United States military presence and responsibility for Canal defense would end on December 31, 1999;

—current Panama Canal Company employee housing, the Panama Railroad and the ports of Balboa and Cristobal would revert to Panama soon after the entry into force of the treaty;

—a fixed term mutual security treaty would be concluded by 1995 (the treaty would concern threats to the Canal from third countries only and would prohibit a U.S. military presence in Panama); and

—Panama would unilaterally declare to all the world the permanent neutrality of the Canal.

General Torrijos made the following points in his message to President Carter:

—the United States does not appear to be in a frame of mind to sign an agreement that truly eradicates the cause of conflict.

—signing just any treaty would give the impression of a solution, without providing one.

—a treaty which would go beyond the year 2000 in any way would be a trauma for the Panamanian people

—a plebescite could not be held in Panama on a treaty, unless it achieved real gains for Panama.

—Panama could view other treaty issues differently if the United States did not insist upon a military alliance beyond the year 2000. Torrijos said in the message that he willingly presented these thoughts to President Carter because of his belief that the President honestly desires to avoid the use of force in solving our mutual problems. He later added a sentence to the effect that a Canal treaty could be a model for the type of relations which should exist between a large and a small country.

Panama's presentation of these two documents indicates clearly that it has hardened its negotiating positions. However, the Panamanian negotiators attempted in the final hours of our stay in Panama to soften the negative impact of their position by expressing the hope that we would return soon and stating that we were not so far apart as their presentations might indicate.

In our judgment, Panama is testing the United States under a new President.

If we are correct, we believe our basic strategy for the next few weeks should be one of applying pressure on Panama to be more flexible in the negotiations.

Specifically we propose to follow a strategy designed:

—to avoid apparent haste in seeking agreement while always demonstrating a willingness to negotiate if the other side is willing to do the same (Panama might interpret a sense of urgency by the United States as a sign of weakness);

—to encourage Panama to perceive that achievement of its aspirations rests in compromise; and

—to solicit advice and support for our position throughout the hemisphere.

21. Memorandum From the Deputy Director for Operations of the Central Intelligence Agency (Wells) to Multiple Recipients¹

Washington, February 28, 1977

SUBJECT

Reactions of Panamanian Government Officials to the February Round of Canal Treaty Talks

1. [*3 lines not declassified*] While the information in this report represents the personal views of the official cited, it is believed that the comments reflect the general reaction of the negotiators and other high level officials of the Panamanian Government to the latest round of negotiations.

2. [*1½ lines not declassified*] the canal treaty negotiations, “disaster,” in the form of a rupture in the treaty talks, was narrowly averted twice during the February negotiating round. The first instance was the initial representation made by the United States negotiators. The Panamanian negotiators, believing that the inclusion of Ambassador Linowitz as negotiator signaled a better understanding and acceptance of Panamanian aspirations, were shocked at the tone and substance of the United States position.²

¹ Source: Central Intelligence Agency, Office of the Deputy Director for Intelligence, Job 80R01362A: Committees Task Forces Boards Councils Files, Box 2, Folder 18: CPS Latin America. Secret; [*handling restriction not declassified*]. Sent to Saunders, Bunker, Linowitz, Dolvin, Bell, and Pastor. All brackets except those that indicate omitted text are in the original.

² See Document 17.

3. The United States presentation, which was characterized as “hard” and “coarse” by the Panamanian negotiators, provoked an immediate angry reaction from the negotiators and from Chief of Government Brigadier General Omar Torrijos. The product of Panama’s ire was the “declaration of war” read by negotiator Jaime Arias Calderon at a subsequent session early in the round. The draft of Arias’ diatribe was pieced together jointly by the negotiators and Torrijos at the home of Torrijos’ adviser Rodrigo “Rory” Gonzalez in Panama City. Observers described Torrijos as “enraged” during the drafting meeting. His final orders to Arias regarding the delivery of the response were “Let it be hard . . . very hard.”

4. The second near-disaster came on the heels of negotiator Adolfo Ahumada’s hard-line, ultimatum-like presentation on 20 February. When faced with the United States negotiators’ reaction that the Panamanian position was unacceptable, and that the United States team would depart on 23 February, Ahumada wanted to call yet another meeting on 21 February. Fearing that such a meeting would cause a crisis, the other Panamanian negotiators convinced Ahumada that the best course was to await the return of Torrijos and chief treaty negotiator Romulo Escobar Bethancourt from Colombia.

5. Meanwhile, over the weekend, Torrijos and Escobar had briefed Colombian President Adolfo Lopez Michelsen fully during a two-hour meeting in Barranquilla, Colombia. When informed that the talks were in trouble, Lopez Michelsen counseled that the Panamanians should make every attempt to avoid a rupture, and that some point of understanding should be reached with the United States negotiators. Upon the return of Torrijos and Escobar to Panama, where they were greeted with the news of the near break in the negotiations, both agreed that a more conciliatory attitude was necessary. Escobar’s presentation at the morning session on 22 February put into effect that decision.

6. The proposal for the turnover of the administration of the canal entity to Panama in the year 1990 was a decision made in the classic Torrijos style.³ When the Panamanian negotiators pointed out to Torrijos that the precedent for the 1990 date had come during a “what if” presentation made by the United States side during 1975, he ignored the fact that the other part of the “what if” was an extension of the treaty’s duration and United States defense rights on a 20-to-30 year sliding scale, dependent on subsequent discussion.

³ During the fourth session on February 21, the Panamanian negotiators proposed the year 1990 as the date when the administration of the Panama Canal would be turned over to Panama. Bunker and Linowitz both stated that date would be unacceptable to the United States. (Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 127, POL 33.3.2)

7. Despite the stormy atmosphere which pervaded the round, the situation as of 23 February could best be summed up as difficult but at the same time having some positive elements. The most important result of the discussions was the presentation of a Panamanian position paper for subsequent transmittal to the United States President.⁴ The insistence of the United States negotiators that Panama provide such a document forced the Panamanians to construct what they consider to be the key elements of a treaty formula—good or bad, exaggerated or not.

8. The above information is being made available to the United States Ambassador to Panama. No further distribution is being made.

William W. Wells⁵

⁴ See Document 20.

⁵ Printed from a copy bearing [*name not declassified*]'s stamped signature indicating he signed for Wells.

22. Memorandum of Conversation¹

Washington, March 1, 1977, 2:30 p.m.

SUBJECT

The Panama Canal Negotiations

PARTICIPANTS

Defense

Dr. Harold Brown, Secretary of Defense
 Mr. Charles W. Duncan, Jr., Deputy Secretary of Defense
 Mr. Eugene V. McAuliffe, Assistant Secretary of Defense for ISA
 Mr. Walter Slocombe, Deputy Assistant Secretary of Defense for ISA
 Mr. Clifford L. Alexander, Jr., Secretary of the Army
 Mr. Charles R. Ford, Acting Assistant Secretary of the Army for Civil Works
 General Welborn G. Dolvin, Deputy Negotiator from DOD for the Panama Canal Negotiations
 R. Adm. M. S. Holcomb, Military Assistant to Secretary of Defense
 General George S. Brown, USAF, Chairman, Joint Chiefs of Staff
 Lt. Gen. William Y. Smith, Assistant to Chairman, JCS
 General Walter T. Kerwin, Jr., Vice Chief of Staff of the Army, JCS
 Admiral James L. Holloway III, Chief of Naval Operations, JCS
 General William V. McBride, Vice Chief of Staff of the Air Force, JCS
 General David C. Jones, Chief of Staff of the Air Force, JCS
 General Louis H. Wilson, Commandant of Marine Corps, JCS
 Lt. Gen. Ray B. Sitton, Director, Joint Staff, OJCS

State

Ellsworth Bunker, Ambassador at Large
 Sol M. Linowitz, Co-Negotiator, Panama Canal Treaty
 Richard C. Barkley, Executive Assistant to Ambassador Bunker
 Ambler H. Moss, Jr., Special Assistant to Ambassador Linowitz

Prior to the start of the session, *General Brown*, with reference to a recent Jack Anderson column,² remarked that Ambassador Bunker apparently should get rid of his tie and go on a binge with Torrijos if he wants to get a treaty. *Ambassador Bunker* responded that a recent *Time Magazine* article was proof that he never wore a tie while negotia-

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 3, Panama, DOA–DOD, Liaison With. Secret. Drafted by Richard C. Barkley (S/AB) on March 9. The meeting took place at the Department of Defense. Copies were sent to Einaudi, Todman, Luers, Bell, Wyrrough, Becker, Chester, Kozak, Bunker and Linowitz.

² Jack Anderson and Les Whitten reported that Torrijos privately blamed Bunker for the stalemate in negotiations. Torrijos said Bunker “is too old; he’s half deaf, and he wears a tie.” Torrijos “hinted heartily that he might be willing to make a deal with a negotiator who would take off his tie and spend a night on the town with him.” (“Foster Care Programs Criticized, *Washington Post*, February 23, 1977,” p. C23)

ting.³ He added that Torrijos' life style was well known, even Romulo Escobar left the negotiations for an entire day to accompany Torrijos to Colombia to see the President of Colombia and reportedly one of Torrijos' girlfriends.

General Brown explained to Ambassador Linowitz that he and Deputy Secretary Clements had made a trip to Panama in 1975 to explain to Torrijos that some delay would be needed in the negotiations due to the upcoming Presidential campaign and emphasized at that time the need to keep the lid on all anti-American activities.⁴ He said that Torrijos understood the situation completely and despite considerable pressure kept his word. He said shortly following the recent election he received a letter from Torrijos⁵ indicating that the way was now clear for conclusion of the negotiations and General Brown responded to that letter⁶ to the effect that he was prepared to do all he could to keep his side of the bargain by supporting a fair treaty if one could be concluded.

At General Brown's request, *Ambassador Bunker* began the formal discussion by explaining that the recent session was not designed to negotiate but rather to explore the prospects for getting a treaty with Panama. The Negotiators specifically wished to respond to a Panamanian proposal of last October⁷ and to find out what Panama would be prepared to do to meet US needs in exchange for US acceptance of the year 2000. He said the object was to get a clear understanding of Panamanian positions on the issues and hopefully to come back with a firm idea of what it would take to get a treaty. Although we didn't get all of the answers we wished we do have some idea of what the Panamanian positions are. During the round we strongly emphasized that we were not prepared to go under the year 2000, that we could accept the year 2000 only if our needs in other areas were met and that we must have a treaty acceptable to the Congress. Ambassador Bunker explained that the negotiations were complicated by the fact that Panama's expectations regarding the round had been inflated as a result of several remarks made by the new Administration regarding the US desire to secure a treaty promptly. He said when the US made its initial presentation Panama was surprised by the firmness of our

³ A reference to a photograph of Bunker and Linowitz in Panama in which Bunker is not wearing a tie. ("Eupheptic over Progress in Panama," *Time*, February 28, 1977, p. 14)

⁴ See *Foreign Relations*, 1969–1976, vol. XXII, Panama, 1973–1976, Document 97.

⁵ The letter, dated December 6, 1976, is in the National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 3, Panama, DOA–DOD, Liaison With.

⁶ Brown's letter, dated December 11, 1976, is in the Washington National Records Center, IA Region Files, 1974–1979: FRC 330–87–0068, 1974–1978 JCS Defense Concepts.

⁷ See footnote 8, Document 9.

positions and reacted negatively to them. He said that when we began to develop formulas on neutrality and post-treaty defense however the Panamanians calmed down and began generally to negotiate seriously. He said the Panamanians thought we had hardened our positions which in some respects was true. We had for example tightened up our needs in the area of lands and waters and had indicated that because of changes in the operating costs of the canal the amount of compensation that could be derived from tolls had been recalculated downwards. Ambassador Bunker explained that the initial neutrality position we put forward called for a joint guarantee in the post-treaty period along with a unilateral interpretation of US rights under that guarantee. Panama objected to what it considered the perpetuity aspects of the proposal and also insisted that any security arrangement could only concern threats to the canal by "third countries." Subsequently we put forward a number of other neutrality and security proposals all of which Panama found unacceptable. In response they made several proposals which we found unacceptable. At the conclusion of the round they asked us to pass a letter to the President from Torrijos which stated that Panama did not believe the United States was "in the mood" to get a treaty. Ambassador Bunker said that his assessment was that Panama was testing the firmness of the new Administration in this initial round.⁸ He emphasized that this was in our view simply a tactical move and did not at all imply that the talks are at an impasse. He said that in his view we should not be in a hurry to return to Panama at this time but should be prepared to respond when appropriate. He further indicated that the United States would be briefing some of the other Latin American countries on the status of the negotiations.⁹ In that regard he said it was important in his view that we should be in a defensible position regarding our negotiating proposals with the rest of the Hemisphere.

Ambassador Linowitz said he would like to amplify on some of the remarks that Ambassador Bunker made. He pointed out that really for the first time the United States had bitten the bullet on the issues of neutrality and post-treaty defense—issues which had been intentionally avoided in the past. He said it was not surprising that the bargaining was tough on these issues but added that the session was productive in the sense that both sides now have a clearer view of each other's needs. He emphasized that the atmosphere of the round was one of searching for solutions in an effort to attain the objectives of both sides. He said that he had told Escobar that the United States was disappointed by the apparent lack of movement in the talks but that

⁸ See Document 20.

⁹ See footnote 2, Document 31.

Escobar responded by saying that in view of the complexity of the problem we should be content in that at least we had made significant progress toward defining the issues involved. Ambassador Linowitz emphasized that we had repeatedly stated that we could accept the year 2000 only if they were prepared to meet us on other issues. He said that the United States side also stressed the need for the United States to be able to take action to defend its security in the canal. He said that while the Panamanian side understood our problem in this regard they would not agree to any US unilateral right of intervention or any arrangement that would be in perpetuity.

Ambassador Linowitz said that we had tried several formulas designed to assure that Panamanian sovereignty remain unimpaired but that US security interests were protected. He said that the United States first presented a position based on the "Brown-Brown" formula which was rejected¹⁰ (see page 5). The second technique which the Panamanian side found interesting was that Panama guarantee the neutrality of the canal to the United States with the United States having the right of redress if Panama was unable to abide by its commitment. Surrounding this neutrality formula would be a mutual security arrangement designed to provide for possible threat to or attack on the canal (see page 5). It was clear that the Panamanian side hoped to find some mutually satisfactory resolution of the problem and certainly there was no impasse between the two parties on the issues. The Panamanian side had countered with a variety of techniques such as offering a 1990 duration period but it knew that these tactics were unacceptable to the United States. He emphasized that the heart of the problem was to find some formula which would give us the security we needed without violating Panamanian sovereignty.

General Brown said that he continued to favor a joint neutrality guarantee without being specific. He said that inasmuch as we do not know what our needs will be in 35 years there is great advantage in being purposely vague. He also thought it may be harder to negotiate a more specific arrangement. He said in his view the Panamanian guarantee to the United States along with a mutual security pact simply would not do the job. He questioned for example whether the United States would be called into a dispute between Colombia and Panama under a mutual security arrangement. He said that with a joint neutrality guarantee the United States would clearly have a right of redress should that neutrality be violated.

¹⁰ Presumably a reference to the neutrality and defense position presented by Secretary Brown and supported by Chairman Brown. See Document 4.

Ambassador Linowitz responded that the Panamians had strongly resisted the joint neutrality arrangement. They would agree to an arrangement in which their consent would be needed prior to any US action but we wished to maintain a unilateral right of action. He said that the Panamanians simply could not buy any formula which implied perpetuity. With reference to a neutrality formula he said the United States first suggested language to “establish and maintain” neutrality of the canal appending a unilateral declaration in the treaty of what that meant from the United States viewpoint. When they rejected this proposal we dropped the unilateral declaration aspect but they still found it unacceptable. We tried several other shorter formulas but were unable to resolve the problem. They did accept an arrangement for them to declare the permanent neutrality of the canal and some form of mutual security agreement against attack or a threat to the canal. Our proposal did not specify the source of such attack or threat, but the Panamanians insisted that it be limited to attacks from third parties. We emphasized that we must be able to counter a threat to the canal from whatever source it came but were unable to arrive at an agreement which would be acceptable to us and palatable to Panama.

Secretary Brown asked if the possibility existed that Panama would believe that a fixed termination date for a mutual security treaty would also apply to whatever neutrality provisions may be formulated. *Ambassador Linowitz* said that the Panamanians understood that these issues were separate and that neutrality would not be abridged by any mutual security arrangement.

General Brown pointed out that there were other sides of the coin. For example, under the third country formula, what if Panama asked for our assistance and we were required to give it. He asked if we had made provision for this eventuality in our discussion of the issues. *Ambassador Linowitz* pointed out that there was no problem in that regard if the mutual consent of both parties were required. The problem primarily evolved around unilateral actions.

Secretary Brown asked what recourse the United States would have if for example Panama should lease the canal to Cuba. Would we regard that as a threat to the neutrality of the treaty and take action accordingly? *Ambassador Linowitz* said that no matter who leased the canal the neutrality provisions must be maintained.

Secretary Brown asked what recourse we would have if there were no redress provisions written into the treaty. He thought the original formula, the so-called “Brown-Brown language,” would be much more protective in that regard. *Ambassador Linowitz* said that it would not legally be more protective. Returning to the example of the Cuban lease of the canal *Secretary Brown* asked what recourse we would have if Panama disputed our interpretation of a violation of neutrality. He

said in his view we should not back off of our insistence on a unilateral right to act. *Ambassador Linowitz* stressed that the absence of any unilateral declaration on neutrality would in fact not change our interpretation of our ability to act. *Secretary Brown* said unfortunately without specific language the other side would have equal justification for disputing our interpretation.

General Brown said he personally was less concerned about a post-treaty security pact for in his view the United States will do whatever it feels necessary to guarantee its security depending, of course, on the vigor of US leadership and the depth of American support for such action. He said he was more concerned about securing Congressional ratification of any treaty which didn't explicitly provide the United States the right to take what action it determined necessary for the security of the canal. He said that in recent days he had made several public appearances in California and found more concern about the question of the Panama Canal than any other foreign policy issue. He said this convinced him that we would have an uphill fight in the Congress on any treaty. He emphasized that the JCS were fully supportive of the President in getting the treaty but must be in a position to testify in good faith to the Congress regarding the security aspects of one. Under the circumstances, therefore, he said he preferred Secretary Brown's formula, including a unilateral declaration, which in his view would best provide Congress the assurances it needed regarding continued US interests in the canal.

Ambassador Linowitz said that he wished that General Brown and Secretary Brown could see the transcripts of the recent session in Panama¹¹ for they pointed out clearly that the Negotiators had consistently stressed the point that the United States would need some satisfactory security formula for the post-treaty period. He said that in his view the task was to see what could be done imaginatively to resolve the issue in a manner satisfactory both to the United States and Panama. *Secretary Brown* said that in his view it seemed evident that Panama would not want in any way to recognize any continued US rights following the treaty. He said they must be persuaded that short of some formula in this area it would be impossible to get any treaty through Congress. He thought that the problem may be eased somewhat, however, by the Department of Defense's belief that it was difficult under the best of circumstances to defend the canal against attack from within Panama. *General Brown* said that it was true and that the vulnerability of the canal was such that two boys with a dull shovel

¹¹ See footnote 5, Document 20.

could cause a landslide forcing canal closure. *Secretary Brown* asked if there were any other substantive issues remaining to be resolved.

Ambassador Bunker pointed out that we must reach some agreement on the civilian employees and that we still had some problems in the area of lands and waters. He asked General Dolvin to comment on the lands and waters issue.

General Dolvin explained that during the 1976 negotiating round the US team had presented a position on lands and waters to Panama emphasizing that the position had not been officially staffed but represented a joint US-Panamanian effort to come to grips with the complexity of the problem.¹² He said the US position which evolved over the past year attempts to accommodate US defense interests, the requirements for the operation of the canal, as well as Panamanian economic and political needs in the lands and waters area. He pointed out that the Negotiators' position, as distinguished from the official US position, was based on those lands and waters needed to carry out a combined US-Panama defense of the canal, a principle which had been agreed to by both sides and also had JCS support. He added that while the US position had not been officially staffed it had received numerous comments from the Services, Southcom, the Panama Canal Company, and the Secretary of the Army. He pointed out that the Panamanian response to our proposal had been received during technical discussions in January and during the recently concluded session. He said their January response was generally positive and that the map they presented indicated significant movement toward the US position. During last week's round, however, he noted that the US presented a somewhat revised position reflecting changes recently received from Southcom, the Governor, the JCS and the Services. He explained that the Panamanians responded to these changes with a document called the "Ten Points" which was billed as both a broad outline, or set of instructions, for continued joint development of the lands and waters issue and as the Panamanian response to our October presentation.¹³ He said with this response in hand the differences between the two positions are clearly defined on the following issues:

Port of Balboa

—The U.S. Negotiators' position is to retain the port complex—less Pier 18—under entity control. We are willing to contract shore-side services.

¹² See *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, Document 123.

¹³ For text of the "10 Points" and discussion of the proposal, see the memorandum of conversation of the technical team's second meeting on February 19 and its enclosures. (Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 127, POL 33.3.2/Land and Water Jan-March 1977)

—Panama wants the port area to include some surrounding residential areas returned to Panama early in the treaty. They would grant priority use of the port, as well as the right to manage traffic, to the entity.

Entity Housing

—Our position is that all entity housing remain in the canal operating area for the life of the treaty.

—Panama's position is that entity housing revert to Panama within five years. Their problem is primarily political; they want to break up the US citizen enclaves.

Use Rights—Canal Operation

—Our position gives the canal operator broad rights in the operating area.

—Panama would specifically limit these rights and narrowly define the functions to be performed by the entity.

Panama Railroad

—Our position is to retain the railroad for the life of the treaty.

—Panama's position is that it revert to Panama early in the treaty.

Albrook East/Pad Area

—Negotiators' position: revert to Panama early in the treaty.

—Panama's position: revert to Panama upon entry into force of the treaty.

General Brown asked whether the housing complex was included in the US position. *General Dolvin* explained that some housing areas which were for Panamanian nationals would be returned but that the housing for US officials would remain under US control, explaining that the Governor felt that such housing was necessary if he was to adequately run the canal. *Secretary Alexander* asked if this housing was assigned on a seniority basis. *General Dolvin* said that that was true although to his knowledge few Panamanians resided in those areas. *General Brown* said that in his view the lands and waters proposal was workable and may be used to our advantage in the negotiations.

Ambassador Linowitz emphasized that there are three major issues in the negotiations. One is how the canal is to be operated including the problem of the entity and the civilian employees. The second was the policies surrounding the canal such as sovereignty, neutrality, and security. And the third was the area of compensation to Panama.

Secretary Alexander asked what type of canal operating entity we had in mind. *Ambassador Linowitz* responded that Panama wants a joint US-Panamanian entity with a US majority control during the life of

the treaty with the board authorized to contract the operation of the canal. He said that Panama did not want total US Government control of such an entity. He said the US position was that a US Government agency must run the canal. *Secretary Alexander* asked whether Panama clearly understands our position. *Ambassador Bunker* said that they did.

Secretary Brown asked what would be the next steps in the negotiation.

Ambassador Bunker explained that we had not totally formulated our tactics but believed that we should not be under any pressure to hurry back. He said that we were considering visits to other Latin American countries, particularly those who had written the President on the matter,¹⁴ to explain our position. He said we must make it clear to Panama that they must compromise if we are to get a treaty and that they must bite the bullet on the issue of canal security. *General Brown* said that someone had made the point the other day that the Latin American countries on the Pacific side should have a voice in the establishment of canal tolls once Panama takes over operational responsibilities. He said he didn't know how this could be done but that these countries were in tough economic straits without the canal. *Ambassador Bunker* said that the Negotiators had in the past discussed the idea of trying to include both Colombia and Costa Rica in some form in a neutrality guarantee for the canal. He said there had also been some proposals to include select Latin American countries or other principal canal users, in some form, in the entity, probably as board members.

Ambassador Linowitz said that in his view the Negotiators should be authorized to continue to explore with the Panamanians possible formulas for resolving the remaining issues. He said it was particularly important in his view to develop positions which we can justify to the international community. He said briefing the Latin Americans may serve to put some pressure on Panama although he acknowledged that this was a very sensitive matter and must be handled discreetly. He said clearly that the next moves in the negotiation must have the approval of the President and that it was important to stay alert regarding the right time to continue the negotiations. He said it was clear from the last round that the Panamanians are very emotionally charged on the issue of the canal. For example when they realized that their inflated expectations were unjustified they became despondent and in fact initiated several actions which were counter-productive to their cause. For example they cancelled the scheduled session with the group

¹⁴ See footnote 2, Document 31.

of visiting Congressmen.¹⁵ He said this emotional attitude indicated insensitivity to US needs but he was confident that in time they would understand that US positions were firm and they must handle them realistically.

Secretary Brown said unfortunately too many countries viewed a commitment to negotiate, such as that given to Panama, as an indication that we intend to give in on issues vital to us. He asked if in the Negotiators' view further Presidential guidance was needed before the negotiations continued. *Ambassador Linowitz* said that in his view we had not yet exceeded our current guidance and felt no need for additional instructions until we moved beyond what we presently had.

General Brown said it looked to him as if on the basis of the last talks we may well need a PRC before we return to the negotiating table. *Ambassador Linowitz* said that inasmuch as we still do not know what it will take to get a treaty he would recommend holding off on a PRC for the time being. *Ambassador Bunker* thought that we may well need another session with Panama to find out where we stand before returning to the PRC.

General Brown said that in his view this was a matter that was up to the Secretary of State and the Negotiators.

Mr. Duncan asked when the Negotiators thought the next round would take place.

Ambassador Bunker said he did not know but thought that probably within 3–4 weeks. *Ambassador Linowitz* added that the next round would depend on what signals we receive from Panama and what public activities Panama undertook.¹⁶

Mr. Duncan said that although he was not an expert in diplomacy he thought that visits to the eight Latin American heads of state might very well be viewed by Panama as overt pressure on them. In view of the delicacy of the situation it may be best simply to respond to the Presidents with a letter instead of a visit. *Ambassador Bunker* said that President Perez had asked for a briefing and that we are under an obligation to respond to him.¹⁷ He said it is true that the Panamanians in the past had indicated that they would consider a tour of the Latin American countries by the US Negotiators an "unfriendly act." He said that in his view we should let Panama know what we were doing and explain that we are responding to Latin American desires to understand the United States position on the canal.

¹⁵ See Document 17.

¹⁶ The U.S. and Panamanian negotiators next met on March 13 in Washington. See Document 27.

¹⁷ See footnote 2, Document 31.

Ambassador Linowitz said that such a trip if done right could be very helpful. He noted that several Latin American countries in private did not support many of the Panamanian views and he thought they may be helpful in moving Panama into a more responsive position. He mentioned particularly Venezuela, Colombia, Mexico and Costa Rica in this regard.

In closing *General Brown* reiterated his view that it was important to get some arrangement to protect the neutrality of the canal. *Secretary Brown* agreed emphasizing that such an arrangement should include a unilateral right to protect the canal if necessary. *Ambassador Bunker* commented that no matter what arrangements were made the United States very clearly will do what it felt necessary to protect its interests there.

23. Memorandum of Conversation¹

March 2, 1977, 9:05–9:45 a.m.

SUBJECT

Summary of Meeting: First Round Panama Canal Treaty Negotiations, March 2, 1977, 9:05–9:45 a.m.

PARTICIPANTS

President Jimmy Carter
Vice President Walter Mondale
Ambassador Sol Linowitz
Ambassador Ellsworth Bunker
Zbigniew Brzezinski
Robert A. Pastor (note taker)

Status of Negotiations

The negotiators said that they had clearly indicated to the Panamanians that the United States would not be able to agree to the year 2000 as the termination date for a Canal Treaty, unless Panama gave us what we needed in the areas of neutrality and post-Treaty defense. Panama, on the other hand, said that it could not accept a treaty which gave the U.S. the “unilateral right to intervene” in its internal affairs or hinted that the U.S. would retain perpetual rights. The negotiations

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Pastor, Country, Panama, PRM-1, 2-4/77. Secret.

soon reached an impasse. President Carter said that his interpretation of what occurred was that Torrijos was playing to his domestic audience. Ambassador Linowitz said that one of the reasons negotiations bogged down was because this was the first time that both sides had really zeroed in on the three critical questions of neutrality, duration, and post-treaty defense rights. He also said that considerable progress was made just in identifying the positions of both countries. Furthermore, this was the first round of negotiations for the new Administration, and there was an inevitable testing of each side by the other.

Neutrality: The Question of Ambiguity

The toughest question is whether we can find language which will be satisfactory to two very different constituencies: The Congress wants a continuing right by the U.S. to guarantee the neutrality of the Canal, and Panama demands an end to perpetual U.S. rights. Dr. Brzezinski suggested that Panama and the United States could agree that the U.S. would issue a statement that we had a unilateral right to intervene to protect the Canal. But there was no need for the Panamanians to accept that. We can agree to disagree in advance. Linowitz said that he did not think it would be a good idea for Panama to reject the critical provision of the treaty publicly after the treaty was signed.

The President suggested that if we get down to this last point, perhaps he could agree privately with Torrijos that for the sake of the U.S. Congress, we would have to make a public interpretation that gives us this unilateral right, and they would not contradict our interpretation. Dr. Brzezinski said that we could go even further than that. The Panamanians do not have to agree with what we decide to say, or even remain silent; they could even contradict us if they wished.

On the question of the necessary ambiguity for the neutrality provision, Vice President Mondale said that a Panama Canal Treaty would be different than the Shanghai Agreement or UN Resolution 242 in that it would require ratification of the Senate.² He said that he thought that the more ambiguous the language the less chance it would pass the Senate.

Selling a Treaty to Congress

President Carter said that he felt confident that if we could get a right to guarantee the neutrality of the Canal after the year 2000, that

² Presumably a reference to the Joint Communiqué of the People's Republic of China and the United States issued in Shanghai on February 27, 1972. For the text of the communiqué, see the Department of State *Bulletin*, March 20, 1972, pp. 435–438. For the text of U.N. Resolution 242 of November 22, 1967, which expressed the U.N. Security Council's concern with the situation in the Middle East, see *Yearbook of the United Nations*, 1967, pp. 257–258.

he could sell the treaty to the Senate. He said that he would be willing to talk with any Senators to the left of Jessie Helms, and particularly with people like Senator Jackson.

Vice President Mondale said that we do not need to speak to Helms, but we needed to attract his audience. Linowitz said that he thought that Senator Harry Byrd would be able to support a new treaty if he was briefed properly, and that Senator Barry Goldwater has already indicated his possible support. President Carter said that if we could get their support, it would shock the extreme conservatives in the Congress.

Military Presence Beyond the Year 2000

President Carter asked about the kind of military presence which the United States would need after the year 2000. Ambassadors Linowitz and Bunker said that General Brown of the Joint Chiefs of Staff indicated in a conversation the day before that no military presence by the United States would be required beyond the year 2000, and in fact General Brown felt that continued military presence beyond the year 2000 might well be a disadvantage.³

Regime of Neutrality

Ambassador Linowitz said that he had proposed on an exploratory basis that together Panama and the United States would agree to establish and maintain a regime of neutrality and to ask all members of the OAS to subscribe to the provision. The Panamanians did not say no to this proposal, nor did they suggest the United Nations as an alternative, as they had once before. President Carter, who had earlier suggested the idea of having the UN guarantee the neutrality of the Canal, said that his first preference would be to use the OAS in the way that Ambassador Linowitz suggested.

Visit With Other Latin American Leaders

Ambassador Linowitz said that several Latin American leaders, like the Presidents of Venezuela, Colombia, Mexico, and Costa Rica, had indicated interest in the negotiations, and suggested that if agreeable to President Carter, he and Ambassador Bunker could meet them on the President's behalf to report to them on the negotiations. Since President Perez has already invited Ambassador Bunker and the other Presidents had sent a letter to President Carter indicating that they consider the negotiations a test of the sincerity of the Carter Administration, Ambassador Linowitz said that the Negotiators could go there as a personal response on behalf of the President to their letters. The President said we were fortunate that our closest friends in Latin Amer-

³ See Document 22.

ica—Mexico, Costa Rica, Venezuela, and Colombia—also seemed to have the greatest influence over Torrijos, and he said that he thought the visits would be a useful idea. He left the question of the timing of such visits to the discretion of the Negotiators.⁴ The President said, however, that it would be a good idea to make such a visit with a low profile and only after telling Torrijos. He said that we should be very careful not to have these trips perceived as a way to apply pressure on Torrijos.

Letter to Torrijos

President Carter asked the Negotiators whether they thought he should send another letter to Torrijos. Such a letter would be firm, but also would state our continued willingness to negotiate. Ambassador Linowitz said that Torrijos is expecting a response to his message⁵ and he also said that he had not delivered the previous letter from President Carter because it had arrived too late to be used effectively.⁶ Therefore, such a letter now would be very desirable. President Carter agreed, and said that the letter should be a personal one and should include portions of the previous letter.⁷ He said that the idea of a joint signing of the treaty should be included in such a letter because it would appeal to Torrijos as well as to other Latin leaders. After sending the letter, the Negotiators should wait for a time and only after waiting, they should return to Panama and negotiate.

The President also said that if the Negotiators reached a critical juncture in the negotiations, and they felt they needed his help, that they should not hesitate to call him directly.

Meeting in Miami

Ambassador Linowitz suggested that a brief, informal and very private meeting between the Chief Negotiators of the United States and of Panama should be held somewhere in the United States—perhaps in a Miami hotel—just to get a better sense of where the negotiations were headed. (Ambassador Bunker later suggested that New York would be a better place, because of its convenience and because the Latin community in Miami might discover it more easily.) He thought that such a meeting at this time would be very useful, and President Carter agreed.⁸

⁴ See footnote 2, Document 31.

⁵ See Document 20.

⁶ See footnote 3, Document 14.

⁷ See Document 25.

⁸ The meeting took place in Washington. See Document 27.

Meetings With Congress and the Press

President Carter agreed that it would be useful for the two Negotiators to meet with members of Congress as well as with the press as soon as possible. Indeed, the President said that they should treat their conversations with members of Congress as conversations with the press, as it is likely to be on the front page of the *Washington Post* anyway. Vice President Mondale suggested that the Negotiators talk to Senator Robert Byrd first, tell him what they intend to do, and get his views. President Carter suggested that they speak to Representative Tip O'Neil as well, and asked them which Committee they should testify before.⁹ He said that he thought one appearance should be sufficient. President Carter said that he did not think the Negotiators should meet with the Canal Treaty opponents, like Senators Helms and Thurmond, at this time since the Senators would unquestionably make statements afterwards, and might be interpreted as voices of the Congress on this issue.

⁹ According to a March 4 memorandum from Bunker and Linowitz to Vance, Bunker and Linowitz met with O'Neil on March 4 and were seeking appointments with Byrd and Humphrey to ascertain their views on what would make a treaty acceptable to Congress. (Department of State, Bureau of Inter-American Affairs, Office of the U.S. Permanent Mission to the OAS, Einaudi Country Files, 1977–1989, Lot 91D371, Box 6, Panama 1977)

24. Briefing Memorandum From Multiple Senders to Secretary of State Vance¹

Washington, March 2, 1977

The Panama Canal Treaty and Congress: Strategy and Next Steps

Background

On January 27, the PRC, following consideration of the PRM on Panama, directed that we, in conjunction with Defense and JCS, mount

¹ Source: Carter Library, Congressional Liaison Office, Francis, Copeland, Small (Coordination), Freibers, Brooks, Naechterlein, Tate, and Thomson, Box 6, (Panama Canal Treaty Negotiations), 1/3/77–4/2/77 (CF, OIA 193). Confidential. Drafted by Pezzullo. Sent from Bunker, Linowitz, Bennet, Carter, and Todman. An unknown hand wrote: "Beefed up version of Feb. 14 version by Pezzullo. WH was sent this one."

an “immediate, well-organized, and coordinated effort” to enlist Congressional support for a treaty (PRC Memorandum at Tab A).² The PRM included an outline of steps to be taken to obtain Congressional and public support (Tab B).³ You separately requested a strategy paper for State Department engagement with Congress on the treaty issue.⁴

Strategy

The strategy paper is at Tab C.⁵ It expands on the steps outlined in the PRM, as modified by the PRC decision. The PRM postulates an active Presidential role through statements and meetings with the Congressional leadership. It anticipates that State will take the lead in putting together a coordinated Congressional program. With these considerations in mind, the strategy paper sets forth the following guidelines for State Department action:

—Develop a core group of supporters among the membership of both Houses.

—Cultivate other Members who are inclined to support a treaty.

—Make a maximum effort to convince the many undecided but, we believe, “persuadable” Members.

—Carry out a public information program targeted at those groups and geographic areas most significant for assuring Congressional acceptance of a treaty.

—Take the lead in developing a coordinated plan with JCS, Defense and the White House to assure that the Administration speaks with one voice and makes effective use of its resources.

Actions Underway

We have already taken the first steps to put this strategy into effect. Ambassadors Bunker and Linowitz and their staff, in cooperation with H, are undertaking consultations with prospective core group members. Members of the House Appropriations Committee recently visited Panama, and planning is in train for other trips involving the House International Relations and Senate Foreign Relations Committees. Panama was among the topics covered at the February 24 briefing for House freshmen, which you keynoted. A public information program is in preparation.

² Tab A is printed as Document 8.

³ Tab B is printed as Document 3.

⁴ At the January 27 PRC meeting, Vance expressed the need for a strategy to address congressional and public support, including more detailed programs. See Document 6.

⁵ Attached but not printed.

Your Involvement. We recommend you consider the following program. (Specific action requests for your decision will be forwarded as appropriate):

—Make it a point at meetings with Members of Congress to raise the Panama Canal issue and seek their advice and support.

—Address the Wednesday Morning Group of the House on the subject of Panama.

—Host small breakfasts, luncheons, or cocktails for Members we identify as important to our effort in the Congress.

Coordination. We will move promptly to ensure coordination of our Congressional effort with plans now being developed by DoD and JCS. H and the treaty negotiators will jointly be responsible for such coordination. We are planning an early meeting with the DoD/JCS representatives to review each other's plans, to consider joint initiatives on the Hill and to work out procedures for regular and continuing consultation.

We also plan to work closely with the White House Congressional Liaison staff and with the NSC staff to exchange information on Congressional activities relating to the Canal treaty.

Recommendations for Presidential Action. The PRM sets forth proposals for Presidential meetings with the Congressional leadership and Presidential statements, including fireside chats. We believe that such Presidential initiatives can be exceptionally valuable in swinging public and Congressional opinion in favor of a treaty and will forward specific action proposals for you to send to the President at an appropriate time. In the meantime, we are sending a copy of our Congressional strategy program to the White House for their information. (See Borg-Brzezinski memorandum at Tab D.)⁶

Attachments:

Tab A—PRC Memorandum (SECRET)

Tab B—PRM outline for Congressional and public support (SECRET)

Tab C—Strategy paper

Tab D—Borg-Brzezinski Memorandum

⁶ The March 8 memorandum is not attached, but a copy is in the Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama, 1–10/77. Borg forwarded the strategy paper to Brzezinski on March 8.

25. Letter From President Carter to General Torrijos¹

Washington, March 9, 1977

Dear General Torrijos

Ambassadors Ellsworth Bunker and Sol M. Linowitz have met with me and have reported on their February talks with your representatives.² They have delivered your personal message as well as the Panamanian position paper of February 22.³

I share your hope that we might establish a model for the type of relations that should exist between a large and small country. Our common interest in maintaining a free, neutral and efficient Canal should facilitate the establishment of such a relationship and lead to the early conclusion of a mutually satisfactory treaty.

To make our common commitment meaningful, we will of course have to shape a treaty acceptable to both our peoples. For this reason, prior to the February talks I asked Ambassadors Bunker and Linowitz to explore with your representatives possible understandings on the major outstanding issues. The various suggestions which we offered reflected a genuine attempt to search for a mutually acceptable expression of our interest in a Canal open to all nations, an interest the other countries of the Hemisphere share with both of our countries.

Our actions demonstrate our desire for a balanced agreement. Secretary of State Vance laid the groundwork for our approach to the negotiations by affirming on January 31 this Administration's support for the 1974 Joint Statement of Principles.⁴ These Principles contemplate early transfer of jurisdiction to Panama, increasing participation by Panama in the administration and defense of the Canal, and a treaty of fixed duration. Although these important concessions to Panama have stirred considerable controversy in the United States, we acknowledge them as an important element of the treaty which we are seeking to conclude.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera 2/77–7/78. No classification marking. In telegram 053007 to Panama City, March 10, the Department transmitted the text of the letter to Jorden with instructions to "deliver English text to General at earliest possible time." The Department noted that the "letter is secret and not intended for publication." (National Archives, RG 59, Central Foreign Policy File, D770081–0879)

² See Document 23.

³ See footnote 6, Document 20.

⁴ See Document 9.

However, if a new treaty is to be balanced and mutually acceptable, it must both meet Panama's aspirations and protect United States interests. As I have said recently, my purpose lies in assuring that the Canal will remain permanently open and of use to the ships of all the world.⁵ The treaty should provide for an arrangement which allows the United States to meet its responsibility to operate the Canal during the treaty's lifetime and which recognizes our security interest in the continuing neutrality of and access to the Canal after the termination date of the treaty.

I can assure you that the United States wishes to proceed cooperatively to meet the proper concerns of both Panama and the United States. I know that you will join me in working toward that end. To underline the importance of the treaty and of the new relationship between our countries, I will be pleased if we can agree on a new treaty and meet personally to sign it on behalf of our two countries.

Sincerely,

Jimmy Carter

⁵ During Carter's telephone call-in radio program on March 5, Carter said: "So, the subject of the negotiation now—it has been going on quite a while—is to phase out our military operations in the Panama Canal Zone, but to guarantee that even after the year 2000 that we would still be able to keep the Panama Canal open to the use of American and other ships." (Department of State *Bulletin*, April 4, 1977, p. 316)

26. Letter From the Chairman of the Joint Chiefs of Staff (Brown) to the Commander in Chief of United States Southern Command (McAuliffe)¹

Washington, March 9, 1977

Dear Phil

Thank you for your letter of 2 February 1977.²

¹ Source: National Archives, RG 218, Records of Chairman George S. Brown, Box 48, 820 (Panama) Bulky 1 Jan 1976–31 May 1977. Secret.

² See Document 10.

As you know, on 21 January the new Administration began a comprehensive review of the Panama Canal negotiations.³ The Joint Chiefs of Staff reviewed their positions on all major negotiating issues, the status of negotiations, and proposed US negotiating options. They recognize that the US objective is use, not ownership, of the canal and that a new treaty appears to be the best way to develop the friendly environment most conducive to continued uninterrupted operation of the canal. As a result of this review, the Joint Chiefs of Staff determined that the minimum necessary US assurance of post-treaty canal security and availability could be obtained through a clearly stated US role in guaranteeing canal neutrality after US operation terminates.⁴

The intended objective of the latest negotiating round was to determine what accommodation would be necessary to get conceptual agreement with the Panamanians. As Tom Dolvin told you, that objective was not attained, and at least one more exploratory session will be needed. The negotiators are still planning to conclude a conceptual agreement this spring and submit a treaty to the President by 1 July. You should anticipate a series of rapid response requirements for information, comment and concurrence over the coming weeks.

The Director, J-5, is reviewing your unilateral defense mission for possible revision, contingent upon a new treaty. We expect to have definitive planning guidance on that for you prior to the end of March which should enable you to make a thorough review of lands and waters requirements based upon a combined defense mission.

The problems involved in shifting functions from the Canal Zone Government/Canal Company to DOD are being explored now. I fully understand your concern in this matter, and Tom Dolvin has contacted the appropriate DOD agencies to ensure that they are aware of the direction the treaty negotiations are moving and are planning accordingly. We will continue to do all we can here to support equitable treaty rights for the US citizens working for the canal operating entity.⁵

George S. Brown⁶
General, USAF

³ See Documents 2 and 3.

⁴ See Document 4.

⁵ Carter sent a letter conveying similar assurances to Alexander on March 7: "I have instructed the United States negotiators to give high priority and early attention to the concerns of U.S. citizens working in the Canal Zone, and to keep employees of the Canal Zone Government and Panama Canal Company informed of the progress of the treaty negotiations. Be assured of my concern that the rights of United States citizens be fully protected." (National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Issues Employees)

⁶ Printed from a copy that bears his stamped signature.

27. Memorandum of Conversation¹

Washington, March 13, 1977, 10 a.m.

SUBJECT

U.S.-Panama Canal Negotiations

PARTICIPANTS

United States

Ellsworth Bunker, Ambassador at Large

Sol M. Linowitz, Co-Negotiator, Panama Canal Treaty

A. J. Hervas, Interpreter

Stephanie van Reigersberg, Interpreter

Panama

Romulo Escobar

Edwin Fabrega

Aristides Royo, Minister of Education, Notetaker

Jaime Arias

Escobar: First I would like to greet Ambassador Bunker and Ambassador Linowitz and explain the presence on our delegation of Minister of Education, Dr. Aristides Royo. Though you might not have seen him at the negotiating table in the past, he has always worked very closely with us within the Panamanian negotiating team. Not only for this reason, but also because of his position in our government as a member of the Cabinet, General Torrijos has sent him to the meeting which he considers of transcendental importance. I also want to mention that Dr. Jaime Arias will join us as soon as he arrives in Washington. At different times during the course of our negotiations, he has played a very active role, especially during the drafting of the status of forces agreement.² In addition to extending to you a warm greeting, I also want to tell you that we have brought you some presents which we have placed on the table. On the one hand you can see a turtle, and on the other some rabbits. Please receive them as an expression of our affection. In addition, one of our purposes is to perceive how our negotiations might proceed, whether at the pace of the turtle, or with the speed of a rabbit. What you pick up first, we will take as a message of your intentions and this should save us some time. We are very grateful for your invitation to meet with us and you can sincerely believe that we are very pleased to be here. It shows that you are

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 1, Negotiating Round (Washington, DC) March 13, 1977. Secret. Drafted by Anthony J. Hervas and Stephanie van Reigersberg (OPR/LS) on March 18. The meeting took place at the Panamanian Embassy Residence.

² See *Foreign Relations, 1969–1976*, vol. XXII, Panama, 1973–1976, Document 57.

interested in Panama's problems. General Torrijos has instructed us to discuss with you, in full privacy and with complete confidence, all the problems that might come up, with the purpose of determining whether our two countries can realistically work towards a treaty that resolves the causes of conflict between us, as well as provide an example of how to conduct relations with the rest of the countries of Latin America.

Bunker: Thank you Ambassador Escobar. Both Ambassador Linowitz and I appreciate your courtesy in coming to Washington to meet with us, after yesterday's aborted mission.³ It is indeed a great courtesy on your part. Regarding the question of the turtle and the rabbits, we're faced with two alternatives. The turtle's pace is slow but steady. Rabbits on the other hand, breed very fast. Maybe if we followed their example in breeding more ideas faster, this could lead us to finding solutions. I leave it up to you to suggest what alternative we should follow.

Escobar: I believe that a mixture of both alternatives would be the best one to follow.

Bunker: Ambassador Linowitz and I thought it would be useful to hold this informal meeting to continue our search for solutions to the various problems and issues we face, before proceeding to the next formal round of our negotiations, and see if we can make any more headway.

First I would like to report to you on our activities since we returned from our last meeting in Contadora.⁴ We have reported to the Secretary of State, to the Secretary of Defense, and to the Joint Chiefs.⁵ We have also talked with President Carter and with the Vice President.⁶ We have given the President the message from General Torrijos,⁷ and the President has written him a letter in response,⁸ of which I have a copy here for your information, as I do not know whether you have seen the text. I understand the letter arrived in Panama two days ago and was transmitted to the General.

(At the request of the Panamanian delegation the full English text of President Carter's letter was orally translated into Spanish by Hervas.)

³ According to a March 24 memorandum from Dolvin to multiple recipients, the meeting had originally been scheduled for March 12 in New York City, but was postponed and relocated because poor weather prevented the U.S. negotiators from landing in New York that day. (National Archives, RG 218, Records of Chairman George S. Brown, Box 48, 820 (Panama) Bulky 1 Jan 1976–31 May 1977)

⁴ See Document 15.

⁵ See Documents 20 and 22.

⁶ See Document 23.

⁷ See footnote 1, Document 20.

⁸ See Document 25.

Linowitz: I understand that Ambassador Jorden spoke to Foreign Minister Gonzalez Revilla, after the President's letter had been transmitted to General Torrijos. Since then Ambassador Jorden has called us and read the General's response. We do not have it in writing yet, but he told us that the General expressed his warm appreciation for the thoughtful and friendly sentiments expressed by the President in his letter. He felt that they would become good friends because both were populists, and both share the same aspirations for the well being of their people. We feel it was a warm and gratifying response.

Bunker: Ambassador Jorden also reported that General Torrijos had said that apparently the Negotiators expected that both he and the President do their work for them.

In our conversation with the President, Ambassador Linowitz and I had an opportunity to present a good review of the issues discussed during the last round of talks. We did the same with the Vice President, who is particularly familiar with the requisites and the operations of the Congress, as a result of his recent personal experience there. Both of them greatly emphasized, as was reflected in the President's letter that we could not consider a treaty relationship that did not take into account the United States interest and responsibility for the permanent neutrality and security of the canal. They especially emphasized that this was an essential element for Congressional ratification. I wanted to underscore this before we take up the other issues related to the last round.

Linowitz: I would like to add my own words of appreciation to you for your willingness to come here to Washington to meet with us. It was a great pleasure to meet with you in Panama and now here. I want you to know that I personally welcome the spirit with which you are approaching this meeting. Our government is also eager to move as expeditiously as possible to see whether we can make some real progress. You must avoid what we did yesterday, which was to fly high, without a destination. It is that same spirit that we share in the hope that we can speak with frankness and in a forthright manner, and that we avoid playing games with each other. Time is of enormous importance to both our governments. I have said so before. If we want to arrive at a new treaty, the time to move is now. If we don't make every possible effort to arrive at a treaty that meets your needs and our requirements, I am afraid that we will find out that the moment will have passed us by.

It is for this reason that I have a special plea to make: that we talk frankly, that we make an effort to understand each other, and that we seek what is right for you and for us, and that we do so with confidence that we can find the answers. Let us seek those general principles for a treaty that we can present to President Carter and to the high officials

of the United States Government, and that will have good prospects for success and approval and ratification.

Bunker: Mr. Escobar, how would you like us to proceed with the issues? We could take them up from where we left off on our last meeting. I might suggest that we start with what we call the triad, that is the group of issues dealing with duration, neutrality and post-treaty security arrangements. We could then go on to the points you brought up regarding lands and waters. Also the question of civilian employees. The question of the entity. You pointed out during the past few meetings that there were certain matters of great importance to you, such as ports, docks, the railroad, housing, common land areas, and that kind of thing. Would you want to begin with the triad?

Linowitz: As you already know, because we have mentioned it during the course of earlier talks, and as we have now been strongly reinforced since our return to Washington, it is vitally important for the United States Government to reach some understanding regarding the preservation of the continued neutrality of the canal. This will make it possible to obtain Presidential approval, and also Congressional ratification. If you feel that some thought can be given in these talks to this matter, and in the light of General Torrijo's letter, do tell us what flexibility you can show, so that we can begin to approach the kind of a deal that will take into account your concerns and your needs regarding sovereignty and will allow a positive response to the US position. It is then that we will be able to move forward, with flexibility on the other issues. It is important to know that we can talk about the vital problems before we talk about the other issues. Perhaps you could indicate to us which would be a useful way to start.

Escobar: I want to thank you for your suggestion. I too believe that the only way to proceed, is to talk frankly and honestly, as we have done in the past. The only way to move forward is to avoid going around in circles. I think that this meeting must have as its fundamental goal to arrive at political decisions so that our respective Chiefs of Government may assume a realistic attitude in the framework in which political decisions are made.

I believe that to continue discussing every issue by issue that lies between us, without going into the central problem of our negotiations, is a waste of time. We consider that what we should do, is to point out with great clarity whether both countries are ready to assume the responsibility for taking the fundamental political decisions necessary for a new treaty, and whether each government can confront their respective peoples and governmental institutions with those decisions.

I will try to be more concrete. The concern of the US delegation is whether Panama is in a position to make the necessary political decision regarding the problem of neutrality after the end of the treaty, and

whether Panama has the capacity to make the political decision to create the instrument that will allow the US Government the power to defend the canal against third country attacks, after the termination of the treaty.

From our standpoint, and as vital to us as the above is to the US, is to ask whether the United States is ready to make the political decision to return to Panama its ports, its railroad, its lands and reduce its military presence, without reducing its capabilities for the defense of the canal. Is the USG ready to make the political decision that will allow Panama to assume responsibility for the operation of the canal on the year 1999 while the US continues its military presence until the year 2000 when the treaty terminates? I believe this meeting should frankly consider if the two countries are in a position to adopt the type of political decision I have stated and transmit them to their respective Chiefs of State. If you do not have the capacity to do so, I think that you should frankly state so because otherwise we are wasting our time.

If I may sound blunt, but I believe that the intent of this meeting is to clearly determine whether we can talk about these basic issues. We cannot make them dependent upon the discussion of secondary matters or on the issue by issue discussion of other pending matters.

In other words, Panama can make the political decision on the issue that is vital to the United States, that is on the matters of neutrality and post-treaty defense arrangements. Can the United States make the decision on the rapid dismantling of the Canal Zone and return to Panama of its territory, without affecting the defense or the operations of the canal? I believe, distinguished Ambassadors, that that is the character and purpose this meeting should convey.

Linowitz: I would like to respond by saying that I welcome your statement and your frankness and that I will talk with equal frankness and bluntness. As you have done, I will equally focus on the issues, and will place our ideas on the table and speak with utter candor. We are pleased to know that you, on behalf of the Government of Panama can make the decision and the necessary undertakings on the issues of neutrality and defense.

On our part, as negotiators, we can assure you that if that is the kind of attitude that is forthcoming, we can promise you greater flexibility on the issues of the railroad, the lands, the ports and facilities and other matters. However, obviously, we will have to submit whatever you put before us to our higher authorities.

Regarding the defense aspects neither Ambassador Bunker nor I, nor indeed our political leaders, are in a position to propose formulas that do not count with the support of our defense leaders. On the issues of housing for Americans, port facilities, etc., we might find satisfactory proposals, but I could not personally suggest that we recommend to

Congress or present to the American people something that has not been endorsed by our defense leaders. I can assure you that whatever you state are your requirements, we will transmit. However, as I have said before, and I still feel very strongly, the idea of the year 1990 simply will not work. I do not see any possibility for submitting and obtaining approval for any date before the year 2000. I want to make this clear, unequivocal and definite. I would be misleading you if I were to suggest that we could do more. For, in our role as negotiators, we have a sense of what is politically feasible, within the authority of the US Government. If in that assurance you can see possibilities for progress, let us attempt to move ahead. What more can I tell you than what we have been told and what President Carter himself has stated?

Bunker: That is a fair statement.

Escobar: We both understand that this is an exploratory meeting. However, it is different in nature from our regular rounds. This time we should attempt to explore the issues in greater depth. President Carter has set your parameters, as General Torrijos has set ours. Yet in the final analysis it will be the heads of state who will have to make the basic political decisions.

We are not suggesting that those of us gathered here today are going to make an agreement or formulate the treaty. However we do believe that if we follow the basic principles of the Tack/Kissinger Agreement,⁹ as well as the threshold agreements¹⁰ we have reached over the years, we might be able to find the core of a possible treaty. We need to prepare an outline that will allow our leaders to arrive at those basic political decisions. Thereafter, the experts can take over and put into practical terms the consequences of those political decisions.

For example, we have already submitted Panama's basic position as reflected in the letter to President Carter. You can see there our position regarding neutrality and defense arrangements after the end of the treaty. Whether we can deliver on this will depend on the solution of the other points that are included in the position of Panama. To repeat there all the points included on our position would simply make us lose very valuable time.

What the members of the teams gathered here want to know is whether it is possible or not to transmit to their respective governments a very simplified draft of the questions that can be accepted and of those that can not. We should know this before the next round is announced so that we can see that the two countries have developed on these matters.

⁹ See footnote 10, Document 3.

¹⁰ The Threshold Agreements are discussed in Document 3.

In the context of the guidance we could provide I would like to suggest a series of hypotheses on several issues, as a framework incorporating the following concepts:

—That Panama and the United States agree on the necessity that the Canal remain neutral, peaceful, and open to all nations at all times and will consequently draft a provision that reflects that mutual interest;

—That regarding the security of the Canal after the end of the treaty both countries agree that an attack by a third country would affect the security of Panama, of the U.S., and possibly of other countries in the Hemisphere, and therefore a provision will be drafted to reflect the need for such security;

—That Panama needs to recover as soon as possible its ports, railroad and lands, and consequently a provision will be drafted to do so promptly;

—That Panama, within the provisions to be drafted will point out that the transit of vessels will have priority in the operations of the Panamanian ports;

—That we must see an appreciable reduction in the physical military presence of the U.S. in Panama, without affecting the defensive capability of the Canal by the U.S.; and therefore a provision is drafted to appreciably diminish the number and extension of defense sites;

—That it is necessary for Panama to achieve its economic development that it recover a large quantity of its lands and waters which are today part of the so called Canal Zone, and consequently a provision is drafted in accordance with the proposal submitted by Panama in February of 1977.¹¹ This provision should also include the additional point made in the message to President Carter in the sense that the quantities of lands should be reduced, especially those for military areas of training. The quantity of land should be strictly what is needed for the operation of the Canal.

Regarding the matter of the year 1990, I am frankly surprised by your reaction. I think that what has happened is that Ambassador Linowitz, who has not been present during the many years of our negotiations, has not yet familiarized himself with the fact that it was the U.S. that proposed to end the administration of the Canal in 1990 in exchange for Panama allowing the U.S. to exceed the year 2000 in matters of defense. So this is not an arbitrary date, or one we picked out of a blue sky. At that time we did not accept that date because

¹¹ A reference to the "10 Points" proposal. See footnote 13, Document 22.

Panama did not want a security pact which would grant the U.S. defense rights beyond the year 2000.¹²

Bunker: Regarding the year 1990 you will recollect that it was made as a “what if” proposal. However it was coupled with a defense period that was not acceptable to Panama, and it was later withdrawn by us. It is no longer on the negotiating table.

Linowitz: First I would like to comment on the careful analysis of Ambassador Escobar. I think it is a good suggestion to see if we can agree on some basic principles, to be implemented later by the experts, and see if we can provide the framework of a treaty. I must say here that we have to work out something that has some prospects of approval, using our best judgment and the instructions we have received. My problem is how to deal with the general principles when, in the final analysis, they will require careful delineation if they are to be meaningful, instead of broad statements and open questions.

For example, you talk about the need to recover the ports, railroad, lands, etc., and yet my study of past negotiations shows that a great deal of progress has been made through the cooperation of U.S. and Panamanian representatives in finding solutions to the transfer of a number of facilities and installations. As I have said before, and I repeat now, we are willing to show a cooperative attitude and see if we can find more possible areas of flexibility and of some give in our part. However, I would mislead you if I were to tell you that it would be possible to transfer all of the port of Balboa. That is not what I understand. We will need further discussions to determine that areas in the port of Balboa can still be the subject of earlier transfers. I am afraid that general principles without specifics would only put off a solution.

Regarding duration and neutrality I think that the formulation of general principles can be very useful. Since the last time we met, I have devoted considerable time, and have spent over one hundred hours in consultations trying to figure out a solution to the issues of duration, neutrality and post treaty defense arrangements, in a manner that will permit us to say to our people that we have done what is required, and that will also permit you to say that Panama’s position with respect to its sovereignty has not been affected. With this in mind I want to see if we can try the following solution to the problem of neutrality. It consists of three points:

First: Panama, a territorial sovereign, will declare the Canal permanently neutral. This is a principle that you always wanted.

¹² See footnote 23, Document 3.

Second: After the termination of the treaty on the Canal, only Panamanian troops shall remain in Panama, unless Panama and the United States should otherwise agree.

Third: On the starting date of the new treaty, Panama and the United States would commit themselves to a regime of neutrality which shall be maintained in order that the Canal remain secure, free and open.

That would permit you an interpretation of how you wish to see it done. And you know the way we will interpret it regarding post treaty neutrality. If you could agree on such a formulation I feel we could make progress because I have some confidence that we could get the required approval. Maybe also in some other areas we could find general language that could bring us closer.

Bunker: I might add, in addition to the points made by Ambassador Linowitz, that any outline we might prepare would have to include other points that are of great importance to the U.S. For instance, the matter of the rights of civilian employees is of great importance to us and to Congress. It would need to be spelled out after careful negotiation, and it is a subject that we have not approached yet. There is also the question the entity and the operation of the Canal during the term of the treaty. It is these kinds of areas, as Ambassador Linowitz has said, that will require concrete negotiation.

Escobar: I think Ambassador Linowitz has made a correct evaluation in the sense that we should become more concrete each time we deal with the different issues, so that our heads of state are in a better position to study and decide these matters.

I also think that the tentative proposal you have made specifically regarding the concept of neutrality is of the kind that we must submit to our head of state. In passing I shall note that we will study it with all due care and attention.

We have certain difficulties understanding what is, and what is not, vital to the interest of the United States. Yet we feel that if Panama is ready to submit to its country those questions that will be difficult for our people to accept, because they are vital to the United States, the US should be ready to present to its country and its people the difficult issues because they are vital to Panama. This is the only way in which these negotiations can progress. For example, regarding the entity that is to be created for the operation of the canal, it should be specified that it will devote itself exclusively to canal operations, and not to any commercial activities. When Panama assumes jurisdiction of what is now the Canal Zone, it will own and control the ports of Balboa and Cristobal. Panama will adopt the measures to insure that the entity, within the ports will have operating priority to facilitate the transit of vessels through the canal. Also at the time of the signature

of the treaty, the railroad of Panama will become the property of the Republic of Panama. The United States accepts the proposal on lands and waters presented by Panama in February 1977 and its attached "modus operandi".¹³ The US will appreciably reduce the training areas. The Republic of Panama will completely occupy Ancon Hill, and if there are any instruments of a technical or military nature on it, Panama will allow access without interference, in accordance with a coordinated plan. The distinguished Ambassadors must realize that these specific formulations are as vital to Panama, as defense and neutrality are to the United States, and each country must face the resulting responsibilities.

There is no way in which we can go home with an agreement that is specific regarding neutrality and defense, and yet is not specific and concrete regarding the recovery by Panama of its territory. Regarding duration to the year 1990, it is a matter on which I insist that we can take it back to our respective heads of state so that we may continue resolving the matter. If we could reach such a tentative draft at this meeting, these kinds of specific formulations would be advancing our purposes. I honestly don't think it is possible to be specific on neutrality and defense, if the US does not want to be specific on what Panama wants to recover, which for practical purposes represents the rapid dismantling of the Canal Zone.

Bunker: I think that in pointing out the issues that are of importance to Panama, such as the recovery of the lands and waters, you do require further conferences and negotiations. I have indicated that we could possibly do something regarding the railroad and housing. Maybe there are other things we could turn over to Panama in the areas of ports, but first it is necessary to negotiate these things out before we can incorporate them in the kind of document that you are suggesting. The document ought to come closer to each side's positions. We can't present a document with your positions and our positions, yet with further discussion we could draw the positions closer. You want to recover as much of the lands and waters as possible; we want the minimum necessary for the operation and defense of the canal. I feel that we have come closer on this issue than on the others. On the other hand, it is important to us especially for the purpose of submitting the treaty to Congress, that we deal with the rights of the civilian employees, which is a matter we have not even discussed. We face certain difficulties, but they are not insuperable, in developing the kind of document that you have suggested.

Linowitz: I would like to say a word to better relate to your approach. First, it is not a matter that we want to be specific on neutral-

¹³ See footnote 11 above.

ity and yet remain general on the other matters. On the contrary, our proposal on neutrality is of a general nature, and we will need to work out the rules. We want to agree on the principle, and later fill out the appropriate specifics. Secondly, if you understand what we are trying to do, we will be better able to serve our mutual interests. As Ambassador Bunker has said we could take any sort of proposals you make and submit them. However, we as friends, would not be serving our cause well if we did not discuss and explain what is politically feasible. I do not favor presenting something that is going to be rejected, but I will do it if you insist. On the entity you say that it should be restricted to operations only and not to commercial enterprises. Yet, who is going to determine what are commercial activities? How is it going to be done? On the matter of jurisdiction over Balboa and Cristobal, I know it is not going to happen. Maybe some changes are possible, but not your full ownership and control of Balboa and Cristobal. On the railroad, as Ambassador Bunker said, we can talk. There are possibilities for exploring the matter further. Regarding the lands and waters presentation of February 1977 and its *modus operandi*, we cannot accept it. On Ancon Hill I cannot tell you it is possible because there are certain problems, but we can explore the matter further. We are willing to hear about the year 1990 instead of the year 2000 but you won't get it and it won't serve you well to insist on it. We can take up the draft that Panama wants, but I feel it would be better if we could get closer, in order to obtain approval.

There are two courses of action open to us. We could list, side by side, your position for submission to General Torrijos, and our position for submission to President Carter, and they can study them and observe the differences. Alternately, we could try to narrow down our differences. This is feasible, but we will follow whatever course of action you suggest.

Escobar: Regarding the first alternative that each side present its own position, it does not make sense. For a long time now we have both known what our respective positions have been. The second method is more appropriate as long as the approximation of positions is not exclusively on the issues of neutrality and duration but extends also to other issues that are essential to Panama. All issues that you claim are vital to you, are in fact mostly secondary. This confuses the Panamanian side. You say you cannot go to Congress without a guarantee on neutrality and on defense beyond the year 2000 against attacks from third countries because they would not approve the treaty. We understand that. But you also tell us that you can't go to Congress with the issues of the ports, the railroad, Ancon Hill, the lands and waters, the commercial activities. We really don't know what you can go to Congress with, and we must say that we are confused.

We must insist on knowing what is vital to the US and what is not vital. In theory, neutrality and defense are vital, and yet in practice, when we come down to it, everything is vital. We fail to understand this. We honestly think that it is possible to reach a closer approximation of our positions on these matters. In the same way as you require greater specificity on the issues of neutrality and defense, so do we regarding the dismantling of the Zone. I feel we can do this with goodwill. If you need to undertake consultations on these problems, we will keep in touch and see what the results of these consultations are. President Carter said that he wanted to see a rapid solution to the negotiations with Panama, and General Torrijos also wishes to reach a rapid solution. This is the real core of the matter. To reach a decision.

I fail to see why the ports of Balboa and Cristobal cannot be transferred to Panama when eighty percent of the cargoes are actually shipments destined to Panama and are not related to canal transits. As long as in the ports areas priority is assured to vessels in transit I cannot see that the ports are vital to the US. I must insist to the distinguished ambassadors that each time we get into a discussion of this problem we enter into a vicious circle in which all is vital to the US. We wish to separate what is vital to the US from what is vital to Panama. I think this will bring us closer.

If you seek flexibility from Panama on neutrality and defense, the US must also be flexible on the other issues that are important to Panama.

Linowitz: I have something to say and I would ask you to listen carefully. We want to show a spirit of flexibility to try to find a way of resolving the issues before us. Among the areas we have explored, and which I intended to indicate to you later, but that I shall present to you now to show how seriously we are considering the vital issues and seeking room for flexibility, is the following.

When we read over our proposal on neutrality we decided to say that we will not insist on a mutual assistance treaty. If you accept our formula on neutrality, we will not press for a security pact. I think that it is a tremendous thing for the US to say this. We do so because we are trying to find a way which is satisfactory for you and meets our needs. Regarding the railroad I think there might also be a way to show greater flexibility. I hope that you will study this approach that I wanted to bring up before we go to lunch.

NOTE: Morning meeting was recessed for lunch at 1:45 p.m.

Escobar: Good afternoon, distinguished Ambassadors. I wish to start this meeting by requesting that Ambassador Linowitz give us an explanation of the concept of neutrality that could be in the agreement that he presented to us this morning. We want this so that we could study its full dimension and import. We would appreciate this informa-

tion and know that he will go along with our request to find out in greater depth how he conceives the concept of neutrality can be developed, its content and its modus operandi. In other words we would like to know all those aspects that he feels would be necessary to allow us to understand more clearly what he told us this morning.

Linowitz: First let me say that I welcome this opportunity and that I am flattered by your suggestion that my proposal might be more complex than it really is. It is simply a suggestion which I have put forward in the hope of providing greater simplicity, instead of greater complexity to our search for solutions. I suggested several separate aspects that might be covered by a neutrality agreement. Two of them are those which Panama has advocated; first a declaration by Panama, as territorial sovereign, that the canal will be permanently neutral; second a provision after the termination of the canal treaty that only Panama will maintain troops, unless both Panama and the US were to otherwise agree; and thirdly, a carefully framed provision that would say simply what might be interpreted as meeting US needs as well as Panama's aspiration, to the effect that "Panama and the United States agree to commit themselves to a regime of neutrality (later we would define the specifics that would have to be agreed upon), which shall be maintained in order that the canal shall be secure, free, and open to all vessels without discrimination." Later we would apply the rules of neutrality.

What this formula does is:

(1) It starts on the day of the treaty when the United States has primary responsibility for assuring the neutrality of the canal, and for the period after.

(2) It does not say by whom or how such neutrality shall be maintained but it simply states the concept in general language.

In short the implementation is left for future discussion and future actions, instead of for present delineation. I think, and I wish this kind of language should meet what we understand were your concerns regarding sovereignty, and also, I hope, our needs as they have been asserted in this country. Admittedly this is general language but it is for these general terms that we have a preference.

Escobar: Could I ask you a question regarding this matter with the purpose of gaining a better insight into some of these concepts:

Linowitz: Certainly.

Escobar: Regarding the neutrality pact, how would it operate vis-a-vis third countries? Concretely, what would be the relations between Panama and third countries specifically with regard to the declaration of neutrality?

Linowitz: I don't know. The point is simply that we are stating our mutual concern that the canal remain neutral and we are committing

ourselves to a regime of neutrality. I have not thought out how it would be done. We are talking of the principle. There are greater advantages to this general language. We are not trying to foresee what may eventually happen in the future. The language simply joins us in our commitment to neutrality.

Escobar: I have another question. How would the neutrality pact operate between the United States and Panama? What would its effects be supposing the United States went to war with third countries?

Linowitz: I have not thought about that specific case. However, what we are saying, is that the canal must remain neutral and that concept is covered. We have assured the neutrality of the canal.

Escobar: I ask for your indulgence, Ambassador Linowitz, in asking so many questions. However to better understand those matters we will have to study I have another question. In the neutrality pact between the United States and Panama would third countries only adhere to the pact, or would they form part of the pact? How would this operate?

Arias: The questions we are posing regarding the three points are due to the fact that they contain different elements. First, a declaration by Panama stating the permanent neutrality of the canal as a function of its sovereignty. This we understand would be a unilateral declaration by Panama. Second, when we say that only Panamanian troops shall be maintained, where would this formulation appear? Would it appear as part of the pact or in the new canal treaty?

Linowitz: It does not make any difference. The agreement would be signed after the canal treaty. There will be another document on neutrality.

Arias: There is another aspect I wish to clear up. Would it be a bilateral declaration? Would it be a bilateral agreement?

Linowitz: The United States and Panama would enter into a treaty which would be a separate one from the new canal treaty. In it, first, Panama as territorial sovereign would declare the permanent neutrality of the canal. Second, the US would agree, (and this could also appear in the canal treaty), that no troops would be stationed after the expiration with the exception of Panamanian troops. Third, the provision that I have read to you plus the rules of neutrality.

Arias: I do not see clearly the point that the second provision attempts to make. If we are talking of a neutrality treaty or agreement, not one on defense, why do we need a provision that no troops would be maintained? The rules of neutrality do not allow the presence of such troops.

Linowitz: OK. Because it is so important for Panama we could include a statement to that effect in the neutrality treaty as well as in the pact.

Escobar: I want to see if I understand what is being said. In the new treaty on the canal we would state that there would be no troops as of the end of the treaty. Then, in the neutrality pact, we would not mention this question.

Linowitz: Yes.

Escobar: Regarding the neutrality pact between the United States and Panama what would be the situation of third countries? Would they simply adhere to the bilateral pact or would they become parties to the pact?

Linowitz: First, only the United States and Panama would enter a pact. Secondly, as we have suggested previously, and if it meets with your approval the US is willing to support it, the United States and Panama together would sponsor a resolution in the OAS calling upon all countries to subscribe to a protocol asserting that they will respect such a neutrality. The OAS could also be the depository.

Escobar: I have another question on a matter of great importance. Your ideas regarding any bilateral neutrality pact between the United States and Panama are always very clear. However, if any problem arose regarding the operation of the canal, resulting from domestic Panamanian policies or actions, such as those that might be required because of internal terrorism we understand that it would be the exclusive competence of Panama to resolve such problems and that at no time you would invoke the neutrality pact.

Linowitz: With all due respect I want to say that your question is precisely the kind of question I wanted to avoid. If you are going to require specific interpretations of the provisions, then we will require specific interpretations of other provisions. I see no reason for the United States to have to move in, in the future, as a result of domestic Panamanian matters but I believe it is a mistake to try to reach clear language for each specific circumstance. The reason that this formulation can be approved is because it leaves open the possibility of interpretation to the future. We consider this a great concession. We are not playing games here tonight. We have put on the table what we consider is a very substantial concession on our part. I understand your questions. Maybe our proposals sound too generous. However instead of devoting more hours to further discussion I believe that at this juncture I should make clear to you that I am trying to inform you of what will be needed to obtain the required approval. However if we start once again speaking of specific questions we will be largely defeating our purpose and we will find ourselves back where we started.

I want to add that you must look upon this proposal as a very substantial indication of how far we are ready to move in order to motivate you and to find out whether we can agree or not on this principle of the treaty.

Escobar: I understand, Ambassador Linowitz. The problem is that as these questions must be studied in depth by our government, the more information we have the better we will be able to study these problems and reach appropriate decisions. I feel it is necessary to find out whether the neutrality pact or bilateral neutrality agreement would require, in addition to a definition of neutrality, a series of rules regarding the modus operandi of such neutrality. Logically it is necessary to develop procedures once the pacts have been drafted. The problem is what is going to happen when neutrality is considered violated. This is the reason for my question. To determine the import of the rule first regarding how we are to interpret that a violation has occurred, and secondly, what actions are to be taken against the violators. And here is where we get into the military problem.

We really did not consider it necessary to enter into a security pact. We saw that a security and a neutrality pact were not only redundant but even contradictory.

A neutrality pact does not present us with a problem. However the definition of the rules regulating neutrality are what both countries will have to agree on. Regarding these regulations we will have to find satisfactory answers to the question of when neutrality has been violated, by whom, and what action will be necessary. I have posed these questions because our government will be asking us these very same questions when we return.

Linowitz: I understand your reasons and I must tell you first that I don't have all the answers. Secondly, when we were in Contadora we gave you a paper with the rules of neutrality which also referred to arbitration and mediation, as well as the kind of things that are covered normally under the rules of neutrality.¹⁴ I hope that we are not trying to cover every single possible eventuality. In providing you with that paper we were trying to find areas of agreement regarding the rules that would apply. We have not thought beyond those rules.

Escobar: Please excuse me, Ambassador Linowitz, if I insist so much on these questions. I wanted to take the maximum advantage of your knowledge of the issues that constitute vital problems for our two countries. I want to thank you for all your explanations, which will serve as the parameters within which we will study the problems with the care and seriousness required. I am aware that the issue is of vital importance to the operation of the canal and to the interest of the US and Panama.

¹⁴ See Document 15.

[Omitted here is discussion of the Panamanian position on lands and waters and of the need for flexibility on the part of both the U.S. and Panama.]

28. Telegram From the Embassy in Panama to the Department of State¹

Panama City, March 19, 1977, 1741Z

1982. For Ambassador Bunker and Linowitz from Jordan. Please pass copy to Office of Secretary of the Army for Alexander. Subject: Talk with Torrijos.

1. Summary. Following reports on talk among General Omar Torrijos, Army Secretary Clifford Alexander and myself on Contadora Friday. Key element was Torrijos pledge to accept some form of bilateral security assurance in post-treaty period in exchange for which he requires that US be more forthcoming on matters of deepest [concern] to him and Panama.

2. Army Secretary Alexander and I had hour and half visit with General Torrijos Friday on Contadora. It was a very frank and open discussion. General was in good mood and atmosphere was very friendly. Torrijos was accompanied by Foreign Minister Gonzalez-Revilla and confidant Rory Gonzalez.

3. High point of session was Torrijos's expression of his willingness to approve some form of bilateral security guarantee for the post-treaty period. In return, however, he said U.S. would have to be considerably more forthcoming than it has been to date regarding lands and facilities that would be passed to Panama under treaty. He talked emphatically on Panama's requirement for port areas on Atlantic and Pacific sides. Underlining his desire for area adjacent to free zone in colon for construction of a container port.

4. Torrijos said he felt only sensible way to handle transfers of land and waters and facilities was on a fixed reversion schedule. He said he needed to be able to point out to his people that Panama would be getting areas of significant use and value to them—some immediately, some in the year x, some in year y, et cetera. He said he had the feeling

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 3, Panama, DOA–DOD, Liaison With. Confidential; Immediate; Exdis.

that U.S. negotiators did not as of now have the authority to make the kinds of decisions that he thought were required to get a successful treaty. He said there had been entirely too much concentration on quote trivia unquote in past negotiating sessions. He told us what was needed was a quote command decision unquote to move forward toward rapid settlement of the major issues and the minor points would then fall into place.

5. Secretary Alexander pointed out to the General that he was new in his job and had not yet had an opportunity to look into the details of such issues as disposition of lands and waters. He also reminded Torrijos that he was not engaged directly in the negotiations, that they were in the hands of our able negotiators Bunker and Linowitz. But he promised the general that he would promptly undertake a thorough review of the Army's and canal company's positions on these matters to see if the U.S. could not be more forthcoming. Torrijos welcomed this pledge.

6. Torrijos said that he was under heavy pressures for movement in the treaty talks. Above all he said he needed to know if we really intended to press forward toward a treaty or if the slow pace and indecisive nature of recent sessions was going to continue. He said he would rather know that a treaty was impossible than to have the talks drift along at a snail's pace. Army Secretary and I both assured him that it was clearly the President's policy and the expectation of the secretary of state and the negotiators to work toward a treaty with all deliberate speed. We reminded him of the considerable problems we have with Congress and with public opinion. He said he understood those problems and appreciated their depth. That was the main reason for his assurance that a satisfactory solution could and would be found to the post-treaty security problem. He then reminded us that he had major problems, too, which he hoped we understood and sympathized with. We told him we did.

7. Torrijos said that if a settlement was going to be prolonged, it would be helpful if the U.S. could undertake to make some gestures to Panama in the form of transfers of some significant real estate. He referred specifically to New France field and the Coco Sola areas.² He noted with extreme puzzlement that quote the U.S. says it will give us the field but wants to keep the hangars unquote. He said that was like his quote offering us a ten-story building without stairs or an elevator unquote. He also said that it would be much better if the U.S. were to take the initiative in this matter and take some of these unilateral

² France Field was a U.S. airfield and Coco Solo a U.S. Naval station, both located in the Panama Canal Zone.

actions. Quote, we don't want to be in the position of coming to you to beg for such things, unquote, he said.

8. Torrijos said that while he was willing to make major concessions on security questions—during and after a treaty—he thought the Secretary should understand his real attitude toward this matter. He said that frankly there was no security for the canal quote against two men or against a major power unquote. He said every experienced military man understood that. He recognized that this was a political not a military problem and it was one he understood full well.

9. That was the heart of the discussion. There was a certain amount of unrelated talk. For example, he praised President Carter highly for his stand on human rights. He said the U.S. should regard the reactions of such countries as Brazil, Uruguay and Guatemala as quote a compliment unquote. He also spoke of the urgent need for some kind of worldwide approach to the problems of commodity trade. He said he was considering asking UN Secretary [General] Waldheim to organize some kind of international commission to work on a more equitable system of commodity exchange between developing and developed countries. It was clear from the context that Torrijos principal concern in this regard is the terrible bind that Panama finds itself in now because of excessively ambitious sugar production. (He said the world price was eight cents and that it cost Panama at least 12 cents to produce refined sugar. So, he said, he was going to have to let considerable cane rot in the fields.)

10. Torrijos also spoke of his unemployment problem. He said it was now nine per cent in Panama City (we think it is higher). He said if it reached twenty per cent quote we can forget about stability, about progress and about negotiations unquote.

11. The talk was unusually candid and good humored. Torrijos was in excellent spirits and though generally serious, he showed flashes of humor. It was clear that he and the Army Secretary had established excellent rapport and that he appreciated Alexander's honesty and candor. During the evening, in the midst of a reception for visiting Congressmen, I received a call from the foreign minister who said that Torrijos wanted me to know how much he enjoyed getting [to know?] Secretary Alexander and that he was thoroughly pleased with their talk.

Jorden

29. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to the Deputy Secretary of State (Christopher)¹

Washington, March 26, 1977

SUBJECT

Torrijos

The President noted a recent item² which stated that General Torrijos has reportedly invited Castro to Panama in May and is planning to visit Libya.

It is my belief that if word of this gets out—as it inevitably will—the reaction in the U.S. by conservative anti-treaty forces is going to make the selling of the treaty more difficult. The President agrees with this assessment. He has instructed that General Torrijos be advised of our view. Please let Torrijos know this through your channels.³

Zbigniew Brzezinski

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 39, Pastor, Country, Panama, 1–3/77. Secret. An unidentified hand wrote: “Let Pastor know” on the top of the memorandum.

² Not found.

³ In telegram 69680 to Panama City, March 29, Christopher instructed Jorden to convey the administration's concerns regarding Torrijos's potential visit to Libya and meeting with Castro. (National Archives, RG 59, Central Foreign Policy File, N770002–0281 and P850056–1944) In telegram 2497 from Panama City, April 7, the Embassy reported on its attempts, “in a low-key way to encourage restraint upon the Panamanian Government as the Libya trip approaches . . . Our emphasis has been on the potential for damage to Panama's cause in the U.S.” (National Archives, RG 59, Central Foreign Policy File, D770122–0806) Torrijos visited Libya April 12–16.

30. Letter From Secretary of Defense Brown to Secretary of State Vance¹

Washington, March 29, 1977

Dear Cy,

As you know, the Policy Review Committee meeting of 26 January on the Panama Canal negotiations has resulted in an interagency coordinated effort to conclude a new treaty this year.²

You will recall that one of the principal topics during the meeting concerned the need for Defense to participate fully in legislative and public affairs programs associated with both the negotiation and ratification of a new treaty. Accordingly, I have directed a thorough review of possible DoD resources and programs to ensure that we will be prepared to do our part in providing to the public, the Congress and the media, information and our views concerning defense interests in the Panama Canal.³

The DoD supports a new treaty relationship with Panama which will ensure that defense interests in the Canal are fully protected. I therefore plan to issue at the appropriate time a public statement demonstrating my personal support for the negotiations.⁴ Other Defense officials will be heard from on this issue during the coming months. Additionally, our legislative affairs office will be working closely with yours. This should ensure that we will have a coordinated preparation for the expected ratification hearings, and that the Congress and the public are fully informed.⁵

Sincerely,

Harold Brown

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Public + Congressional Educ. Secret. The letter was forwarded to Hodding Carter on April 7 under a covering memorandum from Bunker. (Ibid.) Vance's initials are stamped on the letter.

² The meeting took place on January 27. See Document 6.

³ In a March 29 memorandum to the secretaries of the military departments, the Chairman of the Joint Chiefs of Staff, assistant secretaries of Defense, assistants to the Secretary of Defense, and the Director of the Defense Intelligence Agency, Brown outlined how Defense should prepare for public inquiries on the Panama Canal treaties and communicated Defense's responsibility to provide relevant information to the public, Congress and the media. (Washington National Records Center, 1977 Country Files: FRC 330-80-0035, Panama Canal 1977 092 Jan-Sep)

⁴ Not found.

⁵ Vance highlighted this paragraph and wrote in the left margin: "*good*. Should be coordinated w. H. Carter."

31. Briefing Report Prepared in the Department of State¹

Washington, undated

*U.S./PANAMA TREATY NEGOTIATIONS: MEETING WITH
PRESIDENTS OF VENEZUELA AND COLOMBIA*

Last week we briefed Presidents Perez of Venezuela and Lopez Michelsen of Colombia concerning the Panama Canal negotiations.²

Our purpose was threefold:

- to explain the Administration's policy and approach;
- to provide a United States perspective on the negotiations to two Presidents who had previously been exposed almost exclusively to Panama's view; and
- to review the issues to the degree that each President desired.

We made several general points:

- a new Canal treaty is a foreign policy priority of the Carter Administration;
- the United States is prepared to negotiate reasonable terms, but not to sacrifice its continuing interest in the Canal's secure and efficient operation;
- Panama must decide whether it prefers a ratifiable treaty or a continuing Canal problem;
- if Panama were to choose to hold to its unrealistic demands, the United States would not be ashamed for the world to know of its current position.

We judge as a success this first effort to take our case directly to Latin American heads of state. The Presidents:

- displayed considerable knowledge about the details of the negotiations (presumably learned from their regular meetings with Torrijos);³

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 8, Chron Jan–June 1977. Confidential. Forwarded to Christopher on March 31 under a covering memorandum from Bunker and Linowitz. Christopher chose not to forward to Carter because the information was already summarized in an evening note to him. (Ibid.)

² Bunker and Linowitz briefed Perez on March 24 in Caracas and Lopez Michelsen on March 25 in Bogota. The memoranda of conversation for these two meetings are in the National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 2, Briefing of Colombian and Venezuelan Presidents, March 23–26, 1977.

³ In telegram 69426 to Caracas, March 29, the Department transmitted a more detailed summary of the meeting with Lopez Michelsen, who expressed that he thought it unfortunate that such an important matter as the Panama Canal was being handled as a bilateral issue between Panama and the United States, rather than "with other, more advanced countries." (National Archives, RG 59, Central Foreign Policy File, D770108–0075)

—spoke favorably about the “reasonableness” of our position, but suggested that the United States would be blamed for any treaty breakdown;

—commented that our Canal posture evidences the good intentions of this Administration with respect to the hemisphere as a whole;

—expressed understanding of the need to provide for our continuing security interest in the Canal’s neutrality after the new treaty’s expiration but cautioned that Torrijos cannot appear to agree in advance to United States post-treaty intervention;

—offered to define informally a possible accommodation of United States and Panamanian needs (Perez proposed a joint informal initiative by Venezuela, Colombia and Costa Rica, while Lopez spoke of a separate Colombian effort).

We will visit Costa Rica and Mexico on a similar trip in the near future.⁴

⁴ Not found.

32. Action Memorandum From the Director of Panamanian Affairs (Bell) to Ambassador at Large (Bunker) and the Panama Canal Treaty Co-Negotiator (Linowitz)¹

Washington, April 11, 1977

U.S.–PANAMA TREATY NEGOTIATIONS:

Interagency Working Group Recommendations on Economic Arrangements

Reference: Action Memorandum dated March 23, 1977²

Discussion:

The Action Memorandum of March 22³ established a basic strategy regarding the development of an economic arrangements position.

¹ Source: Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 127, Pol 33.3.2—Compensation 1977. Confidential. Copies were sent to Jordan, Tragen (USAID), Todman (ARA), Lion (AA/LA), and Pezzulo (H).

² Not found.

³ The March 22 action memorandum proposed a schedule and actions which included providing the negotiators with a statement of recommendations for economic arrangements under a new Panama Canal Treaty. Bunker approved the schedule and actions. (Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 127, POL 33.3.2—Land and Water Jan-March 1977)

The first steps in that strategy have been completed. The Interagency Working Group included representations from State, Defense, A.I.D., Treasury and OMB. The Group met during the period March 28 to April 6, and prepared a statement of Recommendations, which is attached as Tab A to this memorandum.⁴ During the period of Working Group discussions, consultations were also carried out with several House members and Senate and House staffers on the issue of economic arrangements. Memcons of these discussions are included as Tab B.⁵ The results of these brief consultations served as input to the deliberations of the Working Group.

The Working Group reached two conclusions which serve as basic premises to its recommendations:

—Much data relating to the scope of operations of the Canal and its ability to generate revenue under the new treaty is not available and its development should be a priority consideration; and

—To the maximum extent possible, any transfer of benefits to Panama should sustain from Canal revenue.

Based on these conclusions, the Group made the following recommendations:

—that the Negotiators seek to create a technical study group to compile information on the maximum revenue that can be derived from the Canal operations under varying assumptions and examine the anticipated reduction in expenses as a result of the transfer of responsibilities to Panama;

—that the level and types of payment to Panama under the treaty should be payable from Canal revenues;

—that the value of the Canal assets be calculated and recognized as part of the total “compensation” package to Panama and should be considered as a negotiating tool for the United States Negotiators;

—that the annual payment to Panama consist of an amount per Panama Canal ton but should not be less than a low, fixed sum for a period of time to be determined on the basis of mutual agreement;

—that an inflation factor should be built into any annual payment position of the United States Negotiators;

—not to commit the United States to an overall economic development program in the treaty;

⁴ Attached but not printed.

⁵ Memoranda of conversation dated April 4, 5, and 8 and a memorandum for the files dated April 6 are attached but not printed. Members of Congress consulted included Representative David Obey (D-Wisconsin), Representative Lee Hamilton (D-Indiana) and Murphy.

—that the United States not commit itself to a security assistance program in the treaty; and

—that the economic arrangements of the treaty should provide for a bilateral mechanism to aid the implementation of the treaty and the Canal operations during the treaty.

Discussion of each recommendation as well as options are discussed in Tab A. Should you accept these recommendations, they will establish the parameters for the drafting of the United States Negotiators' positions,⁶ including fallbacks, and a draft Threshold Agreement on economic arrangements. We believe that Congressional consultations on this issue have been useful and should continue.

The Working Group is prepared to discuss its report with the Negotiators should the Negotiators require amplification of its recommendations.

Action Requested:

That you approve the Working Group's recommendations for submission to interagency clearance.⁷

Approve _____ Disapprove _____

Approve with exceptions _____

That we proceed to implement the first recommendation on creating a technical study group.⁸

Approve _____ Disapprove _____

That we proceed to prepare a United States position based on the Working Group's recommendation.⁹

Approve _____ Disapprove _____

**Richard Wyrrough for
S. Morey Bell¹⁰**
Minister

Attachments:

Tab A—Statement of Recommendations

Tab B—Congressional Consultation Memoranda

⁶ On April 15, Bunker forwarded the recommendations to Dolvin under a covering letter, stating his wish to "use these recommendations as the basis for preparing a coordinated United States Government position on economic arrangements under a new treaty" and requesting Defense's views. (Washington National Records Center, OSD Files, FRC: 330-84-0047, Neg Panama & Panama Canal Zone—16 Feb 77–15 Apr 77)

⁷ There is no indication of approval or disapproval of the recommendation.

⁸ There is no indication of approval or disapproval of the recommendation.

⁹ There is no indication of approval or disapproval of the recommendation.

¹⁰ A typed signature indicates Wyrrough signed for Bell.

33. Memorandum From Secretary of State Vance to President Carter¹

Washington, April 12, 1977

[Omitted here is information unrelated to Panama.]

4. *Panama Canal Negotiations*—I met this afternoon with Sol Linowitz who brought me up-to-date on the Panama Canal negotiations. He said that he has made substantial progress over the last three weeks. He believes that it will be possible to reach agreement on a treaty within two months if Torrijos really wants one. Linowitz stated that neither he nor the Presidents of Venezuela and Colombia, with whom he spoke recently,² know whether Torrijos wants a treaty. Torrijos is fearful of being criticized for being too soft. Linowitz pointed out, on the other hand, that the two Latin American Presidents and many people in Panama believe that Torrijos needs a treaty if he is to survive politically.

Sol feels that he has broken the back of the most difficult issue, that of preservation of neutrality in the post-treaty period with the accompanying right of the U.S. to intervene to preserve such neutrality. Sol has also been spending a good deal of time on the Hill. His opinion is that it is going to be a tough fight. However, he has recently won over such opponents as Hayakawa and Hatch.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 18, Evening Reports (State), 4/77. Secret. Carter initialed the memorandum.

² See Document 31.

34. Telegram From the Department of State to the Embassy in Panama¹

84390.

Washington, April 14, 1977, 2243Z

For Jorden from Bunker. Subject: Next Negotiating Round.

1. This morning George Fisher contacted me by phone to say that Edwin Fabrega wished to talk with me and would appreciate a call. During a conversation later in the morning on a rather poor circuit Edwin asked when we wished to get together again for the next negotiating round. I replied that we were prepared, as we indicated during our luncheon two weeks ago,² to meet at a convenient time and place to discuss all outstanding issues. I mentioned, however, that Ambassador Linowitz would be out of the country during the last week of April and that after I had talked with Sol I would get back in touch with Edwin later today.

2. Sol and I have discussed the situation and agree that the best date to resume the talks is sometime during the first week in May.

3. I have so advised Edwin and have indicated to him that we must decide later on the location of the May talks. I also repeated to him my earlier observation that we wish to take up all outstanding issues at the next round of talks. My intention here was to emphasize that, contrary to the suggestion made by Romulo and Edwin during our March discussions³ that they would be prepared to resume our discussions only after we had made a "political decision" regarding the lands and waters issue, there can be no repeat no preconditions from our viewpoint to scheduling the next round of negotiations. Indeed, our intention during the next round is to move forward with respect to any one issue only in the context of our ability to agree ad referendum on all repeat all outstanding issues.

4. In order to confirm my second conversation with Edwin, I would appreciate your contacting him as soon as possible and repeating to him orally the gist of the above, namely:

A. That we are prepared to commence a full round of negotiations sometime during the first week of May;⁴

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 1, May 1977 Round. Confidential; Immediate; Stadis. Drafted by Wyrough and approved by Bunker.

² No record of meeting minutes has been found.

³ See Document 27.

⁴ See Document 36.

B. That we suggest deferring decision on the exact date and location of the meeting due to some unresolved questions concerning Sol's freedom to be away from Washington during the first part of May; and

C. That it is our intention to discuss all repeat all unresolved major issues during the next round.

Vance

35. **Briefing Memorandum From the Director of the Bureau of Intelligence and Research (Saunders) to Secretary of State Vance¹**

Washington, April 21, 1977

Panamanian and Latin American Views of the US Negotiating Stance

A while back, you suggested that periodically we take a look at how the current U.S. negotiating stance is viewed in Panama and elsewhere in Latin America. In sending you this analysis, I hasten to point out the obvious—that this memorandum reflects that range of views available from intelligence sources, Foreign Service reporting, and the press. Our negotiators, of course, can add another dimension.

Torrijos' Perceptions. Judging from clandestine reporting and other sources, we believe that Torrijos's present perceptions of the situation are that:

—U.S. proposals always contain some degree of “give” and, because the new administration wants a treaty quickly, it will be willing to make concessions if pushed.

—Washington is under domestic and international pressure to be more forthcoming; if it does not give in to Panama's “reasonable” demands, the justice of the Panamanians' position will allow them “to go to the world.”

—Panama has already made real concessions; so far the U.S. has failed to match these, and nothing more can be expected from the Panamanian side until it does.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron, Panama, 1-5/77. Secret; Noform; Nocontract; Orcon; Exdis. Drafted by Harvey D Lampert (INR/RAR) on April 18. Packman initialed for Saunders. Tarnoff forwarded the document to Brzezinski under an April 27 covering memorandum. (Ibid.)

—The remaining matters in the dispute are “political” rather than technical, and final US decisions on these issues must be obtained directly from the White House.

It also seems clear that the Panamanians have little sympathy for Washington’s domestic constraints.

—Preoccupied with their own serious internal pressures, they regard these as purely a U.S. concern (a belief expressed publicly in January by the Panamanian Chargé here).²

—They also appear either unable or unwilling to accept the reality of the U.S. constraints. When U.S. negotiators in March refused, on the grounds of Congressional opposition, to yield to Panamanian demands on “secondary matters” such as the possession of Ancon hill or the ports and railroads in the Canal Zone, the Panamanians could not believe that “these matters are really so important that Congress will get *that* upset.”³

The sense of urgency to achieve a treaty that Torrijos exhibited late last year has apparently ebbed,⁴ possibly because of the calm situation in Panama since the September food price riots.

—He allegedly indicated to guests at his birthday party in February that he did not expect or really need a new treaty this year.⁵

—Panamanian officials and media representatives are constantly deprecating indications that a new treaty is imminent; sensitivity to statements by U.S. officials on the negotiations has faded greatly; and the media no longer trumpet descriptions of 1977 as the “year of decision” (though Torrijos did make such a reference during his April visit to Libya⁶ and told *Newsweek* recently he still expects a treaty this year).⁷

Torrijos’s attitude has probably been reinforced by apparent belief that his present strategy has left the next decisions up to the U.S.,⁸ and his feeling that in the past protracted negotiations have led to a soften-

² Not found.

³ A quote from the afternoon session of the March 13 meeting between the U.S. and Panamanian negotiators, during which Escobar asked: “Are these matters really so important that Congress will get *that* upset?” See Document 27.

⁴ An unknown hand underlined: “The sense of urgency to achieve a treaty that Torrijos exhibited late last year has apparently ebbed.”

⁵ An unknown hand underlined this sentence.

⁶ In telegram 2630 from Panama City, April 13, the Embassy reported that Torrijos “reiterated the importance of 1977 as ‘a decisive year in which there must be an answer to our demands.’” (National Archives, RG 59, Central Foreign Policy File, D770129–0250)

⁷ After his trip to Libya April 12–16, Torrijos granted an interview to *Newsweek* during which he stated that, despite difficulties faced in reaching an agreement, “I think we will reach an agreement this year because my intuition says that Carter is the greatest defender of human rights.” (“Torrijos: The U.S. has Lied,” *Newsweek*, April 25, 1977, p. 41)

⁸ An unknown hand underlined: “apparent belief that his present strategy has left the next decisions up to the U.S.”

ing of the U.S. position. Still, given Torrijos's erratic character, this confidence could vanish quickly.

The Latin Viewpoint. While popular and official support for Panama in Latin America has lost some of its fervor over the years, it remains strong, and Washington would still bear the brunt of public blame if the talks broke down.⁹ The U.S. could probably reduce the intensity of adverse reaction if it were able to show that its positions had been reasonable and fair. But, if a collapse were accompanied or followed by bloodshed, U.S. arguments would have little weight in the minds of the Latins.

Nonetheless, the drop in Latin American support is noteworthy because Latin backing plays a key role in Torrijos's thinking¹⁰ and may affect the stands he takes. A meeting with Colombian President Lopez Michelsen (who counseled moderation) during the February negotiations,¹¹ for example, may have contributed to the Panamanians' somewhat more conciliatory attitude toward the end of the round.¹²

The main reason for the decline in backing is fear of the practical effects¹³ of Panamanian control of the Canal now that such a takeover seems increasingly likely. More than half of the hemispheric states did not sign a letter presented in January to President-elect Carter¹⁴ pushing for a quick settlement of the dispute, and at least some of these were motivated by this fear.

—The more conservative governments¹⁵ (whose numbers have increased in the past few years) distrust Torrijos's¹⁶ judgment and fear Cuban penetration of the isthmus. Most recently, Embassy Managua has reported that President Somoza—although he did sign the January letter—shares this view of Torrijos's reliability;¹⁷ and Mexican support for Panama has reportedly cooled now that Lopez Portillo has replaced Echeverria.

—The South American west coast and landlocked countries, which are most dependent on the Canal, fear that Panama will be unable to run it efficiently or will charge exorbitant tolls. The Paraguayans are

⁹ An unknown hand underlined: "Washington would still bear the brunt of public blame if the talks broke down."

¹⁰ An unknown hand underlined: "Latin backing plays a key role in Torrijos's thinking."

¹¹ See Document 21.

¹² An unknown hand underlined this sentence.

¹³ An unknown hand underlined "the decline in backing" and "fear of the practical effects."

¹⁴ See footnote 2, Document 9.

¹⁵ An unknown hand underlined: "more conservative governments."

¹⁶ An unknown hand underlined: "distrust Torrijos's."

¹⁷ See telegram 378 from Managua, January 25, in the National Archives, RG 59, Central Foreign Policy File, D770027-0688.

the latest to express these concerns, following earlier similar indications from Ecuador, Peru, Bolivia, and Chile.

In a few instances, bilateral problems have weakened support for Panama. Both the Argentines and the Chileans were irritated by Torrijos's backing for UN resolutions on human rights which affect them unfavorably¹⁸ (the Chileans' anger at recent U.S. policies have caused them to swerve back to support of Panama). The Guatemalans are displeased with Panama's support of Belize and have consequently declared themselves neutral on the Canal question.

Panama's closest neighbors, Venezuela, Colombia, and Costa Rica, which Torrijos consults frequently, have balanced their general backing of him with more tempered positions on his extreme demands. All three have indicated some sympathy with the U.S. stand on neutrality and defense, though cautioning that Torrijos cannot appear to agree in advance to US post-treaty intervention.

—Foreign Minister Facio of Costa Rica told Assistant Secretary Todman, February 21, that he understood our unwillingness to accept a UN guarantee for the Canal's neutrality ("no one could predict what the UN machinery would look like in 20 years") and that a bilateral arrangement was best under the circumstances.¹⁹ An editorial in a pro-government newspaper a few days earlier made the same point, though Deputy Foreign Minister Jimenez more recently stressed publicly the importance of the principle of non-intervention to Panama's sovereignty over the Canal.

—In Colombia, President Lopez, according to a clandestine source, declared in February that the "U.S. should not give any weight to what he says publicly about Panama" and he told Ambassadors Bunker and Linowitz during their March visit to Caracas and Bogota (the first such visit by US negotiators since talks were resumed in 1973) that a joint U.S.-Panamanian guarantee on neutrality "appears appropriate and desirable."²⁰

—Venezuela's President Perez reportedly said in early February that he believed Torrijos's inflexible position on the Canal neutrality was "absurd." (On the other hand, Torrijos was elated by Perez's report to him on the Venezuelan's talks in March with Bunker and Linowitz.)

There is thus some support in Latin America for the U.S. positions in the negotiations.²¹ But the fluctuating nature of such backing and the tendency of most hemispheric states publicly to support Panama regardless of their private views, makes it perilous to give this sympathy too much weight in developing a US negotiating strategy.

¹⁸ Not further identified.

¹⁹ See telegram 43626 to San Jose, February 26, in the National Archives, RG 59, Central Foreign Policy File, D770067–1206.

²⁰ See Document 31.

²¹ An unknown hand underlined this sentence.

36. Memorandum From the Panama Canal Treaty Co-Negotiator (Linowitz) to Ambassador at Large (Bunker)¹

Washington, May 9, 1977

SUBJECT

Panama Canal Negotiations

Based on the discussion with the Panamanian Negotiators this morning² and our subsequent conversation we have tentatively agreed the following steps might be taken preparatory to our meeting with the Panamanians Tuesday³ afternoon:

With respect to neutrality I will be prepared to indicate to the Panamanian Negotiators that we are proceeding on the assumption that the language proposed in March on this issue is acceptable to them but that they have put forward interpretations of this language which they regard as important to meet their own requirements. By the same token it is important that they understand our need to interpret the language to meet our own requirements in this country and to assure requisite approval by the President and the Congress.

With this in mind therefore we want to be able to interpret the neutrality agreement as follows:

1. The United States is committing itself together with Panama to the maintenance of a regime of neutrality for the canal. Under this commitment the United States must be in a position to take such steps as may be necessary to assure that the neutrality of the canal is maintained against a threat or attack from any source.⁴

I would then go on to say we hope that Panama would find this acceptable and would understand the reason for our requirement. In connection with the endorsement by an international body, I would point out that we are agreed that such international endorsement would be appropriate and desirable but that in our mutual interest it would be better to have the OAS—a regional body under the United Nations—

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 8, Chron Jan-June 1977. No classification marking.

² A summary of the first session of the May round of negotiations and the Panamanian response to Bunker's opening remarks is in the Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 128, POL 33.3.2—Canal Treaty negotiations April-July 1977.

³ May 10.

⁴ Bunker placed a checkmark next to this sentence in the left margin.

providing for such endorsement by the OAS member countries rather than by the larger and more complex United Nations groups.

2. With respect to the entity we would indicate our mutual agreement that the entity would be devoted to the operation of the canal and not to commercial activities and that the issue is simply how to delineate on a mutually agreeable basis the functions entailed in such operation.

We envisage, as we pointed out, a Department of Defense agency—the Corps of Engineers or another—which would have operating responsibilities. The Joint Advisory Board to be established would be able to deal with policy matters affecting operation and we would be willing to propose a Panamanian be named as chairman of the advisory board.

As to the functions to be performed by the entity we should be able to put before the Panamanians the appendix which lists all of the functions presently performed by the Canal Company and by asterisks indicates those mutually agreed which are to be retained by the canal operators, those to be performed by military authorities, and those to be performed by the Government of Panama.⁵

With respect to employees, instead of referring to SOFA rights we should turn over to the Panamanians the list of employee rights as set forth in the appendix so there will be a clear understanding of precisely what we have in mind.

3. Lands and Waters. If Alexander has approved the lands and waters presentation of General Dolvin then this should be available to be disclosed to Panama at the most propitious time. It may well be that this should not be done until after the President returns from Europe⁶ so that it will appear to have been directed by our “highest authorities.” If the Panamanians press for earlier discussion of this issue we should continue to point out that it will require the determination on the highest level and that meanwhile we should continue to try to dispose of the other issues.

If we are able to make progress along these lines then at some point it might be desirable to propose that groups of the delegations undertake to work separately on some of the aspects. For example General Dolvin and Fabrega might be asked to deal with functions and later lands and waters assuming requisite Alexander approval. Dick Wyrough and a Panamanian designee could be asked to deal

⁵ Bunker placed a checkmark next to this sentence in the left margin.

⁶ Carter traveled to London and Newcastle from May 5–10 to attend the Economic Summit Meeting and to address the NATO Ministers meeting. On May 9, he traveled to Geneva to meet with Presidents Furgler and Assad.

with the employee rights aspects. Perhaps other areas for such separate treatment might develop during the course of the negotiations.

Clearly the object ought to be to make progress in every area where there seems to be room for movement—including economic benefits. On this point it becomes ever more important that we have a full analysis and report on the kind of annual payment which is feasible under anticipated canal operations, the toll increase which would be practical and acceptable and the alternative proposals which could be put forward for consideration by the Panamanians on this issue. I would think that Morey Bell and a Panamanian representative could be asked to serve as a subcommittee to deal with this issue.

37. Memorandum Prepared in the Central Intelligence Agency

Washington, May 9, 1977

[Source: Central Intelligence Agency, Office of Congressional Affairs, Job 79M00983A, Box 8, Folder 4: SSCI Countries—Panama Sept 1972–May 1977. Secret. Two pages not declassified.]

38. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, May 12, 1977

[Omitted here is information unrelated to Panama.]

Panama Canal Negotiations. In three meetings this week with the Panamanian negotiators, Ambassadors Bunker and Linowitz have presented a draft neutrality treaty; a proposal on the form of the entity which will operate the canal during the life of the treaty; a paper dealing with the rights of U.S. civilian employees of the entity; and a

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 18, Evening Reports (State), 5/77. Secret. Carter initialed the memorandum and wrote: "To [name not declassified]."

package on lands and waters worked out with the Secretary of the Army.²

Initial indications are that Panama is particularly pleased with the lands and waters package, which contains much of what Panama has demanded during the past two years. Two of three of the Panamanian negotiators are returning to Panama today for consultations with General Torrijos—not because negotiations are going badly but because they are going well.³ While the negotiations appear to be moving in the right direction, there is hard negotiating ahead before treaty drafting can begin.

[Omitted here is information unrelated to Panama.]

² Carter wrote: “C” in the left margin. The meetings were held May 9–11. For a summary of these meetings, see Dolvin’s May 12 interim report in the National Archives, RG 218, Records of Chairman George S. Brown, Box 48, 820 (Panama) Bulky 1 Jan 1976–31 May 1977. In a May 10 memorandum to Alexander, Bunker and Linowitz sent a set of conceptual recommendations for approval pertaining to lands and waters for use by the U.S. negotiators during the current round of negotiations. (National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Issues Lands & Waters (Use Rights))

³ In telegram 3415 from Panama City, May 13, the Embassy reported that Escobar and Royo appeared to be returning to Panama with a “positive” attitude. (Department of State, American Embassy Panama, Panama Canal Treaty Negotiations Files, 1964–1977, Lot 81F1, Box 127, POL 33.3.2—Lands and Water April-June 1977)

39. Memorandum of Conversation¹

Washington, May 18, 1977, 8:30 a.m.

SUBJECT

Canal Treaty Negotiations

PARTICIPANTS

Ambassador Gabriel Lewis Galindo of Panama
Dr. Ricardo Bilonick, Legal Counselor, Embassy of Panama
Dr. Zbigniew Brzezinski
Robert A. Pastor (Notetaker)

Ambassador Gabriel Lewis Galindo and the Panamanian Charge met with Dr. Brzezinski and Bob Pastor on April 18,² at 8:30 a.m. for ten minutes.

After presenting his credentials on Monday, May 16 to President Carter, Ambassador Lewis returned to Panama to discuss with General Torrijos the President's message.³ Torrijos asked him to return to the U.S. immediately to convey his personal message to President Carter via Dr. Brzezinski. Lewis said that Torrijos was anxious to conclude a treaty, understood our needs with regard to neutrality, and believed it did not make sense to delay the negotiations by arguing over every minute detail—every hotel, hill or lake—of the lands and waters needed to run the Canal. Torrijos said that he only wanted to make sure that all the lands and waters necessary to run the Canal efficiently should be part of the package. He handed Brzezinski the message attached at Tab A.⁴ After reading it, Brzezinski said that it was indeed encouraging.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Memcons: Aaron, David: 2/77–12/78. Secret. The meeting was held in Brzezinski's office at the White House. The memorandum of conversation and Torrijos's message were forwarded to Bunker and Linowitz on May 20 under a covering memorandum from Hornblow. (National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents 1977)

² The meeting took place on May 18.

³ In his May 16 remarks welcoming Lewis as Ambassador of Panama, Carter reiterated the support for a new treaty that he had expressed in his March 9 letter to Torrijos (see Document 25). Carter further stated that he was "prepared to press forward with the negotiations and to accept the political problems in this country which the presentation of a final treaty will generate." He went into detail "so that you will know my personal commitment to the early conclusion of a fair treaty." For the full text of Carter's remarks, see telegram 120619 to Panama City, May 25. (Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 127, POL 33.3.2—Canal Treaty Negotiations April–July 1977)

⁴ Attached but not printed. Brzezinski forwarded a copy of the message to the Acting Secretary of State on May 19 with instructions to communicate its substance to Bunker and Linowitz. (Memorandum for the Acting Secretary of State; Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 66, Brzezinski, Chron: 5/17–22/77) Carter wrote on the message: "Zbig—Sounds good—cc Bunker, Linowitz." (Ibid.)

The message made the following points:

—Torrijos was pleased that President Carter was willing to accept the political problems necessary to gain Senate ratification of the treaty.⁵

—He shares President Carter's feelings that a treaty should be concluded as quickly as possible.

—He is aware of the importance of the declaration of neutrality of the Canal.

—The lands, waters, etc., not needed for the operation or maintenance of the waterways should be returned to Panama, and he believes that President Carter has instructed U.S. Negotiators to this end.

—Torrijos would like to keep "an open channel of communication" with Dr. Brzezinski through Ambassador Lewis.

Dr. Brzezinski said that the President was anxious to conclude a treaty and he realized that 1977 would have to be the year because that is when the President's political strength was greatest. Next year his political strength will not be as great; the year after that it will be even less. Therefore, Dr. Brzezinski said, both sides must be accommodating this year so that we can have a treaty.

Ambassador Gabriel Lewis reiterated the last point in the message, and asked how he could get in touch with Dr. Brzezinski quickly. Dr. Brzezinski said that this Administration is different than the previous one, that he would share this message with Secretary Vance and with the U.S. Negotiators,⁶ and that Panama's negotiators should work with our Negotiators to come up with a treaty. However, if Ambassador Lewis felt it necessary to get in touch with him, Dr. Brzezinski suggested that the Ambassador contact Bob Pastor, NSC Senior Staff Member on Latin American Affairs.

⁵ Torrijos also noted in the message that he was prepared to do the same in Panama.

⁶ See footnote 4 above.

40. Memorandum From the Chairman of the Joint Chiefs of Staff (Brown) to Secretary of Defense Brown¹

Washington, May 20, 1977

SUBJECT

Defense of the Panama Canal (U)

1. (S) It is the view of the Joint Chiefs of Staff that a new treaty which modernizes the US-Panamanian relationship and provides a basis for development of a friendly relationship between the two countries is of significant importance in insuring that the Panama Canal will continue to be available to the United States when needed.

2. (S) After discussion and review of the US military interests in the Panama Canal, the Joint Chiefs of Staff have determined that the primary military concern is in use of the canal, not ownership. Therefore, as a minimum, in order to provide reasonable assurance that access to and security of the Panama Canal are protected in time of war and peace, the United States and Panama should agree in the new treaty to the following provisions:

a. That the United States will operate and have primary responsibility for the defense of the canal through 1999.

b. That there be established in the treaty a permanent joint US-Panamanian guarantee that, upon termination of the new treaty, the canal will remain open to all world shipping at reasonable tolls, without discrimination, in accordance with specific rules of neutrality agreed to in the guarantee and that Panama would take no action that would hamper the efficient operation of the waterway.

c. That each country commits itself to protect and defend the canal after the termination of US operation.

3. (S) It is critical to safeguarding US security interests that the universally recognized historical precedent that the neutral character of the Panama Canal is defined by treaty rules unique to the waterway be perpetuated.

4. (S) With these minimum acceptable provisions, US military interests should be adequately protected by US defense rights and military presence through 1999, a sufficiently lengthy period of time to assure

¹ Source: Washington National Records Center, OSD Files, FRC: 330–80–0017, Panama 821 (Mar-15 July 1977). Secret. A stamped notation on the memorandum reads: “20 May 1977 Sec Def Has Seen.” Brown wrote on the memorandum on May 20: “ISA—Please prepare forwarding + endorsing memo to NSC staff and negotiating team—I understand that the negotiations are in general going in the way JCS suggest, and are close to fruition.” Brown initialed the memorandum.

the formation and institutionalization of the US-Panamanian partnership essential to the long-term US use of the canal. After 1999, legal and political arguments could be made to support a unilateral US intervention in the event any nation, including Panama, threatened the nondiscriminatory operation or security of the canal in time of war or peace.

5. (U) The Joint Chiefs of Staff recommend that the views stated above be conveyed to the US Negotiators by the Panama Canal Negotiations Working Group in a memorandum substantially like that contained in the Appendix.²

For the Joint Chiefs of Staff:

George S. Brown
Chairman
Joint Chiefs of Staff

² Appendix attached but not printed. A "Statement of JCS views Concerning the Defense of the Panama Canal" conveying the views stated in the Appendix draft memorandum and in this May 20 memorandum was forwarded to Bunker and Linowitz on June 1 under a covering letter from Dolvin and Ford, who wrote that Defense "supports and endorses the JCS views." (Washington National Records Center, OSD Files, FRC: 330-80-0017, Panama 821 (Mar-15 July 1977))

41. Memorandum for the Files¹

Washington, May 27, 1977

Subj: Meeting with Senators Byrd, Cranston, Ambassadors Bunker and Linowitz and Curt Cutter on the PANAMA CANAL TREATY Negotiations

Ambs. Bunker and Linowitz briefed Majority Leader Byrd and Senate Whip Cranston on the Panama Canal Treaty negotiations. They indicated at the beginning of the conversation that agreement on major points of the treaty could well be concluded within two to three weeks, and felt it was important to begin briefing Senators on the key issues

¹ Source: Carter Library, Office of Congressional Liaison, Jeff Neuchterlein Subject Files, Box 237, (Panama Canal Treaty Negotiations), 1/3/77-4/2/77 (CF, O/A 193). No classification marking.

of the treaty. Amb. Bunker described the major points of the agreement to date, including lands and water, and most importantly, the neutrality issue.

Amb. Linowitz then gave a more in depth description of neutrality which was clearly the issue Senator Byrd was most interested in. After describing the neutrality agreement, Senator Byrd asked a series of questions concerning the defense of the Canal after the year 2000, as well as the involvement of the Defense Dept in the negotiating process. Amb. Linowitz told him that the Defense Dept was in perfect agreement, and described in brief, the DOD program for defending the Canal after the treaty expires. He stated that the DOD did not want or need troops in the Canal Zone after the expiration of the treaty.

Senator Byrd explained he had been an original signer of the Thurmond Resolution,² but seemed generally pleased with the description of the neutrality issue, which he agreed was the single most important aspect of the treaty. Senator Byrd then suggested that a meeting be convened the week of June 12 with Senate Armed Services, Foreign Relations and Leadership positions in attendance. He specifically mentioned Senators Humphrey, Jackson, Stennis, Baker, Stone.³ He directed Senator Cranston to convene the meeting that week. The Ambassadors then described the potential problems with the economic package to be discussed next week, but insisted that the U.S. position would be to avoid asking Congress for additional appropriations. Both Senators Byrd and Cranston agreed that this would be very important to the success of the treaty. The meeting ended on a very positive note.

AD:

At one point during the discussions Senator Byrd indicated that the Senate would never have passed a treaty that did not include a neutrality agreement as strong as the one that Ambs. Bunker and Linowitz had negotiated. I read this to be an important sign of his willingness to continue to listen and remain open on the issue.⁴

² See footnote 15, Document 3.

³ Beckel wrote: "Eastland" in the right margin. According to telegram 141764 to Panama City, June 18, Linowitz and Bunker met privately with Baker on June 15 and Bunker, Linowitz, Alexander, Rogers and Dolvin briefed a group of senators assembled by Byrd on June 16. In addition to Byrd, the following senators attended the June 16 meeting: Bellmon, Case, Cranston, Curtis, Eastland, Goldwater, Humphrey, Jackson, Laxalt, Long, Sarbanes, Sparkman, and Tower. (National Archives, RG 59, Central Foreign Policy File, D770218-0646)

⁴ At the end of the memorandum, Beckel wrote: "It was also suggested that at the next briefing Gen. Brown accompany the negotiators."

42. Memorandum From Secretary of State Vance to President Carter¹

Washington, May 28, 1977

1. *PANAMA*—You requested a review of the status of our negotiations.² The current round of negotiations with Panama which began May 9 continued this week and will resume in Washington May 31.³

All agreements reached so far in the round of negotiations are tentative and contingent upon reaching overall agreement on all outstanding issues.

As a result of agreements reached prior to this round as well as during the discussions during the past three weeks, the two sides have reached tentative agreement on the following issues:

Canal Zone and Canal Zone Government

The Canal Zone and the Canal Zone Government will cease to exist at the beginning of a new treaty. During the first three years of the treaty, all jurisdiction over the Zone will pass to Panama.⁴ In turn, Panama will grant use rights to the U.S. to operate and defend the Canal. The jobs of the Americans (and Panamanians) who work for the Zone Government will be phased out over the first three years of the treaty.

Neutrality

The two countries shall jointly guarantee the permanent neutrality of this canal (or any other canal to be constructed in Panama in which the U.S. is a participant). Neutrality guarantees non-discriminatory access and tolls to merchant and warships of all nations—even nations that may be at war with the United States or Panama. We have told the Panamanians that we shall interpret the treaty as giving us the

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 18, Evening Reports (State), 5/77. Secret.

² In a May 25 memorandum to Todman, Sebastian informed him of Carter's request for an update on the current state of U.S.-Panamanian negotiations, to be sent to S/S-S by close of business May 27. (Department of State, Principal and S/S Memoranda for 1977, Lot 79D31, Box 2, S/S Memoranda April-June 1977)

³ A total of 11 meetings were held during the May round of negotiations. All but the first two sessions were held in the Deputy Secretary of State conference room. Dolvin's updates and interim reports on the May round are in the National Archives, RG 218, Records of Chairman George S. Brown, Box 48, 820 (Panama) Bulky 1 Jan 1976—31 May 1977. Memoranda of conversation for the final two meetings held May 26 and 27 are in the National Archives, RG 185, Subject Files of the 1979 Panama Canal Treaty Planning Group (1950–1980), Box 3, U.S. Negotiating Team—Washington, D.C.

⁴ Carter underlined: "all jurisdiction over the Zone will pass to Panama," and wrote in the right margin: "should be worded in language acceptable to U.S. Public."

freedom to take whatever steps are necessary to meet any threat to the neutrality of the Canal.⁵

Defense

During the life of the new treaty the United States will have all the necessary rights to defend the Canal⁶ with growing Panamanian participation in defense arrangements.

The United States will turn over to Panama by the end of the treaty all military bases in Panama. Some bases will probably be turned over in the early years of the treaty, others will be retained until the end.⁷

Life of the Treaty

The treaty will last until December 31, 1999.

Agency to Run Canal

The Canal will continue to be operated by a U.S. Government agency.⁸ The agency will hire more Panamanians (75% of employees are currently Panamanian) at all levels (but the jobs of U.S. citizen employees will be secure). The agency will be run by a policy level board of 4 Americans and 3 Panamanians. (Appointed by the U.S.) The Administrator of the Agency will be American until 1990⁹ and after that Panamanian.

Lands and Waters

Well over half of the land of the Canal Zone will be turned back to Panama. A joint Panamanian-American public authority will be set up to operate the ports and the railroad.

The U.S. Government agency that operates the Canal will administer housing of its U.S. citizen employees.

Although several details remain to be concluded on some of the above issues, the last major issue—payments to Panama for the Canal (called economic benefits)—will be the major subject of next week's discussions. We currently pay \$2.3 million a year. We will probably offer \$35 to \$40 million per year. They will probably ask for much more. These payments are to come from the Canal tolls. The need for some increase in tolls is anticipated.¹⁰

⁵ Carter underlined "whatever steps are necessary to meet any threat to the neutrality of the Canal" and wrote "spell out clearly" in the right margin.

⁶ Carter underlined: "all the necessary rights to defend the Canal."

⁷ Carter underlined this sentence and wrote: "at whose discretion?" in the right margin.

⁸ Carter underlined "U.S. Government agency" and wrote "express clearly" in the right margin.

⁹ Carter underlined "1990" and wrote in the right margin, "Why change before 2000?"

¹⁰ Carter wrote in the right margin: "I need data on tolls now collected, & operating expense, & payments to Panama."

If the Panamanians are realistic on the economic benefits, conceptual agreement on all outstanding issues is possible within the next three weeks and before the OAS General Assembly.¹¹ Thereafter treaty drafting will be undertaken based on the agreements reached. The American and Panamanian negotiators, by mutual agreement, are refraining from disclosing any details of agreements reached during this round of talks.¹²

[Omitted here is information unrelated to Panama.]

¹¹ The OAS met from June 14–17 in Grenada.

¹² Carter wrote in the right margin: "Cy—How much consultation with Congress?"

43. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, May 31, 1977

SUBJECT

National Committee for a Canal Treaty

Representative Solarz has responded to your earlier letter² expressing a greater sense of urgency that this is an idea—to set up a National Committee—whose time has arrived.³

I suggest you might want to raise this issue in your next luncheon with Secretaries Vance and Brown. As candidates for the Chairmanship of such a National Committee, I would recommend Admiral Zumwalt,⁴ Melvin Laird, or Donald Rumsfeld.

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 39, Pastor, Country, Panama, 4–6/77. Confidential. Sent for action.

² In an April 22 letter to Solarz, Brzezinski responded to a March 30 letter in which Solarz recommended the creation of a prestigious national committee to support and legitimize the new treaty. (Carter Library, National Security Affairs, Staff Material, North/South, Box 39, Pastor, Country, Panama, 4–6/77)

³ In a May 13 letter to Brzezinski, Solarz urged the creation of a National Committee for a new treaty with Panama. (Ibid.)

⁴ See footnote 4, Document 14.

RECOMMENDATIONS

1. That you send the letter at Tab I.⁵
Approve_____ Disapprove_____
2. That copies of your correspondence be forwarded to Ambassadors Bunker and Linowitz.⁶
Approve_____ Disapprove_____
3. That you raise this subject with Secretaries Vance and Brown.⁷
Approve_____ Disapprove_____

⁵ Not attached. Brzezinski checked the approve option. Brzezinski's response, dated May 31, thanked Solarz for his letter and ideas. (Carter Library, Office of the Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty, 6-7/77) No classification marking.

⁶ Brzezinski checked the approve option. In a June 2 memorandum, Inderfurth informed Jordan that copies of Brzezinski's correspondence with Solarz had been sent to Bunker and Linowitz. (Ibid.) In a June 17 letter to Brzezinski, Linowitz expressed his support for the committee idea and reminded Brzezinski that they had brought it up with Carter and that Linowitz had raised the idea with Vance. Linowitz concluded: "Ellsworth Bunker shares my feeling that such a committee would be highly useful and timely, and I would be pleased to discuss it with you anytime you say." (Carter Library, National Security Affairs, Staff Material, North/South, Box 39, Pastor, Country, Panama, 4-6/77)

⁷ Brzezinski checked the approve option and wrote: "Bring in Ham Jordan." Inderfurth wrote: "Done. RI." At the bottom of the memorandum, Inderfurth wrote: "Do you want Hamilton brought into this? He is also considering how—politically—to get the treaty ratified + is preparing a memo to the Pres. on this + related topics. Rick." According to a July 9 memorandum from Aragon to Butler, Carter authorized a Citizens Committee and Aragon outlined a plan of action in response. (Carter Library, Office of the Chief of Staff, Landon Butler's Subject Files, Box 118, Panama Canal Binder (CF, O/A, 740)) On August 8, Aragon sent a memorandum finalizing details of the Committee to Butler and Jordan. (Ibid.)

44. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, June 1, 1977

Panama Negotiations. When the talks resumed yesterday after the Memorial Day weekend, the Panamanians said they needed to return to Panama for consultations with Torrijos on significant agreements reached thus far but subject to his approval. Both sides agreed that this round is in recess only, and will resume about June 11–12. During the recess, U.S. and Panamanian specialists will continue work on the details of the lands and water issues.

During Tuesday's session,² Bunker and Linowitz cautioned the Panamanians that premature disclosure by Torrijos of the critical negotiating details of this round would be harmful. At the conclusion of the session, the Panamanians accepted our assessment that "broad agreement" exists between the two sides on the shape of a treaty. However, they hedged by saying that the agreements arrived by the negotiators on individual issues hinge on a "package" agreement on all issues (a hedge we also maintain), and that the major issue of U.S. payments to Panama during the new treaty's lifetime remains to be discussed.³

The answers to the questions you raised in the margin of Cy's May 28 report⁴ are in preparation for Cy's review on his return.

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 18, Evening Reports (State), 6/77. Secret. Carter initialed the memorandum and wrote: "[name not declassified]." From May 28 to June 2 Vance was in Paris attending the Conference on International Economic Development.

² See footnote 3, Document 42.

³ Carter wrote in the left margin: "We need a full NSC meeting before final US position is made."

⁴ See Document 42.

45. Briefing Memorandum From the Assistant Secretary of State for Congressional Relations (Bennet) to Secretary of State Vance¹

Washington, June 3, 1977

TO

The Secretary

Panama Strategy

I have been working closely with a White House group, including NSC staff, Frank Moore, Jody Powell, Landon Butler and sometimes Hamilton Jordan, on Congressional and public relations strategy for the Panama negotiations.

In anticipation of press leaks, we began briefings on the Hill last week and will continue in the week ahead. Senator Byrd believes the defense provision we have negotiated will make the Treaty much more saleable.²

We have developed a detailed schedule of tactical steps for selling the Treaty, once the agreement is signed. We consider it critical that the Treaty be submitted to the Senate before the August recess so that (a) Members will have solid arguments in favor of it before they return to their constituencies for the August recess and (b) so the Members can complete action before the 1978 election year.

¹ Source: National Archives, RG 59, Central Foreign Policy File, P770103–1995. Limited Official Use. Vance's initials are stamped on the memorandum.

² See Document 41.

46. Memorandum From the Chief of the Latin American Division (*[name not declassified]*) to Director of Central Intelligence Turner

Washington, June 7, 1977

[Source: Central Intelligence Agency, Office of the Director of Central Intelligence, Job 80M00165A, Box 14, Folder 12: P-17: Panama 010177–311277. Secret. 2 pages not declassified.]

47. **Memorandum From Secretary of State Vance to President Carter**¹

Washington, June 7, 1977

[Omitted here is information unrelated to Panama.]

3. *Panama Canal Negotiations*: Panama has informed us that its delegation is returning to Washington late June 7 to resume this round of negotiations. Ambassadors Bunker and Linowitz plan to meet with the Panamanians commencing June 8.

You may have noted press reports concerning demonstrations in Panama June 6.² Demonstrators took down an American flag which was flying jointly with a Panamanian flag near the Canal Zone-Panama border. The flag was subsequently turned over to our authorities by the Panamanian National Guard which had moved in briskly. No injuries or damage occurred.³ A second smaller demonstration that evening at the Embassy was peaceful.⁴ Both demonstrations protested Panama's high cost of living and commemorated the 1966 shooting of a Panamanian student.

Before I left for CIEC,⁵ you made a number of marginal comments in my evening report concerning the Canal talks.⁶ I will provide answers to these by the end of the week in connection with outlining the tentative agreements which have been reached to date.⁷

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 18, Evening Reports (State), 6/77. Secret. Carter initialed the memorandum and wrote: "To Cy."

² Presumably a reference to June 6 Associated Press report printed in the *New York Times*, June 7, 1977, p. 8.

³ In telegram 4070 from Panama City, June 6, the Embassy summarized the events of this demonstration. (National Archives, RG 59, Central Foreign Policy File, D770201-0763)

⁴ In telegram 4084 from Panama City, June 7, the Embassy summarized the events of this demonstration. (National Archives, RG 59, Central Foreign Policy File, D770202-1059)

⁵ Vance attended the Conference on International Economic Development in Paris from May 28 to June 2.

⁶ See Document 42.

⁷ Carter wrote in the left margin: "Ok—There is no way we can make high payments."

48. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, June 7, 1977

SUBJECT

Panama

Here is the information you requested on Panama Canal operating expenses and revenues.² Also included in this report is information on payments to Panama.

Besides tolls, Panama Canal operating revenues are drawn from Canal supporting activities, administrative operations and Canal Zone Government activities many of which will not be performed under the new treaty by the Canal operating agency. Operating expenses include the net cost of the Canal Zone Government which will disappear at the treaty's start.

REVENUES³ (U.S. \$ Millions)

<u>Fiscal Year</u>	<u>Tolls</u>	<u>Other</u>	<u>Total</u>
1976	135.0	115.1	250.1
Transition Quarter	34.5	30.4	64.9
1977 (Estimate)	166.6	122.7	289.3
1978 (Estimate)	177.6	134.7	312.3

EXPENSES (U.S. \$ Millions)

<u>Fiscal Year</u>	<u>Expenses</u>
1976	256.7
Transition Quarter	66.6
1977 (Estimate)	284.5
1978 (Estimate)	303.3

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama, 1-10/77. Secret. Carter initialed the memorandum and wrote: "Zbig—Does House have to approve property Xfers as Rhodes mentioned?"

² See footnote 10, Document 42.

³ Carter wrote in the left margin: "There is *no way* we can approve payment above profits to Panama as we return the Canal Zone to them."

The Panama Canal Company is currently required by statute to pay interest to the Treasury on the net direct investment of the United States in the Canal (the expense totals above include these interest payments). This obligation is estimated to be \$20 million in Fiscal Year 1978. However, the Panama Canal Company may exercise the right to defer payment to the Treasury of the interest payment to the extent of any net operating loss.

Toll rates currently charged are:

a. *Merchant vessels, Army and Navy transports, tankers, hospital ships and yachts*—\$1.29 per net vessel ton of 100 cubic feet of actual earning capacity.

b. *Vessels in ballast*—\$1.03 per net vessel ton.

c. *Other floating craft*—\$0.72 per ton of displacement.

As for payments to Panama, the United States under its current treaty obligations pays an annuity of \$2.3 million.

The above information was provided by the State Department. Other information on the Canal, which you requested in response to Secretary Vance's Evening Report of May 28,⁴ will be provided shortly.

⁴ See Document 42.

49. Memorandum of Conversation¹

Washington, June 10, 1977, 3:15 p.m.

SUBJECT

U.S.-Panama Relations

PARTICIPANTS

Panama

Ambassador to the United States Gabriel Lewis Galindo

United States

The Secretary

Ambassador William J. Jordan

Minister S. Morey Bell

David G. Wagner (notetaker)

Ambassador Lewis immediately addressed the details of the negotiations and made the following points:

1. A stipulation that American employees will be rotated back to the United States after five years in Panama should be written into the new treaty. (Note: The current proposal calls for rotation according to the regulations of the Department of Defense.)

2. Panama wants the right to be able to choose the three Panamanian members of the Entity's Board of Directors.

3. Since the United States has the right to go back into Panama under the terms of the neutrality treaty, the right of priority transit of United States warships in times of war or emergency is superfluous and should be dropped as a negotiating question.

The Secretary expressed his pleasure with the May round of the negotiations.² He was, however, disturbed by some of the additions Panama wanted to make because he feared that the progress already made in the talks could be lost.

On the question of economic arrangements, Lewis stated that it would be very difficult to raise the toll rates to pay for the package. Ecuador and Peru especially would be disturbed. Panama needs a large economic package because it wants to become a developed country with the help of the United States. It wants to be able to count on the United States in this effort and therefore wants provisions for

¹ Source: Department of State, Records of Cyrus R. Vance, 1977–1980, Lot 84D241, Box 10, Nodis Memcons 1977. Secret; Nodis. Drafted by David G. Wagner (ARA/PAN) on June 14; cleared in ARA/PAN, ARA, and S/S; approved by Twaddell on June 23. The meeting took place in Vance's office.

² See Documents 36, 38, and 39.

development support written into the treaty. Moreover, there are certain aspects of the Canal's operation which lose money. If Panama is not a developed country when it takes over the Canal, it will not have the money to cover these losses.

The Secretary replied that Panama's economic arrangements proposal "is not in the ballpark." To turn over the Canal and also to give Panama a large sum of money also would drive the Congress up the wall. We have relationships with many other countries in which their development is generously funded on a case-by-case basis. We can handle projects for Panama on a case-by-case basis, but a large lump-sum payment is out of the question.

The question of economic arrangements highlights our political problems with the treaty in this country, he said. This afternoon we were barely able to block a surprise amendment in Congress which would have stopped the negotiations altogether.³ The Executive's course of action on the Panama treaty is not popular in the United States, and there will be similar amendments in the future.

On the matter of human rights, the Secretary expressed satisfaction with Panama's decision to allow many exiles to return to Panama.⁴ Anything that Panama can do in this regard is helpful to us on the Hill, since the opponents are using human rights as a weapon.

Lewis told the Secretary that, after the talks move a little farther, he would like to fly back to Panama to talk with General Torrijos. He asked if he could meet with the Secretary again before he leaves so that he can carry the Secretary's views back to the General. The Secretary agreed, since the negotiations' momentum must be maintained.⁵

In closing, the Secretary stated that he looked forward to having breakfast with Foreign Minister Gonzalez-Revilla at the upcoming OAS General Assembly in Grenada.⁶

³ A reference to an amendment Representative Marion Snyder (R-KY) offered on June 10 to H.R. 7556, which made appropriations for the Departments of State, Justice, Commerce, the Judiciary, and related agencies for FY 1978. His amendment introduced the following new section to Title I of the bill, which dealt with State Department appropriations: "SEC. 105. None of the funds appropriated herein may be used to implement any new treaty with the Republic of Panama, which surrenders or relinquishes United States sovereignty over and control of the Canal Zone and Panama Canal." After lengthy discussion, which included a phone call from Vance urging the House not to adopt the amendment, a recorded vote was refused and the amendment was rejected. (*Congressional Record*, vol. 123, Part 15, June 7, 1977, to June 14, 1977, pp. 18383–18398)

⁴ On May 26, Torrijos announced in a published letter that a group of Panamanian exiles would be allowed to return. His letter was accompanied by a list of 51 exiles cleared for return. See telegram 3833 from Panama City, May 27, in the National Archives, RG 59, Central Foreign Policy File, D770190–0621.

⁵ No record of the meeting has been found.

⁶ The OAS met from June 14–17 in Grenada. Vance met with Gonzalez-Revilla on June 15. See Document 52.

50. **Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter**¹

Washington, June 13, 1977

SUBJECT

Your Question on Panama

Your note on my memorandum of June 7² asked if the House must approve any property transfers involved in a new treaty, as Rhodes mentioned. The Executive Branch has taken the position, and so testified before Congress, that since treaties are the supreme law of the land, they are as valid a way to transfer property as legislation; and no legislation is required. Some members of the House, especially the subcommittee of the Merchant Marine and Fisheries Committee with jurisdiction over the Canal, have contested that view. Provided the Executive Branch can sustain the principle, whether or not the House is *in fact* involved in the property transfer question becomes a matter of tactics.

To insure that the House Committee does not lose jurisdiction—a point which caused problems in 1967 treaty drafts—we have secured agreement with Panama that the new Canal operating entity will be an agency of the U.S. Government. The House Committee would retain jurisdiction over tolls, labor relations and the like.

Your other notation—that under a new treaty the U.S. cannot give Panama payments exceeding profits generated by Canal operations—accords with our negotiators' current instructions. There is likely, however, to be hard bargaining on that point. I have conveyed your concern on that score to the negotiating team.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 1–10/77. Secret. Sent for information. Carter initialed the memorandum.

² See Document 48.

51. Letter From Senators Thurmond, McClellan, Helms, and Byrd to President Carter¹

Washington, June 15, 1977

Dear Mr. President:

We are enclosing a most important letter from four former Chiefs of Naval Operations who give their combined judgement on the strategic value of the Panama Canal to the United States.²

We think you will agree that these four men are among the greatest living naval strategists today, both in terms of experience and judgement. Their letter concludes:

“It is our considered individual and combined judgement that you should instruct our negotiators to retain full sovereign control for the United States over both the Panama Canal and its protective frame, the U.S. Canal Zone as provided in the existing treaty.”

We concur in their judgement and trust you will find such action wholly consistent with our national interest and will act accordingly.

Sincerely,

Strom Thurmond
USS

Jesse Helms
USS

John L. McClellan
USS

Harry F. Byrd, Jr.
USS

¹ Source: Carter Library, Office of the Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty, 6-7/77. No classification marking. A stamped notation reads: “The President has seen.” Carter wrote on the top of the letter: “To Ham—To Zbig—Prepare congressional answers. These papers are the arguments we must prepare to answer.”

² The letter from Robert B. Carney, Arleigh A. Burke, George Anderson, and Thomas H. Moorer, dated June 8, is attached but not printed.

52. Memorandum of Conversation¹

Grenada, June 15, 1977

Participants

U.S.	PANAMA
Secretary Cyrus Vance	Foreign Minister Gonzalez-Revilla
Under Secretary P. Habib	Ambassador de la Rosa
Assistant Secretary Todman	Ambassador Nander Pitty
Ambassador McGee	
Mr. Hodding Carter, III	
Mr. Mark Dion (Notetaker)	

Panama Negotiations; OAS General Assembly—Joint Statement

Minister Gonzalez-Revilla began by expressing appreciation for President Carter's personal interest in the negotiations. Its result is a nearly complete agreement on major issues. The type of entity and its components are under study, such as the manner of appointments of directors and Panama's part in Canal operations. Panama has promised that the United States will have clear control of the entity through the last phase of the Treaty. It will not retreat from that compromise. But it wants a clear understanding about the increasing participation of Panama in the last stages. This is not a question of goodwill but of clear need for an agreement. The residents of the Canal Zone are involved. Panama has made a commitment about their future. At the table, the Panamanian negotiators are working to fulfill the promise regarding their jobs but Panama needs to have an undertaking about the training of its nationals.

Economic issues remain to be resolved. Panama has received messages from the United States and understands its political problems. Next week, in the meetings of the experts,² the economic question should be separated from the political process of ratification. Panama

¹ Source: National Archives, RG 59, Central Foreign Policy File, P770115-2347. Confidential. Drafted by Mark Dion (USOAS) on June 16 and approved by Twaddell on June 29. The meeting took place during breakfast.

² A reference to a series of meetings on financial aspects of the treaty held in Washington. After negotiations abruptly halted on June 17 in Washington, Panama's negotiators returned to Panama for consultations with Torrijos. Negotiations resumed June 23 in Washington. On June 24, Barletta made Panama's initial presentation on the issue of economic benefits. Panama presented a three-part proposal for economic arrangements covering the period of the treaty: (a) a one-time lump sum payment of \$1.02 billion at the treaty's start; (b) annual payments of \$300 million for the life of the treaty to support Panama's development; and (c) \$50 million for military assistance of the life of the treaty to support Panama's role in the canal's defense. (Background Paper on Panama Canal Negotiations; Washington National Records Center, IA Region Files, 1974-1979, FRC: 330-87-0068, 1977 Dolvin-Alexander Panama Canal Treaty Negotiation)

wants to discuss the economic issues on their merits and reach a meeting of minds on the subject which later can be made politically feasible.

Secretary Vance replied to the Foreign Minister's opening remarks by saying that he thought most of the major problems could be resolved. The question of directors' appointments, for instance, was not a serious longrun problem. On participation of Panamanians in the Canal operations, the Secretary said the United States Government understands the position stated by the Foreign Minister. But it recognizes language is required over and above a statement of goodwill. This too the Secretary thought could be worked out. He said the Foreign Minister showed sensitivity to the problem of Canal Zone citizens, a sensitivity to the problem of ratification. This too can be worked out, the Secretary felt. Economic issues now have been raised. This is a tariff problem. There can be no payment outside the Canal revenue. The Secretary had made this clear to the Panamanian Ambassador this week.³ Projects on their own, economically feasible projects, can be discussed by the experts next week but the distinction must be recognized. Financing of such projects would come from increased Canal tariffs. We assume that additional revenues will be available to Panama as a result of the Treaty.

Foreign Minister Revilla said he would speak very frankly. He had sat in on the discussions in Panama in preparation of the economic issues. He had his doubts about the level at which this problem could be settled. The point was to lay good groundwork now, to understand the rationale on both sides, to understand what is behind the U.S. point of view, and what is behind Panama's point of view. This is a critical point. The economic help provided by the United States is related in a reverse way to the question of ratification in Panama. If it would be difficult for the U.S. to reach the high figure, it would be difficult for Panama to accept a small amount. Panama requires a political justification to be made. The Panamanian Government requires a political justification for the people of Panama, just as the United States needs a political justification for its ratification of the Treaty. Not too many preconditions should be set for these negotiations. There should be a broad look at the entire question.

Secretary Vance said it was important to understand specifics. The GOP's expert is coming to Washington for a meeting on this question.⁴ The object is to get the facts, study them and understand the nature of the problem. If necessary we could consider the higher level but only if we had the details. We need the facts first. Ambassador Rosa said it was really not possible to separate economics from the political

³ See Document 49.

⁴ Presumably a reference to Barletta. See footnote 2 above.

aspects of the negotiations. When the Canal tolls were fixed sixty years ago it was a political decision to favor U.S. transit to and from the west coast. The economic aspects on that occasion were secondary. Considering political over economic issues is not a promising approach. A fresh start is needed. Tolls cannot be the basic issue.

Secretary Vance said the raising of tolls substantially would obviously be of interest to the other OAS countries who are attending this meeting. An excessive increase would be of political concern to other users. This is a political fact of life.

Mr. Habib said the economics of running the Canal must be taken into account as well. This is one of the issues that the experts will discuss next week. Ambassador Rosa said if we deal only with tolls, we are lost. Secretary Vance said it would be necessary to take a fresh look at the whole question of economic cooperation. That is why the experts are meeting in Washington next week. Prime Minister Gonzalez-Revilla said he was encouraged that the Secretary was willing to take this broad look. Political aspects are important but it is necessary to begin with the economic rationale and then to go to the political aspects to reach a consensus. Ambassador Todman said a distinction had to be made between economic projects that can be fully justified and compensated from Canal revenues. For political reasons, it would be impossible for us to seem to be paying to give away the Panama Canal. Ambassador McGee noted that Foreign Minister Gonzalez-Revilla already understands the Washington climate. He has been here for a number of years. He recognizes that in the Senate giving the Canal back and paying too would be unacceptable.

Gonzalez-Revilla, in response to Secretary's question, said the Minister of Planning for Panama, Mr. Barletta, will be coming to Washington next week. He is a moderate person. Gonzalez-Revilla sat in on preparatory talks on the economic issue. He knows a lot of work has gone into it and it is based for the first time on the Canal revenue figures which Panama has never seen before. He suggested that a formula would have to be found for Panama's participation in the operation of the Canal.

Secretary Vance said that there are constraints on our ability to phase in Panamanian participation. Current employees of the Canal Company must be considered. Gonzalez-Revilla said that Panama accepts the fact that the new Panama Canal entity will be U.S. run. It will have seven directors, four U.S. citizens, three Panamanians. It is difficult for the United States to accept that Panama should appoint its own directors but the Secretary as a corporate lawyer must realize that majority rules in a corporation. The United States will still run the entity with four U.S. directors, but the Panamanian directors must be appointed by Panama.

Secretary Vance said he recognizes that difficult problems are ahead, but they can be resolved with good faith and flexibility. Gonzalez-Revilla said Panama would do its utmost to reach a treaty as soon as possible. He has been instructed to remain in Washington for these negotiations.

Secretary Vance said that time is indeed important but the ratification process is time consuming. We would like to see the Senate act this year before a new election campaign begins.

Ambassador Todman said we do not want to see a renegotiation. After an initial agreement is reached, when clauses have to be addressed for a second or third time, this would be a step backward the Secretary said. Ambassador Todman said that neutrality had been a problem that we thought had been solved and then suddenly we heard that there were more problems and now these have been worked out. Gonzalez-Revilla said that Panama had been at a disadvantage because the negotiations were in Washington. There were to be negotiations ad referendum. It was difficult to manage these from Panama. Neutrality is probably the highest price paid thus far in the transaction. It was clear that without it no treaty could be concluded. It was a hard decision to come to terms. Panama now expects the United States to make hard decisions.

OASGA Statement:

Foreign Minister Gonzalez-Revilla said that ratification would be a very difficult process on both sides. The grounds clearly would be opposite. Today Panama begins the process of ratification, the process of selling ratification to the people of Panama. It has adopted a cautious line. It is anxious not to blow things out of proportion. There will be a plebiscite in Panama. A vote for or against the treaty and its alternative. Today the Government of Panama has begun to present a case to the people to allow them to reflect on their responsibilities. The Government of Panama will try to separate the issue of the Canal Treaty from the internal political problems which Panama faces. An objective presentation, of course, is good but it would be difficult to sell the Canal Treaty to the people of Panama if they thought it was too favorable to the U.S.

Secretary Vance said that if the statement of Panama to the General Assembly was excessively negative it would give support to the enemies of the Treaty in our Congress. Last week in the House we faced an amendment aimed at hamstringing the negotiations.⁵ We marshalled forces to avert passage of this amendment and it was defeated. It is a

⁵ See footnote 2, Document 49.

difficult process but an excessively negative statement will have a bad effect in the United States. Ambassador Todman said that talk about a great victory raises doubts in both countries. The way to achieve the treaty is the way that the United States has attempted to approach this: on the grounds that both parties will benefit from the new treaty. It is bad to talk of victory and joint statements help to show common purpose.

Secretary Vance said we had made progress toward educating a large segment of the American people who have doubts about the Canal Treaty. Talk of a great victory for Panama could turn that educational process around. He asked Ambassador McGee to speak to this topic.

Ambassador McGee said that Foreign Minister Gonzalez-Revilla had much experience with the U.S. Senate. He knew that in the Senate there were a hundred Secretaries of State. Some combed the record to find statements made in Panama that would be embarrassing to the United States. They speak for people who favor reckless statements. We do not have a two-thirds majority for the treaty now. Ambassador Pitty and Ambassador McGee will not make speeches in the OAS, of course, but it is necessary to avoid speeches in both countries claiming victory for either side.

Ambassador Todman said that he had detected a great deal of optimism in Latin America over the progress made toward the treaty. This is not a US-Panama question alone. The Latin American countries are vitally interested and pleased at the reports of progress. Too negative a statement will affect international opinion and retard this process. Gonzalez-Revilla said his statement would not be extremely negative. It will give credit to the Carter Administration for its efforts to negotiate a treaty. More progress has been made in the last few months than in many years. But public opinion in Panama has suffered from many ups and downs. The only responsible way to make a joint statement is to sign the treaty jointly.

Secretary Vance said the United States was not anxious for a joint statement. Gonzalez-Revilla said he would send the Secretary a copy of his statement in advance for him to consider and prepare a similarly balanced statement for the U.S. side.⁶

When Kissinger signed the Eight Principles in Panama in 1974 there were very high hopes.⁷ These hopes were then frustrated and

⁶ Panama delivered its statement at the OASGA in Grenada on June 15. For a translated text of the statement, see telegram 6013 from the Department, June 16, in the National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 6, Panama Panamanian Papers.

⁷ A reference to the Tack-Kissinger principles of February 7, 1974. See footnote 10, Document 3.

there was great disappointment. Secretary Vance said he understood the need to be cautious but that it was also necessary not to be negative. The general atmosphere is very important to the negotiations. He mentioned the incident of rioting last week.⁸ This has a negative impact on the climate. Both sides must be careful to prevent such incidents.

The Foreign Minister agreed, but said that the economic situation in Panama is not good. A joint statement would help Panama today because it would encourage economic conditions in the private sector, but later the credibility of the Government of Panama would suffer if the Treaty was not forthcoming. Panama does not want to risk its credibility on a joint statement. Secretary Vance said the United States was not interested in a joint statement, it was not pressing for a joint statement. Gonzalez-Revilla said the Government of Panama was running out of explanations. It has been given the run-around for eight years. The government of General Torrijos promised to carry the flag, to achieve a new Canal Treaty but last week the students were relatively restrained in their demonstrations. That surprised the Government of Panama as well. The problem is, frankly the students don't believe in the Government anymore. The Government has asked the people to give it one more year; and is working hard to achieve the new Treaty. Secretary Vance said the US is working hard too.

⁸ Presumably a reference to nonviolent student demonstrations against the U.S. presence in the Canal Zone held in Panama City and Colon on June 6. In telegram 4070 from Panama City, June 6, the Embassy summarized the events of the demonstration. (National Archives, RG 59, Central Foreign Policy File, D770201-0763)

53. Memorandum of Conversation¹

Washington, June 16, 1977

SUBJECT

Briefings for Senators on Panama Canal Negotiations

Fourteen Senators attended the briefing by Ambassadors Bunker and Linowitz organized by Senator Robert Byrd in his office on June

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 3, Panama, Congress. Confidential. Drafted by Guthrie on June 29. The meeting took place in Byrd's office.

16.² Senators present besides Byrd were Bellmon, Case, Cranston, Curtis, Eastland, Goldwater, Humphrey, Jackson, Laxalt, Long, Sarbanes, Sparkman and Tower. Army Secretary Alexander, Army Chief of Staff General Rogers, and General Dolvin represented the Defense Department.

The meeting was productive in clarifying issues that will be key to Senate approval of a treaty. The whole spectrum of Senate sentiment on the Panama question was represented. In general, treaty supporters had few questions or comments. Discussion focused on problem areas and addressed questions raised by those skeptical or opposed to a treaty. Highlights included Senator Jackson's commentary on neutrality and Senator Goldwater's strong expression of support for treaty revision. General Rogers was effective in explaining the defense implications of a new agreement.

After a brief introduction by *Senator Byrd*, who noted that the Senate's constitutional role included advice as well as consent on treaties, Ambassadors Bunker and Linowitz reviewed agreements reached to date and issues still pending. In the subsequent discussion:

Senator Jackson, noting the history of the SALT I agreement, emphasized the importance of having U.S. rights under a neutrality agreement set forth in the treaty in language "which a fourth-grader could understand". Jackson made clear that he understood the difficulty of making the U.S. right to take action against Panama too explicit. However, his initial reaction was that the neutrality language "was not good enough", and he was skeptical about relying on the negotiating record as a basis for unilateral U.S. action against Panama. After further discussion, he said he would defer judgement pending a look at the full text of the neutrality agreement, including the specific neutrality rules. He also advised that joint defense arrangements under a new treaty be written to provide the United States with the flexibility needed to act as it deemed necessary.

At the same time, Jackson firmly supported treaty revision. He noted the dubious origin of the 1903 Treaty,³ the history of racial discrimination in the Canal Zone, and the vulnerability of the Canal to sabotage.

² On June 23, Bunker and Linowitz provided a similar briefing for 10 freshmen Senators. Schmitt commented on the difficulty of explaining a new Panama Canal treaty to his constituents. Cranston remarked that many Senators faced this problem and it was "important to point out to the people at home that the U.S. interest was not in operating or owning the Canal but in being able to use it." The memorandum of conversation of that briefing is in the Carter Library, National Security Affairs, Staff Material, North/South, Box 39, Pastor, Country, Panama, 4-6/77.

³ The Hay-Bunau-Varilla Treaty is discussed in Document 3.

Senators Curtis, Long, Tower, and Eastland all expressed strong reservations or outright opposition to a new treaty. Long was the most outspoken. He expressed apprehension over the consequences for U.S. foreign relations if a treaty were rejected by the Senate and urged the Administration to be sure it had the votes before submitting a treaty. He said that he could not support a treaty and thought that we had made a mistake in following a policy of concessions to Panama beginning with the agreement to fly the Panamanian flag in the Canal Zone in the early 1960's.⁴ His opposition was partly due to the feeling that the Canal Zone was United States territory, and he listened closely (though remaining skeptical) to Ambassador Linowitz' explanation of the special status of the Zone.

Senator Tower asked several questions about the degree of U.S. control over operation and defense during a new treaty. He observed that Senator Jackson's reservations would seem mild compared to many that would be raised in the Senate.

Senators Eastland and Curtis both questioned the need to negotiate a new treaty. Curtis saw no reason to make concessions to Panama and was concerned that an agreement made with the Torrijos Government would not be honored by future regimes.

Senator Goldwater, responding to Senator Curtis, said that he had changed his position at least 150 if not 180 degrees. As he saw it, with the War Powers Act⁵ in effect, it would be very difficult for the U.S. to take necessary action to protect the Canal if relations with Panama deteriorated. Under these circumstances, concessions to Panama to ensure a friendly environment for the Canal were essential.

Responding to questions about the military's views, *General Rogers* stated that the Joint Chiefs supported the neutrality agreement and were satisfied that the necessary lands and waters would be available for defense of the Canal. He also carefully explained the difficulties that would be encountered in keeping the Canal operating in a hostile environment.

⁴ For background and further explanation of the agreement to fly the Panamanian flag in the Canal Zone, see *Panama Odyssey*, pp. 28–37.

⁵ The War Powers Act of 1973 limited the President's ability to send U.S. troops into combat without congressional approval.

54. Memorandum for the Files¹

Washington, June 20, 1977

These are some reflections on the present state of the negotiations for a new Panama Canal treaty and steps which might now be taken to move the negotiations forward.

The negotiations recessed on Friday, June 17th, and the Panamanian negotiators returned home in order to consult with their Governmental officials. Prior to the recess the chief of the delegation, Ambassador Romulo Escobar Betancourt, delivered an emotional, critical statement of over an hour expressing Panamanian concerns and leveling certain charges. Escobar was obviously making the exposition on the direct orders of General Torrijos and it is not without significance that during the entire delivery of his statement all four members of the Panamanian delegation kept their heads down and none was willing to look at any of us sitting on the United States side of the table. What made the presentation especially dramatic was that the day before we had concluded our negotiations and lunch on the warmest and most friendly note and the Panamanian negotiators had specifically asked that we be ready to continue negotiations on Friday until all the issues then on the table were disposed of leaving only the matter of financial arrangements for subsequent discussion and agreement.

In Escobar's diatribe—which he delivered without notes yet in a brilliantly logical and effective fashion—he made the following charges: That the United States was responsible for launching an international campaign against Panama; that we were acting as though we were doing Panama a favor in the negotiations rather than dealing with them as equals; that a campaign was being conducted to denounce Panama as anti-Semitic because of some charges that had been made and which ignored Panama's strong support for Israel and its fair treatment of its Jewish citizens; and that the recent shooting of a Panamanian guard by a soldier in the U.S. Army had led to the soldier's confession that he was actually trying to assassinate General Torrijos.²

¹ Source: Library of Congress, Manuscript Division, Linowitz Papers, Box 117, Panama Canal Treaties, General Correspondence, June-Aug 1977. No classification marking. Drafted by Linowitz. The memorandum was forwarded by Linowitz to Jordan under a June 27 covering letter. (*Ibid.*)

² In telegram 3887 from Panama City, May 31, the Embassy reported that on May 30 a U.S. Army deserter shot and wounded a Panamanian National Guardsman. (National Archives, RG 59, Central Foreign Policy File, D770193–9062) In telegram 4173 from Panama City, June 9, the Embassy reported that during interrogation, the U.S. soldier said at one point he wanted to kill Torrijos. (National Archives, RG 59, Central Foreign Policy File, D770206–0785)

Escobar suggested that this was a course which had some kind of governmental support in the United States and he was especially impassioned on this theme.

After Escobar finished his statement, delivered with the forcefulness of the experienced criminal lawyer he is, the tone of the Panamanian negotiators changed and once again there was a suggestion of getting down to business. We were given certain papers with ideas for consideration regarding the appointment of members of the Entity Board, the designation of an Administrator and Deputy Administrator, the provision for rotation of employees and the rights of U.S. employees to PX and APO privileges.³ These papers presented positions not significantly different from those which Panama had previously put forward and, indeed, offered positions which can probably be—with some modifications here and there—made mutually agreeable.

On the issue of economic arrangements, which is still untouched in our formal discussions, it is quite clear that Panama remains convinced that it should have very large sums in down payment and for the annual use of the canal and the Zone territory. Panama continues to argue that it should be paid for the use of Panamanian territory for fourteen military bases on a scale comparable to what the United States pays to countries such as Spain and others for base rights. Our discussion with the negotiators at lunch on Thursday⁴ had been to suggest that the matter of the annual payment under the treaty be disassociated from the economic package which Panama might undertake to negotiate with the U.S. and the international agencies in order to be able to further its economic development program. The negotiators had told us that they would convey this word to Panama and said that they regarded our exchange at luncheon exceedingly helpful and constructive—an attitude wholly different from the one displayed when we met the following day.

Upon reflection it seems to me that several factors may have been involved in the change of tone and atmosphere and these have to be taken into account in determining how to get the negotiations moving again in the right direction.

1. Unbeknownst to us here in Washington, at the same time we were speaking candidly and with utter frankness to the Panamanian negotiators on the economic arrangements issue, Secretary of State Vance was apparently striking the same note with the Panamanian Foreign Minister in Grenada.⁵ To the Panamanians this very likely will

³ Not found.

⁴ June 16.

⁵ See Document 52.

have appeared to be an orchestrated effort on our part to lessen their financial expectations and to try to move them into a more reasonable and practical frame of mind. For both in Grenada and in Washington they were told that the Congress would never approve a treaty which called for very large payments which could not be met out of the tolls from the canal operation—and this position is one which the Panamanians have resisted and continue to resist, arguing that separate payments should indeed be made for military bases and other economic advantages to the U.S. during the treaty period. Conceivably this was the first time the Panamanians recognized that we were both serious and determined on this issue—or conceivably it might be the first time they really understood our position.

2. The issue of Panama's right to appoint Panamanians to serve on the Board of Entity and also as Administrator and Deputy Administrator of the agency running the canal has become increasingly important in recent days, clearly because of political appearances. We have been trying to find formulae which will assure Panama's agreement to any Panamanians appointed to these posts. At first that seemed to be an acceptable solution but now it is increasingly obvious that Panama wants to be in a position to indicate which Panamanians shall be appointed both to the Board and to the Administrator posts with the knowledge that the U.S. will have to accept Panama's determination in this regard. Our failure to accede to this has led them to make frequent statements about our attempting to infringe on their sovereign rights in that respect.

3. The anti-Semitic issue arose when Panamanian newspapers learned that a Panamanian official who is a cousin of Torrijos had presented a statement which attested to the fact that a Yugoslav contractor doing work on a Panamanian dam had not employed or had any business dealings with Zionists or other Jews. This document was apparently for submission to Libya in order to elicit Libyan interest in Panamanian investment. The Jews in Panama did not express great concern, knowing of Panama's consistently favorable relationship with Israel and the absence of anti-Semitic policies in the Panamanian Government itself. A Panamanian Jewish citizen named Mizrachi was, indeed, permitted to publish a letter denouncing the whole episode and the Council member involved.⁶ This information, however, was circulated in Washington and to members of the Congress including Representative Benjamin Rosenthal. On Friday—the day when the negotiators launched their tirade—Jack Anderson had a column which

⁶ For discussion of this situation and the Mizrachi letter, see telegram 4158 from Panama City, June 9, in the National Archives, RG 59, Central Foreign Policy File, D770206–0165.

talked about the Libya-Panama deal and referred to the anti-Semitism hullabaloo quoting from the letter by Congressman Rosenthal to Secretary of State Vance expressing concern about these anti-Semitic implications.⁷

4. The United States soldier who shot the Panamanian guard apparently made a confession which became the cause for Torrijos' concern that there was actually a plot under way to assassinate him. Torrijos is known to be fearful of such assassination attempts and has in the past reacted strongly when there has been word of any such effort. Since the U.S. had said that it would try the soldier itself and would not extradite him, this may have fed Torrijos' suspicion that there was indeed some connection between the United States and the demented soldier's statements.

5. Since he agreed to the terms of the Neutrality Treaty which go far beyond anything Torrijos said he would accept, it is known that Torrijos has been rather severely criticized by some of his own people and by officers of the National Guard who feel he has gone too far. Conceivably Torrijos' concern has become intensified with the passage of time and he may be wondering whether he has indeed committed himself too far.

6. Hovering over all of this is the question which must be plaguing Torrijos as to whether he can indeed survive—either with a new treaty or without one. He recognizes that he needs a new treaty for the economic future of his country. He is also concerned, however, that a treaty which does not achieve all that he has said it would, will not be supported and may bring about his downfall. He is, therefore, constantly tantalized by the question whether it is better to have the Panama Canal as a cause rather than as an achievement. His wavering on this issue is reflected in his changes of temperament, tone and appraisal of the state of negotiations.⁸

In the light of these facts it would seem that the following course is the best one for us.

⁷ See Jack Anderson and Les Whitten, "Panama-Libya Secret Deal Indicated," *Washington Post*, June 16, 1977, p. VA-17.

⁸ In a June 21 memorandum to Duncan, Dolvin submitted his final report of the May round of negotiations, in which he suggested that Escobar's "long nationalistic harangue" on June 17 was a negotiating tactic: "Intelligence reports had previously indicated that Panama might resort to this negotiating ploy—a tactic used during a previous negotiating round. The reports also indicated that Torrijos was unhappy with our informal rejection of the Panamanian economic demands and felt the need to slow the negotiations in order to achieve maximum Panamanian gains." Dolvin concluded: "It is clear that the recess and the sharp Panamanian harangue presented at the last session are Panamanian negotiating tactics designed to gain additional United States concessions." (Washington National Records Center, OSD Files, FRC: 330-80-0017, Panama 821 (Mar-15 July 1977))

1. We should continue our negotiations in a calm and fair spirit, rejecting, of course, any inference or innuendo that the United States is not acting in good faith with other than utter sincerity. Our aim should continue to be to find mutually agreeable solutions to the problems as they come up and to try to have Panama understand that we are sincerely seeking fair answers which will take into account their and our real needs. In that connection, Panama has to be aware of our political concerns and the problems of ratification. Secretary Vance did indicate during a press conference in Grenada that a real effort would have to be made in the Senate to get requisite support for such a treaty; and that if the treaty were presented for ratification today there might be a question as to its ratification.⁹ This may well have intensified Panamanian concerns but is fully consistent with what they have been told across the negotiating table consistently for weeks and indeed months.

2. On the issues (apart from the one of economic arrangements), it should be possible to arrive at a mutually agreeable solution in order to clear the decks for the economic discussions. At the moment, the only problems which still remain unresolved are

(a) appointment and removal of Panamanian Entity Board members,

(b) appointment and removal of the Panamanian Administrator and Deputy Administrator of the agency operating the canal,

(c) rotation policy affecting present employees of the Canal Company,

(d) APO and PX privileges for the United States canal employees.

There will obviously have to be some give and take on both sides but these issues are ones which can be resolved if there is a willingness to resolve them.

3. The problem of financial arrangements will remain a massive one because Panama's demands are astronomical and the practical fact is that any treaty which calls for payments to Panama beyond those which can be obtained from the operation of the canal itself will risk and possibly invite rejection by the Senate. This means that there are really two sets of financial arrangements to be agreed upon. In the first place, terms have to be worked out for an annual payment under the treaty to be derived from tolls. In addition, an arrangement will have to be worked out for assuring Panama of the financial help it will require for its economic development programs. The latter will involve the cooperation and guidance of the United States and the international

⁹ For the text of the June 16 news conference, see the Department of State *Bulletin*, July 18, 1977, pp. 72–76.

agencies, and the United States should indicate willingness to work with the Panamanian officials in putting together an acceptable package of appropriate size and content which might meet requisite criteria of AID, the international institutions, and in due course the private sector.

4. Because the financial demands and expectations of Panama seem to be so great, and because there seems to be an unwillingness to differentiate between economic arrangements which can be properly made part of the treaty and those which have to be dealt with separately, it may be desirable for President Carter to telephone General Torrijos after the Panamanian representatives have had the opportunity to state their case¹⁰ in order to assure General Torrijos that the United States is eager to be helpful to Panama in connection with its economic requirements. The President could state that there are limitations on what can be properly made part of the treaty as a financial arrangement, but that it should be possible to supplement this through discussions with the United States and the international agencies as well as with the private sector to endeavor to assure that Panama will have the funds it believes it needs in order to carry forward its economic development program.¹¹

5. When Ambassador Bunker and I met with President Perez of Venezuela and President Lopez Michelsen of Colombia,¹² they both indicated their awareness that General Torrijos had very large demands in mind in connection with economic arrangements and recognized that the problem was one which would have to be encountered head on. It may be that at a propitious moment we will want to involve President Perez, President Lopez Michelsen, and possibly also President Lopez Portillo of Mexico and President Oduber of Costa Rica to try to moderate Torrijos' excessive expectations and to convey to him an understanding of why the United States position is reasonable.

6. Since virtually all the other terms of the treaty will have been agreed upon, it would be appropriate to indicate to Panama at an appropriate time that if a treaty does not eventuate because of disagreement on the financial arrangement issue, the United States would expect to make public the terms of the treaty offered by the United States to Panama to assure both the countries of Latin America and the world generally of the magnanimous spirit in which we have approached the negotiations and the fairness which we have displayed in trying to resolve all these issues. This should not, of course, be put

¹⁰ See footnote 2, Document 52.

¹¹ No record of the telephone conversation has been found.

¹² See Document 31.

as a threat but rather as an indication of our pride in our position and our readiness to present it to the world court of public opinion.¹³

¹³ Vance relayed information very similar to that presented in this memorandum in a June 17 memorandum to Carter summarizing the state of the negotiations, which Carter initiated. (Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 18, Evening Reports (State), 6/77)

55. Memorandum of Conversation¹

Washington, June 29, 1977, 7–8:15 a.m.

SUBJECT

Briefing President Carlos Andres Perez of Venezuela on Status of Canal Negotiations

PARTICIPANTS

Venezuela

President Carlos Andres Perez
Foreign Minister Ramon Escovar Salom
Gonzalo Plaza, Interpreter

United States

Ambassador Bunker
Ambassador Linowitz
Anthony Hervas, Interpreter

PEREZ: How is Panama coming along?

LINOWITZ: It's coming along but we need your help. A great deal has happened since we met with you in Caracas,² most of it good.

BUNKER: We have made a great deal of substantial progress, however, as Ambassador Linowitz suggested, we are now going into a difficult question.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: Canal Treaty of 1977: 6–7/77. Confidential. The meeting took place at the Blair House and ended at 8:15 a.m. Forwarded to Vance on July 1 under a covering memorandum from Bunker and Linowitz. (National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents, 1977) Forwarded to Brzezinski on July 1 under a covering memorandum from Tarnoff. (Ibid.)

² See Document 31.

LINOWITZ: You, Mr. President, are in a uniquely favorable position to do a considerable amount of good for both sides. We are very concerned because this may truly be the moment of truth, and if we do not seize upon this moment, we may have lost it for good. I think that you know that the only issue that now separates us is the matter of financial arrangements.

PEREZ: I spoke with General Torrijos on Saturday³ and last night I spoke with the group of Panamanian negotiators who are presently in Washington, D.C., and both have said the same thing, that is, that we already have almost reached an agreement regarding what will more or less go into the finished treaty itself. It is a treaty in which the Panamanians feel they have made great concessions to satisfy United States requirements. They understand the reasons why it has to be so, however, though the matters of lands and waters, neutrality, and security are practically agreed, Panama feels it is now confronting considerable difficulty in the area of economic compensation. They base their positions on three arguments:

First is the argument that Panama like all other countries is living through an accelerated inflationary process and has to confront the claims for better salaries that are being made by Panamanian workers; that for the Panamanian people the settlement of the Canal will produce no visible or tangible results, that as far as the people are concerned all is going to remain the same. Also for a number of other reasons there will be a deterioration in the economic situation within Panama. They need to demonstrate to their people that a solution of the Panama Canal issue through a treaty will also provide some improvement in their standard of living. They are aware that they are confronting internal criticism regarding the manner in which the Canal issue is being settled. General Torrijos has the intention of submitting the treaty to a plebescite, a measure he feels will provide the treaty with greater strength, and he thus fears a situation which could be critical if he cannot as a result improve the economic situation in Panama.

His second argument is that a new treaty should be drawn along the lines of other agreements that the United States has signed with other countries and should reflect the same kind of terms and a similarity of conditions. It should pay compensation for concessions in the areas of lands and waters and military bases that are being provided by Panama in the treaty.

Thirdly, the treaty is going to impose upon Panama certain new obligations, obligations that carry with them a cost, and also the serious responsibility, after the year 2000 of assuming responsibility for the

³ June 25.

management and operation of the canal. This in turn will require that the people of Panama achieve a high level of development. This will serve the common interest of the United States and Panama and such action will not be possible for Panama to undertake without the effective economic cooperation of the United States.

I personally believe that you should have something along those lines. The two problems that you face are first how are you going to present this before U.S. public opinion and before world opinion. Secondly, how much money is going to be paid and how is this to be done. I have made great efforts to convince General Torrijos and his advisors that he must act in such a way that he be most careful to avoid making the new treaty appear as if it were a new sale of the canal, as if the canal were being sold all over again, because this would do considerable damage to the image of both countries. It is also necessary to take care of appearances, to make sure that the impression is not created that simply this or that member of the National Guard is going to be pocketing substantial sums of money. They understand this, that it should be presented in their view as an effort to support cooperation for development through some type of direct or cash contribution for the immediate solution of social problems. However, for them it is impossible to accept an outcome without some kind of settlement of this nature. They tell me that the United States had been negotiating with the Philippines and offered substantial compensation for the presence of U.S. military bases on Philippine territory, and they could not understand why the same could not be true for Panama. This is the picture as they presented it to me.

LINOWITZ: Mr. President, as usual you have summarized very simply and clearly the issue and you have accurately reflected the position of the Panamanian representatives, as we understand it. Let me start by stating the fact that we both want the same thing. First, we want Panama to prosper and second we want Panama to feel that it is receiving a fair arrangement with the United States that will be useful to the furtherance of the good relations between our two countries. However, the primary issue at this point is the matter of timing, and of the inter-relationship between the treaty and some kind of internal development program for Panama.⁴

What we are saying quite simply is, let us take one thing at a time. Let us conclude a treaty, one in which we are offering very generous economic compensation which is directly related to the canal itself, and then when the treaty is signed be assured that the United States Government will work in any way it can, to assist in the development

⁴ An unknown hand highlighted the last two sentences.

of an economic program that would involve not only the US Government but also international lending agencies, that will contribute to the achievement of the goals that you have set for your country. However, if we tie one to the other you are basically assuring the defeat of the treaty in the US Senate. Because, as Ambassador Bunker stated when we visited Caracas, the most prevalent question posed to us when we are up on the Hill is "Do you mean to say we are giving them all of this which we value at more than \$6 billion and we still have to pay millions or billions of dollars to have them take the Canal over?"

To further complicate the achievement of a satisfactory treaty, something which is difficult at best, would be the effect of trying to tie an economic development program to the outcome of such a treaty. It would suggest to the Congress that it is part of the price that we have to pay for the treaty and would consequently strengthen the hand of those who oppose the treaty in Congress.

What I have said to our friends on the Panamanian side is simple: let us give you assurances of our desire to help you; of our desire to be friendly and to cooperate in all possible forms; but let us not make it part of the treaty negotiations.⁵ However it is something that we do not manage to have them understand and yet it is important that they do so both for their own sake as well as ours.

BUNKER: That is an accurate reflection of where we stand. We also have an additional problem in the fact that their proposals involve such enormously large ones that it makes it impossible for us to consider them. I assume that this is an opening gambit in the negotiations yet their figures are much too large to consider.

PEREZ: They claim that there are two issues involved. First they understand the difficulties that the United States Government has in Congress, however, for them to present an agreement to Panamanian public opinion and to Latin American public opinion, they need to link both aspects, even if they were to be dealt with in separate documents or be treated separately. They see no way in which they can submit one without the other, and they consider this a condition which they cannot renounce. That reason makes them very demanding. As far as the amount of monies to be received, it is a question that can be negotiated. However, it is probably the time for the United States to make a counter-proposal for their consideration.⁶

LINOWITZ: A counter-proposal from us?

PEREZ: Yes.

⁵ An unknown hand highlighted this sentence and wrote an unintelligible word in the left margin.

⁶ An unknown hand highlighted this sentence.

LINOWITZ: One must understand the matter of the figures they have brought up in the negotiations because they elevate the negotiations to the high atmosphere and we certainly cannot engage in astronomical gyrations. We understand that this might only be a tactic. However, I do not believe it is wise for them to use this approach because, for instance, yesterday, in connection with this very same problem, they met with very high-level representatives of the Department of the Treasury, the U.S. State Department and representatives of the international banks.⁷ And all of them were shocked by the figures suggested by Panama.

However, taking into account their concerns—and we can appreciate the reasons for some of their concerns—it would be possible to find a simple way of broaching the subject. First, we could sign a treaty. Secondly, we would have a period between the signature and the ratification of this treaty. Third, during this period we would be happy to work on a program for the economic development of Panama, however, one cannot be part of the other. For their purposes they can say that they have achieved this economic development program and present it to their people as if one were part of the other, but we, in the United States, cannot say that one is a part of the other.⁸

PEREZ: That could be part of a confidential agreement between both countries.⁹

LINOWITZ: Excuse me, sir, but we cannot be in a position in which we have to go before the Senate to testify and when we are asked if there are any other agreements, we can't lie,¹⁰ we have to tell them that there is another understanding.

PEREZ: The right hand does not necessarily have to know what the left hand is doing.¹¹

LINOWITZ: We have two right hands.¹²

PEREZ: Maybe another group could negotiate that issue separately.

LINOWITZ: Exactly. And that is what we told them yesterday. At the beginning of yesterday's meeting, we spent over half an hour discussing this matter because Ambassador Romulo Escobar Bethancourt, who is a brilliant lawyer, wanted to tell those present that their presentation was all a part of the negotiation. And we had to insist that it was not a part of the negotiating process. It appeared impossible

⁷ No record of meeting minutes has been found.

⁸ An unknown hand highlighted this paragraph.

⁹ An unknown hand underlined: "That could be part of a confidential agreement."

¹⁰ An unknown hand underlined: "we can't lie."

¹¹ An unknown hand highlighted this sentence and marked an "X" in the left margin.

¹² An unknown hand highlighted this sentence and marked an "X" in the left margin.

for them to understand that it was not a part of the negotiation. We have made arrangements for Mr. Barletta and other Panamanian representatives to speak with high-level officials in the Treasury Department without our presence as negotiators because we ourselves cannot be involved in that aspect of the discussions.

PEREZ: Wouldn't it be possible to find some more general formula in order to arrive at a solution to the treaty? The new treaty creates a new inter-relationship between the U.S. Government and Panama. The two countries now acquire new common responsibilities which require economic obligations that will assure the future operation of the Panama Canal. Under such circumstances, the United States could assume to study what kind of program they would have to put into effect to fulfill the new U.S. responsibilities under the treaty and what part would be required from Panama to fulfill its responsibility under the terms of the treaty.

LINOWITZ: If you can get General Torrijos to go along with something along those lines, we will undertake to try to convince our side here of the advisability of such an approach. This very idea could be the answer that we are seeking.

PEREZ: There must be other officials in the U.S. Government who could confidentially work out what that cooperation would consist of.

LINOWITZ: Yes. We are doing this right now.

PEREZ: There are certain objections that I feel you should know of and I, as an outside participant, as an observer, would have to say certain things that the United States would not be willing to accept. First, that the sovereignty over the Canal was illegitimately taken away from Panama by the United States. This is not my personal opinion, yet that is the way in which many people see it. That is how the situation is perceived and it is one of the reasons that could give rise to attacks on the manner in which General Torrijos is conducting or directing the negotiations and could be the basis for attacks on the treaty you reach on the part of extremists who seek out any argument that will provide them a basis for criticism of the treaty and of the Torrijos Government. This kind of solution is not one that would be received with applause by all concerned. Some would accuse Panama because they will not recover all of the lands and waters, and because military bases will still remain. They would argue that the only achievement would be that there has been a shrinking in the military occupation but that basically nothing had changed. This would be a way to attack the treaty as it is now conceived. This is a matter of the greatest concern for Panama. They feel that the U.S. Government pays for the use of bases in other areas and they see no reason why they couldn't do so in Panama also. Therefore, the solution they seek appears to be the only defense that would offset the charges that could be leveled

against them. I am making these observations because I see the Panamanian position hardening considerably now.

About ten or twelve days ago the Panamanian negotiating team came to Venezuela to visit me and I gave them a number of reasons why they should not speak in terms of millions of dollars but rather should discuss only numbers of projects to be implemented. However, General Torrijos was both concerned and angry that I told him this because he expected support from me in his aspirations. That was the reason General Torrijos came to Caracas on Saturday.¹³ I was able to give him a number of arguments to demonstrate to him that he should be very careful regarding any outcome that would mention the fact that large amounts of cash were being received. In spite of this, last night Romulo insisted that they were going to maintain the same position. So I do not see easy progress in the negotiations now. You are at a very difficult impasse, and General Torrijos does not understand well that the negotiations might be—at present—at a critical juncture.

He told me that he was not interested in having a treaty ratified by the Senate now, that it could be ratified some years later. I told him that it is not so in countries such as ours, that we cannot simply sign a treaty and lock it in a desk drawer and maintain it secret. It has to be exposed to public scrutiny and submitted to Congress for ratification. It is evident that the U.S. now is at a most difficult time in the negotiating process and that it has to agree on a treaty that will be least subject to attack in the Senate. Maybe one problem is that we are starting with the wrong premise, the premise that the Panama Canal belongs to the United States. So the problem is further complicated and I think that General Torrijos will not accept an agreement without a precise and certain assurance regarding compensation.

Maybe we could search for some way, as I stated earlier, in the form of a general declaration that would express confidence in decisions, decisions to be taken in other places, regarding the development program. It would be necessary to avoid an impasse such as the one that resulted at the time of the negotiations on lands and waters and security and neutrality, all of which have now been overcome. Maybe it is necessary now for the United States Government to present a counter-proposal.

¹³ In telegram 6476 from Caracas, June 28, the Embassy reported that a June 28 Panamanian story with the headline, "Agreement is Imminent Between Washington and Panama over canal Sovereignty," quoted Panamanian Government sources "to the effect that General Torrijos personally informed President Perez last Sunday, June 26 during quick visit to Caracas that 'the problem of the canal is virtually resolved.'" (National Archives, RG 59, Central Foreign Policy File, D770230-0910)

There is another important aspect, that of the annuity. According to the Panamanians, the U.S. Negotiators hold the thesis that any annuity could only come from the benefits resulting from the tolls collected. Therefore, if Panama wants a higher amount, it would be necessary to increase the tolls for transit through the Canal. This, in their view, would set world public opinion against Panama. If you were dealing with a single enterprise, responsible only for the transit of ships through the Canal, it would be appropriate to think that Panama should receive only income derived from the operation of the Canal. The issue however is much more complex, because in addition to a canal you have military bases, as well as other areas of Panamanian territory devoted to other activities which are affected by the use of the canal. And that has a price. Therefore they need to see the U.S. change its position regarding the payment of an annuity and not link it to the tolls.

LINOWITZ: Mr. President, you have just touched upon the key issues in our negotiation. First, regarding the annual payment under the new treaty for the use of the Panama Canal, we have been directed by the President—and have assured the Congress—that, considering all the commitments and other conveyances to be made to Panama (with a value of approximately \$6 billion), we cannot go to the Congress for an annual appropriation as part of the treaty. Therefore, any payment resulting from the terms of the new treaty must come from the tolls. Though we have not formally presented it yet at the negotiating table, we have ready to present a study which indicates, that with a 25% increase in the tolls, the traffic through the Canal would remain high, and there would be no adverse effects.¹⁴ As a result, a sufficient amount would be received to provide \$1 billion during the life of the treaty. That is to say, that they will receive substantial amounts under the formula we are considering. This could be one formula that could be approached. Secondly, we would be turning over assets worth approximately \$6 billion.

BUNKER: Many of these assets in fact would be earning assets which would make an additional contribution to the economic benefits that Panama would derive.

LINOWITZ: Millions of dollars will come into Panama as a result of some of those assets to be turned over. For example, \$115 million are to be received for services rendered to the Canal operations, such as bunkering, etc. These we would turn over immediately at the time of the signature of the treaty. In addition as a result of the return of a number of commercial operations, they would also be benefitting from new sources that would bring a number of millions of dollars a year.

¹⁴ Not found.

So financially, they would be doing very well as a result of our present offer. Our problem is to explain to the Congress why we would have to give something in addition. This would represent an added obligation, of a multi-million dollar level to an economic development program, which complicates the negotiations to the point that we cannot count on a serious consideration of the matter as they are now presenting it.

In your presentation, Mr. President, you may have the formula that we could perhaps follow. Panama could agree to the conclusion of a treaty, and agree on most of the other issues that are now related to compensation within the terms of the treaty. Perhaps then at the time the treaty is signed, and while discussions are taking place outside of the negotiating process, you could tell General Torrijos that the U.S. Government will do all that it could possibly do to help with an economic development program. You could also assure General Torrijos that the United States desires to help in any way that is possible. Thereafter, through ensuing negotiations and discussions on the form of the economic aid—once these are brought to solution before ratification—Panama would find itself in a position that would permit General Torrijos to state that he has a satisfactory treaty and that he has a satisfactory program for economic development. However, I feel we should neither stop the negotiations now nor tie one thing with another.

PEREZ: The internal difficulties faced within the U.S. Government are obvious, and I understand them. Yet I also see that General Torrijos cannot risk to announce the satisfactory conclusion of a treaty if he does not have a clear indication on other pending matters. This reflects a very difficult situation. Because if at the same time he cannot announce that the economic aspect is resolved, his personal political situation would be endangered in his own country. We have to bear in mind the inter-play of personal ambitions within Panama. We cannot tell what the outcome of these might be. There are always hidden forces that are interested in a confrontation and could create difficulties in the Canal Zone.

I see that we are coming to a moment of great danger. The expectations are many. For all practical purposes you have already reached an agreement that would favor a positive conclusion. Yet I am very confused, because I see that we have reached a point where the two sides have become firm and entrenched in antagonistic positions.

You will recall, Ambassador Linowitz, that when you were in Caracas you mentioned that you feared because you did not know what Panama would be asking in terms of economic compensation. At that time you already foresaw difficulties in this area. As I told you at that time I am fully disposed to contribute to softening the position of Panama, yet I must also tell him, General Torrijos, that I am equally willing to assist in softening the United States position.

LINOWITZ: We appreciate very much the formula which you have suggested and which I believe should be further explored. If General Torrijos were to be told in a letter from President Carter, that at the time of the signature of the treaty, of strong indications of the commitment on the part of the U.S. Government to take affirmative, constructive and positive steps to help Panama to work out its economic development plans, this might give him the sense of trust that we need at this time.¹⁵ We would try to work out something, although we do not know the specifics. However, as we negotiate and discuss we would try to arrive at these specifics.

The other alternative would be to hold up the treaty until all problems have been resolved. However, we might lose the appropriate or the best time to achieve progress. This would be a risk that General Torrijos would run, as well as a risk that we would be running.

PEREZ: I will transmit to General Torrijos your thoughts and the ideas that we have exchanged. There is another point that I would like to bring up that has been a source of unhappiness amongst our friends. Apparently, some installations are being dismantled and these are part of what would be turned over to Panama. The Panamanian negotiators showed us some photos of the buildings that were being dismantled. They do not believe that this is due to instructions from higher levels or from high-level decisions in the U.S. Government. Yet decisions are being made at lower levels, and because of the hostility that has existed among certain groups against Panama in the area, these developments are unsettling.

BUNKER: We also saw those photographs. They are of old wooden buildings of over 70 years and the cost of their maintenance is prohibitive. Some of those buildings are coming down because they cannot be maintained. This is done normally on a regular basis and it is not related in any way to this present stage of our negotiations.

LINOWITZ: Ambassador Bunker has checked out these allegations. What happened is what he has explained and we will be happy to show the Panamanian negotiators the reasons why these buildings are being torn down. These actions are in no way related to the negotiations. However, this event underlines a problem that we are facing at present: the long-held suspicion and distrust that we have been working so hard to overcome during the course of our talks. We have great respect for the Panamanian negotiators. We feel they are men of integrity and they are trustworthy. I hope that they will believe us, yet we fear that this distrust still exists. As a result, a small incident such as the one referred to with the photos, as well as two other incidents in recent

¹⁵ See Document 72.

weeks, together with accusations that have been levelled at the United States make progress more difficult. We are trying to be patient in explaining that we are not trying to get around the provisions of the treaty or harm in any other way the interests of Panama. The U.S. Government and Administration are interested in reaching a fair treaty.

PEREZ: I have a question. How did the U.S. Government negotiate the military bases in Spain, Portugal and the Philippines?

BUNKER: Most of the base agreements do not involve direct dollar grants, but loans and equipment—no specific amounts of dollars. These loans and equipment can be translated into money equivalents, yet the transfer is not of funds but of facilities and loans.

LINOWITZ: This is the same thing that we would be doing with Panama. We would be making resources available in a sense in exchange for use of facilities and of the bases. I am not at all afraid of making comparisons in this context. I would like to add one word; that is, that I am not afraid of such comparisons. We are proud of what we have offered Panama. We would be proud to let the world see and to let our country see the terms of our treaty, because we feel that we have been most generous, most magnanimous, and we have made genuine efforts to arrive at a treaty of which we can be proud. There is nothing therein of which we are ashamed. General Torrijos ought to know that we would be pleased to let the world see what the United States is willing to do. I think it is very important.

We are not unaware of the fact that there are some unhappy chapters in the history of the relations between the United States and Panama, yet we now are at what we could consider the proudest chapter of these relations.

PEREZ: I also feel that great progress has been accomplished within the concept that prevails in the United States regarding the Panama Canal—a concept which we do not necessarily share. At the same time we see two parallel views struggling for approval before world opinion. On the one hand there is the view that the United States is handing over assets valued at over \$6 billion as well as turning over rights that the U.S. has exercised for many years. On the other hand, there are the views of those who feel that the Canal represents a usurpation by the United States which obtained advantages at a very small cost, from a very large territory it has occupied for many years. Now they should not only return what they took but should also compensate Panama.

This same kind of thesis was sustained by some in Venezuela at the time of the negotiations on the nationalization of oil. Some sectors argued that it was inconceivable to pay compensation to multi-national corporations that for over 50 years had been exploiting our oil resources, oil obtained at very low prices, enabling them to realize very large profits. These profits represented two to three times the investment

they had made in Venezuela. Therefore, Venezuela should not only receive the oil installations but also additional compensation. On the other hand the argument was made that this did not represent a rational approach and we were aware of the fact that to reach an agreement we should pay some compensation and we did so. I offer this comparison because it parallels the arguments made by Panama regarding why they should get additional compensation in connection with the conclusion of a new treaty. When I mentioned this to the Panamanian negotiators, they pointed out that there was an essential difference. Venezuela took over productive profitable operations which in turn could benefit the people of Venezuela. In contrast, Panama would be acquiring something of theoretical value but it would be very difficult to provide immediate benefits for the people of Panama and therefore it would be very difficult to explain the value of the treaty to the Panamanians.

I don't doubt that there is some solid basis for progress, and I feel that this is the time when an imaginative effort must be made to work out some kind of an acceptable formula.

What would be your concept of something that could be provided, some level of funding, not at the levels that Panama is suggesting, yet at some reasonable level which would allow the Government of Panama to do something tangible for their people as a result of the signature of a treaty?

I am aware of the fact that the Senate would raise an uproar if confronted with unreasonable demands.

LINOWITZ: I realize our time is short now. I would like to suggest once again one possibility for discussion. Under the terms of the treaty, a certain amount of funds could be made available in the order of \$30–40 million. That amount could be used when the treaty is signed as leverage to obtain a larger loan, something in the order of half a billion dollars. This could be achieved by taking future income from Canal tolls and using it to liquidate the loans. But we cannot have this type of a formula until we have a treaty. We must know where we can start, as well as how we can undertake this cooperation without endangering the successful outcome of the new treaty.

PEREZ: I feel that this is the time to go to work on such a formula and I will try my best to be of assistance in your mutual efforts.

(BREAKFAST MEETING ENDED AT 8:15 A.M.)

56. Memorandum From the Congressional Affairs Adviser to the State Department Panama Desk (Guthrie) to Multiple Recipients¹

Washington, June 30, 1977

TO

See Distribution

SUBJECT

Briefing for Senators, June 30, 1977

On June 30 Ambassadors Bunker and Linowitz, JCS Chairman Brown, and LTG Dolvin participated in a briefing on the Panama Canal negotiations for a group of Senators in Senator Robert Byrd's Capitol Office. Aside from Senators Byrd and Granston, who organized the briefing, those present were Senators Chiles, Church, Domenici, Hatch, Heinz, Huddleston, Johnston, and Morgan.²

The discussion was positive and constructive and focused as much on the domestic political context as on the substance of a treaty.³ While the Senators spoke very frankly about the political difficulties attendant on securing approval of a treaty, they appreciated the need to address the Canal problem and suggested a number of steps that might be taken to smooth the way for a favorable vote in the Senate. With regard to the treaty itself, security and defense⁴ appeared to be the first area of concern. There was also discussion of compensation and of possible future Panamanian and Latin American demands for further treaty revision.⁵

Timing was a matter of acute concern, particularly to those Senators like *Johnston* and *Domenici*, who will be running in 1978. As *Johnston* put it: "I am convinced that it is important to get this treaty to the Senate just as soon as possible—after November 1978." *Johnston* thought

¹ Source: Carter Library, Office of Congressional Liaison, Francis, Copeland, Small (Coordination), Freibers, Brooks, Naechterlein, Tate and Thomson, Box 6, (Panama Canal Treaty Negotiations), 5/26/77-9/29/77 (CF, O/A 193). Confidential. Drafted by Guthrie on July 1. Sent to Barkley, Moss, Pezzullo, Beckel, Cutter, Bell, Wyrough, Jorden, and Kozak.

² An unknown hand checked the names "Chiles," "Domenici," "Heinz," "Huddleston," "Johnston," and "Morgan," circled "Chiles" and "Huddleston," underlined "Church," "Hatch," "Johnston," and "Morgan," and wrote "10" in the right margin.

³ An unknown hand underlined "domestic political context" and "substance of a treaty."

⁴ An unknown hand underlined "security" and "defense."

⁵ An unknown hand underlined "compensation" and "possible future Panamanian and Latin American demands."

there was no possibility the Senate would have time to consider a treaty in 1977, and Senators *Chiles and Morgan* warned that the treaty did not have the votes at the present time.

Several Senators urged that authoritative information (especially from DOD) on the security aspects of a new treaty be made available to help convince the public of the desirability of a new treaty. They asked that this cover:

- the strategic value of the Canal (*Senator Johnston*)
- the difficulty of defending the Canal (*Senator Chiles*)
- JCS projections of the Canal's strategic value in the year 2000 (*Senator Chiles*)

Senator Morgan stressed the need to counter anti-treaty propaganda alleging that *Torrijos* was a communist and that there was heavy Cuban and Communist influence in Panama. He also suggested that in justifying increased compensation to Panama, we cite the precedent of our Philippine base treaties, which have several times been revised to provide for increased payments to the Philippines.

The need to enlist public support for the treaty from individuals and organizations that could influence conservative opinion was also emphasized. Suggested targets included:

- Senator Goldwater, who might be invited by the President to make a trip to Panama. This would provide an occasion for Goldwater to publicize his support of treaty revision (Suggested by *Sen. Morgan*.)
- Ex-President Ford (suggested by *Sen. Johnston*)
- Prominent retired military officers (*Sen. Domenici*)
- The incoming American Legion national commander, a Louisiana resident whom *Senator Johnston* believes might be persuaded to support a treaty.
- The American Security Council (suggested by *Sen. Heinz*, who thought it might be more useful to work through such existing organizations than to establish a special citizens' committee).

Questions on the security aspects of a treaty dealt with our right under the neutrality treaty to take action against Panama (*Senators Huddleston and Hatch*), the applicability of the neutrality agreement in wartime (*Senator Church*), and the military value of the Canal (*Senator Johnston*). *General Brown* explained the security risks involved in maintaining the status quo and the willingness of the JCS to support new arrangements that included an adequate neutrality agreement. He said that the Canal would be of little use in a nuclear war but would be valuable—though not vital—in a non-nuclear situation to facilitate rapid deployment of our full military sealift capacity, which was normally divided between the Pacific and the Atlantic. As to neutrality in wartime, he explained that all ships, including those of countries at

war with the United States, would have the right of passage, but that the United States would rely, as in World War II, on its capacity to intercept enemy ships before they reached the Canal. *Senator Heinz* cautioned against overestimating the capacity of overland alternatives (especially railroads). *Senator Church* emphasized that discussion of the possible costs of Canal closure should not obscure the key point about security—that a new treaty would greatly improve the chances that the Canal would continue to be open and available.

On compensation, Senators *Johnston and Cranston* noted the large figures cited in recent press articles. *Ambassador Bunker* said these were out of the ball park and that the U.S. contemplated a payment from tolls amounting to \$30–50 million. In response to *Ambassador Linowitz*' question, Senators *Chiles and Johnston* said that from a domestic political standpoint security would override compensation as an issue in considering a new treaty, although *Johnston* thought that there might be some public resistance even to raising payments to Panama from the present \$2 million to \$30–50 million. *Senator Church* suggested fixing compensation as a percentage of net canal revenue in order to provide an incentive for the canal to operate at a profit. *Ambassador Linowitz* said this might raise knotty questions concerning Canal accounting.

Senators Johnston and Domenici raised the possibility that in a few years the United States would again be subjected to charges of colonialism from the Latin Americans, since under a new treaty we would still retain bases and a substantial U.S. presence in Panama. *Domenici* suggested the need to get Latin American leaders to endorse the treaty, and *Ambassador Linowitz* replied that there would be provision⁶ for Latin American countries to formally endorse the neutrality treaty after it was deposited with the OAS.

The status of U.S. employees was raised by *Senators Huddleston and Johnston* who asked for clarification on treaty provisions regarding courts, jurisdiction and increased employment of Panamanians.

⁶ An unknown hand highlighted this portion of the sentence.

57. Telegram from the Panama Canal Zone to the Department of Defense¹

Balboa Heights, June 30, 1977, 0250Z

629. FM Governor Parfitt, Balboa HTS CZ to Mr. Ford, acting ASA (CW), Wash DC. Subj: Panama Canal Draft Treaty

1. We appreciate the opportunity to review State's June 25 drafts of a Canal Treaty and implementing agreement, since the rapidity of changes and new agreements in the accelerated negotiations in recent weeks have made it impossible for us to stay fully abreast of developments.² Our review will be somewhat restricted by the short deadline and instructions to the effect that the drafts embody principles and language already agreed to by Panama and that we should therefore try to minimize suggestions for change.

2. Since the matter apparently is being rapidly brought to a conclusion, I have at your invitation sent representatives to Washington to participate in the meetings now going on. This message will be restricted to observations and suggestions concerning selected major issues, by way of stating our position or pointing up some areas we think involve inconsistencies or ambiguity.

3. The drafts are said to be based upon a draft treaty the Panama Canal prepared in 1975, but, although there are similarities in form and substance, it is apparent that in a number of areas important to Canal operation the negotiators have not been able to sustain this agency's positions. The matters that do not reflect our views, most of which have been stated many times and are covered by the Panama Canal drafts, include by way of example:

A. Ownership of installations and property. Vesting immediate ownership in Panama of all U.S. real property including improvements thereon (Canal locks, dams, all buildings and installations, etc.) is not sound in my opinion. The reason for proposing this transfer of right, title and interest is not clear to us. Presumably it is intended that Panama at the same time grants back to the United States full right to use the property as though it were the owner. The problems involved

¹ Source: National Archives, RG 185, Subject Files of the 1979 Panama Canal Treaty Planning Group (1950–1980), Box 9, Negotiations—General II (Jan. 77 to). Confidential; Eyes Only. Sent for information to USCINCSO Panama Canal Negotiations Working Group (PCNWG) and Quarry Heights.

² According to a June 29 memorandum by G.F. Carroll (OSD), Bunker sent the PCNWG a June 24 memorandum requesting prompt consideration of a draft treaty package. State requested urgent action on the draft treaty in the hopes of commencing treaty drafting with the Panamanians during the week of July 4. (Washington National Records Center, ISA Files, FRC: 330–79–0089, Panama, January–15 Aug 1977)

include: (1) it is important to fiscal management that the property be subject to the usual depreciation; (2) management should be free to modify, replace or otherwise dispose of or act with respect to improvements to real property as an owner would in the operation of the enterprise; (3) potential conflict with Panama over interpretation of use rights of facilities in the light of their ownership by Panama. If the concept of Article VIII³ is pursued, it should be made absolutely clear that the Panama grant of use under Article III⁴ is free of charge and includes the right to modify, replace, or otherwise dispose of improvements, and that any inconsistencies in other provisions be resolved so that there is no doubt as to the rights that accrue to the United States even though Panama is the owner of, say, a building or other improvement to real property.

B. Control of Balboa port facilities, including Drydock No. 1, U.S. housing, and licensing of land in Canal operating areas. The drafts do not give the Canal administration the control we have recommended and still recommend.

C. Status of forces agreement application. The drafts treat Canal U.S. employees differently than military civilian U.S. employees in some important respects, contrary to our recommendations and to the U.S. negotiating position in the past. Most importantly, the use of military exchanges, commissaries and post offices should not be limited to five years.

4. I have serious concern about the coordinating committee established by Article III of the draft implementing agreement, and its functions which are many and varied under the provisions of the agreement. There should not be, in my opinion, in addition to the board of directors and the consultative committee, a further joint committee with independent authority which could superimpose its management of certain matters on the Canal administration, diluting its authority and affecting its responsibilities. I do not question the need for coordination between the Canal administration and Panama in the many matters referred to in the drafts.

We have in the past concurred in a joint advisory committee, with technical subcommittees, to coordinate various matters with Panama, with the U.S. representative being either the Canal administrator or his designee. I think the relationship between the coordinating committee and the administrator needs to be clearly established and, specifically, I recommend that the committee be composed of a U.S. citizen

³ Article VIII of the final Panama Canal Treaty was entitled "Privileges and Immunities."

⁴ Article III of the final Panama Canal Treaty was entitled "Canal Operation and Management."

who is either the Canal administrator or his designee, and a representative of Panama.

5. There are a number of other questions or comments concerning the drafts which my representatives now working with you in Washington will bring to your attention and which are therefore not included in this message.

6. On many occasions, particularly in the past two months, my staff has been called upon to choose between what we have viewed as unsatisfactory alternatives bearing on the future operation and maintenance of the Canal and retention of the necessary skilled workforce. I realize that the negotiators are balancing broad national policy considerations against our operational considerations which have often been outweighed. It should be understood, however, that our attempts to select the best from among alternatives which do not reflect our position, and our efforts now in working to make the best of whatever is decided, are not to be construed as an endorsement of the negotiators' positions that are contrary to ours.

7. In order to achieve a treaty, the negotiators have made concessions which cause me real concern as to whether the United States will have or be able to retain the controls it needs to maintain and operate the Canal for the duration of the treaty with a reasonable degree of efficiency and on a sound financial basis. Apart from the basic question of jurisdiction, resolved in favor of Panama long ago, the concessions causing this concern include the dilution of U.S. control over the Canal operating area; relinquishment of Balboa port facilities, including Drydock No. 1, that are essential to Canal support; relinquishment of U.S. citizen housing with only limited use rights retained; the switch in 1990 to a Panamanian administrator; and inadequate treatment of employee rights and benefits.

8. On the latter point, I feel obligated to emphasize once again that the adequate protection of employees is very important not only to the employees, both U.S. citizens and others, but to Canal management as well. If our employees perceive the proposed treaty as deficient in this respect, I anticipate labor problems which could disrupt or shut down the Canal operations, with results that could complicate and jeopardize the ratification process. Our detailed, written views on employee rights, benefits and assurances have been fully presented during the past year.

Warm regards,

GDS

58. Memorandum of Conversation¹

Washington, July 1, 1977, 1 p.m.

SUBJECT

Informal Meeting of Panama Canal Negotiators

PARTICIPANTS

Panama

Ambassador Romulo Escobar Bethancourt
Minister Aristedes Royo

United States

Ambassador Ellsworth Bunker
Ambassador Sol M. Linowitz
Anthony Hervas, Interpreter

BUNKER: We have just had a meeting with a number of Senators and General Brown, the Chairman of the Joint Chiefs of Staff, came along with us and he did very well in his presentation.² I feel he made a good contribution and offered useful insights on the status of the negotiations.

ROYO: I wanted to tell you that Ambassador Escobar and I, as well as the members of our Government and General Torrijos himself, who called us to let us know, are very pleased with President Carter's statement on the Panama talks.³ General Torrijos is especially pleased with the reference that President Carter made to the economic aspects as part of the solution that we have to find to the treaty.

ESCOBAR: Last night we had a long talk with President Carlos Andres Perez of Venezuela. It was a very profitable conversation, not only because President Perez has been a consistent supporter of Panama, without any vested personal interest, but also because he is an individual of great political experience and of high stature in Latin America. President Perez told us that in his talks with you⁴ as well as with President Carter he had transmitted his own concerns as well as

¹ Source: Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, Lot 81F1, 1964–1977, Box 127, POL 33.3.2/Compensation 1977. No classification marking. The meeting took place over lunch at the F Street Club and ended at 3:30 p.m.

² See Document 56.

³ Presumably a reference to Carter's June 30 news conference, during which Carter answered questions on the treaty negotiations and expressed his hope for a successful conclusion by summer. For the text of the question and answer exchange, see *Public Papers: Carter, 1977, Book II*, p. 1202.

⁴ See Document 55.

those of Panama⁵ and the rest of Latin America, regarding a satisfactory settlement of the Panama Canal issue. He also indicated the great difficulties that you and the President have to face here in the United States. He stated that, in his personal opinion, the President and both of you were honestly attempting to arrive at an agreement with Panama. He felt that President Carter was being kept well informed by you regarding the status of the negotiations. We also told him that we felt President Carter and you were earnestly seeking a treaty with Panama. We told President Perez that we were going to have this private luncheon with both of you and he is aware of the fact that we would be bringing up matters, which at this time, it is not advisable to bring up at the negotiating table. He advised us that in discussing in all honesty and candor the economic issues, that we should not lock ourselves into positions. I feel that what has brought us here together today, is our desire to seek a solution to what has been labelled economic aspects, but which we really believe are political decisions that the four of us must reach.

We have seen in recent days indications of an attempt on the part of the United States delegation to seek a satisfactory solution. The very fact that they have tried to present a new formula, is in effect important to us. We are not here to go over the history of our negotiations regarding that aspect which refers to what Panama expects in terms of economic compensation.⁶ We have done so repeatedly at the negotiating table. For instance, we are aware of the formula suggested under which as a result of a twenty-five cent increase in the toll additional revenues would make possible annual payments to Panama in the order of \$45 million. We have already indicated that we find that that is too little, and that we expect a formula will be developed in the near future to make that amount larger.⁷

On the other hand, Mr. Cooper and Mr. Solomon are meeting with Mr. Gonzalez and Mr. Barletta to try to see how the U.S. can support

⁵ More information is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XXIV, South America; Latin America Regional, 1977–1980.

⁶ See footnote 2, Document 52.

⁷ Barletta, Gonzalez, Cooper, Solomon, and Arias met for 2 hours on June 30. At the meeting, Cooper and Solomon suggested that a corporation be formed to institutionalize revenues received from the canal Entity, which would include 25 cents per ton payment from tolls and any interest currently paid to the U.S. Treasury. The U.S. canal principal (approximately \$369 million) would be converted to shares. The Americans suggested the Panamanians operate the corporation. The Panamanians were intrigued by the concept but considered the annual payments too small. It was agreed that the Americans and Panamanians would explore what USAID could do regarding Panama's development plans. (Memorandum by Bunker, July 1; National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 8, Chron July-Dec 1977)

our economic development. This is based on the thesis that it is appropriate to provide aid to a friendly nation and in fact an associate who, in the future, would be responsible for the administration of the Canal. It is in your interest that that be a wealthy country. Therefore, what is of interest to us is to seek all formulas that we can take back to Panama and that can be subject to discussion during the meetings that we will be holding during the course of the next week.

ROYO: There is an important point that I want to make. It is that we have not come here today to discuss figures with you. I would like to precede my comments with the following remarks. Dr. Escobar and I are not negotiating here in the United States, because we are the best lawyers in the country or because we are the best patriots in Panama. We are negotiating here because General Torrijos selected us as part of a group to come to negotiate with you. But more specifically, Dr. Escobar and I have been selected because we will be the ones responsible for defending the treaty in Panama. The defense of the treaty in the United States will involve explaining it to Congress, presenting it to the press, and convincing a certain sector of American public opinion. For us the defense of the treaty involves something further. It means that we will have to meet in public plazas or squares, in the meeting halls of universities, in union halls and address workers and speak to students, as well as appear on TV panels and answer questions from our enemies. These enemies will try to portray themselves as greater patriots than we. Now, why have Dr. Escobar and I been selected? Because both of us were student leaders. Dr. Escobar for more years than I but in addition we were selected because none of us has been a Congressman nor a cabinet minister nor a high-level official in any previous Panamanian government. This means that we start with a clean slate. As a result, and I hope you excuse the false modesty implied, because of our credibility as leaders. It is this credibility that will make us more effective when we confront workers, farmers, and students, and take up the defense of the treaty that we will sign with you. Dr. Escobar has been rector of the University of Panama for five years. In that university he had all kinds of elements, Maoists, Castro-communists, capitalists, and all other representatives of the political spectrum. On the other hand, I have been Minister of Education for three and one-half years and I am sure you are well aware of what it means in Latin American to be a rector of a university or a Minister of Education. It is indeed a very different proposition from what those positions entail in the United States.

Dr. Escobar and I have firmly decided that upon our return to Panama when the treaty is agreed, we will assume the responsibility

of selling the treaty, of disseminating information on its value and we shall do so by telling the whole truth. We will be reporting on the good things in the treaty and I feel sure that in five minutes you could prepare a list of those things, as well as the bad things, something on which we could also prepare a list in less than five minutes. We naturally assume that you will also be talking about the good things in the treaty and we are well aware that Congressmen will be pointing out the bad things in the treaty. Within that framework of explaining the treaty by telling the whole truth about it, we feel we will be facing great difficulties. The question that arises is whether we will be able to defend before our people a treaty, simply by explaining what the achievements are in contrast with those other matters that are not that favorable, and that in fact hurt the people of our country. Machiavelli in his book "The Prince" stated that the people are quick to forget their gratitudes for the positive things that their governors have provided, yet they always maintain their claims to the unfulfilled promises, and it is the latter that they always remember. In other words our people would not be looking so much upon what we got for them under the treaty as to those things which we did not get for them. It is our wish to strike a balance between the good and the bad in the treaty and maybe this can be accomplished by achieving the "ugly" that is to say through money. This is because our people are still affected by malnutrition and there are considerable social needs that the government yet has to meet, and funds are necessary to find solutions to those pressing problems.

It is very difficult for us, and we plead with you that you believe our sincerity, to present the argument which says: In the area of Panama's economic aspirations, we have obtained an increase in the tolls that ships will have to pay for transitting the Canal; we have also obtained a greater margin regarding long-term financing of loans for development projects. These loans are debts that have to be paid back. We have also heard about possible cooperation between the two countries as outlined by Mr. Solomon and Mr. Cooper, but all these refer to possibilities to obtain more financing. These deal only with certain economic aspects, but not with those that Dr. Escobar and I feel constitute actually a political issue that requires a political solution. We have to bear in mind the argument that with the military bases staying in Panama, this could justify economic compensation to our country for the use of such bases. Therefore, we would like to find out whether it would be possible to find some kind of a formula of a mixed or ambivalent nature which could serve the U.S. Government in the sense that it could avoid stating that it was giving economic compensation, a matter

which we understand is very difficult, and at the same time would serve us, and allow us to say that for the use of the airspace the military installation, and some other privileges, over the next 23 years, our country could obtain some benefit.

ESCOBAR: That is the general framework of the ideas we wanted to present to you. We know that the matter of an annuity is one which can be satisfactorily arranged by the economists of both countries. We also know that the United States, in fact, would help considerably in the economic development of Panama. It would do so with pleasure because it is a country which believes in development. The political problem for us is to find through some formula, through some avenue the solution which will make possible the approval of the treaty by the Panamanian people. We must receive some cash amount before, or at the time of, entry into force of the treaty. Let me explain why. At the time the treaty goes into force, we will not be otherwise in a position to produce an immediate reduction in unemployment. We will not be able to solve some of the basic needs of our country. This our people will not understand and they will reject the treaty. On the other hand, with the adoption of our own emergency plans, we could create favorable conditions and favorable attitudes regarding both positive and negative aspects of the treaty. We have an immediate need to satisfy economic problems in our country. We are not trying to say what sum this should be. That could be worked out as we progress in the negotiation of the treaty. The money is not important to General Torrijos nor is it important to us. It is important from the political point of view in the context of having the treaty approved.

We confront a difficult problem of attitude in our country. We might present to the people of our country all the documents we want signed by the highest authorities in the United States, yet our people will feel frustrated because they believe that the U.S. will not live up to those commitments. That is the interpretation people give to your actions in our country. People do not believe in what we are doing and they say that anything we sign with the United States is going to be worthless because they do not trust the U.S. I am sorry to say so, but I have to be frank and that is the atmosphere that exists in our country. Therefore, there must be some way for our people to really see that the United States is serious in its negotiation with the United States and the only way to demonstrate it to them is with money. Money that we can use to provide employment, health, and schools. These should be funds that are not subject to programs, but to use at our own initiative. When the people of our country hear about a program of loans, they feel much resentment. They do not understand such a

program and they do not like it. We know better, and we realize that these programs can be useful. Yet our people don't understand these programs and they want to see something more concrete. This is what we need to present a treaty that will be approved. We must make efforts now to find the way to return the faith of our people so that they believe in the possibility of better relationships with the United States. In order to do so, we cannot proceed from theory to reality or from hope to material realizations, but on the contrary, we have to start from reality and we have to start from material accomplishments.

I must also say that General Torrijos is the only person who has managed to hold things under control in Panama. In our country we have many individuals who have been trained in Cuba, in North Korea, in China and in the Soviet Union. However, we have managed to contain them for many years. We feel that when those individuals who are now restrained are released, the outcome might be more costly to the United States than would be the economic or cash compensation we are seeking now. We might reach a time when it is not possible to control those elements in our society any longer. That is why we ask the two U.S. negotiators, that they don't allow that current of opinions to overcome the present Government of Panama, because though it would be very hard on Panama, it would be much more costly to the United States. These individuals could paralyze the Canal operation at will in spite of the efforts of our government. You are well informed of their existence, we have always communicated with you whenever they have been arrested or whenever they have planted in the Canal Zone or when they have attempted to interfere with the operation of the locks. It is for these reasons that we want to find a solution to the problem that we face and reduce the possibility of having the country fall under another type of regime. These threats are true facts of life in Latin America.

In other words our question, which we are posing to both of you now, is the following: Is it possible to undertake a search for some formula without immediate reference to an amount in dollars, that would permit the Government of Panama to handle a sum of cash, which would make it feasible for the treaty between the United States and Panama to succeed, or do you feel it is not going to be feasible to find such a formula? I very frankly have to say that we are going to have very hard and difficult meetings during the course of the next week when we return from Panama. We must be able to say that the economic arrangements do not depend exclusively on income derived from tolls or on financial loans. We must be able to say that it will be possible for the Government of Panama to handle a certain amount of

monies in cash. If you really feel that this is going to be impossible, please tell us. We will quote you at our meetings in Panama. I feel that if this is the case, I will not dare continue negotiating with the U.S. on this matter.

LINOWITZ: Just for purposes of clarification, I would like to ask a question. You have said, if I have understood you correctly, that you were confident that it would be possible to agree on an annual payment under the terms of the treaty. That somehow a formula could be found to get approval for this concept.

ROYO: The figure you quoted was low. However, this could be a possible avenue.

LINOWITZ: That is to say if we could agree upon so many cents per ton?

ROYO: That could be a part of the economic package.

LINOWITZ: You heard President Carter's statement yesterday.⁸ Those are our instructions, and that is why it is important for us to know your answer to my question. Can we say that our Panamanian friends have assured us regarding the annual payment?

ROYO: Not with respect to the amount.

ESCOBAR: We are not here to discuss quantities.

LINOWITZ: However, we must know whether we are within the range.

ESCOBAR: As a starting point the answer is yes.

ROYO: If, in addition to the figures that you gave us with respect to certain toll values—it were not the only one and we could find other sources, then the figure is within the range of the reasonable. However, it would be crazy for us to say that if an increase of twenty-five cents might produce \$45 million, then an increase of \$1 or \$2 or \$3 might produce \$200, \$300, or \$400 million; it would be unacceptable to follow that kind of reasoning.

What we came here to find out is whether there might be any other formula, not necessarily one using income from tolls. In that case then we would be within what you call the range.

BUNKER: Are you talking about sources outside the terms of the treaty?

ROYO: That doesn't matter to us.

LINOWITZ: However, it is very important for us. It is of the utmost importance to us to know whether you accept that concept within the

⁸ See footnote 3 above.

context of what is possible within the terms of the treaty. This is the question that we will be asked, and we need a reply to that question.

ESCOBAR: I want to make two statements. First, that you and Ambassador Linowitz appear to be very shocked. Secondly, that you need not be shocked. You know as a good lawyer, that in a treaty, certain issues can be stated concretely and others can be stated in generic terms. This arrangement can be worked out in another document. And I trust that we have the time and the imagination to find such a formula.

LINOWITZ: If we are asking you this question, it is because we will be asked this very same question by individuals who are not good lawyers. They will ask us what did you accept in the treaty.

ROYO: As a courtesy to us, we want to ask you, our colleagues, not to place us in a quandry, not to corner us and leave us no way out.

LINOWITZ: I understand that you do not want to commit yourselves now.

ROYO: Not regarding any amount, only regarding an agreement on seeking a formula to satisfy our request.

We have not come here to discuss between the four of us all of the economic aspects. However, formulas must be found. Those formulas will not be found by the economic team. They will study the financial arrangements, the specific economic development plans and will advise us on quantities. Yet, here we are dealing with a political issue and that is to try to find a formula.

LINOWITZ: Are you telling us you are satisfied that we can find a solution to the economic issues?

ESCOBAR: Not exactly. Regarding the annuity, if it were to be increased, the concept is acceptable. However, other economic aspirations remain and we have to find formulas following different criteria.

ROYO: We want an answer to the following question. Are you ready to find a different formula to those that have been presented to satisfy the concepts that we have explained to you during our lunch?

LINOWITZ: It is now rather late, and we will have to leave by 3:15 this afternoon.

ROYO: We do not expect a formula to be evolved now. But we want to know whether there is a will to find a formula and we are aware of the fact that you have imagination and great experience and great knowledge of the U.S. Government, especially Ambassador Bunker has many years of experience in the U.S. Government, and this remark is not intended as an offense to you, Ambassador Linowitz, but we should tell you that though we don't expect to hear any figures,

any amounts, today we do wish to know whether there is a will to find a formula so that we can go back to Panama, and quote that Ambassador Linowitz and Ambassador Bunker are working in search of a formula that will not imply a possible denial by Congress, and that you will do so while we are consulting in Panama.

ESCOBAR: We are going back to Panama and we are going to be asked the following question. Is the U.S. ready to give an amount in cash to Panama and we are not asking you to name that amount, in order to solve the problem of the treaty, or is this not the case. We pose this question in the context of the problem of the military bases. The answer to this issue we feel is crucial at this meeting.

ROYO: If we go back and present a formula that includes only income from the tolls and the possibility of loans, I do not think we can return. In fact, I know it.

BUNKER: We will try to work something out with our economic team.

ROYO: However, the economic team appears to be operating with limitations. Regarding the intent, they are only looking at financing loans and with very little money at that. Yet, that is not why we are here. It is the political problem we are presenting here which is the real one we have to deal with in Panama. To give you an example, we have been told that some thought is being given to some kind of corporation with a capital of \$360 million. That the Panama Canal Company owes the U.S. Treasury a certain amount. With this amount a joint or mixed corporation could be created. The U.S. could contribute the Panama Canal Company debt and Panama would contribute its natural resources and its geographic location. The joint corporation with income from the tolls, plus a yearly amount that the Panama Canal Company owes the Treasury could provide a figure of about \$65 million. This amount resulting from tolls and income from the Panama Canal Company owed to the Treasury, could be used for economic development projects in Panama. It would, in addition, serve to obtain funds in the international monetary market. This has been one of the possibilities that has been stated.⁹ However, this does not solve the problem that we are bringing up today. Namely, the matter of a cash compensation for the presence of military bases during a period of 23 years after the date of entry into force of the treaty. We sincerely believe that it would be possible to find some kind of formula that would accomplish this and would be acceptable to the U.S. The answer to that question is the one that we will need when we return to Panama to answer the first and the last question that will be posed.

⁹ See footnote 7 above.

BUNKER: The formula would apply to the military bases?

LINOWITZ: Which of the following two are you suggesting? A lump sum in advance as payment for military bases during the life of the treaty, or yearly payments?

ROYO: It would be in the manner of compensation from the day of entry into force for the 23 years during which there would be military bases.

BUNKER: Would it be a yearly payment or a lump sum payment?

ESCOBAR: That is something that our economic teams can work out. What we must answer is whether we are going to submit a treaty that will be accompanied by a cash consideration or that will not have such a characteristic. I feel that ways can be found and we must explore them either now or later but we must take back to Panama an answer to the effect that you are willing to consider the possibility that Panama receive a cash amount.

ROYO: The principal question is whether it will be possible to devise a formula that takes into account not only tolls and financing but also a cash payment.

BUNKER: This is something that Ambassador Linowitz and I will have to raise. We are willing to raise this question.

ROYO: For us, that is a response. That you will undertake internal consultations to this effect. We in turn will wait for the outcome of your consultations. I personally feel that it should not be very difficult to find a formula. I would like to know with certainty that our explanation has been clearly understood, that we have been clear in our presentation and that our points are understood by you.

LINOWITZ: Yes, your points are clear. Yet, you should know that we will be asked what is the rest of the agreement with our Panamanian friends on issues of economic compensation. What else is involved in the terms of the Treaty? If we are to seek some formulas, we must know whether there are still other economic problems pending. And that is why we needed you to be more specific. Otherwise it would be harder to get an answer.

ROYO: The entire Panamanian negotiating team will now go to Panama and will work on all the issues. We cannot be very specific regarding the tolls; regarding whether the twenty-five cents is okay, or the \$34 million in 1978, or the \$45 million average. However, we shall be discussing these issues.

We cannot be more specific regarding the problem of the corporation. Nor can we be more specific on the issues which are being discussed by Mr. Solomon and Mr. Cooper with Mr. Gonzalez and Mr. Barletta. However, we will study those points also. On Monday, July 11, they are going to have some talks and these matters will be discussed,

including references to the quantities involved.¹⁰ Yet we are insisting that those two should not be the only two alternatives. That we must find another alternative to save the treaty. We cannot be specific now as to the quantity, nor do we want to be. Because we would wish the United States to propose the amount. How much you believe would constitute a dignified cash consideration for Panama. We don't want an answer today.

One point which is of great importance is the form or manner in which you undertake your consultations. If you state that in addition to the \$45 million from tolls and the financing formulas agreed, should Panama receive anything in addition, then the persons you talked to will respond negatively. However if you consult them in terms of considering not only income from the tolls or financing plans but what other solution to Panama's economic problems can be provided in view of the presence of the United States military bases in Panama for 23 years, as well as other privileges, and whether this would not justify a decision of the United States Government to offer a just and reasonable compensation, then the persons you consult will respond affirmatively. As far as we are concerned, it all depends on the manner in which Ambassador Bunker and Ambassador Linowitz undertake the consultations and present the concerns and the message that Panama wishes to see transmitted.

ESCOBAR: In closing I would just like to add one more sentence. The more generous you are with the Government of Panama regarding the cash consideration, the more capable we will be on the other hand to deal with the problems of the annuity and the financing programs, and vice versa.

LINOWITZ: Two brief points. First, as Ambassador Bunker has stated, we will raise the question fairly. You can rest assured that you have no better friends or stronger champions for your cause than we

¹⁰ Negotiations resumed the week of July 11–15 and focused on economic arrangements and lands and waters. In a July 15 memorandum summarizing the negotiations, Dolvin wrote that the Panamanians reduced their economic demands to a lump sum payment of \$460 million in cash, \$150 million annual annuity, and help in refinancing their debt and securing loans for development. On July 14, the U.S. offered an annual annuity based on 30 cents per Panama Canal ton. A package derived from meetings with Cooper and Solomon was agreed to: \$200 million loan from the Federal Finance Bank, \$100 million Export/Import Bank loan, possible guarantee for the Panama National Bank to borrow \$20 million from OPIC, and a USAID housing guarantee program loan of \$75 million over 5 years. At a July 14 lunch meeting between Bunker, Linowitz, Escobar, Gonzalez, Royo, Barletta and Contreras, the Panamanians suggested: an annuity based upon 50 cents per Panama Canal ton; any savings from reduced expenses in the operation of the new Canal Authority be paid to Panama; Panama Canal employees pay an income tax to Panama; an increase in Export/Import bank commitments; and that Vance designate Panama for special assistance. (Washington National Records Center, IA Region Files, 1974–1979: FRC 330–87–0068, 1976 Update Memos Negotiating Round)

are. You can trust us to present your point of view. Secondly, and this is a personal matter, yet I feel I should mention it to you in all fairness, in another five weeks my Ambassadorial appointment as negotiator comes to an end. Between now and the tenth of August when the appointment ends, I will be able to help you along on this issue. I just wanted you to know that it is a six-month Presidential appointment that I am serving under and I wanted to make you aware of the fact that it cannot be extended. Until then I will be with Ambassador Bunker ready to help you.

(LUNCHEON MEETING ENDED AT 3:30 P.M.)

59. Memorandum From Secretary of State Vance to President Carter¹

Washington, July 8, 1977

[Omitted here is information unrelated to Panama.]

2. *Meeting with Messrs. Bunker and Linowitz*: I met today with Messrs. Bunker and Linowitz to discuss the current state of the Canal discussions which resume on Monday.² Since the last meeting of the negotiators there have been meetings between the Panamanian experts and a group of experts on our side (which include Dick Cooper, Tony Solomon and Ted Van Dyke of AID), to discuss questions relating to possible economic assistance.³ Our people will complete their analysis this week. The big issue which is now being raised is the Panamanian demand for payments related to our use of military bases during the term of the Canal treaty, i.e., from the date of approval of the treaty until the year 2000. I told Ellsworth and Sol that this would raise very difficult problems with the Congress and we would want to consider any suggestions which they might have only in light of an overall assessment of the total economic consequences of the new Canal agreement.⁴ I asked them to put together a paper on this next week and said that

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject Files, Box 18, Evening Reports (State), 7/77. Secret. Carter initialed the memorandum and wrote: "Cy."

² July 11.

³ No record of meeting minutes has been found. See footnotes 7 and 10, Document 58.

⁴ Carter wrote in the left margin: "This will make Congress approval almost impossible."

we put this into the NSC so that you will have a chance to take a look at the facts and get our recommendations.⁵

[Omitted here is information unrelated to Panama.]

⁵ See Document 69.

60. Action Memorandum From the Assistant Secretary of State for Congressional Relations (Bennet) to Secretary of State Vance¹

Washington, July 14, 1977

Panama Canal Hearings by Senator Allen's Judiciary Subcommittee
Issue for Decision

We must designate a Department representative to testify July 22 at an open hearing on the Panama Canal being held by the Senate Judiciary Subcommittee on Separation of Powers chaired by Senator James Allen (D-Ala.).

Background/Analysis

Senator Allen has invited you, Ambassador Bunker, and Ambassador Linowitz to testify at this hearing. (His letter to you is attached.)²

The announced purpose of the hearing is to examine the constitutional authority of the Executive to dispose of US Government property and territory by means of a new Panama Canal treaty. However, it is clearly an attempt by treaty opponents, who dominate this Subcommittee by a four-to-one margin, to publicize the case against a treaty in the final crucial stage of the Canal negotiations.

While we cannot avoid providing a witness, it is essential to minimize the exposure which the hearing receives and to limit the opportunity for the Committee to delve into the treaty negotiations in an open

¹ Source: National Archives, RG 59, Central Foreign Policy File, P770138–0754. Limited Official Use. Drafted by Beckel and cleared by Hansell, Moss, and Guthrie. Vance's initials are stamped on the memorandum.

² The letter, dated July 5, is attached but not printed.

hearing prior to the conclusion of a new treaty. This view is shared by the White House staff, the negotiators, and the Defense Department.

Invitations have also gone to two Defense officials—Canal Zone Governor Parfitt and General Macauliffe, who heads the Southern Command. Defense intends to provide only Governor Parfitt, who will appear with the understanding that his testimony will be confined to factual data on Canal operations and will not enter into the negotiations.

I believe that the best solution would be to have Legal Adviser Herbert Hansell appear as the Department witness. This choice can be justified on the basis of the subject of the hearings. It will also facilitate confining testimony to the legal/constitutional issues and avoiding discussion of the negotiations. In addition, it will provide less of an incentive for media attention than would an appearance by you or the negotiators. The negotiators and L concur in this view.

Recommendation

That you authorize us to inform Senator Allen that Legal Advisor Hansell will be the Department witness at the hearings, with the understanding that he will testify on the legal/constitutional issue and will not address the substance of the negotiations.³

APPROVE_____

DISAPPROVE_____

³ Tarnoff indicated that Vance approved the recommendation on July 16.

61. Memorandum From Secretary of State Vance to President Carter¹

Washington, July 15, 1977

[Omitted here is information unrelated to Panama.]

6. *Panama*: Prospects for reaching early conceptual agreement on a treaty dimmed somewhat this week as Panama continued to insist on an unacceptable high level of economic payments from the United States and reopened, in some significant areas, the question of lands and waters involving the military sector. On payments, Panama, while showing some flexibility, continues to demand benefits substantially beyond the Canal's revenue generating capacity.² Panamanian and U.S. representatives have had useful talks and are continuing to explore various possibilities. Panama's attempt to reopen several areas of the lands and waters issue stems from Panamanian National Guard efforts to assert a need for larger military areas to strengthen joint defense operations.³ Bunker and Linowitz are continuing their extensive consultations with Congress.

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject Files, Box 18, Evening Reports (State), 7/77. Secret.

² Carter highlighted this sentence, underlined "beyond the Canal's revenue generating capacity," and wrote in the left margin: "We will break off talks if they insist on this. I would not try to sell it to American people."

³ In telegram 4930 from Panama City, July 8, Jordan reported that Contreras had entered the negotiations to ensure that defense-related issues were resolved to the satisfaction of Torrijos and the Guardia Nacional. (Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, Lot 81F1, 1964–1977, Box 127, POL 33.3.2/Land and Water July 1977) On July 12, Contreras presented a new lands and waters position which contained far reaching changes to the current position. He requested to have a number of additional sites and areas be turned over to Panama as a result of the treaty. On July 15, the Americans responded to the new position by rejecting nearly all of the Panamanian requests, which displeased Contreras. The memoranda of conversation for the July 12 and 15 negotiations with Contreras are in the Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, 1964–1977, Lot 81F1, Box 127, POL 33.3.2/Land and Water July 1977.

62. Letter From President Carter to Senator Thurmond¹

Washington, July 20, 1977

To Senator Strom Thurmond

Thank you for your letter of June 15.² I agree that the Panama Canal retains strategic and commercial importance for the United States. I also clearly understand the concern that you and your colleagues have expressed about negotiations on a new Panama Canal treaty, and I respect the military judgments of the four former Chiefs of Naval Operations.³ My goals are the same—to preserve unfettered access to the canal for our naval and merchant fleets. But I believe that the prospects for attaining those objectives are poor if we simply insist on maintaining the status quo.

We are negotiating because we want to protect our basic national interest in Panama—a canal that is open, efficient, secure and neutral.

I intend that the new treaty will specify that the United States will operate, maintain and defend the Panama Canal for an extended but finite period of time. After the treaty's termination, the United States and Panama will ensure that the canal remains open to the ships of all nations on a non-discriminatory basis. These provisions will be just as binding as are those of the treaty presently in force between the United States and Panama.

Sincerely,

Jimmy Carter

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 39, Pastor, Country, Panama, 7/77. No classification marking. Identical letters were sent to Senators Byrd, Helms, and McClellan on July 20. (Ibid.) In a July 20 covering memorandum forwarding the letters to Carter for his signature, Brzezinski explained the Department was preparing a "more detailed and specific set of counterarguments to specific points raised in the letter to you." (Ibid.)

² See Document 51.

³ See footnote 2, Document 51.

63. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, July 21, 1977

SUBJECT

Whither a Panama Canal Treaty?

The Canal Treaty negotiations have reached an impasse, and unless there is a breakthrough soon, we will not be able to complete a treaty in time for Senate ratification by *early 1978*. If we permit the treaty negotiations or ratification process to extend beyond March 1978, the issue will get entangled in the campaign, and ratification might prove impossible.

Our negotiators have proposed the following economic concessions, which would be apart from a treaty:

1. The interest payments—\$18 million (which will serve as security for a loan of \$200 million.)
2. An Export-Import Bank pre-commitment to loan approximately \$100 million.
3. An OPIC loan guarantee of \$20 million.
4. An AID package of \$80 million over five years.
5. Increased taxes on U.S. employees.

This package has not been put forward as a formal proposal, but the problem is that it still does not come anywhere near satisfying the Panamanians, who have asked for \$150 million annually and \$465 million in a lump-sum payment. While not enough for Panama, this economic package may, I fear, already be much more than what the Congress will accept.

I recommend that a meeting of the National Security Council be convened as soon as possible to consider the proposals on economic concessions, to review the final negotiating instructions and provide guidance to the Negotiators, and to decide on a final strategy for completion of the treaty. If we have indeed reached an impasse, then the options for trying to break it include:

- A phone call from you to Torrijos.
- A phone call from you to Presidents Oduber, Perez, and Lopez Portillo (of Costa Rica, Venezuela and Mexico, respectively).

¹ Source: Carter Library, National Security Council Institutional Files, Box 63, PRC 027 Panama 7/22/77. Secret. Sent for action. Dodson wrote: "Mrs. Dodson's ofc notified per Rick Inderfurth 7/21" on the memorandum, which was initiated by Carter.

- And/or a meeting between Ambassadors Linowitz and Bunker and the Ambassadors from Costa Rica, Venezuela, Mexico, and Colombia to convey the urgency of the negotiations and solicit their help.

RECOMMENDATION

That a meeting of the National Security Council be called to consider final negotiating instructions and strategies.²

² Inderfurth wrote at the end of the sentence: “Or a PRC under Vance,” and “N.S.C.” to the left of the recommendation. He added a second recommendation: “P.R.C. under Vance.” Carter checked the approve option for the second recommendation and wrote “J” beneath the recommendations.

64. Briefing Memorandum From the Assistant Secretary of State for Congressional Relations (Bennet) to Secretary of State Vance¹

Washington, July 22, 1977

SUBJECT

Gravel on the Panama Canal—Possible Evening Reading

FYI: The negotiators believe the sea-level treaty issue can be detrimental to the negotiations.² I am not at all convinced that Gravel’s

¹ Source: National Archives, RG 59, Central Foreign Policy File, P770138–2209. Unclassified. A stamped notation and his written initials indicate Vance saw the memorandum.

² In a May 5 letter to Carter, Gravel outlined a proposal advocating the delayed ratification of the treaty and the immediate pursuit of a legislative package that included an updated sea-level canal study by the U.S. Government. (Library of Congress, Manuscript Division, Linowitz Papers, Box CL–1, Government Service, Pan Canal Treaties, Sea Level Canal Proposal, 1977) According to the President’s Daily Diary, Carter met with Gravel to discuss the Panama Canal on July 13 from 2–2:25 p.m. (Carter Library, Presidential Materials, President’s Daily Diary) In a July 21 memorandum to Vance, Bunker and Linowitz argued that backing a sea-level canal would have an overall negative effect on the negotiations: “First, it would signal a firmer U.S. intention to build a sea-level canal than Panama now perceives we hold . . . Second, it could very well cause the Panamanians to question our interest in bringing the present negotiations to a successful and rapid conclusion . . . Third, the proposal, if it became known, could also diminish potential support for a new treaty in Congress.” (Library of Congress, Manuscript Division, Linowitz Papers, Box CL–1, Government Service, Pan Canal Treaties, Sea Level Canal Proposal, 1977)

approach will pave the way for a treaty on the Hill, although it is intriguing. One thing is certain, however: We *must* make sure that all of us—the President, the negotiators, DoD and State—are singing the same tune. Otherwise we will certainly be carved to pieces on the Hill. I believe you should consider talking to the President rather than writing on this subject. We have a heavy Panama schedule on the Hill next week—see the attached excerpt³ from this week’s legislative report to the White House—and need to have our position in order.

With that preamble, here is some possible material for the President:

I had breakfast with Mike Gravel at your suggestion.⁴ He outlined his proposal for a sea-level canal. His presentation certainly gives one the feeling that we are spending a lot of energy and political capital on the past rather than on the future as we negotiate the Canal treaty. Gravel now recognizes, however, that success in the present negotiations is critical to future good relations with Panama.

I am sure Gravel reviewed the Congressional picture with you—particularly his idea that we might sign the Treaty but not seek a two-thirds vote in the Senate until we have paved the way with some enabling legislation by majority vote in both Houses. Gravel proposed a legislative package consisting of the following elements:

—Pension and other labor legislation to reassure the Americans in Panama,

—Authorization for a \$7 million update on the existing sea-level Canal studies,

—Authorization for the President to transfer lands, so that we could begin to disengage even before the Treaty is signed,

—Provision for transferring some measure of responsibility for operation of the Canal to Panama

—Toll increases to help Panama finance the cost of services for which it will assume responsibility.

Gravel’s legislative strategy may have merit, and we will work out the implications in detail. He believes the property transfer question can somehow be buried in an attractive legislative package and slip by without too much opposition; I am skeptical.

If we handle it creatively, the idea of a new canal in Panama could, I believe, be helpful in gaining support for a settlement on the old canal. People may feel more comfortable if they see the possibility that we and the Panamanians may be building toward a promising joint enterprise in the future rather than simply disengaging from an unsatis-

³ Not attached.

⁴ In a July 15 memorandum Bennet told Vance that Gravel reported after briefing Carter on his Panama Canal proposal the President had asked whether Gravel had briefed Vance. Gravel requested an appointment with Vance and a breakfast meeting was set for July 22. (National Archives, RG 59, Central Foreign Policy File, P770138–1490) An unknown hand inserted “Mike” before “Gravel.”

factory past relationship. We must not, however, allow the sea-level canal idea to gain currency as an *alternative* to a new treaty.⁵

⁵ An unknown hand highlighted this paragraph.

65. Minutes of a Policy Review Committee Meeting¹

Washington, July 22, 1977, 11 a.m.

SUBJECT

Panama Canal Negotiations

PARTICIPANTS

State

Secretary Cyrus Vance
Richard Cooper
Terence A. Todman

Negotiators

Ambassador Ellsworth Bunker
Ambassador Sol Linowitz

Treasury

Secretary Michael Blumenthal
Arnold Nachmanoff

Defense

Charles W. Duncan
H. Juckly

Office of the Secretary of the Army

Clifford Alexander
Lt. Colonel William S. Carpenter

Joint Chiefs of Staff

Lt. General William Y. Smith
Lt. General Welborn Dolvin

CIA

Dr. Robert Bowie
[*name not declassified*]

NSC

Zbigniew Brzezinski
David Aaron
Thomas Thornton
Robert Pastor (Notetaker)

SUMMARY

The Last Round of Negotiations

Ambassador Bunker began by reviewing the latest round of the negotiations, which has focused on economic arrangements. The Panamanians began with a proposal which called for extremely large payments to the Panamanians; they have since reduced their claims by

¹ Source: Carter Library, National Security Council Institutional Files, Box 63, PRC 027 Panama 7/22/77. Secret. The meeting was held in the White House Situation Room. All brackets are in the original except those indicating text that remains classified.

about half, although it still remains too high for us. Our Negotiators informed their counterparts that the President would only accept compensation by way of toll increases, and they offered 25 cents per canal ton (requiring approximately a 25 percent increase in tolls). They have since increased their offer to 30 cents. This could probably generate about \$50 million in revenues to Panama, though no one can be certain. It is possible that a further increase in tolls (two increases in the past three years have totalled 50 percent) would generate lesser revenues, perhaps a deficit. While raising tolls does not require Congressional approval. Undersecretary Cooper pointed out that Congressional approval might be necessary to get the increased revenues transferred to Panama.

Lands and Waters

In response to a question by Secretary Vance on whether the part of the treaty dealing with the transfer of lands and waters to Panama was completed, Deputy Negotiator General Dolvin explained that the Panamanians had just reopened that issue and made demands for bases (including all those on the Atlantic side), which the JCS consider essential for the defense of the Canal. Ambassador Linowitz explained that Torrijos feels that he needs the complete support of the National Guard to defend the neutrality treaty, and thus he appointed Colonel Contreras to the negotiating team, and Contreras has just upped the ante.² There are also other labor-related issues which have been raised recently, and remain to be negotiated.

Sea-level Canal

Linowitz said that the President's remarks in Yazoo City introduced a complicating factor into the negotiations.³ During the last round, the Panamanians asked to be compensated for the right to an option to build a sea-level canal. The Negotiators rejected that proposal, but in the light of the President's remarks, they believe the Panamanians will ask for more money for the sea-level canal option. They are also concerned that it will hurt our efforts to persuade Congress, which will wonder why a new treaty for an obsolete canal is necessary. Bunker agreed with Linowitz that it will delay negotiations, and that Gravel's proposal for enabling legislation to transfer some facilities to Panama would delay and conceivably jeopardize the negotiations and ratifica-

² See footnote 3, Document 61.

³ In his remarks in Yazoo City on July 21, Carter discussed the treaties and stated that, "in the future, I would say that we will need a sea level Panama Canal that can handle our large warships and the large tankers and freighters that are part of international commerce now." (*Public Papers: Carter, 1977, Book II, pp. 1326–1327*)

tion of the final treaty.⁴ Moreover, debate on the “enabling legislation” would raise all the questions—in particular, jurisdiction—that a new treaty would raise, only it would call for two battles instead of just one.

Vance said he was not aware of Gravel’s desire to delay the signing of the treaty, and he felt that Gravel’s proposals for a sea-level canal were not yet finalized. Both Vance and Brzezinski said that the President’s remarks could conceivably strengthen rather than weaken our bargaining position vis-a-vis Panama. If a sea-level canal will be valuable and if Panama cannot finance it without our guarantee, then our hand will be strengthened, particularly when Panama realizes the money that will flow into Panama during construction.

Economic Arrangements

Cooper outlined the “ideas” which were suggested to Panamanian negotiators as a way to be responsive to their economic demands. In addition to the annuity of \$50 million through the increase in the tolls, the “package” has come to include:

1. A pre-commitment by the *Export-Import Bank* to loan up to \$200 million (the Panamanians were told about only \$100 million, and the Export-Import Bank subsequently increased it) for specific projects over a five-year period after a treaty is ratified.

2. Investment guarantees for up to \$20 million from OPIC.

3. Up to \$75 million in AID Housing Investment Guarantees over five years.

4. An increase in \$5–10 million in AID loans to Panama. (AID opposes this as well as the Housing Guarantees (HIG) because Panama already receives much more in loans than its size or per capita income would warrant. Representative Fascell would need to be consulted on the HIGs because he is opposed to using it for resource transfer.)

5. Use \$10 million of the interest payments to co-finance with Panama up to \$200 million in capital development projects in the Zone.

This summed to \$495 million in loans and guarantees (without the AID loans). Treasury Secretary Blumenthal said he favored the OPIC guarantees *least* since Congress would view it as backdoor financing. The housing guarantees were O.K. with him. Blumenthal said that the data on Canal revenues were not adequate to judge how much a 30 cent per ton increase would provide in revenues, and he asked who would pay for the deficit. He recommended that we tell the Panamanians that we will not guarantee any revenues to them.

⁴ See footnote 2, Document 64.

Linowitz said that Barletta expected that the \$200 million loan (which would be financed by \$10 million in interest payments) would become a *grant*, and all agreed that he should be disabused of that impression immediately. Linowitz said that our Ambassador in Panama, Bill Jorden, is trying to do that.

Cooper also said that the Panamanians have asked for rent for U.S. military bases, but we have not responded yet. Lt. General Smith (JCS) said we should not pay for bases which we use to help defend them.

Congress

Secretary Vance reminded everyone that the President has not yet approved any of this proposed package. With the exception of the AID loans, he thought that the package would require Congressional consultations, but not appropriations. Though Congress has not yet been consulted comprehensively, he had a preliminary reaction based on conversations with several Senators:

1. Loan money does not bother them.
2. Grants of money to disturb them.
3. They see *some* justification for paying for bases, though they believe the payment should be small.

Linowitz said that Congress would accept the 30 cents per ton annuity.

Blumenthal said that he had just received a letter from Senator Allen asking him to testify on July 29 on whether it is permissible to conclude an economic package separate from a treaty. Allen clearly believes that it should be part of the treaty, and all at the PRC meeting agreed that for political purposes, it would be *perceived* as part of a package, even though it might be legally separable.

Negotiating Strategy

Blumenthal asked the Negotiators about the best kind of strategy to deal with the Panamanians: Should we be flexible, giving up our position reluctantly and by increments, or should we present our final, bottomline proposal to them, and make crystal clear, that that is it? Bunker recommended the latter strategy, and said that Panamanian Ambassador Lewis had said as much to him. Linowitz said that we should present a firm proposal but retain a little flexibility at the bottom.

Brzezinski wondered whether we should not *pause* from negotiations to analyze the economic proposals in greater detail, to assess the implications of the President's remarks, and to take soundings on the Hill.

Linowitz said that a pause might be interpreted as a break-off of negotiations, and it could very easily provoke riots in Panama.

Blumenthal said that we should not take a risk by pausing or stopping, but should continue negotiations.

Presidential Letter to Torrijos/Consulting with Other Latin Americans

Linowitz and Bunker said that they believed there was an urgent need for the President to send a letter to Torrijos basically stating support for the general positions taken. Vance and David Aaron questioned whether a letter would be useful now before soundings were taken on the Hill or before the President reviewed the whole package. General Smith said that the letter should also refer to the lands and waters issue. Clifford Alexander said the letter might be useful for Torrijos: “he needs a victory to get the heat off of him.”⁵

On the question of whether we should communicate with the other Latin American Presidents like Oduber, Lopez Portillo, Perez, and Lopez-Michelsen, Linowitz said he thought it would be counterproductive at this time since Torrijos might perceive it as an attempt to put direct pressure on him.

Summary

Vance summarized by saying that it was “the reluctant consensus” that we ought to recommend to the President that we give serious consideration to a loan-type package, though there is some question about the exact elements and quantities. The memorandum should include a comment on the likely Congressional reaction to this package and also whether the Panamanians will accept it.

Brzezinski said that he felt we had been pushed too quickly to accept the package, and we should pause to reconsider it. Linowitz said that if we can justify it on its merits—basically the need to contribute to Panamanian development so that they can be a complete, stable, and mature partner in the operation of the Canal—then we can sell it. Brzezinski said that we should be sure Congress will accept it before proposing it to the Panamanians.

Vance said there were three questions which needed answering:

1. Will the Congress accept it?
2. Will Panama accept it?
3. Will it be O.K. with the Latin Americans?

Linowitz and Bunker felt that the loan package would be acceptable to the Latin Americans, but they were not sure if it was enough for the Panamanians (and whether it was too much for the Congress).

Cooper said that there were various ways to improve the chances that the Panamanians would accept, though he recognized that these

⁵ See Document 72.

proposals—an income tax on U.S. citizens in the Zone (\$7–10 million), bases rental of \$10 million, interest payments of \$10 million, plus \$50 million from toll increases = \$80 million—would make it more difficult to sell it to Congress. Blumenthal said that the taxes would be a bad precedent, and would only yield \$3–5 million.

Vance concluded the meeting by saying that the letter for the President would be ready by the weekend and the memorandum by next Tuesday.⁶

⁶ July 26. See Document 67.

66. Intelligence Information Cable Prepared in the Central Intelligence Agency¹

Washington, July 24, 1977

SUBJECT

Optimism of General Omar Torrijos that complete agreement with the United States on Canal Treaty talks will soon be achieved

ACQ

[location not declassified]

SOURCE

[2 lines not declassified]

TO STATE

No distribution except to Mr. Harold Saunders

TREASURY

No distribution except to Mr. Foster Collins, Special Assistant to the Secretary (National Security)

1. During meetings with the Panamanian Canal Treaty negotiating team on 21 July 1977, General Omar Torrijos Herrera, Chief of Government, stated that the treaty talks appeared to be in the final phase and

¹ Source: Carter Library, National Security Council Institutional Files, Box 63, PRC 027 Panama 7/22/77. Secret; Priority; Noform; Nocontract; Orcon. Sent to the Departments of State and Treasury, and to SDO, D/CRG, DCI, NSC, D/ORPA, and WHSITRM. All brackets except those that indicate omitted text are in the original.

that he was optimistic² that complete agreement could be reached with the United States on all outstanding issues by the end of July 1977. Torrijos said the United States was preparing a new proposal on the compensation issue that apparently would come closer to Panama's position on this issue. Torrijos commented that Panamanian negotiators Romulo Escobar Bethancourt and Aristides Royo would return to Washington early in the week of 25–31 July to pursue the compensation talks and that the remainder of the team would stay in Panama to continue work.³

2. At one point during these meetings with Torrijos, Foreign Minister Nicolas Gonzalez-Revilla expressed strong disapproval of U.S. tactics with regard to the compensation talks. However, Rodrigo "Rory" Gonzalez, treaty negotiator and confidant of Torrijos, answered the foreign minister by saying that Panama could not continue negotiating this issue indefinitely, that it was now necessary to reach a final agreement. Rory Gonzalez said there would not be another opportunity to reach a final agreement because Panama's economy could not stand two more years of uncertainty regarding a Canal treaty.⁴ (*[less than 1 line not declassified]* Comment: Senior Panamanian officials interpret Rory Gonzalez's remarks to mean that Torrijos has decided to arrive at the best possible formula now, with no further delay in the negotiating process.)

3. Torrijos and the Panamanian negotiators also discussed plans for a possible meeting of Chiefs of State of Panama, Colombia, Venezuela, and Costa Rica in Bogota on 30–31 July.⁵ Torrijos said Gonzalez-Revilla was working on plans for the meeting, which would take place if final conceptual agreement were reached with the United States on

² An unknown hand underlined "Torrijos" and "appeared to be in the final phase and that he was optimistic."

³ An unknown hand underlined "would return to Washington early in the week of 25–31 July to pursue the compensation" and "would stay in Panama to continue."

⁴ An unknown hand underlined "Rory Gonzalez" and "Panama could not continue negotiating this issue indefinitely, that it was now necessary to reach a final agreement. Rory Gonzalez said there would not be another opportunity to reach a final agreement because Panama's economy could not stand two more years of uncertainty regarding a canal treaty."

⁵ An unknown hand underlined "plans for a possible meeting of chiefs of state of Panama, Colombia, Venezuela, and Costa Rica in Bogota on 30–31 July." The leaders of Panama, Colombia, Costa Rica, Mexico, Jamaica and Venezuela met in Bogotá August 5–6. In telegram 7313 from Bogotá, August 8, the Embassy provided a summary of the summit, which Torrijos called to review the progress of the canal negotiations. The chiefs of state issued a joint communiqué, a portion of which dealt with the negotiations and was generally laudatory of Carter and Torrijos. (National Archives, RG 59, Central Foreign Policy File, D770284–0977) See footnote 2, Document 73.

the new treaty.⁶ Torrijos commented that he hoped to be able to first inform these heads of state privately that the treaty talks had culminated in an agreement that was satisfactory to Panama, and then after the meeting to make a public announcement. (*[less than 1 line not declassified]*) Comment: although Torrijos was optimistic while discussing plans for a Chiefs of State meeting, he gave the impression that such a meeting would not take place if conceptual agreement were not reached with the United States during the final week of July.)

4. Torrijos also raised once more the idea of meeting with the President of the United States at some point following the Bogota meeting.⁷ Torrijos suggested that such a meeting would allow the two heads of government to make a joint public appearance that would formally indicate their backing of the conceptual agreement, and thus set the stage for drafting the new treaty instrument.

5. Senior Panamanian government officials do not believe the current lands and waters discussions, headed by Lieutenant Colonel Armando Contreras, G-3 of the National Guard (GN), represent a possible stalemate in this phase of the negotiating process. The outstanding lands and waters issues are technical rather than political in nature, according to the Panamanian technicians involved in the talks. Also, although Contreras takes part in sessions other than the technical lands and waters talks, members of the Panamanian negotiating team claim that he has not influenced other aspects of the negotiations.

6. The Panamanian negotiators who will remain in Panama will continue studying the draft treaty presented by the U.S. negotiators during the week of 18–23 July. The Panamanian negotiators have criticized certain aspects of the U.S. draft treaty, but to date no serious substantive discrepancies have surfaced. The Panamanian negotiators are currently preparing a separate draft treaty as a counter-proposal which will be presented to the U.S. for consideration in arriving at a final document. Members of the team are hopeful that a Panamanian draft can be completed by early August.

7. The meetings with Torrijos were held throughout the afternoon and evening of 21 July. Persons attending the meetings in addition to Escobar, Gonzalez-Erevilla, Royo, and Rory Gonzalez included Nicolas Ardito Barletta, Minister of Planning and Economic Policy; Adolfo Ahumada Corcho, Minister of Labor; Eligio Salas Dominguez, Rector of the University of Panama; Carlos Lopez Guevarral and Diogenes

⁶ An unknown hand underlined "the meeting which would take place if final conceptual agreement were reached with the United States on the new treaty."

⁷ Carter and Torrijos held a meeting by telephone on August 24. See Document 85. They also met at the White House on September 6, the day before the treaty was signed. See Document 94.

De la Rosa, Treaty Advisors; Abraham Saied, Minister of Public Health; Ernesto Perez-Balladares, Economic Advisor to Torrijos; Carlos Ozores Typaldos, Deputy Foreign Minister; and Ruben Dario Herrera Perdomo, Member of the National Legislative Commission. (*[less than 1 line not declassified]*) Comment: there were no GN officers present during these meetings.)

8. [*location not declassified*] Dissem: [*dissemination information not declassified*] report class secret/warning notice-sensitive intelligence sources and methods involved—not releasable to Foreign Nationals—not releasable to contractors or contractor/consultants—dissemination and extraction of information controlled by originator. Classified by recorded reporting officer. XGDS-2, advance copy transmitted State Treas CIAOPSCEN.

67. Memorandum From Secretary of State Vance to President Carter¹

Washington, July 25, 1977

SUBJECT

Panama Canal Treaty Negotiations: Proposed Letter to General Torrijos and Preliminary Meeting with Panamanian Representatives

Background:

As you know, in the present negotiations with Panama we find ourselves confronted with the major issues of economic arrangements and lands and waters.

Economic Issues

Ambassador Bunker and Linowitz have put forward an annual payment proposal to the Panamanians, first of 25 cents per ton and later 30 cents per ton over the life of the treaty. At the same time Under Secretary Cooper and Treasury Under Secretary Solomon have been discussing with Panamanian representatives an economic package dealing with Panama's economic development program.²

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents, 1977. Secret.

² Vance derived much of the information in this memorandum from a July 20 memorandum sent from Bunker and Linowitz. (National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents, 1977)

The Panamanians originally sought an annuity payment of \$300 million per year and have now reduced it to \$150 million per year. In addition they originally asked for a \$1 billion “down payment” which they have now reduced to \$460 million. The economic package which Cooper and Solomon are trying to put together would result in no grants but over \$400 million in economic loans and guarantees.

Panama has been adamant in insisting on economic payments and arrangements in the range of its own proposals and has asserted disappointment in the amounts we have discussed preliminarily. We have made no proposals on economic assistance.³

Lands and Waters

Recently, Panama tabled a number of additional demands for military areas generated by its National Guard, which did not become directly involved in the negotiations until early July.⁴ These demands were primarily concerned with (a) sites near the Canal for use by Panamanian units; (b) changes to the proposed rules governing use of the major training areas in the present Canal Zone; and (c) changes in the status of selected U.S. defense sites.

Our Deputy Negotiator for Defense has indicated that most of these new Panamanian demands are unacceptable because they would prevent the United States from adequately fulfilling its responsibilities for Canal defense.

Current Status:

On July 20 our Ambassador to Panama spoke with Panama’s Ambassador Lewis and indicated clearly and firmly that the Panamanian economic aspirations were “outside the real world” and that at the next meeting with Cooper and Solomon the United States would be as forthcoming as it could be.⁵ Ambassador Lewis responded that he thought that the Panamanians would be most surprised and disappointed. He said it was imperative that General Torrijos be personally informed of the United States position in an authoritative fashion and suggested that this could only be done by a direct message from you. He further said that he thought that unless such an approach were taken it was “not only possible but almost inevitable that there would be a rupture in the talks and that this might lead to confusion, disruption and violence.” On the other hand, he thought that the course he

³ An unknown hand underlined this sentence and wrote “added” after it.

⁴ See footnote 3, Document 61.

⁵ The July 20 memorandum from Jorden to Linowitz and Bunker documenting this meeting is in the National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents, 1977.

recommended had a good chance of defusing the situation and keeping the negotiations on track.

By Wednesday,⁶ you will receive an analysis of the options which PRC has prepared for your decision on U.S. economic assistance to be put to the Panamanians.⁷

We believe that you should meet with Ambassador Lewis and Panama's two chief negotiators within the next few days and indicate to them that you have a message for General Torrijos which you would like them to deliver. You might then say:

—that you would like to impress upon General Torrijos your strong advocacy of a new and fair treaty between the two countries and your deep hope that such a treaty and the sense of partnership that would follow could set an example for the world;

—that you believe⁸ major progress has been achieved in treaty talks in the past few months and intend to give the treaty your strongest personal support and to mobilize Congressional and public opinion behind it;

—that you understand the matter of economic payments is the most important unresolved issue and that the United States is making and will continue to make every reasonable effort to deal with the matter fairly and sympathetically but within the very powerful restraints under which the whole treaty problem has to be approached in the United States.

—that you ask the Panamanian representatives to deliver the message to General Torrijos that the offer which we will make will be the most that we can undertake.

Recommendations:

1. That you agree to send a message to General Torrijos as suggested in the attached draft.⁹

2. That you agree to see Panama's Ambassador Lewis and the two chief Panamanian negotiators to ask them to deliver the message to General Torrijos.¹⁰

⁶ July 27.

⁷ An unknown hand underlined this sentence, bracketed the paragraph, and wrote "added" in the left margin. See Document 69.

⁸ An unknown hand underlined "believe" and wrote: "[illegible] 'you are satisfied'" above the sentence.

⁹ Attached but not printed. The final version of the letter was sent on July 29. See Document 72.

¹⁰ See Document 71.

68. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, July 26, 1977

SUBJECT

Summary of the PRC Meeting on Panama and a Letter from You to Torrijos

At the Policy Review Committee meeting on Panama on July 22,² the PRC decided to send you a memorandum recommending a package on economic arrangements for your consideration. Secretary Vance has promised to send his memorandum by Wednesday.³ Ambassadors Linowitz and Bunker and Secretary Vance recommend that you meet with the Panamanian Negotiators and give them a letter stating clearly and firmly your commitment to reach an early agreement. At Tab B⁴ is Secretary Vance's memorandum recommending such a meeting and at Tab A⁵ is the suggested letter from State, which has been cleared by Jim Fallows. At Tab C is a summary of the PRC meeting.⁶

The reason for the urgency in sending the letter before you decide on the final negotiating instructions is that Panamanian Ambassador Lewis believes it imperative that you communicate directly with General Torrijos about our position on economic arrangements. He said that unless such an approach is taken, he believes it "inevitable" that negotiations will break down. This is not the first time that Ambassador Lewis has urgently requested White House involvement, and as the intelligence report at Tab D⁷ suggests, his interpretation of recent developments does not appear to be accurate. That report suggests that Torrijos is prepared to conclude an agreement. If Torrijos is indeed ready to complete negotiations, then he must be basing his judgment on the "package" which was suggested by our Negotiators in the last few weeks. It is outlined as a series of "ideas" in the summary of the PRC meeting (Tab C, page 3).

The letter (at Tab A) is intended to be a general statement of support for the Negotiators, but I believe it implicitly commits you to the

¹ Source: Carter Library, National Security Council Institutional Files, Box 63, PRC 027 Panama 7/22/77. Secret. Sent for action. According to a July 25 memorandum from Pastor to Brzezinski, the memorandum was hand carried to Carter on July 26. (Ibid.)

² See Document 65.

³ See Document 69.

⁴ Tab B, attached, is printed in Document 67.

⁵ Attached but not printed.

⁶ Tab C, attached, is printed in Document 65.

⁷ Not attached. The intelligence report is printed in Document 66.

“package” of proposals before you have had an opportunity to review them. In the letter, you mention that the formal proposals, which we will make, *will be less than the Panamanians expect*. That is the way the package has been described to them in the past. The letter commits you to “working as closely as possible . . . on improvement of Panama’s economic health and development.” It also virtually bars any more discussion of the lands and waters issue.

I would recommend that you delay in communicating with Torrijos until you have had an opportunity to review the current issues at stake. I do not think that a delay of two–three days would in any way jeopardize the negotiations; the far greater risk is that you send a message to the Panamanians, which could be interpreted incorrectly.

RECOMMENDATION

That you delay in sending a letter to Torrijos until you have reviewed the status of negotiations and decided on our response to their proposals.⁸

⁸ Carter did not indicate his approval or disapproval of the recommendation. Brzezinski wrote under the recommendation: “Alternatively, that you sign only *after* you have talked to Linowitz/Bunker, and before you see Panamanian Ambassador Lewis.” At a meeting with Bunker and Linowitz on July 29, Carter expressed a desire to meet with Lewis, Escobar, and Royo before signing the letter. See Document 71.

69. Memorandum From Secretary of State Vance to President Carter¹

Washington, July 28, 1977

SUBJECT

Panama Canal Treaty Negotiations

ISSUE

This memorandum sets forth the PRC conclusions regarding economic arrangements that might be offered to Panama in the context of the treaty negotiations.

PRC RECOMMENDATIONS

1. *A treaty provision for a variable annuity payment of 30 cents per Panama Canal ton transiting the Canal.*² This annuity payment would be expected to yield Panama an average income of about \$45–50 million per year. This offer anticipates an initial toll increase of 30 to 35 percent over existing levels. (There is uncertainty regarding future cost and revenue projections.)

2. *A best-effort commitment to a \$295 million economic cooperation program which would be implemented by separate economic arrangements including:*

a. *An Eximbank pre-commitment of up to \$200 million for a five-year period.*³ This arrangement would be attractive to Panama because of its plans for large projects that will require sizeable imports which would come from the United States. Eximbank appears to favor increasing its “exposure” in Panama once the treaty issues is settled.

b. *AID housing investment guarantees totaling \$75 million over a five-year period.* This instrument would require Congressional consultation (for example, Congressman Fascell of Florida, a treaty supporter, opposes the use of housing guarantees for resource transfer purposes).

c. *An OPIC guarantee of \$20 million for borrowing in United States capital markets by Panama’s public development bank.* Although there is no precedent for a foreign entity guarantee, OPIC has such authority if it wishes to exercise it. We would anticipate a guarantee of approximately \$20 million for a loan meeting OPIC’s normal requirements.

¹ Source: Carter Library, National Security Council Institutional Files, Box 63, PRC 027 Panama 7/22/77. Secret. Carter initialed the memorandum.

² Carter placed a checkmark in the right margin next to this sentence.

³ Carter placed a checkmark in the right margin next to this sentence.

The program would be well received by Panama because it would quintuple the development bank's lending capacity.

3. *A supplement to either the annuity payment or the economic cooperation program by use of money now received as interest on U.S. net direct investment in the Canal.* These payments are expected to amount to about \$20 million a year (legislation establishing the new Panama Canal Administration could be designed to provide for these payments to be continued during the treaty period) and could, if you approve, be used in either of the following ways:

a. The U.S. and Panama could engage in *co-financing* of revenue-producing capital development projects in the Canal area. Projects would be selected and developed by a U.S.-Panamanian government commission. The U.S. share of co-financing (which would not exceed 50 percent of any single project) would be lent by the Panama Canal Administration (PCA), which would borrow as needed up to \$200 million from the Federal Financing Bank (FFB). (Congressional authority would be required for this.) The \$200 million borrowing would be secured by the \$20 million annual payment from Canal Administration revenues which would be held in a special account at the Treasury. Loan repayment schedules would provide for project and FFB loans to be repaid before the end of the treaty period. A variation on this arrangement would allow the FFB to re-lend to the PCA during the treaty period as loans are repaid, as long as no more than \$200 million in loans from the FFB were outstanding at one time. This variation would increase the total amount of finance available, but would require that another U.S. agency guarantee repayment of amounts falling due beyond the treaty period.

b. Alternatively, the U.S. could offer Panama an additional fixed *annual payment*. The money for this payment would come from the amount received annually by the U.S. from the Canal Administration. Panama might attribute part of this payment as military base "rental".

We recommend that this payment be either (according to the judgment of the U.S. Negotiators):

(i) \$10 million per year (\$220 million over the lifetime of the treaty), or

(ii) \$20 million per year, payable only if Canal revenues permit (up to \$440 million over the lifetime of the treaty.)

These two arrangements, 3a and 3b, share a common difficulty. The only complete projections we have of Canal Administration revenues and expenses show moderate losses during the early treaty years, and these projections are not presently reliable with regard to revenues and expenses over a greater number of years. Yet since 3a and 3b depend on Canal revenues, their success could be threatened by the possibility of losses.

We would therefore take the following cautionary measures:

With regard to the Federal Financing Bank co-financing proposal: Should it not be possible to meet shortfalls by such means as raising tolls, cutting operating costs, or borrowing, the \$20 million U.S. interest payment should have at least an equal claim as Panama's annuity payments on the Canal Administration revenues. Thus, if the Canal Administration, in an *in extremis* situation, were forced to reduce U.S. interest payments that year, Panama's annuity payments should be reduced *pari passu*.

With regard to the fixed payment alternative, we would offer Panama only half the U.S. interest payment—\$10 million annually on a firm basis, or the full \$20 million annually only if Canal Administration revenues permit. Treasury opposes the former because it believes that if substantial deficits occur and if costs cannot be cut or tolls raised further, the only way to meet a fixed payment to Panama would then be borrowing from the Treasury—which would mean that the payment would be financed from U.S. rather than Canal revenues. Ambassadors Bunker and Linowitz favor the former because of their view that a pledge of funds on an “if available” basis will be unacceptable to the Panamanians so long as the U.S. maintains control of management of the Canal. Furthermore, we believe that the remaining \$10 million in interest payments to the Treasury, combined with possibilities for cost-cutting from current projections of Canal expenses or toll increases provide ample assurance against the need to borrow to cover the \$10 million payment to Panama.

In either case, payments not received by Panama could be made up when Canal Administration surpluses are sufficient to cover them.

DISCUSSION

The package proposed by the PRC is realistic in light of our constraints. It is also flexible in that it can be tailored to Panama's needs and aspirations, as well as its capacity to absorb developmental assistance.

We have not, however, consulted Congress on the details of a financial package, and would emphasize that consultation would be desirable before the package is put to the Panamanians. Congress clearly does not relish the idea of paying anything to give up the Canal, but this package, consisting of loans and guarantees rather than grants, can probably be sold on the Hill. Each element of the package expands the number of committee jurisdictions affected, and therefore increases the opportunities for hostile Members to attack the package. Fortunately, however, treaty supporters will play major roles in the oversight committees with jurisdiction over the package. For example, Chairmen of the key subcommittees on Eximbank matters—Congressman Neal and Senator Stevenson—are basically favorable to the treaty. And, as

has been mentioned, Congressman Fascell, who generally objects to the use of housing guarantees for resource transfer purposes, is favorable to the treaty, and could well drop his opposition in this case in deference to the treaty.

Panama has asked for a \$460 million lump-sum payment at the treaty's start and annual payments of \$150 million. In contrast, the suggested U.S. position would provide Panama no grants, but \$300 million in loans and guarantees and annual annuity payments of \$45–50 million per year. This could be supplemented by either \$200 million of additional loan commitments or \$220–440 million in added annuity payments over the life of the treaty. While the package is consistent with our objective of not paying Panama excessively (and paying them only from Canal revenues), it is possible that Panama will reject it.

In developing the recommended package, several additional elements (AID-supporting assistance, Panamanian taxation of U.S. citizen employees, and a larger annuity) were considered in order to make the package more appealing to Panama. They were rejected, however, as too politically sensitive or, in the case of a larger annuity, possibly not supportable by Canal revenues.

Existing AID program levels will continue to be recommended to the Congress. Increases of \$5–10 million in this program are possible, but have not been included because Panama already has a high level of assistance relative to its size and per capita income.

We believe that Panama's current position is not its "bottom line." Whatever the case, ours is a reasonable offer. While Panama might not accept that offer, we should make it to demonstrate our good faith and reasonableness.

ACTION REQUESTED:

That you indicate your preference for the following elements of the economic arrangements proposal, bearing in mind that our presentation to the Panamanians will be contingent on successful Congressional consultations.⁴

⁴ There is no indication of approval or disapproval of the recommendations, but in an August 3 memorandum to Vance, Brzezinski wrote: "Pursuant to the President's discussions with Ambassadors Bunker and Linowitz on Friday, July 29, the President approved in general the approach outlined in your memorandum of July 28, 1977, subject to further reports." (National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents, 1977)

	<i>Approve</i>	<i>Disapprove</i>
A. Variable annuity of 30 cents/ton (\$45–50 million/year)	_____	_____
B. Eximbank pre-commitment of \$200 million	_____	_____
C. AID housing investment guarantees of \$75 million	_____	_____
D. OPIC guarantee of \$20 million	_____	_____
E. Military assistance of \$50 million	_____	_____
F. Use of U.S. interest payment:		
<i>Either</i>		
1. To secure FFB lending (\$200 million)		
<i>Or</i>		
2. To make fixed annuity payments of up to \$20 million per year if Canal revenues permit (up to \$440 million)		
<i>Or</i>		
3. To make fixed annuity payments without condition of \$10 million per year (\$220 million)		
For use at the discretion of the Negotiators:		
Approve all	_____	
Approve 1 and 2 only	_____	
Approve 1 and 3 only	_____	
Approve 2 and 3 only	_____	
Disapprove all	_____	

70. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, July 28, 1977

SUBJECT

Panama Canal Treaty—Last Decisions

You will be meeting with Ambassadors Bunker and Linowitz and Panama's negotiators Friday morning at 9:30 a.m.² Our Negotiators recommended that you do that to convey directly to them and indirectly to Torrijos your strong commitment to a new treaty and your equally strong feelings about what the United States can do economically to help Panama and more importantly *what the U.S. cannot do*. To do that, you will probably first want to examine and make decisions suggested in Secretary Vance's memorandum attached at Tab A.³

As a result of the discussions with the Panamanians on the various elements of the economic package, our Negotiators believe that the Panamanians *expect* an economic package and that negotiations would break off if we did not present one. So the issues for decision have narrowed to:

- How big should the package be?
- What items should be in it?

As a way of underscoring the importance of these decisions, let me just sketch very briefly two alternative scenarios which might follow from these decisions.

Scenario I.

If you decide on a small package or, for that matter any package which is not satisfactory to the Panamanians, then it is quite probable that negotiations will indeed breakdown. With equally high probability, there will be rioting in Panama, which will spill over into the Zone.⁴ The Canal would be jeopardized and relations with Panama and all of Latin America and the developing world would be seriously, perhaps irreparably, harmed.⁵

¹ Source: Carter Library, National Security Council Institutional Files, Box 63, PRC 027 Panama 7/22/77. Secret. Sent for action. Carter initialed the memorandum.

² See Document 71.

³ Tab A, attached, is printed as Document 69.

⁴ Carter underlined "negotiations will indeed breakdown" and "rioting in Panama."

⁵ Carter underlined "Canal would be jeopardized" and "relations with" and "all of Latin America and the developing world would be seriously" and "irreparably, harmed," and placed two exclamation points in the right margin.

Our negotiators believe that if you accept the package recommended by Secretary Vance that we could justify that position internationally. They believe that the Latin Americans will readily acknowledge it as a positive and reasonable offer, and as a result, that Torrijos will be forced to accept it.⁶

Scenario II

If you decide on the full package, and the Panamanians accept it, then it is quite possible that the Senate would not ratify the treaty. All agencies agree that the fight in Congress will be much tougher if such a package exists. A defeat in the Congress on this issue will not only jeopardize the Canal and our relations with Panama and Latin America; because you will have to invest so much of your political capital in this effort, a defeat might strike a significant blow at your overall effectiveness.

Thus, the decision is a momentous one, and you might first want to consult with the Vice President, who has been meeting periodically with Senators to discuss this issue, and with Hamilton Jordan, and also perhaps to speak with several Congressional leaders (Byrd, Cranston, and Humphrey will probably take the lead on this issue).

The decisions become even more difficult when one examines the individual elements in the package. *Raising tolls* by 30–35 percent will cause serious economic and more serious political problems with U.S. (and foreign) shippers, who still complain over the two toll increases (totalling about 50 percent) in the past two years. On the other hand, the economists say that the Canal would increase its revenue as a result of the toll hike, though it is hardly certain that it will earn as much as \$40–50 million.

On the other elements of the package—Eximbank, AID Housing Guarantees, OPIC, military assistance—we will clearly need more detailed consultations, but the important point is that they will be viewed as parts of an overall package with a bottom-line dollar figure of \$345 million (plus \$50 million from tolls = \$395 million). On the question of the use of interest payments, both State and Treasury are indifferent on whether we should use the \$20 million to establish a \$200 million co-financing scheme or as a fixed payment. The co-financing scheme may not be acceptable to Congress, but the alternative of a fixed payment provides the Negotiators with a fall-back position. Where State and Treasury disagree is whether we should guarantee a fixed payment (State prefers) or guarantee such a payment *only if revenues permit* (Treasury and I prefer).

⁶ Carter underlined “Torrijos will be forced to accept it,” and wrote: “Very dramatic!” in the right margin.

I should stress that Bert Lance has not cleared this yet.

State has also prepared Talking Points for you at Tab B.⁷ We will meet with you for a few minutes before the Panamanians join the meeting. I understand that the Panamanians are expecting a letter from you to Torrijos, but if you prefer, I am sure they would be satisfied to convey just an oral message.

⁷ Attached but not printed.

71. Memorandum of Conversation¹

Washington, July 29, 1977, 9:30–9:45 a.m.; 9:45–10:30 a.m.

SUBJECT

Summary of the President's Two Meetings (1) With American Negotiators; and (2) With Panamanian and American Negotiators

PARTICIPANTS

President Jimmy Carter
Vice President Walter Mondale
Secretary of State Cyrus Vance
Dr. Zbigniew Brzezinski, Assistant to the President for National Security Affairs
Ambassador Ellsworth Bunker
Ambassador Sol Linowitz
Hamilton Jordan, Assistant to the President
Robert A. Pastor (Notetaker)
Anthony Hervas (Interpreter)

Only in Second Meeting
Ambassador of Panama, Gabriel Lewis Galindo
Ambassador Romulo Escobar (Negotiator)
Minister Aristides Royo (Negotiator)

SUMMARY OF MEETINGS

In Oval Office: Just Americans Present

The President told Ambassadors Bunker and Linowitz that he could not in good conscience go to the American people and explain to them

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File, Country Chron, Panama, 6–9/77. Secret. The first meeting took place in the Oval Office, and the second meeting took place in the Cabinet room at the White House.

that we are going to pay to give up the Canal. He said that he could justify the sharing of interest payments, the increase in tolls, and the loan guarantee package, but it was impossible to go any further. He said that the total volume of the package should include tolls. On the question of whether to give a fixed payment of \$10 million out of interest payments or \$20 million which would vary with the level of revenues, he said that he would leave it to the Negotiators, who are in a much better position to know. He said, however, that he was eager to conclude a treaty.

In talking about the meeting, Ambassador Linowitz suggested that the President stress his personal commitment to concluding negotiations and perhaps also mention that we will want to continue our partnership after the treaty is signed and to help Panama. Ambassador Linowitz then ran down the elements of the package including the 30 cents per canal ton to Panama and the \$10 million interest payment, and the President said "that sounds good," and agreed that he would not get into the details of the package in his discussions with the Panamanians.

The President also said that he wanted the meeting first, before signing the letter, but that he would look at it and sign it in the afternoon.² Ambassador Bunker said that Ambassador Jordan had suggested some of the language to please Torrijos, who as Ambassador Bunker said, had problems within Panama on the issues of neutrality, a U.S. military presence, and the fact that the U.S. will retain the dominant position during the life of a treaty.

The President said that both sides could put a good face on the package. Torrijos can talk about the total package, and we can refer to annual payments.

Second Meeting

In the meeting with the Panamanian Negotiators, while the press was there, the President expressed his deep appreciation for the superb work which all of the negotiators had done, and to their leader, General Torrijos, for his constructive attitude toward the negotiations. The President said that he is pleased with the great progress made in the negotiations and is eager and determined to rapidly conclude an agreement on a new treaty.

The President said that the major differences had been resolved, and he hoped that the remaining items could be dealt with quickly. He said that he would prepare a letter for them to take to Torrijos.

² See Document 72.

The President remarked that the Panamanian and American people were aware that negotiations had been difficult, but that all are eager to see the treaty negotiations conclude to show that a strong autonomous and independent Panama can work alongside a strong and independent United States.

After the press departed, the President said that he and Torrijos would both have a difficult job trying to convince their people that a treaty is in the best interest of both countries.

With respect to the remaining differences, which were primarily economic, the President said that it would be impossible for him to convince the American people that we are paying Panama to take a Canal which many Americans believe is ours. He said that we could solve this problem by giving Panama assurances of economic benefits that will meet their needs and would be acceptable to the American people. He said that the U.S. Negotiators will make a proposal in the near future which will include toll fees and loan guarantees. There is a great need to move rapidly to conclude negotiations so that the Senate can ratify the treaties early.

Finally, he said that he wanted to extend his personal good wishes to General Torrijos, and that he wanted to sign a treaty in a way which would be good for Torrijos and acceptable to the American people.

Dr. Escobar thanked the President and said that his words confirmed what the Panamanians had thought—that the President was determined to conclude a treaty, and because of that greater progress was made in the last six months than in the previous 13 years. He expressed his high regard for the U.S. Negotiators, and his optimism at the early conclusion of negotiations. President Torrijos had asked him to tell President Carter that he would be meeting in Bogota with the Presidents of Mexico, Colombia, Costa Rica, Venezuela, and later Jamaica on August 5 to permit him to give a detailed explanation of the negotiations.³ President Oduber had called the night before to tell the negotiators that he supported Panama's position, but that he thought the meeting could play an important role of informing public opinion, particularly in the United States, of the realities in Panama and in Latin America. Oduber had said that the meeting will reaffirm that the fundamental problem in inter-American relations is the Canal. Also, Torrijos planned to organize the final signing of the treaty for all Latin American Presidents in Panama.

Escobar mentioned that the Negotiators had completed the most difficult issues—like neutrality and the U.S. military presence—but

³ See footnote 5, Document 66.

other issues which remain include economic arrangements, the rights of workers, some lands and waters issues.

President Carter said that he would personally like to participate in the signing ceremony because he would like the people of both Panama and the United States to see a visible demonstration of the friendship of both countries.⁴

⁴ After the meeting with Carter concluded, Bunker and Linowitz met with the Panamanian representatives in the Roosevelt Room at the White House. (Memorandum for the files from Linowitz, July 29; Library of Congress, Manuscript Division, Linowitz Papers, Box 113, Panama Canal Treaties, Carter, Jimmy and White House Staff 1977, Feb–1978, Jan.)

72. Letter From President Carter to General Torrijos¹

Washington, July 29, 1977

Dear General Torrijos

I know you must be as pleased as I am that the negotiations between our countries on a new Panama Canal treaty have made so much progress over past months, and are now nearing completion. This historic treaty will serve as an example to the world of how nations can work together for the benefit of all.

You will be able to take great satisfaction in knowing that this historic advance was achieved through your personal leadership.

Two most important issues remain to be resolved as we search together for the fair and just treaty to which I am dedicated. They are lands and waters, and economic arrangements. The United States has made a number of major concessions in the lands and waters area during the past several months. For my country to make any significant further adjustments would handicap us unacceptably in operating and defending the Canal.

¹ Source: Carter Library, National Security Council Institutional Files, Box 63, PRC 027 Panama 7/22/77. Unclassified. In telegram 5463 from Panama City, July 30, the Embassy reported that Royo and Escobar held a press conference at Torrijos's home on July 29 during which they distributed copies of the letter to the press, gave a detailed account of the July 29 meeting with Carter (see Document 71), and answered questions. (National Archives, RG 59, Central Foreign Policy File, D770274–0316)

We are giving great thought to the question of economic arrangements, and are taking into account your goals and aspirations. The proposals on annual payments to Panama which our negotiators will soon present to your representatives will be the product of intensive analysis and an effort to be just and fair. The Departments of State and Treasury will soon have responses to your request for economic help. These, too, will be the result of very careful and thoughtful analysis.

It may be that these proposals will be less than you had expected or wished, but I hope that you will understand that they represent the most that we could undertake to do, based on our consultations with the Congress. In my best judgment, the proposals will be generous, fair, and appropriate.

Once a treaty has been negotiated, we will be looking forward to working as closely as possible with you on improvement of Panama's economic health and development. There will be many chances to cooperate effectively as we operate, maintain, and protect the Canal together. We fully intend to seize those opportunities.

I am confident that you understand the problems I face and the difficulties that lie ahead of me. Please be assured that I, too, am fully sensitive to the problems and difficulties that confront you.

I believe that, with understanding and patience, we can quickly achieve the goal that has eluded past governments and leaders in both our countries. I welcome the opening of a new era in our relations: one in which our people will cooperate fully in civilian endeavors and in military affairs.

I look forward with great anticipation to the day when you and I will sign a great historic document that will make our countries and our peoples real partners in the adventurous years ahead.

With warm personal regards.

Most sincerely,

Jimmy Carter

73. **Memorandum From Acting Secretary of State Christopher to President Carter**¹

Washington, August 2, 1977

[Omitted here is information unrelated to Panama.]

Panama. Ambassadors Bunker and Linowitz today outlined the economic package to Panamanian Minister for Planning and Development Barletta, emphasizing that we consider this package to be as far as we can go. Further talks are planned to explain to Barletta certain aspects of the Canal's financial operations. He clearly feels that more money is available for the annuity than we are prepared to offer. Notably, however, the Panamanians are no longer talking about a \$460 million lump sum payment and a \$150 million annuity.

The August 5 meeting of several Latin American Chiefs of State, called for by Torrijos, is going ahead as planned. We have provided several of our embassies with additional material on the negotiations so that they can brief host governments prior to the meeting. Mexican Foreign Minister Roel, whom we briefed yesterday, has said he will be helpful to us.²

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 18, Evening Reports (State), 8/77. Secret. Carter initialed the top of the memorandum and wrote: "[name not declassified]," next to his initials.

² Carter wrote: "Let's do the same with others" in the left margin. On the day of the meeting, Carter sent the following message to the six Latin American presidents attending the meeting: "I extend to you my good wishes and my warm appreciation for your help and cooperation in helping us find a mutually agreeable basis for a new Panama Canal treaty in which we can all take pride." (Telegram 184493 to Bogotá, August 5; National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 1, Negotiating Round, 8/7–11/77)

74. Memorandum From Vice President Mondale to the Assistant to the President (Jordan)¹

Washington, August 2, 1977

SUBJECT

Consultations with Senators Nelson, Williams, Stafford, DeConcini and Anderson on Foreign Policy Issues, August 2, 1977

[Omitted here is a summary of the meeting.]

Panama. All Senators present agreed that the Administration will have to do a good job of telling the country why the new treaty with Panama is in U.S. interests. This, as you know, has been a recurring message during my consultations with members of the Senate. They believe the President and the Administration will have to go to the people not only via television from Washington, but also through “work in the hinterlands” to explain the importance of the new treaty and the reason it is in our national interest. Senator Nelson noted that while he has a flow of mail against the U.S.-Panama negotiations, he has not had a single letter in favor of the negotiations. Senator Stafford said that if people in America, including people on the right, had a better understanding of the specifics of the negotiations—including the fact that American troops will be able to stay and the fact that the U.S. will be able to intervene to safeguard the canal’s neutrality after 2000—that there would be increased support for the negotiations. The Senators want to be supportive, but they alone cannot be expected to argue a new treaty’s merits. They believe the Administration will have to take a strong lead.

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, Office of the Chief of Staff, Hamilton Jordan’s Confidential Files, Box 36, Panama Canal Treaty, 8/77 (1). Confidential. Sent for information.

75. Memorandum From Ambassador at Large (Bunker) and Panama Canal Treaty Co-Negotiator (Linowitz) to President Carter¹

Washington, August 5, 1977

SUBJECT

Panama Canal Treaty Negotiations

Based on a message this morning from General Torrijos,² we believe it is entirely possible that agreement on a new treaty may be reached next week when we will be in Panama.

On the economic issue, the Panamanians have abandoned their excessive demands and are close to accepting our offer in the memorandum which you approved.³ Two elements of our economic arrangements offer were:

—an annuity of 30 cents per Panama Canal ton, to be paid from toll revenues.

—use of the U.S. interest payment (\$20 million per annum) as an additional payment to Panama either:

- a) \$10 million per year fixed; or
- b) \$20 million per year as Canal revenues permit, with shortfalls in payment to Panama to be made up in surplus years.

They have asked for modifications to our offer in order to reach agreement. We recommend that you approve two changes which in our opinion are justified and which we would be in a position to offer *provided that* the Panamanians indicate prior acceptance of our positions on all the other outstanding issues (expansion, lands and waters, etc.).

We believe that with the following modifications in our proposal, we may be able to reach agreement:

a) adjustment of the 30 cents per ton annuity to reflect inflation over the years, based upon a U.S. index or any other index which the U.S. selects, *and*

b) with regard to the use of the interest payment:

- (i) a commitment to Panama of \$10 million per annum, plus
- (ii) an additional \$10 million *only if* Canal revenues permit (again, shortfalls in this payment would be made up in surplus years).

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 61, Panama: Canal Treaty of 1977, 8/77. Secret.

² Not found.

³ See Document 69.

Example:

1980: Assuming after payment of the obligated \$10 million to Panama there is a surplus of \$5 million (revenues over expenses), Panama would receive a total of \$15 million.

1981: Assuming after payment to Panama of the obligated \$10 million there is a surplus (revenues over expenses) of \$30 million, Panama would receive no more than \$20 million for the year but we may choose to make up the shortfall for the previous year by paying an additional \$5 million this year.

ACTION REQUESTED:

That you approve the modifications as outlined above.⁴

Approve_____ Disapprove_____

⁴ Carter checked the approve option and wrote: "J.C." beneath the recommendation.

76. Memorandum From the Assistant to the President (Jordan) and William Hyland of the National Security Council Staff to President Carter¹

Washington, August 6, 1977

SUBJECT

Status of Canal Negotiations

Ambassadors Linowitz and Bunker have drafted a status report on the negotiations for you, and it is attached at Tab A.

The provision on the sea-level canal, which Linowitz and Bunker recommend, was in fact drafted in Bogota last night by Torrijos and the Presidents of Venezuela, Mexico, Costa Rica, Columbia, and Jamaica. It may conceivably cause some problems with the Senate since it gives Panama the option of excluding the United States, and inviting other countries—e.g., the USSR—to join with Panama in building the canal.

¹ Source: Carter Library, Plains Files, President's Personal Foreign Affairs File, Box 3, Panama Canal, 8/77. Secret.

Our negotiators tried to get the Panamanians to give us a veto over third-country canal construction in Panama, along the lines of the following sentence:

“No new interoceanic canal will be constructed on the territory of the Republic of Panama during the lifetime of this Treaty except as herein provided or as the two governments may otherwise agree.”²

Panama’s negotiators said that the principle of reciprocity required that we, in turn, accept a prohibition from building a sea-level canal through any other country. Their suggested sentence, made with the strong support of the Presidents of Mexico, Venezuela, Colombia, and Costa Rica, is as follows:

“During the lifetime of the canal treaty the United States will not negotiate with third countries any interoceanic canal through any other route in the territory of the Western Hemisphere.”³

The 1970 Canal Studies Commission explored more than a dozen routes through Nicaragua, Colombia, and Mexico as well as Panama, and recommended the #10 route through Panama.⁴ There is little likelihood that if we chose to build a sea-level canal it would be anywhere else but Panama. Although it might be argued that the option to build a canal in a third country gives us added leverage over Panama, any hint of using such leverage would provoke such an adverse reaction in Latin America that, in effect, we couldn’t use it.

We suggest you might want to speak directly with Ambassadors Bunker and Linowitz on this. Essentially, the question at issue is whether to adopt the provision in the status report or the proposed two additions (U.S. and Panamanian). We should add that the Panamanian Ambassador just told us that the four Latin American Presidents (of Venezuela, Costa Rica, Mexico and Colombia) “personally request” you to accept the Panamanian sentence (if we insist on ours), and that our refusal would lead to a break in the negotiations.

I am also attaching a copy of the latest vote count in the Senate, which the State Department did.⁵

² Carter wrote: “No” in the left margin.

³ Carter wrote: “No” in the left margin.

⁴ A reference to the Atlantic-Pacific Interoceanic Canal Commission’s report: *Inter-oceanic Canal Studies, 1970: Final Report*. The Commission (also referred to as the Sea Level Canal Study Commission) was established in 1964 to determine the feasibility of a sea-level canal connecting the Atlantic and Pacific Oceans. The Commission was also charged with recommending the best site for such a canal, its cost, and the best means of constructing it, including the possibility of nuclear excavation.

⁵ Not attached.

Hyland spoke with Brzezinski who believes that on-balance we can accept the original Panamanian position without adding any further sentences on veto rights or prohibition against a canal in other countries (i.e., the language as presented in the attached status report).

In any case, Ambassadors Linowitz and Bunker will need your guidance before they depart for Panama tomorrow (Sunday) at noon.⁶

Tab A

Paper Prepared in the Department of State⁷

Washington, August 6, 1977

Status of Negotiations

Last night Ambassadors Bunker and Linowitz, at the residence of Panamanian Ambassador Lewis, talked by telephone with Panamanian Negotiators in Bogota and in Panama City. These conversations lasted from about 6:30 to 11:30 p.m., involved discussion of all outstanding issues, and brought us even closer to agreement on a new treaty.

As the U.S. Negotiators leave for Panama, the status of negotiations is as follows:

1. *Economic Arrangements*: Panama will accept our proposal (including use of an appropriate U.S. inflation index applied to the 30¢ per ton annuity, and including the fixed payment of \$10 million per annum plus another \$10 million if available from Canal earnings, subject to making up deficits from surplus in future years).

2. *Lands and Waters*: Most issues have now been settled on the basis of our recent negotiating position. We have agreed to explore under the treaty, settlement of remaining issues which have been in our discussions, and expect no major difficulty in their resolution.

3. *Sea-level canal*: The Panamanians this morning proposed the following sea-level canal provision instead of the one we had put forward earlier. Bunker and Linowitz believe it to be acceptable.

“The Republic of Panama and the United States of America, foreseeing the possibility that in the future a sea-level canal in Panama may have importance for international navigation, commit themselves, after the Panama Canal treaty enters into force and during its lifetime to study jointly the feasibility of a new interoceanic waterway on Panama-

⁶ Bunker and Linowitz arrived in Panama on August 7 to resume negotiations.

⁷ Secret. The paper is unsigned.

nian territory. Therefore, if the parties agree that such waterway is necessary in the interest of the Republic of Panama, the USA and world commerce, both countries will undertake to negotiate mutually agreeable terms pertaining to the construction of the new waterway.”⁸

4. *Miscellaneous*: A few minor issues remain such as the display of flags, coordination of port management, etc. No major difficulties are expected.

The outlook is that, barring quite unforeseen problems, we will be able to reach conceptual agreement early next week and that an announcement to that effect will be made in Panama. The negotiation of treaty texts is also proceeding quickly, and final texts will be ready before long.

⁸ Carter wrote: “Ok” in the left margin.

77. Memorandum From the Assistant to the Chairman of the Joint Chiefs of Staff (Smith) to the Military Assistant to the Secretary of Defense (Holcomb)¹

Washington, August 8, 1977

SUBJECT

Views of the Joint Chiefs of Staff on a Panama Canal Treaty

1. In response to the NSC staff request earlier today² for the views of the Joint Chiefs of Staff on a Panama Canal Treaty by COB today, the information below is provided. General Brown, following agreement by the other members of the Joint Chiefs of Staff, forwarded on 28 July a letter on this subject to Senator J. Bennett Johnston, with copies to

¹ Source: Washington National Records Center, OSD Files, FRC: 330–80–0017, Panama 821(16 July-Aug 1977). No classification marking. In an August 8 covering memorandum forwarding this memorandum to Dodson, Holcomb mentioned she had requested the statement of the views of the JCS on the treaty earlier that day and indicated the memorandum was “signed by the Chairman’s assistant, in General Brown’s absence, after checking with the Chiefs.” (Ibid.)

² See footnote 1 above.

Senators Robert C. Byrd, Cranston, and Chiles.³ The relevant part of the letter is quoted as follows:

“The position of the Joint Chiefs of Staff is that the Panama Canal is a major defense asset, the use of which enhances United States capability for timely reinforcement of United States Forces. Its strategic military advantage lies in the economy and flexibility it provides to accelerate the shift of military forces and logistic support by sea between the Atlantic and Pacific Oceans and to overseas areas. United States military interests in the Panama Canal are in its use, not its ownership. Any new treaty must assure that access to and security of the Panama Canal are protected in time of war and peace. This assurance may be met by a permanent, joint US-Panamanian guarantee that the canal will remain open to all world shipping at reasonable tolls, without discrimination, in accordance with specific rules of neutrality agreed to in the guarantee, and that Panama would take no action that would hamper efficient operation of the waterway. The strategic value of the canal is not expected to change substantially throughout the life of a new canal treaty and beyond so long as it provides the sole means of transiting ships across the American continent.

Defense of the Panama Canal has two components, i.e., internal security and external defense. Internal security under the current treaty is the responsibility of the Canal Zone Police and security forces reinforced by United States military units assigned to US Southern Command. Internal security is a problem of surveillance and control. In a hostile environment, even under the current treaty, continued operation of the canal cannot be guaranteed. Under a treaty which recognizes Panamanian sovereignty and jurisdiction over the canal, internal security would be the responsibility of the Government of Panama which has a vested interest in the continued operation of the canal. A period of transition would allow for a gradual assumption of that responsibility by Panama. A permanent joint guarantee of neutrality assures that the United States can act to protect its interests if required.

External defense of the canal under the current treaty is the responsibility of the US. Current plans provide for rapid reinforcement of Canal Zone forces from CONUS; the size and nature of these forces are dependent on the threat. Under any new treaty, the US will have primary responsibility for defense of the canal in conjunction with the Panamanian Forces during the period the US operated the canal. The Panamanian Guardia Nacional and the appropriate United States forces commander would develop plans in concert to provide for mutual defense. Provision for reinforcement from the United States would

³ Not found.

continue to ensure the United States interest in access to and use of the canal are preserved.

The preferred protection and defense of the canal would be in conjunction with a friendly Panama. A new treaty which provides a basis for development of a continuing friendly relationship between the United States and Panama is of significant importance in insuring that the Panama Canal will be available to the United States when needed. An effective neutrality guarantee, in conjunction with US defense rights and military presence throughout the period the US operates the Panama Canal, would adequately protect US military interests.

Once the US no longer operates the canal, an effective neutrality guarantee will provide adequate basis for safeguarding our interests in the canal.”

2. I trust this meets your requirement.

W.Y. Smith

*Lieutenant General, USAF
Assistant to the Chairman, JCS*

78. Telegram From the Department of State to Secretary of State Vance's Delegation in Israel¹

Washington, August 9, 1977, 0140Z

187106. Tosec 80213. For the Secretary From Christopher. Subject: Panama Canal Activity.

1. The President sent the following message to members of Congress by domestic telegram Sunday evening, August 7.

2. Begin quote: Today Ambassadors Bunker and Linowitz returned to Panama and it appears that negotiations for a new treaty may be concluded very soon. I believe you will be gratified by the result and believe the public will find we have achieved much more than had

¹Source: National Archives, RG 59, Central Foreign Policy File, P840072–1286. Secret; Immediate; Nodis. Drafted by Beckel, cleared by Thyden, and approved by Christopher. All brackets except those that indicate omitted text are in the original. From August 7–9 Vance was in Taif, reviewing the Middle East peace process with King Khalid and other senior Saudi officials. From August 9–11, Vance was in Jerusalem, reviewing the Middle East peace process with Prime Minister Begin and Foreign Minister Dayan.

been expected. I expect to be able to announce conceptual agreement shortly, and pledge my best effort to show the public that the treaty will advance our legitimate national security interests. I hope you can support the treaty. In any case, I urge you to reserve judgment on it until you have an opportunity to read the treaty, discuss with our negotiators, and examine it in great detail. Once you have, I am confident you will agree with me that the treaty will provide the best defense for the canal and lead to improved relations with Panama, all of Latin America and the Caribbean. Signed Jimmy Carter. End quote.

3. Additionally, a cable was sent to those Senators, identified by H, who have indicated support of a new treaty. That cable reads:

4. Begin quote: Today Ambassadors Linowitz and Bunker returned to Panama and it appears that negotiations for a new treaty may be concluded very soon. I believe you will be gratified by the result, and believe that the public will find we have achieved much more than had been expected. I expect to be able to announce conceptual agreement shortly, and pledge my best effort to show the public that the treaty will advance our legitimate national security interests. Your support of my efforts to seek an equitable treaty has been gratifying. Your continued support will be essential to achieve congressional approval of this historic treaty which I believe will provide the best defense for the canal and will lead to improved relations with Panama, all of Latin America and the Caribbean. Signed Jimmy Carter. End quote. (Both telegrams were drafted and distributed by H.)

[Omitted here is an action plan for the Panama Canal announcement procedures and a copy of the telegram forwarded to the White House.]

79. **Memorandum From the Assistant to the President (Jordan) and William Hyland of the National Security Council Staff to President Carter**¹

Washington, August 9, 1977

SUBJECT

Panama Canal Treaty

Attached is the background material you requested on the new Panama Canal Treaty: (1) Basic Elements and (2) Talking Points.

However, the latest report from Panama indicates the negotiations have slowed down somewhat today and that an announcement that an agreement in principle has been reached *may* be delayed for three or four days.²

The negotiators are encountering some new problems as they examine the new Panamanian draft of the treaty. We do not yet have a sense of how serious these problems are. In addition, the military negotiators working on the land and water issues have encountered minor problems. Under these circumstances, it would be best to hold off making any telephone calls until we have further word.

We will send you an update as soon as we talk to Bunker or Linowitz.

Attachment

Basic Framework for a New Panama Canal Treaty³

Washington, undated

Basic Framework for a New Panama Canal Treaty

1. *Canal defense.*

The United States shall have primary responsibility for the Canal's defense during the treaty's term. Panama will participate. A Status of

¹ Source: Carter Library, Plains Files, President's Personal Foreign Affairs File, Box 3, Panama Canal, 8/77. Confidential.

² In telegram 5677 from Panama City, August 9, Jordan reported that while the negotiations were proceeding at an intensive pace, a long list of matters remained to be covered before agreement in principle could be reached in all matters. Jordan questioned whether or not work on the remaining list could be completed that week. (National Archives, RG 59, Central Foreign Policy File, D770286–1220)

³ Confidential.

Forces Agreement similar to such agreements elsewhere will cover the activities and presence of our military forces.

2. Canal operation.

The United States shall have responsibility for Canal operations during the term of the treaty. It shall possess all necessary rights and shall act through a United States Government agency which will replace the Panama Canal Company. A policy level board of five Americans and four Panamanians will serve as the board of directors. Until 1990, the Canal Administrator will be an American and the Deputy Administrator a Panamanian. Thereafter, the Administrator will be Panamanian and the Deputy, American.

3. Canal operating and defense areas.

The Canal Zone will cease to exist at the treaty's start. The United States will continue to have access to and the rights to use all land and water areas and installations necessary for the operation, maintenance and defense of the Canal during the treaty period.

4. Neutrality.

Panama and the United States will maintain a regime providing for the permanent neutrality of the Canal including non-discriminatory access and tolls for merchant and naval vessels of all nations. United States and Panamanian warships will enjoy expeditious passage of the Canal at all times. Our freedom of action to maintain the Canal's neutrality is not limited by the treaty.

5. Economic arrangements.

During the treaty's life the United States will make an annual payment to Panama from toll revenues of 30 cents (to be adjusted periodically for inflation), per Panama Canal ton transiting the Canal.

—The United States will also pay Panama a fixed sum of \$10 million per annum, plus an additional \$10 million *if* Canal revenues permit.

—In addition, the United States will undertake, outside the treaty, to arrange an economic program of \$295 million to be implemented by separate economic agreements involving loans and guarantees.

6. Sea-level canal.

Panama and the United States commit themselves jointly to study the feasibility of a sea-level canal and, if they agree that such canal is necessary, to negotiate mutually agreeable terms for its construction.

7. Jurisdiction.

Panama will assume general territorial jurisdiction over the present Canal Zone at the treaty's start.

8. Duration.

The basic treaty will terminate on December 31, 1999. Our military presence will cease by the treaty's end.

Attachment

Talking Points on Canal Treaty⁴

Washington, August 9, 1977

Talking Points on Canal Treaty

We have reached agreement with Panama on the terms of a treaty to guarantee and modernize the Panama Canal's role as a neutral international waterway open to all nations on an equal basis.

—Our main objectives are to keep the Canal open, operating efficiently, neutral, and open to all ships on a nondiscriminatory basis. The Canal cannot remain open for long or be operated efficiently if we do not have the cooperation of the Panamanians since the Canal is extraordinarily vulnerable. (One person carrying a suitcase full of dynamite can blow up a lock or a dam and put the Canal out of business for two years.)

—The 1903 Treaty with Panama no longer reflects the many changes that have occurred in Panama, the United States, 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." Last week, in Bogota, our closest friends in the hemisphere—the democracies of Venezuela, Costa Rica, Colombia, Mexico, and Jamaica—issued a Joint Communique urging the United States and Panama to complete and ratify this new treaty.⁵

—There are two parts to *our agreement*: one deals with the operation, jurisdiction, and defense of the Canal, and it will remain in effect until the year 2000; the second part will give us the right to guarantee the neutrality of the Canal forever. During the 23-year lifetime of the basic Treaty, the United States will retain the primary rights and responsibilities necessary to operate and defend the Canal. But we will gradually seek to increase the role of Panama in both the operation and the defense of the Canal so that Panama will be ready to shoulder its full responsibilities after the year 2000. Our job will be to help Panama become a full partner. The Canal is their most important resource, and they therefore have a strong incentive to see that it works well.

—After the year 2000, the United States will not have the responsibility to directly operate or defend the Canal, but we will retain the rights *to take whatever action is necessary to guarantee its neutrality*.

⁴ Confidential.

⁵ See footnote 5, Document 66.

—At the Treaty's start, Panama will obtain *jurisdictional* rights over the Canal Zone. The United States will retain rights of criminal jurisdiction for U.S. civilians over a three-year period, and for our military during the life of the treaty (under a status of forces agreement, as we have with all our military bases overseas).

—The Canal will be *operated* during the Treaty's lifetime by an organization in which the United States will have effective control.

—The United States will continue to have access to all the *lands and water areas and defense facilities necessary* for the operation, maintenance, and defense of the Canal during the treaty period.

—*The United States will not have to pay any tax dollars* to Panama. Panama will share in the toll revenues (30 cents per canal ton, plus \$10 million, plus an additional \$10 million if revenues permit) and will receive approximately \$295 million in loans, guarantees, and Export-Import Bank credits.

—Panama and the United States will jointly study the feasibility of a *sea-level canal*, and if they agree that it is necessary, we will negotiate terms for its construction.

I have no doubts that this treaty will provide for the most effective defense of the Canal and will further our strategic, commercial, economic, and moral interests. In addition, I am confident that the new treaty will lead to closer political and commercial relations with all Latin American and Caribbean nations.

80. Telegram From the Embassy in Panama to the Department of State and the White House¹

Panama City, August 11, 1977, 0520Z

5731. Pan Canal Negotiators' Wrap-up. Ref: Pryce/Nadeau Telcon

1. Following a long hard afternoon's bargaining, negotiations were successfully concluded approx 5:30 p.m. when the principal negotiators agreed on the final few points separating the U.S. and Panamanian sides and were thus able to reach agreement in principle on new treaty.

¹ Source: Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, Lot 81F1, 1964–1977, Box 127, POL 33.3.2. Confidential; Niact Immediate; Exdis. Copies were sent to the White House. Drafted by William T. Pryce (S/AB), cleared by Moss (S/AB) and Wyrrough (ARA), and approved by Gonzalez.

2. After conclusion of the negotiations, U.S. chief negotiators, Ambs Bunker and Linowitz, joined with Chief Panamanian negotiator Romulo Escobar Bethancourt in a brief joint press conference. Amb Bunker read prepared text contained in State's 189535.² Escobar made short statement announcing agreement in principle and that further details will be made available following study by Chief of Government General Torrijos.

3. Following joint press conference Ambs Bunker, Linowitz and Jorden accompanied Panamanian negotiators on short cordial visit to Gen Torrijos who expressed satisfaction and pleasure at work they had accomplished.

4. Ambs Bunker, Linowitz and Gen Dolvin then held press backgrounder for U.S. media at Embassy residence. During backgrounder which began at 8:00 p.m. and lasted approx one hour Ambassadors drew heavily from conceptual framework paper which closely followed Canal Treaty Fact Sheet No. 2 contained State 6710.³ Press questions centered on defense topics.

5. Ambs Bunker and Linowitz plan to depart Panama 0830 local time via special AF aircraft and arrive Andrews Air Force Base at 14:40 Eastern Daylight Time.

Jorden

² Telegram 189535 to Panama City, August 10, is in the National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 1, Negotiating Round 8/77–11/77. For the text of the announcement by Bunker and Linowitz, see the Department of State *Bulletin*, October 17, 1977, p. 482.

³ Telegram 6710 was not found. In telegram 189639 to Panama City, August 11, the Department transmitted "Canal Treaty Factsheet No. 2," and requested "comments, changes and clearances" from Bunker and Linowitz. (National Archives, RG 59, Central Foreign Policy File, D770288–0805)

81. Telegram From the Department of State to Secretary of State Vance's Delegation in England¹

Washington, August 12, 1977, 0055Z

190656. Tosec 080315. Subject: Return of Panama Canal Treaty Negotiators to Washington

1. Ambassadors Bunker and Linowitz returned to Washington at 3:00 pm EDT on August 11. Upon arrival, they immediately proceeded to the White House Cabinet room for an hour meeting with the President, Secretary Brown, myself, and the Joint Chiefs of Staff and assorted White House staff members. In the course of the meeting, there was a detailed review of the principal provisions of the new treaty. Near the close of the session, the press was called into the Cabinet Room to overhear the President note the value of the new agreement and praise Bunker and Linowitz for their efforts. Following the White House meeting, Bunker and Linowitz met briefly with the press to answer some very general questions.

2. According to White House planning, the President, with Bunker and Linowitz in attendance, will make a brief public statement tomorrow afternoon.² He will then turn to Bunker and Linowitz to respond to questions from the press. In addition, the White House will be sending a cable to all members of Congress informing them of the basic elements of the agreement in principle for a new Panama Canal Treaty.³

3. I decided not to issue a press statement in your name until after the President has made his own statement.⁴

Christopher

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 1, Negotiating Round, 8/7–11/77. Secret; Immediate. Drafted by Brizill, cleared by Tarnoff, and approved by Christopher. Vance was in London August 11–13 discussing Rhodesia with British Foreign Secretary Owen.

² For the text of Carter's remarks, see *Public Papers: Carter, 1977*, Book II, pp. 1462–1463.

³ See Document 82.

⁴ For the text of Vance's statement see the Department of State *Bulletin*, October 17, 1977, p. 483.

82. Letter From President Carter to the Members of the United States Congress¹

Washington, August 12, 1977

To The Members of the United States Congress

As you know, Ambassadors Bunker and Linowitz have reached an agreement in principle with the Government of Panama on the Panama Canal Treaty, and have now reviewed the terms with me, the Acting Secretary of State, the Secretary of Defense and the Joint Chiefs of Staff. It was the unanimous conclusion of us all that our national interests will be advanced by the terms of this agreement. The Joint Chiefs have been represented in the negotiations, and give their unqualified support to the terms of the agreement.

I will continue my review of these principles, and I expect to authorize the completion of the formal treaty drafting.

This is a difficult political question, and I need your help during the coming weeks.

I am convinced that the treaties are essential to ensure the continued effective use of the Canal for American commercial and security needs.

You can call us directly with specific questions, but in the meantime I am enclosing for your use a short summary of the agreement in principle.

Sincerely,

Jimmy Carter

Enclosure

Summary of the Agreement in Principle²

Washington, undated

Defense and National Security

Under the new treaties the U.S. will be able to guarantee the security and defense of the Panama Canal:

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents 1977. No classification marking.

² No classification marking.

—The U.S. will have the permanent right to defend the neutrality of the Canal from any threat, for an indefinite period;

—U.S. warships will have the permanent right to transit the Canal expeditiously and without conditions, for an indefinite period;

—For the rest of the century, U.S. military forces will have the primary responsibility to protect and defend the Canal; the Government of Panama guarantees the U.S. the right to station troops in Panama and to use all lands and waters necessary for the Canal's defense.

Canal Operations

The United States will maintain control over all lands, waters and installations—including military bases—necessary to manage, operate, and defend the Canal. A new agency of the U.S. Government will operate the Canal. This agency, which replaces the Panama Canal Company, will assure United States control of Canal operations for the rest of the century. The Canal will be open to all shipping on a non-discriminatory basis.

On the effective date of the treaty, Panama will assume general territorial jurisdiction over the present Canal Zone, and may use portions of the area not needed for the operation and defense of the Canal. At the end of 1999, Panama will assume control of the Canal operations.

Economic Factors

Difficult financial negotiations have produced a fair and equitable package, which will not involve any Congressional appropriations. Panama will receive exclusively from Canal revenues:

- a share in tolls—30 cents per Panama Canal ton;
- \$10 million per year from toll revenues;
- up to an additional \$10 million per year only if Canal traffic and revenues permit.

In addition, the United States has pledged its best efforts, outside the treaty, to arrange for an economic program of loans, loan guarantees and credits:

- up to \$200 million in Export-Import Bank credits;
- up to \$75 million in AID housing guarantees;
- a \$20 million Overseas Private Investment Corporation (OPIC) loan guarantee.

This 5-year package will contain standard “Buy American” provisions that will greatly benefit U.S. businesses which invest in and sell goods and services to Panama.

Rights of U.S. Employees

All U.S. civilians currently employed in the Canal can continue in United States Government jobs until retirement. They will enjoy the rights and guarantees extended to all U.S. Government employees overseas.

New Sea-Level Canal

The agreement envisions the possibility of building a new sea-level canal. The U.S. and Panama will jointly study its feasibility. If they agree that such a canal is desirable, they will negotiate the terms for its construction.

Treaties

There will be two treaties: (1) a treaty guaranteeing the permanent neutrality of the Canal, and (2) a basic treaty governing the operation and defense of the Canal through December 31, 1999.

83. Memorandum From Secretary of State Vance to President Carter¹

Washington, August 17, 1977

[Omitted here is information unrelated to Panama.]

3. *House Merchant Marine and Fisheries Committee Meeting on the Panama Agreement*: Ellsworth Bunker and Sol Linowitz appeared before the House Merchant Marine and Fisheries Committee today for almost four hours in open session. Contrary to pre-arrangement, Committee Chairman Murphy did not move into executive session after our witnesses' statements had been concluded.² The Committee was predominantly hostile—so much so that some of the members may have detracted from their own cause by their shrillness. Sol was subjected to attacks on his previous business associations in Panama, with implications of conflict of interest. Following the departure of our witnesses, Admiral Moorer testified against the treaty.³

The principal adverse spokesmen were Chairman Murphy, and Congressmen Hubbard (D-Ky.), Snyder (R-Ky.), Dornan (R-Calif.) and Bauman (R-Md.). Our principal supporters were McCloskey (R-Calif.)

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 18, Evening Reports (State), 8/77. Secret. Carter initialed the top of the memorandum.

² In the left margin Carter wrote: "Murphy is an unadulterated ass. It's better to minimize our contacts with him."

³ Admiral Thomas E. Moorer, Chairman of the Joint Chiefs of Staff (1970–1974), said to the Committee that he had "yet to see any solid justification advanced as to why the United States should willingly sacrifice the strategic advantages afforded to us by our possession of the Panama Canal." (Murrey Marder, "House Opponents Mount Attack on Panama Treaties," *Washington Post*, August 18, 1977, p. A1)

and Oberstar (D-Minn.) (speaking for Panama Canal Subcommittee Chairman Metcalf). Chairman Murphy intends to hold an executive hearing at an early date.

I am attaching as an addendum some of the main points of attack with the gist of the replies.⁴

[Omitted here is information unrelated to Panama.]

⁴ Attached but not printed.

84. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, August 18, 1977

SUBJECT

The Sea-level Canal Provisions of the New Treaty

Our Negotiators have learned that General Torrijos is essentially indifferent to the two formulations of the sea-level provision of the new treaty. He will take the two-sentence option (No. 1) or the four sentence option (No. 2), whichever you prefer.

Ambassadors Bunker and Linowitz also do not have a preference for one option or the other, but both recommend that you make the decision as soon as possible so that the appropriate language can be incorporated in the new treaty.

Option No. 1:

"The Republic of Panama and the United States of America, foreseeing the possibility that in the future a sea-level canal in Panama may have importance for international navigation, commit themselves, after the Panama Canal treaty enters into force and during its lifetime to study jointly the feasibility of a new interoceanic waterway on Panamanian territory. Therefore, if the parties agree that such waterway is

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron, Panama, 6-9/77. Confidential. Sent for action. Forwarded to Tarnoff under an August 19 covering memorandum from Dodson. (Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 61, Panama: Canal Treaty of 1977, 8/77)

necessary in the interest of the Republic of Panama, the USA and world commerce, both countries will undertake to negotiate mutually agreeable terms pertaining to the construction of the new waterway."

Option No. 2: Includes Option No. 1, plus:

"No new interoceanic canal will be constructed on the territory of the Republic of Panama during the lifetime of this Treaty except as herein provided or as the two governments may otherwise agree. During the lifetime of the canal-treaty the United States will not negotiate with third countries any interoceanic canal through any other route in the territory of the Western Hemisphere."

In making your decision, you may want to take into account two items of information, which will probably be known by avid opponents of a treaty. First, under the Treaty of 1903 (Article V),² Panama gave the United States a permanent monopoly over the "construction, maintenance, and operation of *any system of communication* by means of canal or railroad across its territory between the Caribbean Sea and the Pacific Ocean." This is one of many rights we will be giving up with the new treaty.

From the other side, however, the Panamanian route for a sea-level canal was judged to be the best. The 1970 Report of the Canal Studies Commission³ chose among eight routes, and they follow in order of preference:

1970 Prices

1. No. 10 Route—10 miles West of present canal ("the most advantageous sea-level canal route")—\$2.9 billion

2. No. 14 Route—right alongside present canal (less desirable because it would disrupt shipping during construction)—3.0 billion

3. No. 25 Route—through Colombia—would require nuclear excavation but geological structure makes it unsafe (by nuclear explosions)—2.1 billion

4. No. 23 Route—through Panama and Colombia: By conventional means—5.3 billion With partial nuclear explosions—2.4 billion

5. No. 17 Route—in Panama (East of Canal): With partial nuclear explosions—11.0 billion

6. No. 8 Route—Nicaragua and Costa Rica: By conventional explosions—11.0 billion By nuclear explosions—5.0 billion

7–8. Through Nicaragua and Panama—both were conventional lock-type canals.

² The Hay-Bunau-Varilla Treaty of 1903.

³ See footnote 4, Document 76.

Given the strong recommendation of the Canal Studies Commission for the Panama route and the importance which the Congress might attach to the right of first option, it might make more sense to choose Option No. 2. The disadvantage, of course, is that that option flags the entire issue, which may conceivably not become an important issue.

RECOMMENDATION

That you approve Option No. 2.⁴

Approve _____ Disapprove _____

⁴ Carter checked the approve option and wrote "JC" beneath the recommendation.

85. Memorandum of Conversation¹

Washington, August 24, 1977, 4:05 p.m.

SUBJECT

PANAMA CANAL TREATY: TELEPHONE CALL FROM PRESIDENT CARTER
TO GENERAL OMAR TORRIJOS

PARTICIPANTS

The United States
The President

Panama
General Omar Torrijos, Head of State

THE PRESIDENT: We are very eager to have the treaty ratified by the Senate. It would help very much, if you and I, under the auspices of the OAS, invited the Heads of State of the continent to witness the treaty signing ceremonies.

TORRIJOS: I agree. I am ready to cooperate in any manner that is necessary to insure that the treaty is ratified as soon as possible. There is a problem however. It is my feeling that if the OAS were to issue the invitations, fewer Presidents would be likely to attend the signing

¹ Source: Carter Library, Office of the Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty, 8/77 (1). No classification marking. The conversation took place over the telephone in the Oval Office from 4:05 to 4:30 p.m. Drafted by Anthony J. Hervas (OPR/LS).

ceremonies than if it were the White House that would extend the invitations.

THE PRESIDENT: General, I am interested in having as many Presidents as possible from Central and South America. If you and I jointly extend an invitation and follow it up with personal messages to the Heads of State I think we would achieve the greatest participation. I am planning to meet first with you regarding the treaty and how it effects us and also how it effects you in Panama. Then I also want to meet with the leaders of the other countries.² It would consist of two steps: first, a formal invitation extended together by you and me, and, second, personal invitations to the Heads of State that we would individually extend. For example, we would be needing your help in encouraging Lopez Portillo of Mexico to attend.³

TORRIJOS: Now it is clear to me what you propose to do. I think it is an excellent idea. I know that between both of us we will get the largest number of Presidents of Latin America to attend. It is important though that while the rest of them decide on coming, that the first statements to the press be made in the sense that a number of Presidents have already been contacted and they have assured us they will attend. Then we would see what the other Presidents would do because it would be in their own interests to communicate their decisions.

THE PRESIDENT: Very good. I think it would be advantageous if we were to keep expectations low regarding the number that would attend so that the public would be more surprised at the number in attendance. I am sure that if we stated that twenty Presidents were to come, and only 14 showed up in Washington, D.C., the next day the headlines would read: SIX PRESIDENTS REFUSE TO GO TO WASH-

² Carter met with Torrijos on the morning of September 6. See Document 94. In addition to Torrijos, Carter met with some of the leaders of the nations attending the signing ceremonies from September 6–9. For Carter's remarks to reporters after these bilateral meetings, see the Department of State *Bulletin*, October 17, 1977, pp. 510–519. Memoranda of conversation of the meetings with Romero, Melgar, and Oduber are scheduled for publication in *Foreign Relations, 1977–1980*, vol. XV, Central America. Memoranda of conversation of the meetings with Bermudez, Stroessner, Lopez, Pinochet, Perez, Poveda, Banzer, Videla, and Mendez are scheduled for publication in *Foreign Relations 1977–1980*, vol. XXIV, South America; Latin America Regional, 1977–1980. The memorandum of conversation of the meeting with Balaguer is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XXIII, Mexico, Cuba, and the Caribbean.

³ Lopez Portillo did not attend the signing ceremonies in Washington. In telegram 15000 from Mexico City, September 7, the Embassy reported: "It now seems clear that Mexico does not want to associate itself publicly in any way with the neutrality agreement which has been publicly interpreted by U.S. officials as giving the USG the right to militarily intervene in Panama at any time after the year 2000 should the agreed-upon rules of neutrality be violated." Lopez Portillo was apparently reluctant to publicly associate Mexico with a neutrality agreement that he "interprets as a clear violation of the principle of non-intervention." (National Archives, RG 59, Central Foreign Policy File, D770324–0780)

INGTON, D.C. On the other hand, if the expectations are kept low, and 14 Presidents and 6 Foreign Ministers attend the ceremonies, the press and media would focus on that in a positive manner. Therefore, I feel that public statements should be of such a nature as to maintain expectations low, so that with the large number in attendance, public opinion would be favorably impressed.

TORRIJOS: I completely agree with you. I believe that there is a political feeling in Latin America, and it might be the case with you also, whereby the number of Presidents attending might be thought of in terms of the goals scored in a soccer match. It will be good to keep expectations low in statements to the press. I do have a question though. That is, how many have already confirmed their acceptances?

THE PRESIDENT: First, let me say that I do not know yet. I believe about six have already made definite plans. However, they have been somewhat hesitant because the formal invitations have not been extended yet, and no official date has been set yet. However, now that you and I have agreed, I will undertake to make a maximum effort to contact directly the Presidents inviting them to witness the ceremony of the signing of the treaty, as well as to come to Washington to conduct other business. We are also preparing a banquet at the White House on the 7th of September, after the signing of the treaty, which I believe will provide a delightful end to that day. During the two days thereafter, we will have a chance to follow up in our talks with the various Heads of State present. At this point, I think we have good indications that eight Heads of State will be coming.⁴ We will keep your Ambassador informed of the responses we get, and you could do the same with our Ambassador regarding those leaders that you talk to who indicate that they will be attending the treaty signature.

TORRIJOS: Fine. I think it is important that you make a statement in the sense that certain leaders, without specifying their numbers, have been invited and will attend, and that you announce the date. I have a suggestion to make also. That we invite Canada. Prime Minister Trudeau enjoys great popularity in Latin America.

THE PRESIDENT: Yes, it would be a great pleasure to do so. He also enjoys great popularity in the United States, and I believe he should be included. We feel that this is so important that it be publicized throughout the country to the people that we are planning to have the ceremony covered on live television in our country. We have not approached the networks yet, but the possibility exists. I would like to know whether you would have any objection to this?

⁴ Leaders from 27 nations in the Western Hemisphere, including 20 heads of state, arrived for the September 7 signing ceremony and related events.

TORRIJOS: Absolutely no objection. The moment is of great significance for the Americas, and I think it would be very advantageous to provide for TV coverage throughout the Continent.

THE PRESIDENT: I would like to suggest that some key White House staffers go to Panama with your Ambassador to arrange the details with you.

TORRIJOS: That would be fine.

THE PRESIDENT: To conclude, I want to tell you that I greatly appreciate the spirit of cooperation that has been shown by your Negotiators and by you. My wife and I are looking forward to your visit to the White House. Rosalynn was delighted with the complimentary remarks that you made while she was on her trip of Central and South America.

TORRIJOS: Thank you, President Carter. I want to tell you that you have shown great moral courage by the way you have faced the problems at hand. It was only with great moral courage that our ends could be achieved.

THE PRESIDENT: I am proud of the progress we have made. There are a number of things that you and the leaders of Latin America can do to help us, and we are also eager to help you get your people to approve the treaty. I hope your visit will allow us to establish ties of personal friendship and understanding that will assure the approval in the Senate and by the people of Panama. It is very important that our citizens know that you and I have consulted and are ready to cooperate in the future.

TORRIJOS: I agree. Thank you very much, Mr. President.

Conversation ended at 4:30 pm.

86. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, August 24, 1977

Panama Treaty Signing. Following your conversation with President Torrijos this afternoon,² we spoke to OAS Secretary General Orfila who has agreed to send a letter tomorrow inviting all Chiefs of State of participating OAS members to attend the signing ceremony on September 7. The letters will state that the invitation is being extended at the request of you and Torrijos. Orfila will invite Canada and Guyana as hemispheric observer members of the OAS. Orfila has agreed to respond to any public inquiries by stating only that each OAS State has been invited to send a high level representative. We are preparing letters from you to each of the heads of state offering bilateral discussions with you if they are in Washington for the signing.³

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 18, Evening Reports (State), 8/77. Secret. Carter initialed the memorandum and wrote: “[name not declassified].” Vance was in Peking August 20–26 meeting with Chairman Hua, Foreign Minister Huang, and other senior Chinese officials.

² See Document 85.

³ Carter wrote in the left margin: “Ok—make them attractive. Let me sign personally.” See footnote 2, Document 85.

87. Memorandum of Conversation¹

New York City, August 25, 1977

PARTICIPANTS

Ambassador Ellsworth Bunker
Ambassador Sol Linowitz
Governor Ronald Reagan
(Present in the room but not participating: Mr. Peter Hanniford, Assistant to
Governor Reagan)

I was not in the room where the conversation took place but was able to overhear much of the discussion. As you requested here are my recollections of the session.

Both Ambassadors Bunker and Linowitz made a complete and detailed explanation of how the two new treaties were negotiated and how they would be applied. They furnished the Governor with the State Department Fact Sheet and copies of their testimony before the Merchant Marine and Fisheries Committee on August 17.² Governor Reagan said that he would read the material carefully before making any decisions.

The Governor had a list of questions from which he read. He had obviously done extensive “homework” on the subject. He proceeded to voice his objections to the defense aspects of the new treaties. He said that it would allow even “enemy ships” to use the Canal in time of conflict. The Ambassadors pointed out that the present treaty also grants that right and that Japanese and German ships would have had the right through international law to use the Canal during World War II. The Governor was not aware of this, and he said that based on their explanation of the neutrality treaty he was satisfied that the defense aspects had been covered.

The Governor then went into the sovereignty issue. He said that it was clear to him that the majority of the American people agreed with him that we had sovereignty over the Canal Zone and that the original negotiations begun in 1964 had given up our “hole card” by freely agreeing that we would recognize Panama’s sovereignty over the Canal Zone. Ambassador Linowitz explained again that we do not

¹ Source: Library of Congress, Manuscript Division, Linowitz Papers, Box CL-1, Government Service, Pan. Canal Treaties, Reagan, Ronald, 1977, Aug. Confidential. Drafted by Carl Davis (ARA/PAN) on August 26.

² See Document 83.

have sovereignty. Governor Reagan said that the Spooner Act³ clearly stated that the U.S. was sovereign. The Ambassadors responded that this has been reversed on a number of occasions by the Supreme Court.

Governor Reagan said that if we give in to Panama on the sovereignty issue every little country in the world will get the idea that it can get its way by “tweaking our (the U.S.) nose.” He also said it would be a signal to all the world of another U.S. “retreat” under pressure.

Ambassador Linowitz said he wished to make three basic points:

1. This is the first time we got a concession on neutrality in perpetuity out of the Panamanian government.

2. The U.S. has never acted under duress from Panama on a new treaty. We have stated many times that we have the right to maintain the status quo under the 1903 Treaty, but we wished to modernize an out-dated relationship.

3. The favorable reaction of the U.S. to a new treaty will have a highly favorable impact on all of Latin America and the rest of the less-developed world.

The Governor said he did not believe that the rest of Latin America was solidly behind the treaty. The Ambassadors pointed out that we had heard from many Latin American nations that they liked the fact that we would maintain control for the next 23 years, and that they have all expressed their satisfaction with the neutrality treaty in perpetuity.

Ambassador Linowitz then asked the Governor what he would do if he had to make a decision on a new treaty. The Governor said that he had no objection to a revised treaty which would give Panama more income and possibly some more jurisdiction in operation, but he would not give in on sovereignty.

The Governor said he could not understand why we were agreeing to a treaty which gave Panama the Canal, the Canal Zone, and were then paying them large sums of money from a Canal which is not making money. Ambassador Linowitz told the Governor that the U.S. Government had realized more than \$642 million in interest payments during the years of the Canal’s operation. What we are proposing to do is pay Panama a fair rent for its territory which we are now getting for approximately \$6 per acre—the most valuable piece of land in the country. Reagan said he had no objection to a just compensation.

The Governor said that he feared that a successor government to Torrijos might not abide by the treaty. The Ambassadors told him this would amount to abrogation of a treaty and we would then, of course,

³ The Spooner Act of 1902 authorized President Theodore Roosevelt to purchase rights for the purposes of building the Panama Canal.

take any action we deemed to be necessary to keep the Canal open to world shipping.

Reagan said that he suspected that Communist influence was behind the “give-away”. He said that he had first read of turning the Canal over to Panama in a Communist document in 1932. He said he feared that the Panamanians would nationalize the Canal as Nasser did in Suez. The Ambassadors reminded him that we still have full control for 23 years under the new pact.

The Governor said he understood the problems the Ambassadors had in negotiating because of all of the previous attempts at negotiating a treaty and particularly because they had the issue of “sovereignty” taken away from them as a negotiating tool.

He also said that the treaties described by the Ambassadors represented the best “package” he had heard regarding a new treaty. He indicated that he was still not satisfied but would think about their presentation at length.

Ambassador Linowitz then asked a question which he qualified as being one which the Governor might regard as being out of line. He asked the Governor if his decision would be against a new treaty would he head an organization in opposition to the treaty?

The Governor responded that he had no intention of becoming involved with any organization, but that he would speak his convictions at any time he was given the opportunity. He said he knew of only two formal organizations—one headed by Senator Thurmond and another backing statehood for the Canal Zone sponsored by a Southern California professor.

It was noted by the Ambassadors that the Governor did not bring up the subject of Zonians or Canal Zone employee rights during the meeting.

The three participants agreed that the Ambassadors would tell the press waiting outside the building that the Governor was giving full consideration to the briefing and had had all of his questions answered fully and to his satisfaction (not necessarily his agreement.) The meeting lasted one hour and five minutes. The Ambassadors were quizzed by the press and they stood by their agreement. One reporter asked if they thought they had convinced the Governor and Ambassador Linowitz said they had convinced the Governor to consider their views.

NOTE: Later in the day I called to talk with the Governor’s Public Relations Advisor (Peter Hanniford) and by chance got Reagan himself on the phone. I told him about the press statements made by the Ambassadors and also took the liberty of telling him that you had both been very impressed with his reception of your presentation and his great knowledge on the subject. He said to tell you that he had the

highest respect and admiration for both of you and knew that you were doing what you believed to be in the best interests of the country. He said he regretted that he would be on “the other side of the fence” on this issue.⁴

⁴ In an August 25 memorandum, Linowitz requested that Carter call him so he could report on the meeting with Reagan. Carter wrote on the memorandum: “‘Will not lead any opposition’—No group speaks for him—(probably will oppose—once treaty is signed, realizes seriousness of his opposition.)” (Carter Library, Plains Files, President’s Personal Foreign Affairs File, Box 3, Panama Canal, 8/77) On August 26, during a speech to the Young Americans for Freedom, Reagan declared that he did not think the United States should ratify the Panama Canal Treaty. (“Reagan Opposes Ratifying Canal Pact,” *Washington Post*, August 26, 1977, p. A2)

88. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, August 26, 1977

[Omitted here is information unrelated to Panama.]

Canal Treaty. The September 7 date for the signing ceremony is firm. Yesterday’s uncertainty arose because President Perez had a scheduling conflict. When that conflict was resolved last night, OAS Secretary General Orfila sent out his message to heads of state or government of the American Republics. We have reason to believe that 12 to 15 heads of state will accept.²

Today’s session with the principal Panamanian negotiators went well. Almost all the outstanding points have now been agreed. Some minor points remain, as well as some work to delineate precise areas for retention by us or transfer to Panama under the new treaties.³

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 18, Evening Reports (State), 8/77. Secret. Carter initialed the memorandum. Vance was in Peking August 20–26 meeting with Chairman Hua, Foreign Minister Huang, and other senior Chinese officials. August 26–27, Vance met with Prime Minister Fukuda and Foreign Minister Hatoyama in Tokyo.

² Carter underlined “12 to 15” and wrote in the left margin: “Do everything possible to maximize attendance—I’ll help.”

³ Carter underlined “areas for retention” and wrote in the left margin: “Satisfy Joint Chiefs.”

89. Minutes of a Cabinet Meeting¹

Washington, August 29, 1977, 9:05 a.m.

The twenty-fifth meeting of the Cabinet was called to order by the President at 9:05 a.m., Monday, August 29, 1977. All Cabinet members were present except Secretary Bergland, who was represented by Deputy Secretary of Agriculture John White; Secretary Califano, represented by Under Secretary of HEW Hale Champion; and Ambassador Young, represented by his Executive Assistant Anne Forrester Holloway. Other persons present were:

Zbigniew Brzezinski
Landon Butler
Alan Campbell
Doug Costle
Stu Eizenstat
Jane Frank
Rex Granum
Tim Kraft
Bob Lipshutz

Bunny Mitchell
Dick Moe
Frank Moore
Frank Press
Charles Schultze
Jay Solomon
Stansfield Turner
Charles Warren
Jack Watson

The President said that, after fourteen years, treaty negotiations on the Panama Canal have been successfully concluded, and that he has just received the final texts of the treaties. He commended Ambassadors Ellsworth Bunker and Sol Linowitz for a superb job and said that the treaties are very beneficial to the United States. The treaties will be signed on September 7th at the Organization of American States headquarters in Washington; 15 Latin American leaders have already agreed to attend and more are expected to be present. The President said that he will have bilateral discussions with all of the Heads of State attending the signing. He asked Cabinet members for suggestions as to appropriate topics that might be included in the discussions.

The President introduced Ambassadors Bunker and Linowitz and asked them to comment on the treaties:

—Ambassador Bunker said that there are two treaties; a basic treaty which expires December 31, 1999, which gives the United States primary responsibility for operation and defense of the Canal during that time; and a second treaty which guarantees the permanent neutrality of the Canal. Some of the major provisions of the first treaty are:

¹ Source: Central Intelligence Agency, Office of the Director of Central Intelligence, Job 80M00165A, Box 23, Folder 3: 468. No classification marking. The meeting ended at 10:54 a.m.

—That, with the participation of Panama, the United States can use and share all land and water necessary to operate and defend the Canal;

—That the Canal will be operated by a board of nine members—five from the U.S. and four from Panama;

—That the U.S. will administer the Canal operations until 1990 and Panama will do so from 1990 to 1999;

—That no United States bases will be maintained in the area beyond the year 2000;

—That United States employees in the Canal Zone will have rights similar to U.S. employees around the world, as well as the right of early retirement; and

—That United States institutions and organizations will continue to function as they presently do during the term of the treaty and thereafter as other businesses do in Panama.

—Ambassador Linowitz said that the second treaty regarding permanent neutrality gives the United States authority to assure that the Canal will remain open, accessible, secure and efficient.

—Mr. Linowitz said that a third set of issues involves economic arrangements. The Canal Commission agrees to pay 30¢ per Panama Canal ton transiting the Canal, plus a fixed sum of \$10 million per year for operation of the Canal and up to an additional \$10 million per year if revenues permit. Arrangements have also been agreed to concerning economic progress—up to \$300 million in loans and guarantees from the Export/Import Bank and similar institutions, and as much as \$50 million in foreign military sales credits over a period of ten years.

—Mr. Linowitz said that there are three additional important points to be made about the treaties:

1. The issue of the Panama Canal does not simply involve the U.S. and Panama; it is an issue which affects the U.S. and all of Latin America. If a confrontation should occur, it would involve the U.S. *against* all of Latin America. On the other hand, if the issue is handled fairly, it will set an example for all of the third world;

2. Our objective is to assure that the Canal remains open and accessible. The greatest danger to this objective is to continue with an outmoded treaty that is totally unacceptable to Panama;

3. The surest way to achieve that objective is to ratify a treaty which reflects both Panamanian aspirations and U.S. interests.

—The President noted that following the year 2000, United States warships will still have the right of expeditious passage through the Canal. He added that efforts are underway to inform Congress thoroughly about the issues, and that meetings with appropriate groups are being held throughout the country. Former Secretary of State Henry Kissinger and President Ford were thoroughly briefed and have endorsed the treaties. The President specifically asked for the Cabinet's help in securing ratification of the treaties.

—In answer to a question from the Vice President, Mr. Bunker said that a sea-level canal is being studied jointly with the Panamanians. Under the treaty, the United States has the right to construct such a canal during the term of the treaty with Panamanian consent, and agrees that it will not construct such a sea-level canal in any other country.

—Mr. Strauss raised four concerns often expressed by people he talks to, and asked for Mr. Linowitz's comments on each one:

1. *Concern:* We are giving away something that we own.

Response: The U.S. has never had sovereignty over the Canal Zone. The original treaty granted us the "right, power and authority as if (we) were the sovereign." After it was signed, President Taft said that the treaty "seems" to preserve Panamanian sovereignty. There are similar references in subsequent administrations. A 1907 Supreme Court decision, *Wilson V. Shaw*, did refer to U.S. sovereignty, but a subsequent decision indicated that the U.S. has never been the sovereign.

2. *Concern:* Why cave in to the threats of a dictator?

Response: We have never been threatened in fourteen years of negotiations. We enter the new treaties because they serve the highest and best interest of the U.S.

3. *Concern:* Even if the first treaty were unfair to the Panamanians, giving the Canal back to Panama is comparable to giving Alaska back to the Russians.

Response: We purchased Alaska and got the full and complete "rights and appurtenances" to that land. In contrast, we did not take sovereign title to the Panama Canal, and we have been making annual payments for our rights of usage ever since the Canal was built.

4. *Concern:* What happens if General Torrijos is overthrown and the next leader of Panama repudiates the treaties?

Response: Panama has an excellent record of abiding by the Canal treaty. In any event, the U.S. does not turn over complete control of the Canal for twenty-three years, and if the treaty is abrogated by one party, it will not be binding on the other. Thus, it is clearly in Panama's interest to adhere to the treaties.

—The Attorney General asked why we would have no U.S. base in Panama after the year 2000. Mr. Linowitz responded that DOD and General George Brown say that such a base is not necessary and might even be counter-productive.

—The President suggested that Cabinet members read *The Path Between Two Seas* by David McCulloch—an excellent history of the circumstances and events surrounding negotiations of the first Canal treaty.

—Mr. Andrus said that the briefing materials on the treaties recently circulated by the Cabinet Secretary are excellent and should also be distributed to the press.

—The President noted that at the request of several Senators, the White House has invited key delegations from some states to be briefed on the treaties by the Secretary of Defense, Ambassadors Bunker and Linowitz, General George Brown and key White House staff. Last Tuesday,² delegations from Mississippi and Kentucky were at the White House for a briefing, and delegations from Florida and Georgia will be here tomorrow. A briefing is planned for Thursday³ for groups from West Virginia and Arkansas.

—The President said that a vote on the treaties will not be later than February of next year but could come earlier if it appears that we have the necessary votes.

—The President reiterated his commendation and thanks to Ambassadors Bunker and Linowitz for their excellent work.

[Omitted here is information unrelated to Panama.]

4. Mr. Schultze briefly outlined some statistics concerning economic relations between the U.S. and Latin America, all of which underscore the importance of the Panama Canal treaties. United States' assets in Latin America in 1975 were \$68 billion, of which \$22 billion was direct investment. That money earns approximately \$5 billion per year, and the return increases each year. Approximately \$17 billion of goods are directly exported from the U.S. to Latin America each year, with an additional \$4 billion in non-tangible exports. Imports from Latin America approximate the same monetary value. Most of the imports are raw materials (e.g., 25% of our steel-making ingredients; 41% of our lead; 17% of our tin; 21% of our copper; and 27% of our non-ferrous metals).

—Mr. Strauss noted that many corporate executives will lend their support to the Panama Canal treaties if only they are asked. He urged Cabinet members to make such calls as much as possible.

—The President said that he intends to hold a fireside chat on the Canal treaties shortly after the signing on September 7th.⁴ He anticipates full-scale media coverage of the signing ceremony.

[Omitted here is information unrelated to Panama.]

—Dr. Brown noted that the Joint Chiefs of Staff met recently to discuss the Panama Canal treaties with 50–60 retired three- and four-star generals or admirals. General George Brown reported to him that

² August 23.

³ September 1.

⁴ See footnote 6, Document 99.

a majority who attended feel that we have no choice but to ratify the treaties, and that to do so is in the overall best interests of the U.S. Dr. Brown said that this does not mean that they are happy with the treaty, but rather that they recognize we simply cannot maintain the *status quo*. Most of the officers briefed can be expected to support the treaty. He noted that General Brown will also meet this week with two of the three living ex-Chairmen of the Joint Chiefs of Staff.

[Omitted here is information unrelated to Panama.]

90. Memorandum From Secretary of State Vance to President Carter¹

Washington, August 29, 1977

[Omitted here is information unrelated to Panama.]

4. *Connally*: I talked to John Connally today about the Panama Canal. He has agreed to come to Washington on September 8. He will be meeting with Sol Linowitz in the morning and will have lunch with me afterwards. I will let you know the results of our talk on the 8th. John says that he will make the decision solely on the basis of what is good for our national security.²

5. *Panama*: The English and Spanish texts of the major Panama Canal agreements are now complete, and the detailed Treaty annexes and maps will shortly be available for reproduction. This progress is the result of virtually round-the-clock negotiations by legal experts and other specialists during the weekend.

As of afternoon fifteen states had formally indicated to the OAS that their heads of state or government would attend the September 7 signing ceremony.³

Ambassadors Bunker and Linowitz briefed the American Republic Ambassadors to the U.S. and to the OAS in the Department, late August

¹ Source: Carter Library, Plains Files, Subject File, Box 12, State Department Evening Reports, 8/77. Secret. Carter initialed the memorandum and wrote: "Cy."

² Carter wrote in the left margin: "I'm sure there will be no personal considerations" in the left margin. Connally, who had served as governor of Texas and Nixon's Treasury Secretary, was critical of Ford's efforts to negotiate a treaty with Panama. (*Panama Odyssey*, p. 290) He also criticized the Carter administration's treaty efforts. See William Claiborne, "GOP, Finessing Ford View, Assails Canal Pact," *Washington Post*, October 1, 1977, p. A1.

³ Carter wrote in the left margin: "Push for others to attend."

29.⁴ The Ambassadors asked very few questions. They expressed pleasure at the successful conclusion of the Treaties.

⁴ No record of meeting minutes has been found.

91. Memorandum From Secretary of Defense Brown to President Carter¹

Washington, August 29, 1977

SUBJECT

U.S. Military Utilization of the Panama Canal

This memorandum provides a brief description of the Department of Defense's past use of the Panama Canal and the canal's potential impact on defense planning for various conflict scenarios.

United States's military use of the Panama Canal has two broad strategic aspects:

—Interoceanic transfer of warships and their supporting auxiliaries.

—Logistical support (movement of supplies and equipment) for U.S. and allied forces in Europe and the Pacific.

A review of historical data shows that during a nine year period of the Vietnam conflict, 1964–1972, the canal averaged 123 warship and 645 military logistical transits (about four million tons of military cargo) per year. For the four year period between 1973–1976, the averages for warship and logistical transits were reduced approximately two-thirds to 42 and 219 (about one million tons of military cargo) respectively. During the peak 1967–1969 period, approximately 49 percent of all US Government cargo arriving in Vietnam passed through the canal. The highest this figure ever reached was in FY 1968 when 69% of this type of cargo passed through the canal. These figures represent all naval ship transfers between the Atlantic and Pacific fleets. The largest naval transit was the 39,000 ton amphibious assault ship USS TARAWA in

¹ Source: Washington National Records Center, 1977 Country Files: FRC 330–80–0035, Panama Canal 1977 000.1—091.31. Secret.

1976. Tab A provides a detailed breakout of US Government ship passages from fiscal year 1964 to 1976.²

Our planned wartime and contingency use of the canal (Tab B provides details and is classified SECRET)³ is based on a strategy which permits rapid augmentation of forces in the Atlantic or Pacific theaters. Canal use improves availability of surface escorts, amphibious shipping, and logistical support. Its use reduces transit times and this equates to increased defense force availability in the early period of a conflict. Current planning reflects programmed use of the canal; however, alternate routes and measures are part of military planning in the event the United States is denied its use. Attack carriers and their escorts already use routes such as those around Africa and South America although this adds an average of 15–21 days to their transit time.

In a NATO conflict, significant numbers of cruisers, destroyers, frigates, and a substantial portion of amphibious lift for Marine Corps forces would transit the canal. This would reduce the time to achieve availability by 15 to 21 days for the Atlantic-Mediterranean theaters when compared to ship transits which did not use the canal. The canal also assists in the movement of military cargo from West Coast ports and facilitates the assembly of shipping in the Atlantic. The use of the canal results in a net increase in cargo capacity of 30 percent during the first month of mobilization.

The escort requirements are not as significant in a Pacific only scenario. However, because of West Coast port limitations (safety and capacity), current plans require approximately 75 percent of certain critical cargo to be shipped from the East Coast during the first thirty days of a conflict in the Pacific. During the 60-day initial period, use of the canal facilitates assembly of shipping and improves delivery of critical cargo by 18–25 percent. The canal also reduces the time required to assemble amphibious shipping by approximately 30 percent. Tab B provides a classified examination of the effect of canal closure on operation plans.

The paper does not address long term alternatives which might be undertaken to compensate partially for the unavailability of the canal. In sum, assured ability to transit the canal remains of military importance, though rather less than in the past. Therefore, the principal military interest is to assure that ability. I agree with the JCS that the proposed canal treaties are the best way to do so.

Harold Brown

² Attached but not printed.

³ Attached but not printed.

92. Memorandum From the Assistant to the President (Jordan) to President Carter¹

Washington, undated

RE: STATUS REPORT ON PANAMA CANAL TREATY CEREMONY

1. *Torrijos arrival.* Working with the Panamanian Ambassador, we have arranged for General Torrijos to arrive in Washington at 7:00 p.m. Monday.² This will allow him overnight to rest before his bilateral with you. Also, it puts him in late enough that his arrival will miss the evening news. We explained to the Panamanians that due to Labor Day traffic a late arrival would logistically be best.³ He is staying at Jackson Place which has been described to him as the “place where former Presidents stay when in Washington”. He is happy with these accommodations.

2. *Draft texts of treaties.* Jody has completed his final review of the treaties. We have made a decision that it would be better now to wait and release them early next week as the activities commence as opposed to releasing them over the weekend. If we release them now, Jody says that Helms and Thurmond will be on the attack over the weekend.⁴ If we wait until next week, their objections will be lost in the coverage of the arrivals and the ceremony.

3. *Kissinger and Ford breakfast.* I met with Kissinger today and Hugh Carter is in Vail with Ford. I asked Dr. Kissinger if he would host a breakfast meeting on the Panama Canal with President Ford. He and Ford talked and agreed to co-host such a function and invite all the Republican Senators. They said that inviting everyone was much easier for them than having to pick and choose.⁵ We all agreed that it would be best to do it at either the Capitol or at a hotel to emphasize the independent nature of the function. Kissinger feels strongly that he can be much more effective if he is perceived as a concerned former Secretary of State as opposed to being the agent of the new President.

¹ Source: Carter Library, Office of the Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty, 8/77 (1). Confidential. Carter wrote: “Ham—I don't like this—See me” on the memorandum and an unidentified hand drew a line through this note.

² September 5.

³ Carter wrote: “ok” in the right margin.

⁴ Carter wrote: “ok” in the right margin.

⁵ Carter wrote: “ok” in the right margin.

4. *Ford and Kissinger presence at functions.* We have invited both men to be present at both the OAS ceremony and at the State Dinner. They have both accepted.⁶

5. *Signing ceremony schedule.* The tentative schedule for the ceremony is as follows:

7:25	All heads of state seated.
7:31	Secretary-General of OAS, President Carter and General Torrijos enter.
7:33	Welcoming statement by Secretary-General.
7:37	Statement by President Carter (7 mins).
7:47	Statement by General Torrijos (7 mins).
7:55	Signing of treaties by principles.
7:58	Conclusion/benediction. ⁷

With the seats made available to the United States, we will invite every member of the Senate, the House leadership, and members of two key committees. Also, we will invite recognizable private citizens (business and labor leaders) and members of the Joint Chiefs. Ford and Kissinger as well as other prominent persons from former administrations will be included.

6. *State dinner.* The State Dinner will be held immediately after the signing ceremony. To avoid people having to change clothes and having the participants at the ceremony in black tie, the dress for the ceremony and the State Dinner will be a business suit. This may give the people in the East Wing apoplexy, but it is the only reasonable way to do it.⁸ To make maximum use of the State Dinner, we will restrict participation there to *heads of state* and *Senators*. We have asked Secretary Vance to host a collateral function at the State Department for Foreign Ministers and members of their traveling parties. In this way, we can insure a large number of Senators at the State Dinner.

7. *Collateral events.* We are arranging a large number of private briefings, luncheons, receptions, etc., between heads of state, business leaders and members of the Congress and their staffs.⁹ I will keep you generally informed of this. You may be sure that there will be a lot going on that is beneficial to us politically.

⁶ Carter wrote in the right margin: "ok".

⁷ Carter wrote in the left margin: "No. What I want is to emphasize presence of other heads of state—*Not* me & Torrijos. Cut my statement to one minute. Let other leaders come forward to sign or initial something—I want TV viewers to see each of them identified by Cronkite, Walters & Chancellor—J.C."

⁸ Carter wrote "ok" in the right margin and "Tip?" in the left margin.

⁹ Carter wrote "ok" in the right margin.

8. *Bilateral schedule.* Tim Kraft and Evan Dobbelle have worked out the schedule for your bilaterals that will, I think, give you maximum flexibility in dealing with each head of state.¹⁰

¹⁰ Carter wrote “ok” in the right margin. For the bilateral meetings with heads of state, see footnote 2, Document 85.

93. Memorandum From the Chairman of the Joint Chiefs of Staff (Brown) to Secretary of Defense Brown¹

Washington, September 2, 1977

SUBJECT

Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal and the Panama Canal Treaty (U)

(C) The Joint Chiefs of Staff have reviewed drafts of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, 27 August 1977, and the Panama Canal Treaty, 27 August 1977, and the two accompanying agreements in implementation of the Panama Canal Treaty. Based on their assessment of the military and national security implications of these treaties and agreements, the Joint Chiefs of Staff support the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal and the Panama Canal Treaty.

For the Joint Chiefs of Staff:

George S. Brown
Chairman
Joint Chiefs of Staff

¹ Source: Washington National Records Center, OSD Files: FRC 330–80–0017, Panama 821 (Sept 1–26, 1977). Confidential. A stamped notation reads: “[illegible] the Secretary of Defense.” Brown wrote at the top of the memorandum: “9/5 pass to ZB.” The memorandum was forwarded to Brzezinski on September 6 under a covering memorandum from Brooks. (Ibid.)

94. Memorandum of Conversation¹

Washington, September 6, 1977, 11:10 a.m.

SUBJECT

President Carter/General Omar Torrijos Bilateral

PARTICIPANTS

PANAMA

General Omar Torrijos Head of Government

Foreign Minister Gonzalez-Revilla

Minister of Economic Planning Barletta

Ambassador Lewis

Lt. Col. Manuel Noriega

Lt. Col. Bellido

Rodrigo Gonzalez

U.S.

President Carter

Vice President Mondale

Secretary Vance

Dr. Zbigniew Brzezinski

Assistant Secretary Todman

Ambassador Jordan

Robert Pastor, NSC

The President welcomed General Torrijos and the members of his delegation. He said it was gratifying to know of the cooperation that all Panamanian officials had demonstrated this year in support of the new treaty. He said he wanted to offer his personal thanks to General Torrijos particularly for his actions.

Noting the presence of many Latin American leaders, the President hailed this as “a great demonstration” of their interest and support. He said their appearance was a great personal tribute to General Torrijos as a result of his contacts with them and his encouragement of their support over the past year. The President said he thought their presence would be a great help to us in underlining the importance of the issue to Latin America as we take this matter to the American people. He said he hoped that TV coverage of the signing ceremony would be carried live to Panama, and asked if that would be the case.

General Torrijos said it would be.

The President said he thought that the ceremony would be a great help to him in getting the Senate to ratify the treaty. It would also help demonstrate to the people of Panama the great interest of the Hemisphere in the treaty. He asked when the plebiscite would be held in Panama.

General Torrijos noted that there would be a huge manifestation of support from the people when he returned to Panama. He said he planned to hold the plebiscite on October 23—a Sunday. He said he wanted to have the plebiscite when the students were in school and

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 40, Pastor, Country, Panama, 9/1-7/77. Confidential. The meeting took place in the Cabinet Room at the White House.

during the rainy season—in other words, the most difficult conditions for a smooth vote. If the Panamanian people voted for the treaties in these conditions, it would be another significant example of their support. He said he had been advised to hold the plebiscite when the students (potential opponents) were on vacation and after the rains had stopped. He rejected this advice.

President Carter asked what he thought the chances of success were.

Torrijos said he was going to travel throughout his country—by helicopter, by horse, on foot—to make the case to his people. His basic argument, he said, would be that it was not perfect but that the new arrangement was vastly better than what they now had. He estimated that some 900,000 of his people would vote—of a 1.7 million population. Many young people of 18 would be voting for the first time in their lives. He said it was important to get the largest possible turnout.

President Carter asked what we in the United States could do to convince the Panamanians that the treaty was good for them, for us, and for all the people of the world.

Torrijos replied that “what we are doing now is very important.” (By this, he meant the White House meeting, the Washington signing of the treaties, and the gathering of Latin American leaders.) Torrijos said it would be helpful if he could carry back to Panama with him a letter from the President so he could deliver the message in person to his people.² He noted that both the United States and Panama were “selling the same product” but were doing so in two different markets. The President laughed and agreed that both countries had difficulties. He said the two would have to use two different advertising campaigns with their respective markets.

The President said he thought we had a good chance to secure ratification. Support of the Senate was essential, but he said good progress was being made. He noted that the signing ceremony on Wednesday³ would be very important and that all the Senators had been invited to attend. He told Torrijos that last year some 40 Senators had signed a resolution opposing the treaty.⁴ He said a recent check indicated that only about 4 were now adamantly opposed.

The President noted there was great interest in the Hemisphere in the new treaty arrangements and in the mutually beneficial terms thereof. He said everyone wanted a peaceful solution. He thought there was a good chance to win ratification. He told Torrijos that the public

² See Document 95.

³ September 7.

⁴ Presumably a reference to the Thurmond resolution. See footnote 2, Document 3.

statements the Panamanian leader would make during these days would be most important here.

President Carter said he wanted to say in close touch with General Torrijos as we move forward—either directly or through their Ambassadors. He said he did not want to say anything that would make things more difficult for Torrijos in Panama. It was important, he said, to maintain a close coordination. He said there was one additional factor—the great public awareness here of the constructive statements the General had made. He said it should be clear that neither side had been negotiating under pressure or the threat of violence. The key element was that the treaty was good for both sides. He said the press had covered the story very well and that had been important.

The other benefit the President could see was that the treaty opened the way to an era of close cooperation and friendship between Panama and the United States. He said it was helpful to us here for people to understand that—and possibly in Panama, too. He said he hoped the treaty would be only the first step in a process of cooperation and friendship in the years to come.

Torrijos said he wanted to be absolutely frank. He said he never thought we would get to a final treaty. Always in the past, he said, we had talked around it—we never got down to the real issues. He said Panamanians could never understand such things as having United States police arresting their young people. Now, he said, President Carter had come up with a new philosophy and attitude. He realized that “some people” did not like it. But he said it was “an act of valor” on the part of the President. He said he had not, before his present visit, understood the depth of the problem here. Now he understood.

He said he was confident that the treaty would open a new relationship with Latin America. In the past, it had been Latin America’s impression that the United States was the “rich brother.” You sleep with us but you live in Europe, he said. He said it was not difficult for the United States to improve its relations with Latin America. He said he didn’t believe it meant spending more money than at present; what was needed was a new philosophy and to pay more attention to them and their problems.

Torrijos said he was optimistic about the treaty being strongly ratified by the people of Panama. He said that “perpetuity” now had a final date. Each of the things that have been hateful now has a “birth date” (he meant termination date).

The Panamanian leader said he had profound admiration for the President’s honesty and political valor. He said no one else would have had the courage that President Carter had shown. He said it was almost like jumping from an airplane without a parachute to take on this battle.

The President said he felt the treaty was the right, fair and decent thing to do. He said the American people are fair and decent. He said he thought the treaty would be ratified. He promised to expand any effort to bring this hope to reality. He felt certain it would eventually prove to be a popular accomplishment for him and his Administration. He said the climate would improve as the American people came to understand the terms of the treaty and to realize the unfairness of the past. He said a reasonable settlement was in the character of the American people. He said he had great admiration for General Torrijos for acting so patiently.

He said the treaty opened the way to a new era of mutual respect, equality and friendship between our peoples. He said he believed that Torrijos' leadership would be an example to other leaders to meet and discuss their differences in a spirit of cooperation using the examples of the Canal Treaty. He referred specifically to Chile, Peru, Bolivia, Ecuador, El Salvador and Honduras, Guatemala and Belize.

He said that Latin American leaders owe to Torrijos and the people of Panama a debt of gratitude. The signing offers all the leaders a unique opportunity. He said he would appreciate Torrijos's views on how best to use the present gathering of leaders to best advantage. He noted that he had emphasized the importance of the human rights issue.

Torrijos said he had spoken to several of the Latin American leaders. He said they have come with the attitude of people who knew that nothing was wrong (in their own policies). The fact that the President had adopted a policy of human rights had eased the problem for many. He noted that some of them had instructed their organs of investigation to change their methods. He noted that he had had a good talk the previous night with General George Brown.⁵ He felt the General would have considerable influence with Latin American leaders, particularly the military leaders. He noted the problems of El Salvador and Honduras and of Peru, Chile and Bolivia. He said that in many countries the arms race was being confused with the countries' real problems. (The clear implication was that Latin American governments should be spending less for weapons, more for their people.) He said that Honduras and El Salvador would get into some kind of agreement, indicating the United States should play a role.

Going back to the arms race, he said many countries were arming themselves against the Communists "in the name of the United States"—in other words, claiming they were serving our overall strategic interests. The result was that these countries were carrying on violence in the name of the United States. He said our contacts with

⁵ No record of the conversation with Brown has been found.

the above-mentioned countries on these problems should be strictly private. He suggested that the President—after these first contacts and laying down the United States position—should call the Latin American leaders together and ask them how things were going and if they were making progress on the matters discussed. In the case of El Salvador and Honduras, Torrijos said it was the poorest people who suffered but that none of the oligarchy suffered at all. The poor go into the Army, he said, but the rich do not.

The President asked if that meant that if he were to talk to some Latin American leaders about peace and less arms they would not be offended.

Torrijos said quickly that they would certainly not be offended. In fact “they are almost wishing you to do that.”

The President said he would be meeting with most or all of the heads of state.⁶ He would take up such matters as Bolivia’s access to the sea, a solution to the Honduras-El Salvador war, Ecuador’s access to the Amazon, the arms race. He asked whether El Salvador and Honduras had relations and was told they do not.

Torrijos said there were many factors at work. He noted that the Inter-American highway passing through El Salvador could not be used by Honduras and this created a serious economic problem.

The President said he would do the best he could. He told Torrijos he liked his advice at this meeting and would like it to continue. He said the Panamanian leader understood Latin American problems and differences better than he did. He said he thought this would be a week of celebration. He hoped his visitors enjoyed their stay in Washington.

Torrijos said that once the new treaty went into effect it would be important that the high elements of both governments dealing with the Canal matters should be the best. He urged the President to send people who had the kind of mentality that recognized this as the beginning of a period of change. Right now, he said, there were two different attitudes existing in the Canal Zone—some were okay, but others felt they should maintain the status quo. He said there were people “who would like to stop history with their hands.”

President Carter said he would be sure that this treaty—once it is in effect—will be carried out fairly and in an orderly way. He noted that he had received the support of the AFL-CIO’s George Meany—

⁶ See footnote 2, Document 85.

because the treaty protects the rights of Canal Zone workers.⁷ He said he did not believe we would have a problem. The other problem (aside from the workers) might be in the military area. But he noted that Torrijos had good relations with General Brown and the Joint Chiefs of Staff. He said the JCS were prepared to work with him, especially in the changing over of defense requirements to the National Guard. He said the basis had been laid for an orderly and peaceful transfer.

The President told Torrijos that if the latter detected any problems as time went on he hoped the General would let him know so that he could take appropriate action. He said that on the day the treaty became effective he would be sure, in his statements, that it was not a reluctant transfer of authority but an enthusiastic one. He said he thought that would help induce an appropriate attitude on the part of Americans in the Zone.

Torrijos said he would do the same. He noted, for example, that he had been talking with the President of the Canal Zone Pilots.⁸ He said there was agreement on the need to set up a school for training Panamanian pilots and that would be done. But he thought that some individuals might try to stop the operation of the Canal.

The President said he thought the public attitude on his part and that of Torrijos was most important. He said he felt that if American citizens involved knew that he wanted to cooperate, they would want to do so, too. We have to establish a system of cooperation and coordination, he said, to avoid problems. We must work to see that little problems do not become big ones. We can do many things while we are in office so that our successors will have fewer problems.

Torrijos said that was a very good idea.

President Carter said he looked forward to the ratification of the treaty and its implementation. It will be good for you and good for us. He hoped there would be a chance for their personal friendship to develop in the time ahead. He said he would celebrate the achievement you (Torrijos) have been instrumental in bringing into effect.

The President then said he had a couple of books he wanted to give to the General—a copy of *Why Not the Best* and a volume of photos

⁷ In an August 30 memorandum to Carter, Jordan wrote that the AFL-CIO Executive Council officially adopted a strong statement in favor of the new Panama Canal Treaties on that day. Carter wrote in the right margin: "good." Jordan also listed others who had already come out, or were likely to come out, in support of the treaties. These people included John Williams, President of the Panama Canal Pilots Association; former Republican Senator John Sherman Cooper of Kentucky; and Generals Maxwell Taylor and Lyman Lemnitzer. (Carter Library, Office of the Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty, 9/77)

⁸ A reference to John Williams. See footnote 7 above.

from outer space (including a picture of Panama). He commented that his book was “not very good” but that it had sold well—after he was elected.

Torrijos thanked the President warmly.

Vice President Mondale then said he had a gift—an autographed baseball bat from Rod Carew of the Minnesota Twins (and a Panamanian). He suggested that by giving away a bat he was indicating that we no longer have to carry “a big stick.”

The meeting ended on this cordial note. The President accompanied General Torrijos to his waiting car, where they shook hands and said goodbye.

95. Letter From President Carter to General Torrijos¹

Washington, September 9, 1977

Dear General Torrijos

This has been an historic week for our two countries and for all the peoples of the Americas. The treaties that we have signed mark the beginning of a new era for all of us.² They open the way for a new relationship between our peoples—a relationship of friendship and cooperation, of mutual responsibility and mutual advantage.

On your return to Panama, I would appreciate it if you would convey to the people of Panama my warmest good wishes and those of the American people. Tell them how proud I am to have been able to sign with you these historic documents.

The road to these treaties has been long, and our journey has not been easy. The pledge to work out a new agreement to replace that of 1903 was first made to your country by my predecessor, President Lyndon Johnson.³ For 13 years, through four administrations, we have

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera 2/77–7/78. No classification marking.

² Carter and Torrijos signed the treaties on September 7 at the headquarters of the Organization of American States in Washington, DC. For the text of Carter's remarks at the signing ceremony, see *Public Papers: Carter, 1977*, Book II, pp. 1542–1544. For the text of Carter's remarks at the September 7 White House dinner for Western Hemisphere leaders who attended the signing ceremony, see *Public Papers: Carter, 1977*, Book II, pp. 1544–1546.

³ See footnote 7, Document 3.

tried to work toward the goal we have finally reached—a new and fair and just arrangement between our countries.

The Panamanian people have been patient and understanding throughout this long process. They should know that we realize this and appreciate what it has meant. Please convey to them my great respect and tell them that we Americans look forward to the years ahead when we are working together in understanding and friendship.

With warmest regards.

Most sincerely,

Jimmy Carter

Ratification of the Panama Canal Treaties, September 12, 1977–April 18, 1978

96. Minutes of a Cabinet Meeting¹

Washington, September 12, 1977, 9:06 a.m.

MINUTES OF THE CABINET MEETING

Monday, September 12, 1977

The twenty-sixth meeting of the Cabinet was called to order by the President at 9:06 a.m., Monday, September 12, 1977. All Cabinet members were present. Other persons present were:

Joe Aragon	Tim Kraft
Landon Butler	Bunny Mitchell
Zbigniew Brzezinski	Dick Moe
Hugh Carter	Frank Moore
Doug Costle	Frank Press
Stu Eizenstat	Charles Schultze
Jane Frank	Jay Solomon
Rex Granum	Charles Warren
Richard Harden	Jack Watson

[Omitted here is information mainly unrelated to Panama.]

—The President said that our efforts to persuade the public and the Congress that the Panama Canal treaties should be ratified are continuing with considerable success. He noted that a recent Gallup Poll shows that 39% of the public favors ratification compared with 8% earlier this year.

—He observed that there was an unprecedented demonstration of the quality of respect between the U.S. and the various Latin American countries which were represented at the signing of the Panama Canal treaties last week.² He emphasized again that ratification of the treaties is extremely important to the continuance of those relationships.³

[Omitted here is information unrelated to Panama.]

¹ Source: Central Intelligence Agency, Office of the Director of Central Intelligence, Job 80M00165A, Box 23, Folder 3: 468. No classification marking. The meeting ended at 11:04 a.m.

² See footnote 2, Document 95.

³ Carter sent the treaties to the Senate for ratification on September 16. For the text of Carter's letter of transmittal to the Senate, see the Department of State *Bulletin*, October 17, 1977, p. 486.

97. **Memorandum From Ambassador at Large (Bunker) and the Panama Canal Treaty Co-Negotiator (Linowitz) to the President's Assistant for National Security Affairs (Brzezinski)**¹

Washington, September 14, 1977

The question has apparently arisen as to whether, during the course of the Panama Canal Treaty negotiations, General Torrijos or the Panamanian negotiating team ever used tactics of duress or threats of exposure of intelligence activities as a means of placing pressure on the United States Negotiators to grant concessions.²

We have no recollection or knowledge of any efforts by General Torrijos or his negotiators having used threatening tactics of any kind in order to obtain concessions. The Panamanian negotiators were persistent and fought hard for the best bargain they could obtain, but never resorted to such improper negotiating tactics. Moreover, it was clear that they were prepared to take whatever time was necessary to reach an agreement which they considered acceptable.

If any pressure tactics were ever used at any level, they never came to our attention and could have had absolutely no impact on our conduct of the negotiations.

We were, of course, aware through intelligence channels of some of the statements made on the Panamanian side about their concern over the toughness of our position and their possible response. But neither in the negotiations nor in Washington consideration of these issues did this factor have any role or effect whatsoever. In fact, the United States continued to maintain its position which had so exercised the Panamanians until it was the Panamanian side which conceded.

Sol M. Linowitz

Ellsworth Bunker

¹ Source: Carter Library, National Security Affairs, Staff Material, Brzezinski Donated Material, Box 7, Carter, Jimmy—Sensitive (1/77–9/78). Confidential. Carter initialed the top-right corner of the memorandum.

² On September 14, the SSCI decided to hold a closed hearing on September 16 to investigate the role that NSA's operations may have had on the treaty negotiations. (Memorandum for the Record, September 14; Central Intelligence Agency, Office of Congressional Affairs, Job 79M00983A, Box 8, SSCI Countries—Panama, June–Sept 1977) On September 16, CBS News reported that the SSCI encountered allegations the United States electronically eavesdropped on Panamanian negotiators and that after the discovery Panamanians had blackmailed and bribed U.S. officials to keep the bugging secret. (Daniel F. Gilmore, UPI, September 16; NSC Intelligence Files, Box I026, Subject Files: F–R, Panama/NSA)

98. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) and the Assistant to the President (Jordan) to Secretary of State Vance¹

Washington, September 15, 1977

SUBJECT

Task Force on the Canal Treaties: An Information Bank

As the debate on the Canal Treaties intensifies, the Administration will need to be able to respond quickly and accurately to arguments made by those who oppose the new treaties. An incorrect response or a flawed argument could be extremely costly not only in terms of disseminating inaccurate information, but more importantly, because it could put us on the defensive and leave the erroneous impression that we haven't adequately reviewed the treaties or that we aren't on top of the issue.

We expect that Ambassadors Bunker and Linowitz and the Panamanian Office in the State Department should have primary responsibility for responding to facts or arguments generated by the treaty's opponents, but there are many other people in the Administration who are regularly asked questions about new facts or arguments and need to be prepared to respond. We therefore suggest that the Panama Canal Task Force in State in coordination with Defense, JCS, and NSC be asked to do the following additional tasks:²

—On a daily basis, monitor all important national newspapers, television, and radio broadcasts, and provide a brief summary of new facts or arguments which are either inaccurate or cast doubt on the need for the Canal treaties.

—On a daily basis, provide a 1–2 page paper with this summary and a suggested Administration response. Please provide this to the following people in the White House:

Joseph Aragon, White House West Wing
Landon Butler, White House West Wing
Denis Clift, Office of the Vice President
Rick Inderfurth, NSC
Hamilton Jordan

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 40, Pastor, Country, Panama, 9/8–15/77. No classification marking.

² In a September 16 memorandum to all Department of State Assistant Secretaries and office heads, Read outlined the organization and responsibilities of the newly created Panama Task Force. (Department of State, Principal and S/S Memoranda for 1977, Lot 79D31, Box 1, S/S-S Memoranda File July-September, 1977)

Robert Pastor, NSC
Jody Powell
Jerry Schechter, NSC
Robert Thomson, White House Congressional Relations
Walt Wurfel, White House Press Office

—On a weekly basis, prepare a summary of the past week's activities (relating to consideration of the Canal Treaties by the Congress, by the U.S. public, and by Panama) and a schedule of the anticipated activities of the next week. In addition to the advance schedule, please suggest initiative which the President or the Administration might take to keep the momentum going.

—Please put together a package of materials on the Canal Treaties which can be given to all Congressional offices.

—Please compile a list of well-known supporters of a new treaty.

99. Minutes of a Cabinet Meeting¹

Washington, September 19, 1977, 9:05 a.m.

The twenty-seventh meeting of the Cabinet was called to order by the President at 9:05 a.m., Monday, September 19, 1977. All Cabinet members were present except Mr. Califano, who was represented by HEW Under Secretary Hale Champion, and Ms. Harris, represented by HUD Under Secretary Jay Janus. Other persons present were:

Joe Aragon	Tim Kraft
Zbig Brzezinski	Bunny Mitchell
Alan Campbell	Frank Moore
Hugh Carter	Dick Moe
Doug Costle	Frank Press
Stu Eizenstat	Charles Schultze
Jane Frank	Jay Solomon
Rex Granum	Charles Warren
Richard Harden	Jack Watson

[Omitted here is information mainly unrelated to Panama.]

¹ Source: Carter Library, Vertical File, Cabinet Meeting Minutes, 6/6/77–9/20/77. No classification marking. The meeting ended at 10:42 a.m.

—The President noted that he had read Senator Hollings’s recent newsletter,² in which he endorses the Panama Canal treaties. The President commended the Senator’s “extraordinary demonstration of courage” in view of the fact that the senior Senator from South Carolina is one of four outspoken opponents of the treaties.³ The President said that Senator Hollings’ support followed his recent visit to Panama and his discussions of the treaties with several Latin American leaders.⁴ The President predicted that other Senators may also make trips to Panama in an effort to learn first-hand as much about the whole subject as possible.

—He added that he is still deeply committed to securing ratification of the treaties, and that he works on the effort every day. He asked the Cabinet members to continue their efforts to secure ratification and to commend those Senators who have endorsed the treaties.

—Mr. Bergland noted that the farm community is generally quite supportive of the treaties; the President suggested that Mr. Bergland pass on that information to Frank Moore.

—The President said that a briefing on the Panama Canal treaties with 150 Jaycees last week went very well.⁵

—Mr. Strauss said that he had talked to Senator Humphrey twice this past week on the Canal treaties, and that the Senator is working on the telephone to persuade his colleagues on the need for ratification.

—Mr. Blumenthal asked the President when the Cabinet Secretaries should attempt to secure support from constituent groups for the treaties. The President answered that those efforts should be undertaken immediately and noted that his own activities were proceeding on two fronts: private meetings with Senators and with groups of leading citizens from various states; and planning for a fireside chat on the subject.⁶ The President will meet with Messrs. Powell and Granum shortly to discuss the format of his proposed talk.

[Omitted here is information mainly unrelated to Panama.]

² Newsletter not found.

³ A reference to Thurmond.

⁴ In telegram 6206 from Panama City, August 30, the Embassy reported on Hollings’s trip to Panama August 26–27, the last stop on a 12-day tour of Latin America. Senator William R. Scott (R–VA) also attended and expressed his opposition to the new treaties. Hollings did not commit himself to a position on the trip, but “showed a considerable curiosity about political conditions in Panama and the probable effect of a new treaty here.” (National Archives, RG 59, Central Foreign Policy File, D770313–0918)

⁵ According to the President’s Daily Diary, Carter met with the Jaycees from 3:42 p.m. to 4:25 p.m. on September 16. (Carter Library, Presidential Materials, President’s Daily Diary)

⁶ Carter’s fireside chat on the Panama Canal Treaties took place on February 1, 1978. For the text of the address, see *Public Papers: Carter, 1978*, Book I, pp. 258–263.

100. Memorandum From Secretary of State Vance to President Carter¹

Washington, September 19, 1977

1. *Intelligence Committee on Panama*—Ambassadors Bunker and Linowitz testified along with Stansfield Turner today before Inouye's Intelligence Committee on the question of whether or not intelligence leaks and/or threats of exposure by the Panamanians affected the treaty negotiations. At the conclusion of the session, Inouye read a statement to the press as follows:

"The Committee has no evidence or reason to believe or conclude that U.S. intelligence activities have in any way affected the final results of the Panama Canal treaties negotiations."

While you can be expected to face a question at your next press conference as to whether or not the United States conducted intelligence activities against Panama, Inouye's clean bill of health for the treaties should protect them from further fallout,² [*1½ lines not declassified*] In view of last week's leak from the Intelligence Committee, Inouye is making every conceivable effort to avoid further embarrassment.³

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 9/77. Secret. Carter initialed the memorandum and wrote: "Cy." All brackets are in the original except those indicating text omitted by the editors or that remains classified.

² Carter wrote in the left margin: "good."

³ Presumably a reference to the CBS News report. See footnote 2, Document 97.

101. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, September 23, 1977

[Omitted here is information unrelated to Panama.]

Panama. Cy will testify before the Foreign Relations Committee on Monday² and will be followed by other Executive Branch witnesses throughout the week. The following week the Committee will hear Congressional witnesses both for and against the treaties, and the week after that, the public witnesses³ will give their testimony. The Committee still holds open the possibility of additional hearings later this fall or even next year, but the bulk of the testimony should be in by October 15. A copy of Cy's testimony, which has been transmitted to the Committee, is attached.⁴

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, Plains File, Subject File, Box 12, State Department Evening Reports, 9/77. Secret. Carter initialed the memorandum and wrote: "Cy."

² The Senate Foreign Relations Committee began its initial series of hearings on the Panama Canal treaties on Monday, September 26, and concluded them on September 30. The hearings were published by the U.S. Government Printing Office in 1977.

³ Carter underlined "public witnesses" and wrote in the left margin: "Bring in big guns." Congressional witnesses were scheduled for October 4–5 and public witnesses for the week of October 10–14.

⁴ Not found. In a handwritten notation, Carter indicated that he retained the attached copy of Vance's testimony.

102. Memorandum of Conversation¹

Washington, September 25–26, 1977, 11a.m.–11p.m.; 8:30–10:30 a.m.

SUBJECT

Canal Treaties, Etc.

PARTICIPANTS

General Omar Torrijos, Chief of Government of Panama
Panamanian Ambassador to U.S. Gabriel Lewis
Various Advisers

Assistant Secretary of State for Inter-American Affairs, Terence A. Todman
U.S. Ambassador to Panama William Jordan
Hamilton Jordan, Assistant to the President
Robert A. Pastor, NSC Staff Member

SUMMARY

During the course of an extremely long conversation on Sunday, General Torrijos and I were joined by most of Torrijos' personal advisers. For breakfast on September 25,² we were joined by Hamilton Jordan, Assistant Secretary Todman, and Ambassador William Jordan.

1. *Human Rights*

We discussed the invitation to the Inter-American Commission on Human Rights, which Torrijos had sent to Andres Aguilar, Chairman of the Commission. The Deputy Foreign Minister of Panama is apparently a close friend of Andres Aguilar, and he, as well as other Panamanians, have been trying to phone Aguilar without success to work out a convenient time for the visit.³ Torrijos concluded that Aguilar was trying to avoid the issue, but he did not know why. He was worried that Winston Robles, a conservative Panamanian currently in exile, and other Panamanians in exile, may have tried to contact Aguilar in an effort to become members of the visiting Commission. Torrijos was very anxious about such a development, and asked whether I knew anything about that. I said that I didn't, but that my sources on the Inter-American Commission said that they did not expect the visit to

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File, Country Chron, Panama, 10–12/77. Confidential. The meetings took place at the Panamanian Embassy.

² The breakfast meeting took place on September 26. See Document 103.

³ The Inter-American Commission on Human Rights performed its onsite observation in Panama from November 29–December 7. According to the Commission's final report, *Report on the Situation of Human Rights in Panama*, dated June 22, 1978, the Special Commission designated for the observation visited Panama City, Colon, and David.

cause any problems. We agreed to continue to monitor this issue. In a joking mood, Torrijos said that he was keeping one well-fed political prisoner in the prisons so that the IACHR could release him and proclaim with great finality that there were no longer any political prisoners in Panama.

In answer to my question, whether Panama would be able to ratify the American Convention on Human Rights, Torrijos said that it would, and instructed Foreign Minister Nicolas Gonzalez-Revilla to take steps to see that the Pact was ratified at the next Panamanian Legislative Assembly.⁴

Torrijos was extremely complimentary about the importance he attached to President Carter's moral leadership. He said that he considered the President a "beacon" who has had a significantly favorable impact on Latin America. He said that he was concerned that something terrible would happen to President Carter.

2. Message From Fidel Castro

I told Torrijos that I had learned from the Federal Aviation Administration that a Panamanian plane thought to be carrying him and intending to fly directly to Miami from Panama had gone to Havana instead. In a conversation the previous day, Ambassador Lewis said he did not know about such a journey, but after checking with Panama, he told me that the plane was carrying Panama's negotiators, Escobar and Royo. I noted to General Torrijos that to succeed in the ratification process we would have to be extremely sensitive to the moderate and conservative views of many members of the U.S. Senate. I said that if such a trip by Panama's negotiators were to become known in the U.S., it would not be helpful to the ratification process.

Torrijos did not address that question specifically, but rather immediately talked about the message that Castro had sent him. That message was essentially the same one that we had heard from Senator Frank Church, with significant additions of special relevance to the Canal Treaties. Castro said that he expected the process of normalizing relations between Cuba and the U.S. to be suspended because of the Canal Treaty negotiations. He did not have any problems with that, and, indeed, he believes that the Canal Treaty is of such great importance to the Hemisphere that he is willing to wait until it is ratified. He expected the normalization of relations between the U.S. and Cuba would have to come much later.

⁴ In telegram 161003 to all American Republic diplomatic posts, June 23, 1978, the Department reported that Panama had ratified the American Convention on Human Rights (also known as the pact of San José) on June 22, 1978. (National Archives, RG 59, Central Foreign Policy File, D780263-0289)

In evaluating the Canal Treaties, Castro said that the Treaties were not perfect, but they were okay, and he would endorse them. (Castro's endorsement was quite obviously very important to Torrijos, particularly in his campaign to win over or to neutralize Panamanian students.)

Like Torrijos, Castro also has developed a special fondness for President Carter, a special feeling for his moral leadership, and a great concern about his safety.

(In his nightly message to the Panamanian people, Torrijos noted that Escobar and Royo had to stop in *Nassau* on their trip to the U.S. because of engine trouble. He never mentioned anything about a stop in Cuba, and no one else has become aware of it.)

3. *The Boston-Panama Expropriation Case*

In my initial conversation with Torrijos, I brought up a case which had been brought to my attention during the previous week. The Boston-Panama Company, a U.S. company which had extensive property holdings in Panama, had been subject to what it considered a discriminatory and unreasonably high tax. Over several decades, the Company had contested the tax in court, sometimes obtaining some satisfaction, other times none. Finally, in 1969, while the case was in the Appeals Court, the Company counsel was replaced by someone unfamiliar with the case, and the courts decided to pay the tax owed by the Company by auctioning the property. The Panama Government was the sole purchaser and when the Company protested, Torrijos broke off negotiations and made a "political decision" not to deal with the Company anymore. Within the last year, the Company has decided to exploit the sensitivity of our relationship during the treaty negotiating and ratifying process and have sought from Congress and the State Department to have sanctions imposed (the Hickenlooper-type Amendments on foreign aid and GSP)⁵ by the USG.

In order to try to head-off any complications with the Senate on this issue, and after extensive conversations with State Department lawyers, I raised the issue in the following way. I said that the USG did not wish to make a determination at this time on the merits of the Boston-Panama case. Whether or not they have a good case, however, is not so important as the political implications of the Company applying pressure on the Congress at so sensitive a time in the ratification process. It therefore seemed to me to make eminent sense for the Panama-

⁵ The Hickenlooper amendment to the Foreign Assistance Act of 1961 "required that the United States terminate foreign assistance programs in countries that had expropriated U.S. citizens' (corporate and personal) property without conforming to standards of international law." (*Foreign Relations, 1969–1976*, vol. IV, Foreign Assistance, International Development, Trade Policies, 1969–1972, Document 148)

nian Government to reopen negotiations with the Company as well as permit them access to Panama's courts. I said that I thought that is all that the Company wants right now, and even if Panama did not believe that the Company had a good case, still it appeared to me to be in Panama's interests to open a dialogue, particularly since judicial proceedings would probably extend beyond February or March of 1978—after the expected time of ratification of the Treaties.

Torrijos listened very closely, appeared to be pleased that I was not making a case on behalf of the Company but rather on behalf of a smooth ratification process, and said at the conclusion of my remarks that he "heard my message." The clear implication to all of us was that he would indeed instruct his advisers to reopen negotiations.

In subsequent conversations with Manfredo, the Minister to the Presidency, and with Ambassador Gabriel Lewis, we agreed that Lewis would be in touch with the Company's American lawyers and reopen negotiations. A meeting was scheduled for Monday afternoon, October 3, in the Panamanian Embassy.

4. *Bolivia's Access to the Sea*

In the course of our conversations, we spoke about almost every single issue in inter-American relations, and Torrijos had distinct views on every one. On Bolivia's goal to have access to the sea, he said that he had spoken with Banzer and outlined the strategy that he had pursued in raising international consciousness to the importance of the Canal Treaty negotiations. He suggested a similar strategy be used to focus attention on Bolivia's problem. The first step called for Bolivia to get a seat on the UN Security Council (as Panama had done in 1972) and to get the Security Council to hold a meeting in La Paz and discuss this issue. (Panama had a similar meeting in the Canal Zone in March of 1973.) He urged Banzer to begin to mobilize international support for that effort.

5. *Middle East*

Torrijos read to me a communique which he planned to issue in Israel, and I recommended a number of changes, particularly in areas which I knew would cause great concern among American Jews (e.g., the Palestinian issue). He accepted my recommendations.

It became clearer to me the difficulties he was having in the non-aligned movement and with Libya as a result of this trip. Even Castro had said to his negotiators that he had significant reservations about his trip to Israel. I reassured him that other countries would "understand" the importance of such a trip. We spoke about his trip to Israel and to Europe and he asked whether it would be useful for him to try to encourage the leaders to send telegrams to the Senate on the Canal

Treaties. I said that I thought it would be more useful if the letters were sent to the President, and we publicized them from the White House. The last thing we wanted to do was to make the Senate feel as if we were trying to mobilize international public opinion to pressure them. He raised this issue again at breakfast with Hamilton Jordan, and got the same response.

I was surprised to hear him voice repeated concern about being out of the country so long. He made the following joke twice: "When I return to Panama after this trip, the Panamanian people will think I have only come home for a vacation."

6. *Dr. Hallah Brown*

Dr. Brown had been involved in a car accident with a Panamanian cultural attache several years ago and threatened to take the issue to Congress. In conversations with Ambassador Lewis and with State Department officials as well as with Dr. Brown, it was agreed that the Panamanians would give her \$100,000 to compensate her for her hospitalization. Torrijos had the check with him, but asked that no publicity be given to it.

7. *Puerto Rican Nationalists*

Torrijos said that he was in very close contact with many important Latin American cultural figures, including many of those from the Left, like Gabriel Garcia Marquez. He said that Marquez believed that Carter symbolized a new America, and that gradually Carter would begin to win over Latin America's greatest writers, many of whom have been anti-American for most of their careers. He said that this would take time, but he thought that by conscious gestures, the President could do that. At the moment, if the President invited Garcia Marquez or others to a reception, they would have to refuse, but if these writers sent a representative like Marquez to discuss an important issue of concern to them, then that would be a significant first step.

Marquez asked Torrijos if he would convey a message to the President that Marquez, Juan Bosch (ex-President of the Dominican Republic), the ex-governor of Puerto Rico, Cardinal Arns of Sao Paulo, the Cardinal of Puerto Rico, Olaf Palme, the ex-Prime Minister of Sweden, and Coretta King, would like to meet with President Carter to discuss the problem of the Puerto Rican Nationalists who are in prison in the U.S.

Torrijos was extremely secretive about conveying this message, but said that he thought that it was an extremely good and important idea. He asked me my opinion. I said that I didn't think the time was right for such a meeting. I thought that the President would not be well served to extend himself to the Latin American Left at a time when he was going to have such great problems with the North American Right over the Canal Treaties. Torrijos was inclined to agree with

me but asked if he should raise it with Hamilton Jordan during a breakfast the next day. I said that his raising of the issue with Jordan would not present me with any problems.

8. *The Treaties*

Naturally we spent a large part of the time talking about the chances for Senate ratification. All of the Panamanians were very much bothered by their meetings with Panamanian students, who had called them “traitors” and “bad Panamanians.” They were clearly having a rougher time than they had expected. Torrijos, himself, was forced to wait for four hours in a hotel room for student leaders to meet with him. (He told that story twice.)

In speaking about the status-of-forces agreement, he said that he had developed a “special formula for the School of the Americas” but he did not elaborate. He asked me to talk to him privately about this later, but the opportunity did not arise.

I mentioned to him that the U.S. position on reservations, amendments, or even understandings, would be to oppose all of them to the very end. But I noted that we may have to consider them if the ratification depended on a few votes which could be swung by our accepting such a reservation. I said that we would certainly maintain very close liaison with Ambassador Lewis throughout the ratification process, and if it appeared that we needed this reservation, we would discuss it at some length before taking a public position.

He joked about a telegram he had sent to the Governor of South Carolina (“home of Strom”) when he flew over his State. He said that he hoped that the understanding necessary to build such an important dam could be used to help South Carolina better understand Panama’s case.

9. *The President’s Latin American Trip*

I told him that the President was sincere in his hope that General Torrijos would continue to counsel him on Latin American affairs. In particular, I asked him for his advice on ways to approach the Latin American part of the President’s world trip.⁶ He said that he thought that the trip would be an excellent one, but he wanted to think about the question a bit longer and said that he would send me an aide memoire on his ideas.

He also strongly recommended that General George Brown accompany the President on the trip. He said that the military dictators in Latin America (and it was very clear he was not referring to himself)

⁶ Carter visited Venezuela from March 28–29, 1978; Brazil from March 29–31, 1978; Nigeria from March 31–April 3, 1978; and Liberia on April 3, 1978.

believed that General Brown really made U.S. policy, and not the President. He said that it would be a good lesson for these Generals in Latin America to see the U.S. General taking orders from the U.S. President.

In other discussions about Latin American countries, he showed his extreme displeasure for Somoza's right-wing dictatorship in Nicaragua, not because he disliked Somoza (because he didn't) but because he considered it such a feudal country. In talking about Argentina, he basically supported President Perez's line of argument and said that Videla needed our support. He talked about the rivalry between the Army and Navy and had a very good sense of the politics of that country. He also promised me an aide memoire on Argentina.

10. *Educational Exchanges*

He said that if the U.S. and freedom are to win the battle for the minds of the next generation of Latin America's leadership, then we would have to begin a massive campaign—as the Soviet Union has done—to find many young, talented but poor Latin Americans and give them complete scholarships to U.S. universities. He said that he thought we were losing to the Russians in this effort, and he hoped that we would increase our efforts to educate the poor and talented. I said that I had thought we were indeed financing many more scholarships for students of the developing world to come to the U.S. than the USSR, but I promised that I would check on this and give him a more detailed aide memoire.

11. *Overall Impressions*

I was deeply impressed by the man, the thinker, and the idealist Omar Torrijos. He has a very fine wit, and a very good sense of himself, his limitations and his capabilities. He said to me at one point that he would have liked to have been a humorist but "the design of my face is bad." "I am actually smiling all the time," he said, "but you can't tell that by looking at me." He said that he had asked Jimmy Carter to teach him how to smile properly.

He was extremely nice to me, repeating several times that he wished I would come back to Panama to work with him and that he wished he could have a son like me. A very warm and candid person who is at the same time capable of being very profound, although in a very simple and direct manner. There is no veneer of education around this man, but he has the simple raw intelligence and common sense of a leader.

Robert A. Pastor

103. Memorandum From the Assistant to the President (Jordan) to President Carter¹

Washington, undated

RE: MORNING MEETING WITH TORRIJOS

Along with Bob Pastor (NSC) and Terrence Todman, I had breakfast and a two hour meeting with Torrijos this morning.² There were several things that were said that you should know about.

He is in this country in route to the Mideast and Western Europe. He is obviously trying to balance his trip earlier this year to Libya that was highly publicized.³

He is obviously very interested in the political situation here as regards to ratification, and I tried to give him a pragmatic assessment of the political situation in the Senate. I told them that our hope was still for an early vote on the treaty although we were less optimistic about this because of Senator Byrd's recent statements.⁴

I outlined for him the things we were doing to insure ratification and spent some time reviewing the process by which the Senate would review the treaty. I tried to distinguish for him the difference in a "reservation" and an "understanding" so that these terms would be familiar to him and so that they would not overreact politically to their mention by Senators in the process of debating ratification.

As you know, their referendum on the treaty is in late October.⁵ Once the referendum is over, they will have acted officially on the treaty initialed by the two governments. This will leave Torrijos in the position of having to go back to his people for their additional approval if a "reservation" is added or agreed to by the Senate the first of the year. Torrijos said it will even be difficult to refrain from responding

¹ Source: Carter Library, Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty, 9/77. Confidential. Carter initialed the memorandum and wrote: "Ham Coord c State."

² The meeting took place on September 26.

³ Torrijos visited Libya April 12–16. See footnote 3, Document 29.

⁴ According to a September 25 *Washington Post* column, Robert C. Byrd told reporters at his September 24 news conference that the Senate would defeat the treaties if it was forced to vote on them that year. "Time is required to inform the American people," Byrd said, "because as long as the polls are extremely negative, it would be just as difficult to get two-thirds of the Senate to go along." Byrd said he planned to call the treaties up for a vote early in the next year. (Austin Scott, "Byrd: Panama Treaties Would Lose This Year," p. 7)

⁵ October 23.

officially to an “understanding” if that “understanding” states in very explicit terms things that were only implied in the treaty already signed.

At any rate, we need to be continually mindful of the political pressures under which Torrijos governs. He obviously has a great deal more flexibility than we do, but we should also understand that there are limits to what he can do.

For the time being, I would strongly recommend the following in terms of our own strategy:

1. *That we are opposed to all reservations.* That we believe strongly in the treaty that has been negotiated and signed by the two countries. To suggest that we would even consider a “reservation” at this point suggests that we are ready and willing to make early political concessions. It should also be explained that the talk of a “reservation” jeopardizes the possibility of a new treaty as the Panamanians would have to vote twice on the treaty. Put more simply, you might pose the question as to how the Senate would feel if, after passing the treaty, they were asked to vote a second time on a less satisfactory treaty. The fact that Torrijos has political problems like this underscores the fact that he is *not a dictator with total control of his country and unresponsive to public opinion*. At the same time, we must be respectful of the Senate right to add reservations, but you should make clear to them the process by which you would agree to such an act.

2. *That we are opposed generally to the addition of numerous “understandings” and would only look favorably on those that were necessary to clarify the true meaning of the treaty and the intentions of both countries.* Again, to look favorably on “understandings” suggests a willingness on our part to compromise early and ignores the political realities that face Torrijos. We were only able to get a treaty because our defense rights after the year 2000 were implied and not explicit. If the opponents choose to state those rights explicitly, it will probably pick us up the votes in the Senate that we will need to win ratification. It obviously will create major political problems for Torrijos.

I posed the question as to whether General Torrijos might approve personally any “understanding” or even a “reservation” if it did not change substantively the meaning of the treaty and in that way avoid the need for a possible second referendum in Panama. He laughed and said that it was impossible for him to be a “democratic leader” for the first referendum and a “dictator” for the second.

In summary, I suspect the General has more political flexibility than he allows at this point, but we should not ignore the political situation he faces in his own country nor assume his willingness and/or ability to go along with any “understanding” or “reservation” the Senate might attach. Therefore, we should be very cautious in our

public comments to discourage the idea of adding “reservations” or “understandings”.

My own sense of the thing is that we will probably have to agree to some “understandings” in the final stages to secure enough votes for passage, and that at that point it can be explained to Torrijos in a manner that he will find satisfactory. The addition of any “reservations” will require him to go back to his people and could be a major obstacle to getting a treaty. We should just keep his political situation in mind as well as our own as we go into the final stretch.

More importantly, we should take—for the time being—a hard line in opposition to any “reservations” and discourage Byrd and others from talking about them.⁶

⁶ Jordan added a postscript which read: “P.S. Bob Thompson memo which follows explores these legalisms further.” See Document 104.

104. Memorandum From the White House Congressional Liaison Aide (Thomson) to President Carter¹

Washington, September 26, 1977

RE

Panama Canal Treaties—Strategy

1. SENATE ALTERATIONS OF THE TREATIES

Opponents of the new Canal treaties now know that they are not likely to succeed in winning a simple up-or-down vote on a resolution of advise and consent to ratification of the treaties. Instead, their strategy is to add amendments and reservations to the treaties nullifying their effect and making them unpalatable to Panama.

Last Thursday,² Senator Allen departed from a prepared text he was delivering on the Senate floor to express his hope that the Senate would defeat the treaties by reservation and amendment. The remarks

¹ Source: Carter Library, Office of the Chief of Staff, Hamilton Jordan’s Confidential Files, Box 36, Panama Canal Treaty, 8/77(2). No classification marking. The memorandum was sent through Frank Moore.

² September 22.

were edited out of the text of his speech as it now appears in the Congressional Record.³

As you may know, fights over Senate alteration of controversial treaties are typical. We have enclosed a Congressional Quarterly summary of Senate consideration of the Treaty of Versailles.⁴ Note that disputes over reservations contributed to defeat of that treaty.

Obviously, Senate alterations of the treaties could be of great benefit if Senators can protect their political flanks by supporting an alteration while still voting in favor of the resolution of advise and consent. However, the process is also our Achilles heel if too many unacceptable reservations and amendments are added. We have begun to devise a strategy that will prepare us to tread the line between disaster and a success that is least harmful for treaty supporters.

2. ALTERNATIVE SENATE PROCEDURES

a) *Report Language*—the Senate may consent to ratification of a treaty and include its views or interpretations in a committee report accompanying the treaty.

b) *“Understandings”, “Interpretations”, or “Declarations”*—these terms, used interchangeably, refer to a process whereby the Senate includes in the resolution of consent its interpretation, clarification or explanation of particular provisions.

c) *“Reservations”*—the Senate may add a reservation to the resolution of consent involving some modification or limitation in U.S. obligations under the treaty.

d) *“Amendments”*—the Senate may amend the terms of the treaty itself by adding new sections or deleting provisions.

3. DISCUSSION OF ALTERNATIVE SENATE PROCEDURES

The substantive difference between understandings, reservations and amendments is a matter of degree. Reservations and amendments normally will add or delete provisions that are relatively important to the framework of a treaty. Understandings usually add nuances that have a less important impact on the treaties.

However, the procedural and legal differences that flow from these alternative Senate actions are enormous. If a particular Senate action on the Canal treaties is phrased in terms of an “understanding”, then Panama may issue an ambiguous statement or reject the understanding, and the treaty may still be brought into force. The effort would be to postpone questions of interpretation implicit in the understanding until the issue arises.

³ For the text of Allen’s speech and discussion afterward, see *Congressional Record*, vol. 123, part 24, September 21, 1977, to September 28, 1977, pp. 30366–30369.

⁴ Attached but not printed.

However, if the Senate action is phrased in terms of a *reservation*, it is unlikely the treaties may be brought into force without specific Panamanian approval. To make matters worse, Panama's plebiscite is scheduled for October 23, well before Senate action is likely on the treaties. Consequently, Panama's constitution may require that reservations adopted by the Senate be approved, if at all, by a second plebiscite.

Formal treaty *amendments*, if added by the Senate, would have the same impact as reservations. On the other hand, *report language*, would be the best of all, since it would be similar to legislative history rather than a modification of the text of the agreements.

4. STRATEGY

a) *Strong Opposition to Reservations or Amendments*—we should strongly oppose reservations or amendments to the treaties. The documents are the results of 13 years of negotiation and represent a delicate compromise between this country and Panama. Reservations and amendments could destroy that compromise. Administration witnesses at the Senate hearings today⁵ have testified to that effect.

COMMENT

b) *Silence on the Possibility of Understandings or Report Language*—we should not advocate understandings or report language. In response to queries about these procedures, we should neither support nor oppose them conceptually. The Senate will interpret such a response as indicating flexibility. Of course, when Senators offer specific understandings or report language in Committee or on the floor, we should take positions at that time on the issues as they arise.

COMMENT

c) *More Extensive Legal Research on Alternatives*—the legal department at State has done the preliminary work that has been used as a basis for this memorandum. Much more needs to be done in this area. We have asked them to prepare a more detailed analysis of relevant domestic and international law on the Senate procedures discussed above. After preparation of this analysis, we would like to take 15 minutes of your time to brief you on the results.⁶

COMMENT

d) *Listing Possible Reservations, Understandings, etc.*—We are reviewing statements made by treaty opponents and listing all of their points

⁵ See footnote 2, Document 101.

⁶ Carter wrote in the right margin: "ok."

of attack. From that list, we will prepare a list of possible Senate alterations and propose a position on each of them.⁷

COMMENT

e) *Secret Preparations for Acceptable Compromise*—we will be hard-pressed to avoid Senate reservations on the neutrality issue, the sea level canal and other key provisions. Consequently, the State Department should secretly draft acceptable language for compromise reservations and begin secret negotiations with Panama for their approval. If this can be done before the plebiscite, it may be possible for the Panamanians to construct their text of the treaties in such a manner as to avoid a second plebiscite if the Senate approves the compromise reservations.

COMMENT

f) *Coordination with Senate Leadership*—We must find a way to make our strategy Senator Byrd's strategy. Obviously, it would be most effective if he, Senator Baker and others were to introduce a package of acceptable compromise reservations that would push the treaties over the top. We are still exploring ways to do this.

COMMENT

⁷ Carter wrote in the right margin: "ok."

105. Telegram From the Department of State to Secretary of State Vance's Delegation¹

Washington, September 27, 1977, 0143Z

231665. Tosec 100003. Cherokee—for the Secretary from Christopher. Subject: Evening Reading Following is text of Monday's² evening reading:

[Omitted here is information unrelated to Panama.]

5. Canal treaty hearings. The key problem which surfaced at today's opening Senate Foreign Relations Committee hearing on the Panama Canal Treaties concerns alleged discrepancies between the United States and Panamanian interpretations of key provisions of the treaty. Citing public statements made August 19 and 22 in Panama by Romulo Escobar³ (the Panamanian Chief Negotiator), Senators Baker and Stone claimed that there are significant differences of interpretation between the two countries concerning the U.S. right to act to preserve the neutrality of the Canal, the right of expeditious passage for U.S. warships, Panama's obligation to keep the canal open in the event it becomes unprofitable, and U.S. rights to construct a sea level canal. Both Baker and Stone recommended that Panama be asked to provide a written statement to clear up any divergence of views. Ratification of the treaties may well hinge on our ability to deal with this problem, and we have begun working with the Panamanians to solve it. Senator Baker also asked that the committee have access to all negotiating records and other documents which might be pertinent to resolving these issues. On the latter point, Cy said we would be cooperative in providing the committee necessary background materials.

The hearings lasted over four hours and were attended by thirteen of the sixteen committee members. Senators Church, Case, Javits, Glenn, Biden and McGovern pursued lines of questioning which were

¹ Source: National Archives, RG 59, Central Foreign Policy File, P840072–1213. Secret; Cherokee; Immediate; Nodis. Drafted by Denis Lamb (D), cleared in S/S, and approved by Christopher.

² September 26.

³ Senators Baker and Stone cited speeches Escobar gave before the Panamanian National Assembly on August 19 and at a news conference on August 22 in which, according to an undated memorandum from Christopher to Carter, Escobar purportedly said the following: "1. The Neutrality Treaty did not give the U.S. the right to intervene in Panama; 2. "Expeditious passage" for U.S. warships and auxiliaries did not give the U.S. "privileged passage" even though the U.S. would say so in order to sell the treaty; 3. Panama would not be obligated to keep the Canal open after the year 2000 if it became unprofitable; 4. No option was given to the United States to build a sea-level canal." (Carter Library, Congressional Liaison Office, Jeff Neuchterlein Subject Files, Box 237, (Panama Canal Treaty—Congressional Strategy), 5/27/77–9/29/77 (CF, O/A 193))

helpful in establishing for the record many of the advantages of the treaties.

[Omitted here is information unrelated to Panama.]

106. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, October 1, 1977

Canal Treaties. During last week's Senate Foreign Relations Committee hearings,² two broad issues surfaced on which I want to make recommendations today.

(a) *Releasing Documents.* The first issue concerns Senator Baker's request that the Administration provide the Committee with all its records concerning the treaty negotiations. He asked specifically for minutes of the negotiations with the Panamanians, cables, internal position papers, and communications between you, Cy and our negotiators.

We have quickly reviewed the historical precedents and can find no case in which the Executive Branch has released to the Senate the full and confidential record of treaty negotiations or the record of its internal deliberations. There are cases, beginning with the Jay Treaty in 1796, in which the President has refused such requests. Over the years, Presidents have endeavored to resolve disputes with Congress over provision of documents by practical accommodations, including summaries and briefings, but have resorted to the exercise of executive privilege where necessary.

It is our recommendation that the Administration should not release the minutes³ of the negotiating sessions. We have a clear understanding with the Panamanians that the negotiations are to be kept confidential and, moreover, the precedent set by their release could cause massive future problems. We also recommend that a stern posi-

¹ Source: Carter Library, Plains File, Subject File, Box 13, State Department Evening Reports, 10/77. Secret. Carter initialed the memorandum and wrote: "Warren."

² See Document 105.

³ Carter underlined the phrase "should not release the minutes" and wrote in the left margin: "I agree."

tion be taken against the release of any Presidential documents (e.g., PRM 1).⁴

As a matter of constitutional practice and conduct of foreign affairs, it is very tempting to turn down Baker's request. But a flat refusal could lead him to oppose the treaties and might well lead to Senate rejection of them. Therefore, it is recommended that we respond to Senator Baker's request by the following: (i) offer a full briefing to Senator Baker, on any other Senator, on any aspect of the treaties in which they are interested, (ii) provide summaries, on a confidential basis, of the minutes of the negotiating sessions beginning with the Tack/Kissinger Principles of 1974⁵ where specifically requested, and (iii) provide carefully controlled access to defined categories of negotiating documents such as position papers exchanged between the parties since 1974.⁶ On the latter two points, we would need to get the concurrence of the Panamanians, and also insist that the summaries and documents not be published.

(b) *Interpretation of the Treaties.* As a result of questions raised by Senators Baker, Stone and others, it is apparent that it will be important to try to resolve several questions of interpretation which have arisen. Some but not all of these questions arise from the August 19 and 22 statements of Panamanian negotiator Escobar.⁷ The principal questions appear to relate to neutrality, "intervention," and expeditious passage.⁸

I recommend that we begin to explore the possibility of an interpretive exchange of notes, and I met with Ambassador Bunker this afternoon to ask that he and Sol start the process. There are several delicate issues involved. Torrijos may be reluctant to agree publicly to our interpretations prior to his October 23 plebiscite. Moreover, an early exchange would be subject to the risk that new questions of interpretation may arise as Senate consideration of the treaties proceeds, and it might not be possible to have a further exchange which addressed them.⁹ On the other hand, an exchange of notes after the plebiscite could be open to challenge as not being binding on the Panamanians.

⁴ See Document 2.

⁵ See footnote 10, Document 3.

⁶ Carter wrote in the left margin: "Ok, but be cautious & conservative."

⁷ See footnote 3, Document 105.

⁸ The questions of interpretation related to the Neutrality Treaty's determinations that: 1) Panama and the U.S. had the responsibility to assure that the Panama Canal remained open and secure to ships of all nations; and 2) vessels of war and auxiliary vessels of the U.S. and Panama were entitled to transit the canal expeditiously. On October 14, the White House released a Joint Statement of Understanding clarifying the interpretations of these two principles. For the text of the Statement, see *Public Papers: Carter, 1977*, Book II, p. 1793.

⁹ Carter wrote in the left margin: "I need to have these interpretations clarified also."

After we have given further consideration to these matters of timing and substance and tested the water with the Panamanians, we will make specific recommendations to you.

[Omitted here is information unrelated to Panama.]

107. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, October 5, 1977

[Omitted here is information unrelated to Panama.]

Panama Hearings. Senator Dole yesterday released a confidential cable from our Embassy in Panama outlining Panamanian concerns over differences in Treaty interpretation between us and them.² Dole was scheduled to testify today before the Senate Foreign Relations Committee. Under the circumstances, we felt it desirable to emphasize that the Administration stands by its interpretation of the Treaties, to try to defuse some of the controversy over the degree of our right to “intervene” in Panama, and to indicate that there is an on-going process of consultation with the Panamanians which may reconcile differences of interpretation.³ I sent the attached letter to Senator Sparkman, which he read into the Committee record at an appropriate moment in Dole’s testimony.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 11/77. Secret. Carter initialed the memorandum and wrote: “Warren.”

² Presumably a reference to telegram 7043 from Panama City, September 29. (National Archives, RG 59, Central Foreign Policy File, D770355-0662) The telegram described Lopez Guevara’s concerns over U.S. congressional testimony on the treaties relating to interpretation of the expeditious-passage clause that U.S. war vessels received “preferential” treatment or would be able to “go to the head of the line” and assertions that the treaty gave the U.S. any right to “intervene” in Panama.

³ Carter wrote: “Without delay—you & Cy submit to me a plan to obtain Torrijos concurrence in our interpretations” in the left margin. In an October 7 memorandum to Carter, Christopher provided the following recommendations: strive to obtain clarification on the treaties before the October 23 plebiscite in Panama; agree to a joint statement of understanding with Panama and share that statement with certain members of Congress; and indicate to Torrijos that it will be necessary to keep a continuing dialogue in the coming months to insure support for the treaties. (Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama, 1-10/77)

Dole was criticized by Senator Glenn and some others for releasing the confidential cable. Dole, who had castigated Ellsberg,⁴ used the Ellsberg defense: the issue is so important that the American people have the right to know.

The Committee heard other hostile witnesses during the day, including Congressman McDonald of Georgia whose testimony included the following criticism of Torrijos: "One brother Moises Torrijos, also known as "Monchi," has a currently impending indictment in the United States for trafficking in narcotics. Nevertheless, Omar Torrijos appointed "Monchi" as the Panamanian Ambassador to Spain."

[Omitted here is information unrelated to Panama.]

Attachment

Letter From Acting Secretary of State Christopher to Senator Sparkman⁵

Washington, October 5, 1977

Dear Mr. Chairman:

The explanation of the Panama Canal Treaties offered by Administration witnesses before your Committee last week is accurate.⁶

Under the new Treaties, and particularly the neutrality Treaty, Panama and the United States have the responsibility to assure that the Panama Canal will always remain open, secure and accessible to ships of all nations. Accordingly, Panama and the United States each will have the right to take any appropriate measures to defend the Canal against any threat to the regime of neutrality established in the Treaty.

The Treaty does not give the United States any right to intervene in the internal affairs of Panama, nor has it been our intention to seek or to exercise such a right.

We firmly believe that the Treaty arrangements amply protect the Panama Canal as an international waterway, serve the interests of both countries, and form the basis of a new partnership based on mutual respect between Panama and the United States.

⁴ A reference to Daniel Ellsberg, who transmitted classified materials now known as the Pentagon Papers to the *New York Times* and other newspapers in 1971.

⁵ No classification marking.

⁶ See footnote 2, Document 101.

We are, of course, in continuing contact with the Panamanian Government to clarify any points of interpretation regarding the Treaties which may arise in either country.

Sincerely,

Warren Christopher
Acting Secretary

108. Memorandum From the Director of the Office of Management and Budget (McIntyre) to President Carter¹

Washington, October 6, 1977

SUBJECT

Sea-level Panama Canal Study

ISSUE

Should the Administration support legislation to authorize a restudy by the Corps of Engineers of the feasibility of a sea-level Panama Canal?

BACKGROUND

Attached is a copy of Article XII of the Panama Canal Treaty,² which commits the U.S. and Panama to study jointly the feasibility of a sea-level canal in Panama. The costs and legislative requirements for such a study to be conducted now by the U.S. Army Corps of Engineers are discussed below. This proposal would be perhaps one way to carry out that commitment.

As you consider it, the proposal should be viewed in the larger context of (a) the impact of the proposal upon obtaining Senate consent on the Treaties and (b) how the proposal would be received in Panama. For example,

Would proposing legislation for the study, while ratification is pending, assist or retard progress toward Senate acceptance of the Treaties? Should the proposal be held up until after ratification?

¹ Source: Carter Library, White House Central Files, Subject File, FO 3-1, Panama Canal, 11. No classification marking. Sent for action. A stamped notation on the document reads: "The President has seen." Carter initialed the top-right corner of the memorandum.

² Attached but not printed.

Does this study proposal meet the commitment for a joint study? What should be Panama's role? Is not a great deal more consultation needed with Panama before getting too far out ahead on the legislation?

These are questions we urge you to take up with Ambassadors Bunker and Linowitz and Secretary Vance before you decide the issue discussed below.

DISCUSSION

The Corps of Engineers—acting as agent for the Atlantic-Pacific Interoceanic Canal Study Commission—completed a study of a sea-level canal in 1970.³ The sea-level canal would have been located in the Republic of Panama with an estimated construction cost of \$2.9 billion at 1970 prices. The Commission, chaired by former Treasury Secretary Robert Anderson—concluded at that time that the construction of the canal should be initiated 15 years before the existing canal reached its capacity—then estimated to be around the end of this century.

The inability of the current canal to accommodate large tankers to transport Alaskan oil directly to the east coast has led to proposals for a reexamination of the feasibility of a sea-level canal by the Corps of Engineers. The Corps estimates that such a canal would cost about \$6.2 billion at today's prices. The Corps could prepare an updated three-year study of the canal at a cost of \$7 million, including a full estimate of the environmental impacts. Of this, \$2 million would be needed for on-site investigations in Panama which would, of course, require the agreement of the Government of Panama.

Authorizing legislation would be needed if the Corps were to undertake this assignment. We would then ask the Corps to *reprogram* sufficient funds to initiate the study, with first-year costs estimated at \$1.5 million. We understand you will be asked by Senator Gravel to seek specific appropriation for these costs. We do not believe that such appropriations are necessary.

Arguments for a restudy

—\$7 million is a relatively small price to pay for an informed assessment of the current engineering, economic and environmental feasibility of a sea-level canal.

—A study is not a commitment to construct, so no irrevocable decision regarding a sea-level canal is involved.

—If current changes in the economics of energy transportation continue, construction of a sea-level canal could prove to be in the

³ See footnote 4, Document 76.

national interest and the availability of a current feasibility study would then be highly desirable.

Arguments against a restudy

—Administration support for a sea-level canal study by the Corps—even though not a commitment to construct—will be strongly resisted by environmentalists who are concerned about potential adverse environmental and ecological effects from mixing waters from the Pacific and Atlantic Oceans, e.g., introduction of poisonous Pacific sea snakes into the Atlantic. You have received a memorandum from Frank Press on this topic.⁴

—In the short run, it is likely that the existing canal with special arrangements for lightering petroleum to smaller vessels will be satisfactory to meet our needs.

—Many transportation economists question whether the costs of a sea-level canal could be recovered from tolls even if the energy transportation problem worsens.

PRESIDENTIAL DECISION

_____ Propose legislation to authorize study of sea-level canal by Corps of Engineers.

_____ Do not support legislation to authorize study.⁵

⁴ Not found.

⁵ Carter checked this option and initialed below the decision options.

109. Memorandum From Secretary of State Vance to President Carter¹

Washington, October 10, 1977

1. *Panama*: Warren had an afternoon session with Bob Byrd on the Joint Statement of Interpretation concerning the neutrality and operation of the Panama Canal. Byrd seemed to be favorably disposed

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 10/77. Secret. Carter initialed the memorandum and wrote: "Cy."

to this approach and offered to invite the following Senators with whom you will be meeting tomorrow morning at 8:00 am:²

Baker	Eastland	Nunn
Case	Goldwater	Sparkman
Church	Inouye	Stennis
Cranston	Jackson	Stevens

I am attaching an initial draft of the Joint Statement³ which was given to Byrd this afternoon. As you will note, we did not add “in time of national emergency” at the end of the “when necessary” clause in the second paragraph. I believe we will have greater flexibility of action without a qualification of this clause. In our view the last two paragraphs of the Joint Statement should only apply to the Treaty after the year 2000, since we will be able to control passage through the Canal until that year.

Byrd did not raise the question of a reservation with us. He said that if the Joint Statement is ultimately adopted, the Senate would then have to decide how to take it into account. If we could persuade the Senate to use the Joint Statement as an expression of its understanding (rather than a formal reservation), we would avoid opening up the Treaties to other reservations.

Attached also are talking points⁴ for your use with the Senators tomorrow morning.

2. *Panama Canal Treaties Hearings*: The Senate Foreign Relations Committee today took testimony on the Canal Treaties from retired Admirals Moorer and Zumwalt and from retired General Maxwell Taylor. Moorer opposes the treaties, the other two are in favor.

In Moorer’s view, already expressed to the House International Affairs Committee,⁵ we must be present in the Canal to insure our access to it. The proposed treaties provide for our withdrawal in 22 years, a time that “is just around the corner” in the Admiral’s view.

² According to the President’s Daily Diary, on October 11 Carter met with Byrd and other senators to discuss the Panama Canal treaties from 8 to 9 a.m. From 9 to 9:08 a.m. Carter met alone with Byrd. (Carter Library, Presidential Materials, President’s Daily Diary) In his diary, Carter wrote that during the meeting with the senators, “All of us approved a clarification statement that might be signed by me and Torrijos. I don’t think there’s any possibility of having the treaty ratified unless the question of our right to protect the canal after the year 2000 is clarified and also the right of expeditious passage in case of a national emergency.” (Carter, *White House Diary*, p. 117)

³ Not attached.

⁴ Not attached. A copy of the talking points for the October 11 morning meeting with the senators is in the Department of State, Records of Cyrus R. Vance, 1977–1980, Lot 84D241, Box 8, Panama Canal 1977–78.

⁵ See footnote 3, Document 83.

Moorer sees a Moscow-Havana-Panama axis, a view which led Senator Baker to request the Committee to require the State Department to provide an analysis of the possible relationship between the USSR and Panama should the treaties be ratified. In questioning Moorer, Senator Glenn called upon the State Department to respond as quickly as possible to the Committee's letter concerning the provisions of "expeditious passage" and "intervention" in the treaties. Senator Percy had a further request of the State Department: that it provide a list of visits by Torrijos to Cuba as compared with his visits to democratic Latin Republics, say Venezuela.

Zumwalt said the Canal was important to US security. Access to it would be better insured with the treaties than without them. He would like to see a clarification by both governments of the matter about which there now seems to be divergent interpretation, especially "expeditious passage" and Article IV of the Neutrality Treaty.

The treaties would be in danger, Taylor thinks, if the US sought to obtain Panama's agreement to greater precision in the provisions upon which there is seeming differences of interpretation. The generalities are purposeful, and provide for freedom of action. To seek Panama's agreement to a specific provision for US "intervention" would be absurd, in Taylor's view.

After the Admirals and the General testified, the Committee heard the testimony of four American residents of the Canal Zone in their capacity as leaders of civic councils. They oppose the treaties.

[Omitted here is information unrelated to Panama.]

110. Letter From President Carter to General Torrijos¹

Washington, October 11, 1977

Dear General Torrijos:

As you know, some questions have arisen concerning the interpretations being given in our respective countries to certain portions of the new Panama Canal Treaties.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera 2/77-7/78. No classification marking.

I am sure that you will agree that it would be in the interests of both our countries to clarify the points at issue.

I understand that you will be stopping off in the United States on your return from Europe to Panama. If so, I would like to meet with you privately to discuss this matter.²

With best regards,
Sincerely,

Jimmy Carter

² See Document 113.

111. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, October 12, 1977

SUBJECT

Canal Treaty Misinterpretations

Yesterday, Ambassador Bunker, Warren Christopher, Hamilton Jordan, and Bob Pastor discussed the Joint Statement of Understanding with Panamanian Ambassador Gabriel Lewis and his aide, Jaime Arias. The Panamanians didn't have any real problems with the three clarifications, but in an extended discussion, it became clear that two rather significant disagreements remained:

(1) *The line which separates the concept of "defending the Canal's neutrality" and "intervening in Panama" is a fuzzy one, and the Panamanians see it quite differently than we do.* If the question were asked, "Can the U.S. land and station 50,000 U.S. soldiers near the Canal in case of an impending threat?", we, of course, would say, "yes." The Panamanians would say, "no."

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 61, Panama: Canal Treaty of 1977, 10/1–30/77. Secret. Carter initialed the top-right corner of the memorandum and wrote: "Prefer III."

Without probing the Panamanian position very hard, it seemed that the Panamanians believe we can only defend the Canal's neutrality either by sea (on the Atlantic or Pacific sides of the Canal), by our Air Force ("the Pentagon umbrella"), or by a lightning strike into the Canal area, with a prompt departure after the crisis ends. They clearly do not contemplate the possibility of us keeping only troops there, particularly if there is no obvious international threat to the Canal. (They would probably deny the possibility that the U.S. can defend it from a Panamanian threat.) I suspect that most Americans interpret the neutrality treaty very differently.

(2) *Who interprets when the neutrality of the Canal is threatened?* While the Panamanians have accepted the principle that each country—the U.S. and Panama—can *act* when the Canal is threatened, there has not yet been agreement on the question, "Can each country interpret when the Canal is threatened?" A similar question relates to the provisions on "expeditious passage:" who interprets when it is necessary to transit the Canal more quickly than other nations' ships? I suspect that the U.S. and Panamanian negotiators would answer those questions differently.

These two sets of questions have not yet been asked and we can hope that they remain undiscovered. But the more we wrestle with this treaty debate, the more I become convinced that the opponents of the treaty will not stop until they have exploited every possible weakness or vagueness in the treaty.

You have three possible options as they relate to your upcoming meeting with Torrijos.²

Option I—You can decide *not to surface these issues*, and deal only with the three points enunciated in the Joint Statement. It is quite possible that these two new issues will never become known, and there is little sense in causing additional problems when we haven't resolved the three most important ones.

Option II—You can *raise the issue* with Torrijos and try to get an agreed interpretation. Then, you have an option of making this part of the Joint Statement or just getting agreement not to answer publicly those two sets of questions in ways which will permit the opponents of the treaty to exploit them.

Option III—Or you can *raise the general issue of possible future misinterpretations*. Having learned that in the era of mass communications, we are all now dealing with a *single* audience, we can no longer try to sell a different product to the U.S. than to the Panamanian audience. On new or potentially controversial questions, both sides should agree to consult and reconcile differences before making their answers public.

² See Document 113.

It seems to me that these questions are likely to be discovered, and it would be extremely harmful to the Administration's position to have to continually try to reconcile different answers by Panamanian and U.S. negotiators to the same questions. If anything, we want to get in front of this problem rather than constantly react and try to reconcile. I would therefore recommend Options II or III—either face the issues in private with Torrijos or maybe even set up an informal consultative mechanism for anticipating and reconciling potentially divergent responses.

112. Memorandum From the Assistant to the President (Jordan) and Robert Pastor of the National Security Council Staff to President Carter¹

Washington, October 14, 1977

SUBJECT

Meeting with General Torrijos

We spent about six hours tonight² with General Torrijos at the Panamanian Embassy talking mostly about the problems of gaining ratification for the treaties in our respective countries.

We did *not* dwell on the details of the statement which was drafted by Warren Christopher in conjunction with the Senators in an attempt to clarify certain points.³ Copies of our statement had been translated into Spanish by the Panamanians and circulated to their negotiators and key members of their staff. General Torrijos was not interested in discussing the contents of that document, but was more concerned about why we needed such a statement at this time. *Our impression is that they are reconciled to having to do something to help us with "our" political problem*, but Torrijos would like to think that the fact he is meeting with you will be sufficient. We told him that clarification was essential.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 1–10/77. No classification marking.

² October 13.

³ Presumably a reference to a draft of the October 14 Joint Statement of Understanding. See footnote 8, Document 106.

Torrijos is very concerned about the political problems which have emerged in Panama while he has been travelling through Europe during the past three weeks. He doesn't doubt that the treaties will be ratified in the plebiscite in *10 days*,⁴ but he is bothered by the increasing criticism being directed at the treaties *and himself*. He is particularly worried about how his meeting with you to "clarify" treaties so recently signed will be interpreted in Panama. We believe that you will find him very reluctant to do anything until he has had a chance to return to Panama and evaluate the situation there. We believe getting a commitment from him as to language is possible, but believe that he will want to wait until he gets back to Panama to make any public statement.

One obvious fact is that the Panamanians have a very limited and superficial understanding of the way our government functions and of the ratification process. They see the President as the most powerful person in the world and have difficulty comprehending why you are having problems getting the Senate to ratify this treaty.

In explaining the need for a clarifying statement of some kind, we noted that in the process of trying to sell a single product to two markets, both sides had made statements which antagonized the buyers in the other's market. In the U.S., several Senators who had supported the treaties, now tell us they won't vote for it unless several provisions are clarified. If we don't recapture these Senators and the momentum now, before the Panamanian plebiscite, we will lose the treaties.

We told them that key Senators had worked with us in developing some language which tried to deal with the political objections raised in both countries. To the extent that we used this same language to clarify these differences, we would be winning votes in the Senate for the treaties. If we changed or modified this language, we would risk losing their support.

Torrijos never explicitly said that he accepted the language. Panamanian negotiator Escobar made clear that he had problems with the third provision—closure due to unprofitability—primarily because he felt that it had been considered in the negotiations and subsequently dropped. Since it wasn't in the treaty, he argued that we couldn't very well have a clarifying statement on it. While noting that the neutrality treaty incorporated the concept of an "open" Canal, we said that we didn't want to engage in a "legalistic" argument over what is essentially a political issue. (Lewis had told us before that Torrijos had made this same argument a number of times.)

Both sides raised hypothetical questions about the meaning of the treaties, and agreed that if we answered such questions differently, we

⁴ October 23.

would just invite future problems which could make ratification of the treaties impossible.

Scenario

Torrijos would very much enjoy talking privately with you for about 10 or 15 minutes before the meeting, and this offers the opportunity for you to impress upon him the need for his complete agreement on the text of the "Joint Statement."

113. Memorandum of Conversation¹

Washington, October 14, 1977, 8–9:40 a.m.

SUBJECT

Panama Canal Treaties, Etc.

PARTICIPANTS

United States

The President

Dr. Zbigniew Brzezinski, Assistant to the President for National Security Affairs

Ambassador Sol M. Linowitz, U.S. Negotiator

Anthony Hervas, Interpreter

Robert A. Pastor, NSC Staff Member (Notetaker)

Panama

Brigadier General Omar Torrijos Herrera, Chief of Government, Panama

Romulo Escobar Betancourt, Panamanian Negotiator

Colonel Ruben D. Paredes, Minister of Agriculture

Fernando Manfredo, Minister of the Presidency

Gabriel Lewis, Panamanian Ambassador to the U.S.

Oval Office Meeting

President Carter and General Torrijos met privately for approximately 40 minutes from 8:00–8:40 a.m. in the Oval Office. According to the interpreter, the President and General Torrijos reviewed the latter's trip to the Middle East and to Europe.² The rest of the conversa-

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron, Panama, 10–12/77. Secret. Drafted by Pastor on October 19. The meeting took place in the Oval Office and in the Cabinet Room at the White House.

² See footnote 3, Document 103.

tion was summarized by President Carter at the beginning of the meeting in the Cabinet Room.

Cabinet Room Meeting

President Carter: General Torrijos and I have had a very good conversation. He described his trip to the Middle East and Europe and the widespread approval which the new Panama Canal Treaties have received. The leaders whom he met have deep understanding of the embarrassment to Panama of the existing treaty arrangements. I agree with that assessment as did my three predecessors as President and the Secretaries of Defense and of State.

But we have a problem. Although there was a good reaction to the signing ceremony and to visits by Latin American leaders, there is still a very strong opposition in our two countries to the treaties themselves. For example, our mail in the White House is running approximately ten-to-one against the treaty. The opposition is very well organized, but even polls by a private organization I often use show that only 30–35 percent of the American people favor the treaties, while as much as 65–70 percent oppose them. It is true that most leaders approve of the treaties, but the general public does not. I am determined to do whatever I can to secure ratification of these treaties, but I recognize the difficulties for a Senator to vote against the will of such a large proportion of his constituents.

We estimate that there are about 55 Senators who will vote for ratification at this time; about 20 are opposed, and the others are still in doubt. Some who had promised to favor the treaties now have great doubts because of two very serious points, and because some of the statements that have been made in Panama by Escobar have caused problems here at home.³

I don't believe there are actually differences between the United States and Panamanian positions, but I recognize that important questions have been raised on two crucial points: the defense of the Canal and the related question of intervention, and the rights of expeditious passage.

On the first item, there are two related problems. We ourselves have been embarrassed by U.S. intervention in Vietnam, and it is very important that General Torrijos and I both state clearly that the U.S. has no desire to intervene in Panama's internal affairs. But we must have clarification with regard to the duties and rights which the U.S. has to guarantee that the Canal will remain open and neutral for all ships after the year 2000. General Torrijos' statement at the signing

³ See footnote 3, Document 105.

ceremony⁴ confirmed that there was no difference between our two countries on this point, but doubt still remains, and this doubt must be removed.

On the question of interpreting the right of expeditious passage, we must clarify this point so that, when necessary, U.S. and Panamanian ships should be able to go through the Canal without delay even if it means that we go to the head of the line. I believe it is necessary to clarify this point.

General Torrijos and I agreed in our conversation that there is no difference between us on either of these two points, and the Panamanian and the American people would respond well to a declaration along these lines if it were issued today.

General Torrijos told me, however, it would not be good for him to sign an agreement. But he has no objection to a joint oral statement by myself and by him on these two points. I told him that we could not secure ratification unless there is eventually a written understanding along these lines, but I would remain opposed to any change in the language of the treaty or any addition to the treaty. However, it may be that in spite of my opposition to such changes, that the Senate might still add their interpretation at the time of ratification. But the language which the Senate uses will be the same as what we use in our oral statement.

(At this time, Hamilton Jordan gave the President a note. Hamilton Jordan had asked me previously whether the President was aware that Romulo Escobar was sitting across from him, and whether I thought that Escobar might be upset by the President's specific mention of his name. I said that I didn't know whether the President knew who Escobar was, but I did think that Escobar might take offense at the President's remarks, and perhaps we should try to do something about the President's previous statement.)

The truth is that the statements that I have made here as well as those statements made by Ambassador Linowitz and others have caused problems for you in Panama, just as statements by you have caused problems here in the United States. Both of us, I am sure, have interpreted the treaties correctly. I have talked for a long time, but feel free to correct me if I have misinterpreted anything in our conversation. Although the debate which is going on is quite serious, I believe that the outside world should see clearly the friendship between the two of us and between our two countries.

⁴ For the text of Torrijos's remarks at the signing ceremony, September 7, see the Department of State *Bulletin*, October 17, 1977, pp. 482–483.

General Torrijos: What I have to say is for internal consumption only. I informed President Carter that it would be political suicide for me to sign something before October 23. But we should maintain a great reserve capacity to be able to respond to unforeseen developments in the debate in our two countries. I believe that we can make a joint declaration on the two points that President Carter mentioned. First, that the U.S. would not abandon us if someone tries to disrupt the peaceful transit through the Canal. I believe that there is an understanding on our part on this issue. Secondly, that our warships should be able to transit quickly if they need to.

When there is a good understanding, it is very easy to add an autograph afterwards.

Romulo Escobar Betancourt: I believe that both of your statements are correct. There is no difference in interpretation on the rights of the United States in the Neutrality Treaty. The only problem that we have at this time is that of timing and also the way that our understanding is handled.

The U.S. Senate is not intending to ratify the treaty at this time, but our plebiscite is quite near. Therefore, if we could in Panama place greater emphasis within the same interpretation on those provisions which are most favorable to us before the plebiscite ten days from today, then the two sides can place greater emphasis on the other provisions after the October 23 plebiscite. In other words, if we could reemphasize that provision of the understanding which refers to your intention not to intervene in the internal affairs of Panama, we would be the beneficiaries of much greater support in the ratification in Panama. Then, after the twenty-third, it will be much easier for General Torrijos to lend greater support to you.

However, if we both emphasize all the points now, we would not benefit from that. Though both General Torrijos and President Carter can refer to this overall understanding at this time, we would appreciate it if you place greater emphasis on the non-intervention provision now. And after the twenty-third, we would be able to help you much more.

President Carter: It is important for our people and for the Senate especially to know that the Panamanian people will vote on October 23 for treaties which are understood in the same way by the people of the United States as they are by the people of Panama. It is also better to get 70 percent of the vote in Panama in favor of the treaties and get ratification in the United States, than to get 90 percent in favor of the treaties in Panama and not obtain ratification in the U.S. So there must be some balancing of the explanation at the same time in both countries.

Let me just outline the approach that we might take, and I would like Ambassador Linowitz to comment.

First, we should agree to the exact language of our understanding, but it will not be necessary to publicize that understanding today.

Then, we must give the most careful attention by myself and the people in my Administration and you, your negotiators, and the people in your government not to say anything which will in any way contradict the meaning of the understanding or contradict each other.

Then, we can announce that I will be writing to General Torrijos using exactly the language which we have agreed to today.

Then General Torrijos, if he chooses, at whatever time he finds convenient, could announce that he has received a letter from me, and that he has no disagreement with the contents of that letter.

Later, General Torrijos would respond to my letter in writing, confirming the exact text of the understanding. At that point, it could be made public. This exchange of letters could be completed after October 23. But it would be clear before the plebiscite that there is no disagreement between the two of us as to the meaning of the treaties. And the more that you could make public about these letters, the better in my opinion it would be. But that is your judgment. It would help also if you or Escobar could say publicly that each country has the right to defend the Canal and the right of peaceful transit by all the world's commerce, that the United States rejects the right to intervene, and that we both agree on the right to defend the Canal beyond the life of the basic treaty.

I saw Ambassador Linowitz shaking his head, and I would like him to comment and to be as frank as possible.

Ambassador Sol Linowitz: My concern is that the Senate Foreign Relations Committee wants to be certain that the people of Panama and the people of the United States have the same understanding of the treaties. One way to obviate that concern is a clear statement by both countries at this time.

President Carter: I agree, but General Torrijos said it is impossible for him to sign such a statement before the twenty-third, and I respect that.

Ambassador Linowitz: I understand that, but perhaps there is room for compromise. Suppose that you and General Torrijos both made a statement that you had agreed on many of these provisions which President Carter has outlined.

General Torrijos: (At this point conferred with Escobar, and then said:) "We have an answer to your proposals."

Romulo Escobar: Our suggestion would be that General Torrijos would make a statement when he returned to Panama that the Treaty on Neutrality does not signify, nor should it be interpreted, as a right of intervention by the United States in the internal affairs of Panama. It should, however, be interpreted as the right of the United States to

take action against a threat to destroy the Canal or to impede passage through the Canal. On the question of expeditious passage, he would say that both countries' ships would have the right to rapidly transit without any barriers or impediments, and in case of need or emergency, such ships could go to the head of the line.

Ambassador Linowitz: One reason that we are able to complete the negotiations so quickly, Mr. President, was because Romulo (Escobar) was so creative in coming up with compromise solutions. He was always searching for ways to find common ground between the two sides. I think we're close to agreement on the second point. On the first point in the statement, we dealt with the right of the United States to take action to defend the Canal's neutrality, and then said that we don't want to interfere in the internal affairs. We used the same language, but the order that we use is reversed.

President Carter: Perhaps Ambassador Linowitz and Romulo Escobar can draft the specific language, and when they agree, the two of us can take a look at it.⁵ If the two negotiators cannot agree, then we will meet again this afternoon. But we do need approval of the language today. And there can be no secret interpretations; it must be made public in some form. How much time do you think you will need to negotiate the text?

Ambassador Linowitz: I think we could probably do it in 15 or 20 minutes.

President Carter: I don't mind if it takes a bit longer, and the two of us can make the statement together, or however you prefer. Perhaps I could do it here and then you could do it in Panama. Whatever your preference is. My preference would be for a joint statement here. But I would like a clear understanding and agreement on the text, and also that we will later exchange in writing the major points in letters between the two of us. If you would prefer the exchange of letters to take place after the plebiscite, that is all right with me.

Romulo Escobar: If we can reach agreement, the political impact would be better if you do it here and General Torrijos did it when he arrives back in Panama.

General Torrijos: After making these statements, then all the statements that we make in Panama as well as those you make in the United States can follow the general outline suggested by this general language.

President Carter: It does not matter to me whether or not the announcement is made simultaneously, but the crucial point is that

⁵ The Joint Statement of Understanding was issued following the meeting. See footnote 8, Document 106.

we agree on exactly the same language. The important thing is for my people and for yours to know that we agree so that there is no misunderstanding, and so that they know that we are working in friendship. This is a matter of equality and friendship, and both of us need to clarify the language.

General Torrijos: I think that this can be taken care of quickly, and that we can leave this room with smiles on our faces.

(Later, in a conversation between Romulo Escobar, Ambassador Linowitz and myself, Escobar confirmed the interpretation which Ambassador Linowitz and I had of the last part of the conversation in the morning. To us, the clear implication of the last part of the conversation was that General Torrijos would agree to an exchange of letters at an appropriate or convenient time, and Romulo agreed that was his interpretation as well.)

Robert A. Pastor

114. Memorandum From the Assistant to the President (Jordan) to President Carter¹

Washington, October 1977

RE: UPDATE ON PANAMA CANAL/REVISED WORK PLAN

Present Situation

Although it has not been translated into positive votes or commitments, I feel that we have regained some of the political momentum on the treaty that was lost over the past couple of months. I attribute that to several factors:

—*Clarifying statement.*² This undercut the arguments that had become the focus of the Birchers and the right-wingers. We were on the defensive for several weeks, but this statement turned things around.

—*Novelty of the organized mail campaign has begun to wear out.* This is not meant to suggest that the mail has not had a tremendous impact on the Hill. It has, but the Senators have recognized it for what it is.

¹ Source: Carter Library, Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty, 10, 11, 12/77(1). Confidential; Personal.

² See footnote 8, Document 106.

They are over the initial shock of receiving large number of letters against the treaty.

—*Some shift in public opinion polls.* Although it seems to have stalled at around 30–35%, the Senators no longer have to deal with polls that show the opposition 10 to 1.

—*Some significant breakthroughs in the South.* We now have public commitments from Hollings of South Carolina and Morgan of North Carolina. This has created a better atmosphere in the Senate for other Southern Senators to consider supporting the treaty.

—*Good state briefings.* The extensive briefings have created a better atmosphere among opinion leaders and political figures in each state.

—*Generally, good editorial support and favorable press.* The newspaper support for the treaty has been decisive. Also, the specials on the treaty (Bill Moyers, public service specials, etc.) have been very positive and helpful.

Still, we face a tough fight to win on ratification.

The Next Step

It was my thinking that we would continue our present posture until after the energy bill³ was completed by the Congress. Now that that process is likely to continue late until the year, I believe that we have to begin to shift gears now in terms of our efforts to educate the American people. If we wait until after Christmas, we have a conflict with your foreign trip⁴ and then after the first of the year we get into a period of time that will be preoccupied with preparation for the budget, the State of the Union speech, etc.

For that reason, I would suggest that we begin now to think and plan for:

—*An Address to the Nation in December.*

—*Some private meetings with individual Senators while the Congress continues its work on energy.*

You might review this work plan and make notations.⁵ We need to do a national media campaign. Our Citizens' Committee has raised some monies for this, but they will only be able to raise the funds they

³ Presumably a reference to the National Energy Act (a composite of five different laws) signed by Carter on November 9, 1978.

⁴ Carter visited Warsaw from December 29–31; Tehran from December 31, 1977, to January 1, 1978; New Delhi and Daulatpur-Nasirabad from January 1–3, 1978; Riyadh from January 3–4, 1978; Aswan on January 4, 1978; Paris, Normandy, Bayeux, and Versailles from January 4–6, 1978; and Brussels on January 6, 1978.

⁵ The November 1 work plan with Carter's notations is attached but not printed.

need if you will agree to give them 30–45 minutes late some afternoon in Washington for a reception.⁶

_____ Agree to do reception.

_____ Disagree.

⁶ Carter checked the agree option and initialed in the right margin. According to the President's Daily Diary, Carter met with representatives of the Panama Canal Citizens Committee on October 17 from 11:47 a.m. to 12:30 p.m. (Carter Library, Presidential Materials, President's Daily Diary)

115. Briefing Memorandum From the Assistant Secretary of State for Congressional Relations (Bennet) to Secretary of State Vance¹

Washington, October 19, 1977

SUBJECT

Your Testimony before the House International Relations Committee on the Panama Canal Treaties, October 20—Supplemental Briefing Memorandum on Treaty Interpretations

Panamanian negotiator Romulo Escobar Bethancourt held a press conference in Panama yesterday, read the Statement of Understanding agreed to between the President and General Torrijos last Friday, October 14 (attached at Tab A),² and commented upon the Statement in a way which supported our assertions that both countries had always interpreted the Neutrality Treaty similarly. The full transcript of Escobar's press statement is at Tab B.³

You may wish to read Escobar's statements in anticipation of questions by HIRC members tomorrow.

Ambassadors Bunker and Linowitz appeared this morning before an open session of the Senate Foreign Relations Committee to discuss the Statement of Understanding. The meeting was attended by Senators

¹ Source: National Archives, RG 59, Central Foreign Policy File, P770168–2028. Unclassified. Vance's initials are stamped on the bottom-right of the memorandum.

² Tab A is not attached. See footnote 7, Document 106.

³ Tab B is not attached. In telegram 7509 from Panama City, October 18, the Embassy reported on Escobar's press conference and summarized his statement. (National Archives, RG 59, Central Foreign Policy File, D770383–0403)

Sparkman, Case, Church, Javits, Percy, Clark, Glenn, Sarbanes and Stone.

All of the Senators expressed positive reactions to the Statement and referred favorably to Escobar's press conference. They commented generally that the Statement was an important step forward toward treaty ratification and that it should help resolve the doubts which had arisen over the question of interpretations.

Senators Church, Case, Javits and others asked whether or not formal reservations or understandings should be attached to the treaty, based on the Statement. Ambassador Linowitz noted that the Statement made it clear that both countries had intended the same meaning in the Neutrality Treaty, and that, for this reason, no additional formality should be necessary. Senator Javits said that he understood why there would be an objection to a reservation, as this could modify the treaty or reopen negotiations, but felt there should be no adverse consequences in the Senate's approving the treaty with an understanding identical to the October 14 Statement. Senator Church said that he would prepare an Understanding for consideration by the Committee.

116. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, October 21, 1977

SUBJECT

Trip to Panama

I arrived in Panama at 7:00 p.m. on Wednesday, October 19, and was met by our DCM Raymond Gonzalez and by Torrijos' Personal Advisor Roary Gonzalez, who drove me to see the General at his home (actually it is Gonzalez's home, but the General uses it whenever he is in Panama). I departed at 12:45 p.m. on Thursday, October 20.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron, Panama, 10-12/77. Confidential. Brzezinski wrote: "WR or morning notes ZB" on the top-right of the memorandum. Aaron and Inderfurth initialed the top-right and end of the memorandum, respectively. A copy was sent to Jordan.

Cerro Colorado Copper Mine

During the drive, Gonzalez told me about the Cerro Colorado Copper project which he directs for the government. Cerro Colorado is an area in the North of Panama which will likely become the third largest copper mine in the world (behind Terriente in Chile, and Zambia's). It will be developed in cooperation with Texasgulf (which will have 20 percent of the equity), will cost about \$1.0 billion, take about three years to build (expected to begin in 1979), and by 1982, earn about \$400 million annually. In short, the Canal as a Panamanian resource will be dwarfed by Cerro Colorado.

Torrijos' Trip to the Middle East and Europe

When I reached Gonzalez's home, Torrijos greeted me and asked me to meet with him privately in his bedroom, which looks as if it was furnished by Playboy International. Sprawled across an enormous imperial bed, he told me that his trip was an extremely interesting and educational experience, that all the leaders had offered their complete support for the treaties, and that he wrote summaries of his conversations *only for President Carter's use* (he asked me not to share these pages with the State Department or even with his Ambassador, Gabriel Lewis), and he had organized his notes in three parts:

1. A summary of the conversations.
2. A summary of the foreign leaders' evaluation of President Carter.
3. A personal impression and evaluation of the foreign leader.

It was quite obvious that he had devoted a good deal of time to these notes, and he had done that primarily to share his experiences with his friend, Jimmy Carter. He said that he had a fascinating and wide-ranging conversation with Helmut Schmidt, but that of all the leaders he has ever met, he felt the closest to Carter. (He also repeatedly said that he looked at Hamilton Jordan and me as "the sons he wished he had." He also thanked me sincerely and warmly for coming.)

The Plebiscite on October 23

After a brief discussion of his trip, we moved to the living room and expanded our conversation to include Foreign Minister Nicolas Gonzalez-Revilla, Roary Gonzalez, Panamanian Negotiator Romulo Escobar Betancourt, and his Communications Adviser and interpreter, Jorge Carrasco.

Torrijos said that he had returned to Panama to find his negotiators debating the Canal Treaty with lawyers and professors at a level which ordinary Panamanians could not understand. "Neutrality, expeditious passage, transit rights—these words do not mean anything to poor Panamanians," he said. "The debate had moved to references of Plato and Roman law, but all the Panamanian people cared about was when

were the gringos leaving, would they have more jobs than before, would they be able to sell their products to the Zone, when would the U.S. police leave?" These are the questions which Torrijos then addressed. He visited many areas, found strong support for the treaties, and had taped one hour of a "town meeting" to be shown on Thursday night, October 20, at 7:30 p.m. He expected that the debate on television, which had begun with the signing, would be completed with his remarks.

He had had a good interview with Bill Moyers, who is producing a 60-minute documentary, which will be shown around November 1. He also met with Carl Midgail of *U.S. News and World Report* and Jeremiah O'Leary of the *Washington Star* on the morning of October 20.

He said he expected a good turnout on Sunday² and perhaps as much as 85 percent support for the treaties. The results will be announced the following Wednesday.³ Secretary General Waldheim's representative had arrived to see the plebiscite, and Tom Farer, a member of the Inter-American Commission on Human Rights, would be coming on Saturday.⁴

I then told him that the "understanding" which he reached with President Carter had accomplished its purpose. On Saturday,⁵ Senator Byrd and several other Senators had said that they consider the understanding a significant, positive step which had resolved their principal problems with the treaty. I complimented Romulo Escobar for his restraint in his presentation of the (exact) text in a press conference,⁶ and said that Ambassadors Bunker and Linowitz assured me that they would act similarly restrained in the hearings before the Senate and the House Foreign Affairs Committees on Wednesday⁷ and Thursday.⁸ I also mentioned the Citizens Committee which was set up and met with the President on Monday,⁹ and the President's trip to the Midwest and West to try to build some support for the treaties.¹⁰ In addition, there would be many Congressmen and Senators visiting Panama after

² October 23.

³ October 26.

⁴ October 22.

⁵ October 15.

⁶ See Document 115.

⁷ The SFRC held hearings on the treaties on October 19.

⁸ The HCIR held hearings on the treaties on October 20.

⁹ October 17. See footnote 6, Document 114.

¹⁰ According to the President's Daily Diary, Carter visited Michigan and Iowa on October 21; Nebraska, Colorado and California on October 22; and Minnesota on October 23. (Carter Library, Presidential Materials, President's Daily Diary)

the recess, and I suggested that they have Planning Minister Barletta provide a briefing for them on Panama's development goals.

Expanding the Plebiscite

I half joked that the plebiscite seemed like such a good idea that Panama might want to make a "habit" of it. Escobar and Gonzalez-Revilla picked up the point, and we had a rather lengthy discussion about ways to keep the Panamanian political system, which had been remarkably free, for the last months, open for a longer period of time. Torrijos thought that the idea of holding plebiscites on national issues seemed a good one, but he wasn't terribly interested in permitting the establishment of political parties.

John Wayne and the American Vote

Torrijos introduced me to Arturo McGowan, the Panamanian businessman who had persuaded John Wayne to support the treaty. McGowan has been a close friend of Wayne's for the last eight years, and was a soft-spoken but persuasive person, who was asked by Wayne to brief Ronald Reagan last Friday, October 14. McGowan had a suitcase filled with some very fascinating correspondence between Wayne, Reagan, Goldwater, John Tower, and other conservatives.

Wayne had written a long letter to Reagan listing all the political debts Reagan owed him and asked him to reconsider his position on the Canal and to speak with McGowan, who received a phone call from Reagan at 7:00 a.m. two days after Wayne sent the letter. McGowan found Reagan "soft" on the issue and open to his arguments. While Reagan was not immediately converted, he asked McGowan to return in a week for more discussion. McGowan does not think a Reagan conversion is impossible, though he recognized it was improbable. He did think it probable that he could neutralize Reagan as the leader of the opposition.

Other letters show that Wayne's influence over Tower and Goldwater is quite considerable. The letter from Goldwater, for example, was clearly from a close friend who valued Wayne's opinion and was prepared to support the treaty on the basis of his advice.¹¹ Wayne has asked McGowan to go to Washington to meet with several conservative Senators including Tower and Goldwater.

Wayne also told him that he would be willing to do television spots for free on behalf of the Canal Treaty, but only if someone would pay for its distribution.¹²

¹¹ Brzezinski highlighted these two sentences and placed a check in the left margin.

¹² Brzezinski highlighted this paragraph.

Nicaragua and the Sandinistas

Torrijos was very concerned about reports that the U.S. Southern Command had helped Somoza in four separate fights with the Sandinistas during the last week. I said that I felt quite certain the U.S. would not get involved in assisting Somoza fight the guerrillas. (My assurances were supported by a denial issued by the Southern Command on October 20.)¹³

After Nicaragua's attack on several Costa Rican border towns and ships, Torrijos said that he had offered to Oduber his elite battalion of the Guard (which has been stationed as part of the United Nations Force in the Sinai) as a symbol of his solidarity with Costa Rica against Nicaragua. He thinks that Somoza's regime is morally bankrupt, and predicts it won't last two years more. As far as the Sandinistas, he knew many of its leaders, and had offered jobs in Panama for several. He said the Sandinistas enjoyed broad support in Nicaragua, and the source of the support was simply hatred of Somoza.

Meetings with Panamanian Professionals and Poor

On Thursday morning (October 20), he asked me to accompany him when he gave a speech before a convention of Panamanian professionals (lawyers, doctors, architects, academics) in the National Congress. His speech, which was extemporaneous, was well received.

Of special interest was the trip there. We travelled in Roary Gonzalez's car with no security whatsoever, stopping for all of Panama City's traffic lights. Occasionally, people would recognize him when we stopped for a red light, and would come over to talk to him, calling him "Omar" and either saying nice words about the treaty, asking for some help for their community, or special pleading ("My husband is in jail; could you pardon him?") He was very solicitous. The women came up and kissed him.

After his speech, he took me to the ghettos near the Zone and told me that he wanted me to see the bad as well as the good part of Panama. (I was already familiar with the areas because of my previous trip to Panama.) He said that he was gradually clearing this area and building low-income housing, but that his attention had been devoted to the Canal Treaties. He told me and the people on the street that his next task after the Treaties would be to help the poor. He asked them about their problems and talked with them at some length. Again, the total absence of police protection, particularly in such a poor area, surprised me. (In fact, his home in Panama has only the most minimal security.) He asked the poor people how they would vote on the plebi-

¹³ Not found.

scite, and rather spontaneously, they all said they would support it. The brief meeting was totally spontaneous, and I could tell by the character of the complaints and the way the people talked that they view him as a friend. They were not exactly deferential in the way they talked with their Head of State. They talked with him as they would with almost any other Panamanian.

I am having Torrijos's report translated, and will send it with a summary and a draft letter for the President to send to Torrijos early next week when it is completed.¹⁴

¹⁴ See Document 118. Inderfurth wrote: "A very interesting report. RI" at the end of the memorandum.

117. Memorandum From Secretary of State Vance to President Carter¹

Washington, October 24, 1977

[Omitted here is information unrelated to Panama.]

3. *Panama Plebiscite*—As of 3:00 p.m. EDT, unofficial returns are in from 92% of polling tables in Panama's October 23 plebiscite on the Panama Canal Treaties.² Returns show 66.4% in favor, 32.2% opposed and 1.4% casting void ballots. Turnout is estimated at 90–95% of those eligible. The "yes" vote is expected to reach a higher percentage as votes come in from rural areas, but will not reach the government's projected figure of 80% in favor. Nevertheless, there will be a comfortable margin. We believe that there are sufficient safeguards to insure a reasonably fair and fraud-free vote. No incidents have been reported

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 10/77. Secret. Carter initialed the top-right corner of the memorandum and wrote: "Cy."

² Carter wrote in the left margin: "I would like for Torrijos to shift Panama to a Democracy & have free elections soon. It would be a good time for T. to do this."

by the Embassy. Official returns are expected to be announced on Thursday, October 27.³

[Omitted here is information unrelated to Panama.]

³ On October 25, the White House sent Torrijos the following message from Carter: "Congratulations on the outcome of the plebiscite your country held Sunday on the Panama Canal Treaties. The results confirm that the treaties are supported by a strong majority of the Panamanian people. I look forward to ratification by the United States Senate, so that these treaties which meet the needs of both the people of Panama and the United States can be brought into effect. I send my best wishes to your government and to the citizens of Panama." (White House message 70531 to Panama City; Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera 2/77-7/78)

118. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, October 31, 1977

SUBJECT

Reports from Torrijos—Letter to Him

As you may recall, General Torrijos requested that Hamilton Jordan and Bob Pastor go to Panama last week to discuss his recent trip to the Middle East and Europe and to take Torrijos' report of his trip back to you. Ham couldn't go, so Bob went alone October 19–20.²

In a style which is eccentric, if not unique, Torrijos told Bob about his trip and his conversations. Rather detailed notes had been kept of his meetings, but he decided to discard them in favor of short summaries dictated in his inimical style and organized in three parts: (1) a summary of the conversation; (2) a short note of the foreign leader's evaluation of you (all are favorable; most stress your moral and ethical qualities); and (3) Torrijos' personal evaluation of these leaders.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera 2/77-7/78. No classification marking. Sent for action. A stamped notation reads: "The President has seen." Carter initialed the top-right corner of the memorandum and wrote: "Send this ltr—I'll draft other."

² See Document 116.

The reports make for interesting reading. Individually, they are quite short but there are ten of them, so I have selected some of the more interesting parts and summarized them at Tab B.³ Among other things, they show Torrijos as a rather insightful, though idiosyncratic person.

An especially important point is that he wrote these *just* for you because of all the leaders he has ever met, he considers you his closest friend. Because of that, I have drafted a letter of acknowledgment,⁴ which I recommend you send. Jim Fallows has cleared it.

RECOMMENDATION:

That you sign the letter to General Torrijos at Tab A.

Separately, I attach some possible wording for you to use in a separate personal note regarding democracy in Panama (Tab C).⁵

³ Tab B is not attached. The report summaries are in the Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 11/77–3/78.

⁴ Tab A is not attached. A copy of this draft letter is in the Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 11/77–3/78. In a November 2 letter to Torrijos, Carter expressed his congratulations on the successful vote on the treaties in Panama, acknowledged Pastor's trip to Panama and Torrijos's reports, thanked Torrijos for obtaining international support for the treaties and expressed appreciation for their friendship. (Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera 2/77–7/78)

⁵ Tab C is not attached. Brzezinski added: "It is deliberately subtle."

119. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, November 14, 1977

SUBJECT

Senator Byrd's Trip—An Assessment

By all accounts, the trip by Senator Byrd and six other Senators to Panama was a success.² It was well planned to give the Senators a flavor of political dissent in Panama, to permit them to see the full commitment of the Panamanian people to the Canal Treaties, and to be briefed on Panama's plans for the future economic development of Panama and the Zone. It also gave the Senators an opportunity to see a good cross-section of well-educated and intelligent Panamanians. Torrijos spent a good deal of time with the Senators, and came to like and respect Senator Byrd.

There is one set of issues on which the Senators pressed Torrijos quite hard, and which may cause us some problems. It is the future of democratic government in Panama.³

There is the danger that some Senators will seek concessions in the area as a way to divert attention from the Treaties. If Torrijos does not make the concessions regarding democracy that several believe he promised,⁴ they could use that as an excuse to vote against the Treaties.

¹ Source: Carter Library, Office of the Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty 9/77. Confidential. Carter initialed the memorandum.

² On November 9 Byrd led a delegation to Panama that included Senators Huddleston, Matsunaga, Metzenbaum, Riegle, Sarbanes, and Sasser. At the end of the 4-day trip, Matsunaga, Huddleston, and Metzenbaum announced their unqualified support for the treaties and all the senators expressed favorable impressions of the trip. (Briefing memorandum from Bennet to Vance, November 14; National Archives, RG 59, Central Foreign Policy File, P770193-1597)

³ In a November 11 memorandum to Brzezinski relaying messages from Torrijos, Pastor explained that the senators asked Torrijos many times if he was a Communist and Huddleston told Torrijos he hated dictatorships. Torrijos responded that he did as well and that "he wanted to turn Panama into a centerpiece of democracy, to be an example for all Latin America." (Carter Library, White House Central Files, Subject File, FO 3-1, Panama Canal, 12)

⁴ In a November 14 memorandum to Bennet, Moss reported that after questioning by the senators, Torrijos announced liberalizing measures he intended to take regarding due process, press freedom, and the return of exiles. (Carter Library, Office of Congressional Liaison, Jeff Neuchterlein Subject Files, Box 237, (Panama Canal Treaty Negotiations) 1/3/77-4/2/77 (CF, O/A 193)) In a November 30 conversation, Lewis informed Pastor that Torrijos had kept his promise to Byrd to repeal decrees limiting the right of assembly and providing for summary administrative trials and was reexamining the decree which limited press freedom. (Memorandum of Conversation, November 30, Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 11-12/77)

Therefore, I think it is in our interest not to couple the democracy-in-Panama issue with the Canal Treaties. I think we are more likely to lose votes if Torrijos does not make good on his supposed concessions than win them if he does.

120. Telegram From the Embassy in Panama to the White House¹

Panama City, November 14, 1977, 1745Z

[*telegram number not declassified*].

Subject: [*less than 1 line not declassified*] The White House For the President Eyes Only. From Ambassador Jorden (Panama).

1. General Torrijos has asked me to convey directly to President Carter the following very personal comments on the just concluded visit of Senator Robert Byrd and his six senatorial colleagues to Panama.² *Text follows:*

2. Quote I observed a high degree of morality in the U.S. Senators in their investigations related to the treaties and I am certain that they acted in good faith. I feel that the Senators recognized that one who is not convinced of the righteousness or justice of a cause can hardly convince others. This trip served the purpose of providing the visiting Senators with knowledge and information on situations that will require some time to be fully understood. I saw in them open minds and a willingness to change their concepts once they established contact with a reality that previously had been unknown to them.

3. I think Senator Byrd and the Senators who accompanied him all gave a clear demonstration of the moral attitude of the American people. At times I feared that because of the liveliness and enthusiasm surrounding the visit and the conversations, the visiting Senators might come to think that there was a prefabricated scenario. There was not, and I believe they realized that.

4. The Senators had an unusual opportunity to establish contact with the whole political spectrum in Panama. They talked with the sweet and the sour, and even with the H2O, i.e., with those of the

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 8, Backchannel Messages: Latin America: 6/77–12/78. Secret; Immediate; Sensitive; Eyes Only. All brackets are in the original except those indicating text that remains classified.

² See Document 119.

extreme Right, the extreme Left and even with the colorless and tasteless.

5. I noticed that the Senators' visit and their contact with the country made them realize the urgent need for prompt ratification of the treaties. It is one thing to be a colonizer and another to be colonized.

6. The interest shown by the visiting Senators and their knowledge of the situation as presented gained them my deep appreciation. They were not like some U.S. politicians who think in terms of living off the Panama problem without caring about the consequences which a delay in ratification may bring to the Panamanian people.

7. Finally, I explained to the visiting Senators that in spite of the fact that we have been exposed to Communists, anarchists, imperialists, and the many cultures that pass through our country, our people are mature enough to choose the path best suited to our nation. I appreciated the feeling of pride in the attitude of these Senators who, through the ratification issue, wish to place their constituencies in the forefront of imaginative and constructive political development.

8. Warmest personal regards, Omar Torrijos. *End quote.*

121. Letter From President Carter to General Torrijos¹

Washington, November 28, 1977

Dear General Torrijos:

You will recall that when you visited Washington on October 14, you and I agreed on a Statement of Understanding which was made public at the White House in Washington on October 14.² A copy is enclosed.³

I wish to confirm that the United States Government considers the Statement of Understanding to be the authoritative interpretation of the relevant provisions of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, signed on September 7, 1977.

¹ Source: Carter Library, White House Central Files, Subject File, FO 3-1, Panama Canal, 1. No classification marking.

² See Document 113.

³ Attached but not printed. See footnote 8, Document 106.

I would be grateful if you would confirm that the Government of Panama likewise considers the Statement of Understanding to be the authoritative interpretation of the relevant provisions of the Neutrality Treaty.

Sincerely,

Jimmy Carter

122. Memorandum From the Assistant to the President (Jordan) to President Carter and the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, November 29, 1977

RE: CALL FROM AMBASSADOR GABRIEL LEWIS

I received a call today from Panama from Ambassador Gabriel Lewis who asked if he could come and see me as soon as possible. I replied that he could and thought nothing of it as we stay in touch constantly on matters related to ratification of the Treaty.

I asked him how he was doing and he responded that, "things are going badly here—that is why I must talk to you as soon as possible."

This was a curious remark so I inquired of Bob Pastor as to any recent information on the internal situation in Panama. He provided me with the following information and the attached memorandum.² From all that I can learn, Torrijos has become personally despondent for several reasons.

First, the Panamanian economy is in poor shape. Unemployment and inflation are high and foreign investment is off. Torrijos thinks that potential foreign investors are holding off because of uncertainty about treaty ratification and/or rejection and the implications of either action.

Secondly, for the first time, Torrijos has permitted criticism of his leadership and the treaty and the groups of people opposed to him

¹ Source: Carter Library, Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty, 9/77. Confidential; Personal. Carter initialed the top-right of the memorandum.

² Not attached.

and the treaties are exercising their new rights freely. He has been booed at several rallies and was shaken by it.

Thirdly, and probably most importantly, they do not understand our system of government and are confused about the repeated delays in final consideration of the treaties by the Senate. We told them initially that we would work for an October vote on the treaties and have postponed the likely date for a vote several times. All we can say now is that after the energy bill is passed,³ we will focus on the Panama Canal Treaties.

At any rate, I believe that Gabriel and General Torrijos need to be reassured that the treaty will be taken up early in the year, that we are working hard for ratification and that prospects for passage are improving. We get criticized on the Hill for “not doing enough on the Panama Canal Treaties”⁴ so I am sure that it must be difficult to see any interest or momentum from Panama.

We need to keep Torrijos in a positive frame of mind so that he will continue to make positive statements and gestures in Panama in addition to courting the Senators who visit. For that reason, I plan to do the following with Bob Pastor when we meet with Gabriel Wednesday:

- Review likely timetable for Congressional action
- Point out that we are delaying SALT II for Panama Canal Treaties⁵
- Point out recent good signs (mail, polls, etc.)
- Review what we have been doing, including White House briefings, support of Citizens’ Committee, endorsements received, work with individual Senators, Speakers’ Bureau that has been set up, etc.

Generally, without misleading Gabriel on underestimating the difficulty of ratification, I would like to reassure him of the prospects and our own commitment to its passage.

³ See footnote 3, Document 114.

⁴ In a November 19 memorandum to Brzezinski, Schecter reported that Congress believed Carter needed to come out forcefully in favor of the treaties and wanted his assistance in defusing public opposition to the treaties. State was encountering the following attitude from congressional leaders: If Carter would not “go out on a limb for these Treaties, why should I.” (Carter Library, National Security Affairs, Staff Material, Press and Congressional Relations, Box 1–5, NSC Weekly Legislative Reports 10–12/77)

⁵ In a November 10 memorandum to Brzezinski, Pastor concluded that to have the Panama and SALT treaties in the Senate at the same time would result in trade-offs that would hurt Carter. Pastor recommended Carter delay concluding a SALT treaty until Panama was completed. (Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 11–12/77) In a November 17 memorandum to Mondale, Brzezinski explained that decoupling Panama and SALT in the legislative calendar was “clearly desirable” and that the linkages between the two issues could be avoided by “deliberately stretching out the SALT negotiations.” (Carter Library, National Security Affairs, Brzezinski Material, Agency File, Box 11, National Security Council: 4–12/77)

*If you and Zbig think it is appropriate, I might like to bring Gabriel in to see you just briefly so he can report back to General Torrijos that he got to see you and has your personal reassurance.*⁶ You might just pick up the telephone and get Senator Byrd to spend five minutes with Gabriel outlining the likely Senate schedule for consideration of the treaty.

Torrijos has been very helpful and it is in our own interests to reassure him and keep him positive.

⁶ Jordan underlined this sentence and Carter wrote in the right margin: "ok."

123. Memorandum From Secretary of State Vance to President Carter¹

Washington, December 1, 1977

1. *Panama Canal Treaty*. The staff of the Senate Foreign Relations Committee has told us that it expects the Committee to include in its resolution to ratify the Panama Canal Treaties a declaration that the Treaties would not become effective until legislation implementing them has been enacted by Congress. The Treaties do not need such legislation to become law.

Such a declaration would, of course, give the House of Representatives (and perhaps as many as four Committees of the House) a role in determining whether and when ratification of the Treaties would occur. Opponents of the Treaties thereby would have additional avenues to attempt to prevent ratification from becoming effective.

We will talk with Sparkman and other key Committee members to try to head off this declaration. We have identified only two instances in which treaty ratification has been or will be conditioned upon enactment of implementing legislation (prisoner exchange treaties and the Genocide Convention),² and several contrary precedents. Apart from

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 12/77. Secret. Carter initialed the memorandum and wrote: "Cy."

² Presumably a reference to the Convention on the Prevention and Punishment of the Crime of Genocide, adopted by UNGA as General Assembly Resolution 260 on December 9, 1948.

the precedents, we think that such a declaration would be wholly inappropriate in the present situation.³

[Omitted here is information unrelated to Panama.]

³ Carter wrote in the left margin: “I agree—Go all out to oppose this.” In a December 3 memorandum to Carter, Vance reported that, for the moment, such a declaration had been successfully forestalled and the SFRC would not push for it. (Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 12/77)

124. Memorandum From the Assistant Secretary of State for Congressional Relations (Bennet), the Deputy Assistant Secretary of State for Congressional Relations (Beckel) and the White House Congressional Liaison Aide (Thomson) to the Assistant to the President (Jordan) and the Assistant to the President for Congressional Liaison (Moore)¹

Washington, December 1, 1977

SUBJECT

PANAMA CANAL STRATEGY

Last Tuesday² at the leadership breakfast, Senator Byrd confirmed his intention to make Panama the first order of business in the second session. It is, therefore, imperative that we adopt a public affairs and legislative plan for the final phase of the Canal Treaty fight. Outlined below is a plan that you should review. Feel free to make comments and suggestions. A revised draft should then be offered to Senator Byrd for comment to ensure that we are all on the same track.

I. CURRENT SITUATION

A. Vote Count

Presently, we can see approximately 55–57 votes for the Treaties. There are perhaps 35 against or leaning against, many of whom will

¹ Source: Carter Library, Papers of George D. Moffett, Box 7, (Memoranda—White House, 6/14/77–3/27/78). No classification marking. Carter initialed the top-right of the memorandum and wrote: “Ham—let’s have a top staff meeting c the VP & me on this.”

² November 29.

be extremely difficult, if not impossible, to move. (See Attachment for updated count.)³

B. *The Climate*

There are several factors working in our favor at the moment. The Majority Leader's trip to Panama⁴ had a marked positive influence. Trips by others who may be less favorably inclined towards the Treaties will also be useful in broadening their perspectives and impressing upon them the importance of the Treaties to Latin America.⁵

We also have an active working Senate staff group headed by Dick McCall in Senator Humphrey's office. A number of Senators (e.g., Morgan, Hollings, Weicker, Matsunaga, Hatfield, Hayakawa) are making speeches in favor of the Treaties.

Several factors are also working against us. Senate mail in favor of the Treaties has picked up, but the count is still strongly against. News stories have appeared with vote counts more pessimistic than our own. Senators supporting the Treaties are still not organized into a cohesive working group. Sentiment is growing that the Treaties will have to be substantially altered by the Senate to pass. Since the Byrd trip, there have been no additional events or news stories to indicate progress toward support for ratification. Finally, it appears that Senator Humphrey will be unable to play as strong a role during the debates as he would like.

At this time, there is little movement in the Senate for or against the Treaties, since energy is the overriding concern. Most Senators feel that this issue is far down the road (i.e., next year) and are not actively involved with Panama. Pressure is increasing from both sides on Senator Baker, since all realize his decision on the Treaties will be crucial.

The present equilibrium will be disrupted when the Treaties are about to be reported. Minority members of the SFRC—particularly Baker and Griffin—will be forced to choose sides and justify their positions with fresh arguments, hopefully in favor. The first fights over amendments will occur in the Committee. The attitude of non-SFRC Senators will be heavily influenced by (a) the momentum Senators Byrd, Baker and others may decide to build before the Committee reports, (b) the force of the SFRC's action and (c) accompanying support from the Administration and public spokesmen.

³ Not attached.

⁴ See footnote 2, Document 119.

⁵ An unknown hand highlighted this paragraph.

II. TIMING

At the leadership breakfast, Senator Byrd indicated he wants Chairman Sparkman to report the Treaties out this year. White House Liaison met with Byrd shortly thereafter and raised three problems with that idea:

First, an early SFRC vote would force an early decision by Senator Baker who is certainly inclined to wait until next year. A strong push could easily result in a no vote. Second, the SFRC plans a trip to Panama in January before marking up the Treaties. Third, the Armed Services Committee has been led to believe the SFRC will not report the Treaties until after its own January hearings.⁶

The Majority Leader indicated he would check all three of these objections before pursuing Sparkman further on an early vote. We believe he will find it impossible to have the Committee mark up the Treaties this year.

We can, however, expect that the Committee will act immediately next year. Markup should take no more than five days. Thus, the Treaties could be on the floor during the first week of February. Of course the only real lobbying time we will have prior to this is the remainder of this year prior to completion of energy and the days after January 19 when the Senate reconvenes.

It is impossible to predict the length of the debate. If final passage seems likely, both supporters and opponents may find protracted debate on such a no-win issue unattractive. If the issue is in doubt, opponents who see a chance to embarrass the Carter Administration may try to prolong the debate. Three weeks seems a likely minimum, but this could be extended substantially in the likely event that we are faced with a blizzard of amendments. Much will depend on how the leadership chooses to deal with these amendments.

III. LEGISLATIVE STRATEGY

A. *Committee Markup—SFRC*

State Department Congressional Liaison will continue to take the lead in dealing with the SFRC during markup. The White House will be involved where necessary.

A large majority of the Committee and its staff support the Treaties. Senators Baker, Griffin and Stone are question marks. Our objective should be unanimous support by the SFRC, because support from Baker, Griffin and Stone would produce decisive momentum on the floor. This will almost certainly require some Committee amendments,

⁶ An unknown hand highlighted this paragraph.

but Committee amendments are probably inevitable in any case. Obviously we will want as few amendments as possible in Committee, consistent with the unanimity objective, thereby reserving acceptable amendment opportunities for picking up votes on the floor.⁷

The first task will be to get a realistic assessment from the Committee on the number and substance of amendments that it is likely to report with the Treaties. *The Administration must continue to oppose all amendments*, which means that negotiating will have to be done by favorable Senators. However, it is possible for us to offer “technical drafting assistance” in selected cases to make amendments less objectionable, as long as it is clearly understood we oppose the amendments even in revised form and will lobby against them. It must be made clear that we absolutely cannot accept any amendments even as reservations or understandings which would require Panama to resubmit the Treaties to a vote by plebiscite. Lobbying against amendments that seriously alter Treaty language should begin as soon as possible.

B. Armed Services Committee Hearings

As mentioned above, the Armed Services Committee plans to hold hearings in January. Chairman Stennis has not decided on the length of the hearings, but his staff is clearly thinking ambitiously. Pressure must be brought on Stennis to limit his hearings and complete them before the SFRC markup. Senator Byrd, with Senator Sparkman, should work on Stennis over the next couple of weeks to secure an agreement on this. Action has begun on the score during the McClellan funeral.⁸

C. Preparation for Floor Action (December 1 through Adjournment)

The next three weeks should be devoted to personal contact with Senators by White House and State Congressional Liaison to:

- (1) get an accurate appraisal of each Senator’s position;
- (2) determine areas of concern and appropriate pressure points;
- (3) solicit support or pledges of neutrality.

This program will begin today with daily reports through Frank to the President. There will be recommendations for follow-up contact by the President or high Administration officials, if necessary.

Additionally, with Senator Byrd’s approval, the Senate support group headed by Senator Hollings should be convened next week. This group should work with us and Senator Byrd on identifying potential Senate supporters and in obtaining neutrality agreements from those Senators who are not yet ready to commit and who are susceptible to

⁷ An unknown hand highlighted this sentence.

⁸ An unknown hand highlighted this sentence. Reference to Senator John L. McClellan (D-AK) who died on November 28.

political pressure over the recess, e.g., DeConcini and Ford. The Senate support group should also begin formulating a floor strategy with particular emphasis on dealing with obstructionist tactics which the opposition will employ during the debate. This group should meet at least twice with White House and State Congressional Liaison and once with the President before the Christmas holidays.

We will continue working with the staff group, particularly in identifying potential amendments to the Treaties and devising arguments, both political and substantive, against the amendments. Staff will be helpful in drafting rebuttals to Treaty opponents for insertion in the *Congressional Record*.

D. Floor Strategy

The Senate will take up the Treaties as a Committee of the Whole. The legislative procedures are very complicated and have varied precedents, but in recent years, the sequence has been:

1. The Senate convenes in a Committee of the Whole and takes up the Treaties as reported from the Senate Foreign Relations Committee with Committee amendments expressed in recommended report language.

2. Amendments from the SFRC are the first amendments considered in the order they are presented by the Committee.

3. Additional amendments are then considered in the order that they are brought up in the Committee as a Whole. Historically, the Committee of the Whole read the Treaties article by article, and non-Committee amendments to articles were considered as each article was raised. This is a long and time-consuming process and has not been employed since the Second World War. However, on these Treaties we can expect the opposition to demand this procedure. There is no limit to the number of amendments to each article prior to the filing of a cloture petition. Cloture may eventually be necessary on this debate.

4. The Committee of the Whole votes on the Treaties as amended and reports them to the full Senate.

5. In a *pro forma* vote, the full Senate votes on the Treaties as reported from the Committee of the Whole.

6. Both Treaties will be voted on together.

Amendments to treaties are passed by a simple majority. Obviously, these Treaties will not pass without amendment. Many Senators will only be able to justify a vote for the Treaty if they have forced Panama and the Administration to accept restrictive amendments.

Therefore, the State Department should have on hand reasonably acceptable versions, where possible, of all major amendments to be

offered.⁹ The leadership can offer these as alternatives to unacceptable amendments. *It will be necessary for us to oppose these amendments we have drafted in order to preserve the credibility of a vote "against" the Administration.* A vote "against" us on some amendments is the only politically viable approach for many Senators. The bottom line for all these amendments is whether they are acceptable to Panama politically and whether Panama can legally accept the amendments without a new plebiscite.

E. Organization

We must mobilize all available Senate and Administration resources for the Treaty fight. This will require active day-by-day guidance from the leadership, plus a very deliberate organization of tasks and resources. The actual organizational structure should be worked out with Senator Byrd, but here are some of the obvious components:

<i>Tasks</i>	<i>Resources</i>
Strategy & tactics	Leadership, Committee/floor managers, key Senators, White House, State
Committee management	Committee manager SFRC staff supporters
Floor management	Floor manager & staff
Floor support	Key Senators, Senate staff group, State
Information/drafting	State, DOD
Intelligence	Leadership, Senate staffs
Policy Amendments	White House/State
Lobbying	Key Senators, White House, State
Whip Counts (general plus specific amendments)	Leadership, White House, State, Senate staff

IV. PUBLIC AFFAIRS STRATEGY

A. President's Media Appearance

There has been a great deal of debate over the timing of the President's television address, as well as numerous suggestions from the Hill on format. Senator Byrd has encouraged the President to go on television in early January and then again during the floor debate.¹⁰

⁹ An unknown hand placed a checkmark next to this sentence in the right margin.

¹⁰ Carter highlighted this sentence and placed a checkmark in the right margin.

The Speaker suggests the talk not take place until after energy is completed.¹¹ If the address is made in early January, it would have the advantage of being the first major policy statement of the New Year and could be a good foundation to launch into the Senate debate.

On the other hand, a great many others on the Hill argue that we must begin educating the American people on the terms of the Treaty. The sooner this is accomplished, the sooner the political heat will die down. Additionally, there is a growing belief that the President is not committed wholeheartedly to the Treaties and an earlier address could lay this issue to rest. Obviously, we must also deal with the networks since they are stingy with air time.

We think the following plan would be the best way to proceed. The President should conduct a town meeting in mid-December, inviting questions on Panama, energy and SALT. He should then have a “Fireside Chat” or oval office speech on the eve of the Senate debate.¹²

The town meeting format in mid-December would not reach as large an audience as a “Fireside Chat”, but it has several advantages:

1. Many say it is the President’s most effective forum.
2. The December date could silence critics who say the President is not acting early enough.
3. It preserves the option of a more formal, nationally televised speech just prior to the Senate debate.
4. By taking questions on Panama *and* energy, the President cannot be accused of deemphasizing the latter at a critical stage in the Congressional process. In fact, he would have an opportunity to comment publicly on progress of the conference committees.
5. The town meeting would receive maximum press attention, possibly national television coverage for the entire event. This possibility would be greatly enhanced if the town meeting were held in hostile territory and tough questions were guaranteed.
6. It would present a chance to help two key Senators by having the meeting in their State.
7. It would convince the Hill and the American people that the President is willing to face the public on this issue in the most direct way.
8. Because the mid-December date is virtually upon us, it would take opponents by surprise and give them little time to organize a counter-event.

¹¹ See footnote 3, Document 114.

¹² Carter highlighted this paragraph. See footnote 6, Document 99 and footnote 4, Document 125.

9. It would be conducted in the Christmas season when peace and goodwill prevail.

We suggest Louisville, Kentucky, as the location. Senators Ford and Huddleston are both key to our efforts. Kentucky has a traditional relationship with the Canal Zone since the Federal judge is appointed from Kentucky. Most Kentuckians oppose the Treaties, so the President could not be accused of preaching to the choir. However, the city's major newspapers favor the Treaties. In addition, it is only a short flight from Washington, and the Carter organization could be counted on for help.

After the town meeting we should seek statements of support from both Democratic and Republican Senators whom we know to be favorable but have remained publicly uncommitted. This will require some arm twisting since support before Christmas exposes Senators to political heat over the recess.

B. *Other Initiatives*

In addition to the President's appeal, continuing efforts by private organizations to develop grassroots' support for the Treaties in targeted states is essential. More friendly Senators should be mobilized in this effort. There still is little visible sign—i.e., mail—of support for the Treaties on the Hill. It is essential that this happen. If we get nothing else out of the Citizens' Group or other support groups, we must get mail.

Additionally, we should recommend opinion leaders who might contact individual Senators over the recess. These could include both home-state and national figures.

Whatever we decide, we should keep in mind that constant pressure must be kept on Senators while they are away from Washington to avoid losing fence-sitters, and to keep up the impression that we are making progress.

125. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, December 7, 1977

[Omitted here is information unrelated to Panama.]

Torrijos' Letter to Byrd. General Torrijos has sent a letter to Senator Robert Byrd informing him that two laws which provide for summary administrative trials with prison sentences of up to 15 years have been abrogated and that he will discuss with the Panama Journalists Union the abrogation of a decree which limits press freedom in Panama.²

Torrijos promised these measures during a discussion on human rights with Byrd's delegation in November.³ Torrijos' letter states: "I am keeping my word. Please convey this to your colleagues whom I dearly trust." Byrd was reportedly delighted with the letter. He inserted it into the Congressional Record and made it available to the press this afternoon.⁴

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 12/77. Secret. Carter initialed the top-right corner of the memorandum and wrote: "Warren."

² Carter wrote in the left margin: "He (Torrijos) sent me a copy last week—It's a good move."

³ See footnote 4, Document 119.

⁴ For the text of the letter and comments by Byrd on developments in Panama, see *Congressional Record*, vol. 123, pt. 30, December 6, 1977, to December 15, 1977, p. 38656.

126. Memorandum From Secretary of State Vance to President Carter¹

Washington, December 20, 1977

1. *Breakfast with Senators Javits and Ribicoff:* I had a good breakfast this morning with Messrs. Javits and Ribicoff.

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 12/77. Secret. Carter initialed the top-right of the memorandum and wrote: "Cy—Merry Christmas."

I also discussed Panama with them. They are both with us all the way and are willing to be used in any fashion that we feel will be constructive. I have promised to keep in close touch with them as we move forward. Both of them stressed the importance of hitting hard on the importance of the treaties to our hemispheric relations and the economic benefits that will flow from that. I indicated to them that I and other senior administration officials planned to make a number of speeches on Panama as we move into high gear in January. I have arranged a meeting at noon today with Ham Jordan, Harold Brown and others to discuss our Panama strategy and planning.²

[Omitted here is information unrelated to Panama.]

2. *Panama Strategy*: Harold Brown and I met with Ham Jordan, Frank Moore and others today to review legislative and public relations strategy on Panama.³ Harold and I will be speaking in key states during the week of January 10–17,⁴ and will work with Fritz, Warren, the Joint Chiefs of Staff and others. We contemplated that you might wish to stress the importance of Panama Treaty ratification in a press conference⁵ soon after your return,⁶ include it in the State of the Union, and finally schedule a “Fireside Chat” to coincide with the beginning of the Senate debate.⁷

We now understand that Bob Byrd will not be travelling to the Middle East, but will be staying in town to prepare for the next session. Howard Baker will probably travel to Panama early in January, hopefully in preparation for announcing his support.⁸ Assuming that Byrd and Baker decide to link arms in support of the Treaties, they will undoubtedly want to meet with you soon after your return to discuss Hill strategy.

[Omitted here is information unrelated to Panama.]

² No record of this meeting has been found.

³ See footnote 2 above.

⁴ See Document 131.

⁵ Carter held a question-and-answer session on the treaties by telephone from the Oval Office with participants in a town hall meeting in Mississippi on January 16. For the text of that session, see *Public Papers: Carter, 1978*, Book I, pp. 82–84. On January 17, Carter held another session on the treaties by telephone from the Oval Office with participants in a town hall meeting in New Mexico. For the text of that session, see *Public Papers: Carter, 1978*, Book I, pp. 85–87.

⁶ Carter visited Poland from December 29–31; Iran from December 31–January 1, 1978; India from January 1–3, 1978; Saudi Arabia from January 3–4, 1978; Egypt on January 4, 1978; France from January 4–6, 1978; and Belgium on January 6, 1978.

⁷ Carter wrote “will do” in the left margin. For Carter’s fireside chat, see footnote 6, Document 99. During his State of the Union address on January 19, 1978, Carter stressed that “the world is watching to see how we act on one of our most important and controversial items of business—approval of the Panama Canal treaties. For the full text of Carter’s speech, see *Public Papers, Carter, 1978*, Book I, pp. 98–123.

⁸ See Document 129.

127. Action Memorandum From the Deputy for Panama Canal Treaty Affairs (Popper) to the Deputy Secretary of State (Christopher)¹

Washington, December 21, 1977

SUBJECT

Statement to Environmental Groups on the Panama Canal Treaties

Issue for Decision

Various environmental groups are concerned about protection of the environment in the Canal Zone under the new Panama Canal Treaties and about the Department's compliance with the National Environmental Policy Act (NEPA). If we can reassure them, on your authority, on these points, a number of these groups might be prepared to support the Treaties.

Essential Factors

We have met with representatives of the Sierra Club and other environmental groups and found them concerned about the adequacy of environmental protection measures under the Canal Treaties and about the Department's compliance with the NEPA. While we believe we have been able to allay their concerns, they would like a statement of assurances from you which they could use with their directors and members to win their support for the Treaties. On this basis, several of the groups might be prepared to campaign for approval of the Treaties.

We have prepared the attached statement, which we have ascertained meets the concerns of these groups, for your approval. In addition to giving it to the groups with which we have met, we would propose to issue it together with the Final Environmental Impact Statement on the Panama Canal Treaties, which is now ready for distribution.²

The representatives of these environmental groups have also suggested that it would be helpful if you would include some of the assurances in this Statement in your next speech on the Canal Treaties.

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Issues Environment. No classification marking. Drafted by Spear. Mansfield, Moss, Haahr, Hoinkes, and Berger concurred.

² See *Final Environmental Impact Statement for the New Panama Canal Treaties* (Washington: GPO, 1977).

We understand that you will be speaking on Panama next month and have attached points which you might use in your speech.³

Recommendations:

1. That you approve and sign the attached Statement on the Panama Canal Treaties and Environmental Protection.⁴

2. That you include assurances from this Statement in an early speech on the Panama Canal Treaties drawing on the attached Talking Points.⁵

Attachment

Statement on the Panama Canal Treaties and Environmental Protection⁶

Washington, undated⁷

Since Panama's unique geographic location makes it important to the environment of many nations, both the United States and Panama are conscious of the need to protect the environment and respond to the public health needs of the Canal Zone and the surrounding area.

During the negotiation of the Panama Canal treaties, the Department of State and other agencies of the United States Government recognized the serious environmental implications of the treaties' key provisions. The United States noted that the transfer of large tracts of essentially undeveloped territory, comprising much of the Canal Zone, to a country energetically engaged in economic development could seriously impact on the ecology of the area. Accordingly, the negotiators included Article VI as an integral part of the Panama Canal Treaty. In that article, the United States and Panama commit themselves to implement the treaty "in a manner consistent with the protection of the natural environment." The article also provides for the establishment of a Joint Commission on the Environment, which is to recommend environmental protection measures to the two governments.

³ The talking points are attached but not printed. Carter discussed Panama during his State of the Union address. See footnote 7, Document 126.

⁴ Brizill initialed Christopher's approval on January 6, 1978. An unknown hand drew an arrow toward this sentence and wrote "/S/ 1/6/77" in the disapproval option.

⁵ Brizill initialed Christopher's approval on January 6, 1978. Record of speech made by Christopher on the treaties not found.

⁶ No classification marking. Christopher signed the statement.

⁷ See footnote 2 above.

Such is the framework for environmental action established by the written instrument. However, it will only be through the joint effort of the two governments, following ratification of the treaties, that the commitments made in the treaties will come into effect. For the United States, this will entail provision of relevant information about the Canal Zone and its resources, technical assistance, as well as resources needed to carry out effective programs of environmental protection. To that end, the U.S. Agency for International Development is developing a project, in cooperation with the Panamanian Government, to provide it with the capability to carry out sound land and water management and reforestation programs.

On the Panamanian side, our diplomatic mission in Panama has noted that the Panamanian Government is taking environmental concerns seriously and has attached a high priority to the problem of protecting the Canal watershed. As evidence of this, the mission reports that both the Panamanian Minister of Planning and the Vice Minister of Agriculture have recently pressed for early implementation of the AID Watershed Management Project. Moreover, in addition to the provisions contained in the Panama Canal Treaty, there is also a basis in international law for U.S. and Panamanian cooperation on environmental matters since both countries are parties to the 1954 International Convention for the Prevention of Pollution of the Sea by Oil and the 1940 Convention on Nature Protection and Wildlife Preservation in the Western Hemisphere, which established Barro Colorado Island as a Nature Monument.

It is our intention that the Joint Environmental Commission shall have the staff and financial support it needs to be effective. We will propose that the American members of this Commission include leading science and environmental figures as well as others from the private and public sector. In addition, reports on the state of the environment in the Canal Zone and the surrounding watershed will be assembled and indexed. Federal agencies with expertise relevant to Canal Zone issues will assist in developing information for the Joint Commission on matters which require priority attention. And, recognizing the importance of base-line data showing the current state of Canal Zone ecosystems, including air and water quality, marine life in the adjacent oceans, and flora and fauna, the U.S. will cooperate with the Panamanian Government in assembling that data expeditiously.

The National Environmental Policy Act (NEPA) has provided useful guidance in drafting the Panama Canal treaties so as to avoid or mitigate the adverse environmental effects which might result from the implementation of the treaties. We recognized the importance of the NEPA procedures in formulating environmentally sound policies as well as the value of public participation in the NEPA review process.

The final Environmental Impact Statement (EIS) on the Panama Canal treaties, prepared in accordance with the NEPA and issued on December 27,⁸ discussed those issues which will be addressed by the Joint Environmental Commission. And, the public comments submitted regarding the draft EIS have been carefully considered and are reflected in the final Statement. More specifically, the final Environmental Impact Statement discusses current and transitional steps needed to protect the Pipeline Road and other important forest areas. It also analyzes the need for a forestry management program and the dangers to flora, fauna and soils should the natural resources of the Canal Zone not be adequately protected.

Finally, in addition to Article VI, Article XII of the Panama Canal Treaty addresses the question of expansion of the existing Panama Canal to accommodate a larger volume of traffic. In that article, Panama grants to the United States “the right to add a third lane of locks to the existing Panama Canal.” With respect to a possible sea-level canal, the article provides for a *study* of the feasibility of such a canal without making a decision or commitment that a sea-level canal will be built. Any study of the construction of a sea-level canal will seek to be both thorough and objective as it examines both the economic as well as the engineering feasibility of such a project. In addition, the study would fully explore the environmental consequences of a sea-level canal and would address the problems identified in the reports of the National Academy of Sciences. Moreover, an Environmental Impact Statement would be prepared in accordance with the provisions of the National Environmental Policy Act. Finally, I should note here that we do not intend to use nuclear excavation techniques in connection with any effort to enlarge the capacity of the Panama Canal or build a new canal, both for environmental reasons and because of the terms of the nuclear test ban treaty.

In sum, we believe that the new Panama Canal treaties offer a significant opportunity for cooperation between Panama and the United States, not only in the operation of an important international waterway, but also in safeguarding the unique environment which forms part of the Canal Zone.

Warren Christopher
Acting Secretary

⁸ Editor, please supply footnote.

128. Memorandum From Acting Secretary of State Christopher to Vice President Mondale¹

Washington, January 4, 1978

[Omitted here is information unrelated to Panama.]

Panama Canal Treaties. I met today with senior staff members of the Senate Foreign Relations Committee to discuss the Panama Canal treaties. Norvill Jones, Staff Director, indicated that the Committee will hold hearings on the treaties January 19, 20 and 25 and that mark-up will take place on January 26. He thinks it is quite possible that the treaties could be considered on the floor of the Senate in early February.

Jones expressed the view that it will be difficult to prevent amendments from being attached to the treaties, since amendments, as opposed to reservations or understandings, would be necessary to enable certain Senators to justify their vote for the treaties. As a minimum, Jones indicated he thought that the Senate would seek to amend the terms of the October 14 Statement of Understanding into the Panama Neutrality Treaty. Throughout the meeting I stressed the Administration's desire to constructively work with the Senate to secure ratification of the treaty but our opposition to the attachment of any amendment or other provision which would open up the treaties and create the need for a further plebiscite in Panama.² The fact that Jones (who is friendly to the treaties) holds these views underscores the importance of early contacts with key Senators to point out the pitfalls of another vote in Panama.

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 1/78. Secret. Vance was with Carter in Riyadh from January 3–4.

² In an October 15, 1977 report, Vance reported that Byrd and others on the SFRC wanted to add the language of the October 14 Joint Statement of Understanding to the treaties as an understanding or reservation. Vance advocated pressing the line that the joint clarification made such an amendment unnecessary and Carter wrote: "I agree" in response. (Carter Library, Chief of Staff, Landon Butler Files, Box 9, Panama, 5/26/77–5/12/78 (CF, O/A 740))

129. Memorandum From Secretary of State Vance to President Carter¹

Washington, January 9, 1978

[Omitted here is information unrelated to Panama.]

3. Panama Canal Treaties—Senators Baker, Chafee and Garn ended their Panama visit. Baker and Garn are in Mexico and will be visiting Colombia, Brazil and Venezuela in order to test the opinion of those countries' leaders concerning the Panama Canal treaties.

Following a meeting with Torrijos,² Baker reiterated that, in his view, the treaties could not pass the Senate without changes. He predicted, however, that the treaties could pass with changes acceptable to both countries and said that he was optimistic. Baker has not yet specified whether the modifications would have to take the form of amendments, reservations or understandings. He used these terms interchangeably during the visit. (Members of Baker's staff have indicated privately that Baker does not wish to propose any modifications which would be beyond Panama's ability to accept.)

Torrijos indicated during his two meetings with the Senators that he was prepared to be flexible and open-minded with regard to the treaty changes necessary for ratification.³ He indicated that he could accept formalization of the October 14 Statement and changes in (or deletion of) the sea-level canal provision. I believe we must talk to him about this latter point⁴ as its elimination would be harmful to the U.S.

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, Plains File, Subject File, Box 13, State Department Evening Reports, 1/78. Secret. Carter initialed the top-right corner of the memorandum and wrote: "Cy."

² The meeting took place on January 4.

³ In a January 6 memorandum to Vance, Bunker wrote that Torrijos's expressed flexibility to Baker regarding treaty changes contrasted with Torrijos's own prior position as well as the administration's position that no treaty changes were required. Torrijos's flexibility thus "undercut our strategy of holding the line against changes throughout the Senate debate." (National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents 1978)

⁴ Carter underlined "talk to him about this latter point" and wrote in the left margin "do so."

130. Memorandum of Conversation¹

Washington, January 10, 1978

SUBJECT

Ratification of the Panama Canal Treaties: Panamanian Views

PARTICIPANTS

Gabriel Lewis, Panamanian Ambassador to the U.S.
Ambassador Ellsworth Bunker, Department of State, S/AB
Ambassador David H. Popper, Department of State, S/AB

Ambassador Bunker lunched with Ambassador Lewis at the F Street Club on January 10, 1978.

The discussion centered predominantly on the prospects for ratification of the Panama Canal Treaties, in the light of the visits of various groups of Senators to Panama, most recently Senator Baker's party.²

Ambassador Lewis was plainly encouraged by what he regarded as the successful results of the meetings between General Torrijos and Senators Byrd and Baker. He felt that the General had handled himself well, and that the prospects for favorable votes on the Treaties by the visiting Senators had been improved. It seemed to him that a great deal now depended on how Senators Baker and Byrd concerted in working out tactics in the Senate. If both of them applied themselves energetically, he thought the prospects for ratification were bright. He emphasized, however, that this was not a matter which he, as a Panamanian, could influence.

We inquired as to General Torrijos's views on treaty amendments. Perhaps for tactical reasons, Lewis was emphatic in stating that the language of the Treaties could not be changed without requiring a second plebiscite—and they did not intend to have another. This meant that the text of the October 14 Statement of Understanding could not be included in the Neutrality Treaty through an amendment of its terms. What Lewis does envisage is signature of the October 14 text by President Carter and General Torrijos. But this must take place only at the final and decisive moment, so as to have the greatest impact and not to open the door to additional proposals for change.

Lewis confirmed that Torrijos really did not care whether the provisions of Paragraph 2, Article 12 of the Basic Panama Treaty relating to

¹ Source: National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 8, Chron. Jan-Apr 1978. Confidential. The meeting took place at the F Street Club. Drafted by Popper.

² See Document 129.

a sea-level canal were included in the Treaty. He said it would require a plebiscite to remove them, but made this comment without the conviction he had applied to his remark on the October 14 statement.

In his discussion with Torrijos, Senator Baker asserted, according to Lewis, that anywhere from 40 to 80 amendments might be proposed as the Treaties were discussed in the Senate. However, almost all of these would disappear as the Senate moved toward a decision. The Panamanians should not be alarmed.

We asked Ambassador Lewis whether any other Treaty changes had been discussed by Senator Baker. He answered in the negative. Responding to specific inquiries, he said that nothing had been said about amending the financial arrangements in the Treaties; the problem of ratification was an emotional, not a financial one. He also said that the question of flags had not been raised, but that if it were, nothing was to be expected, since the Panamanians would not agree to anything which would impinge on their sovereignty.

There was some discussion of the human rights question. Lewis stressed the extent to which Torrijos had gone in restoring democratic practices. As the most recent example, he described the convention of the Panamenista Party of Arias, which had met in Santiago on January 8. It had been extremely critical of Torrijos.

Lewis also commented on the possible return of Panamanian exiles. He said that Torrijos was willing to permit the right-wingers, members of the oligarchy, to come back; but there was no way to do so without at the same time admitting the 25 or so left-wingers, most of whom were in Cuba. If they were admitted, it would be after ratification.

According to Lewis, the visit of the Inter-American Human Rights Commission was successful.³ The Commission might criticize the conditions in Panamanian prisons, which were admittedly poor, but would also take note of the improved situation with respect to human rights generally.

Lewis relayed some words of advice given by Fidel Castro to Torrijos. In dealing with the Americans, Castro said: "You must never do three things: never say they are a second-rate power; never mention Puerto Rico; and never accuse them of bad faith." It seemed to Lewis to have been good advice.

³ See footnote 3, Document 102.

131. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, January 12, 1978

Canal Treaties. Cy's appearances in support of the Panama Canal Treaties in Charleston, West Virginia, and Louisville, Kentucky, have gone well.² In Charleston, Jay Rockefeller joined Cy on the platform last night for his speech to an audience of businessmen and university students. Today in Louisville Dale Sights brought together an impressive group of state legislators, municipal and community leaders; and Governor Julian Carroll introduced Cy with a hard-hitting defense of the Treaties. Both speeches were well received, and several prominent business and political figures told members of Cy's party that, despite their previous opposition, they were now prepared to reexamine the issue. The speeches were heavily and favorably covered by local and national media.

As you know, Senator Huddleston is strongly in favor of the Treaties and has been under heavy attack in Kentucky for his support. Wendell Ford has not taken a position. We understand he will meet with his supporters in Kentucky in the next several days to discuss the Treaties. Julian Carroll and others in Louisville say Ford needs something more to help him make up his mind. They believe a call from you might help.³

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 1/78. Secret. Carter initialed the top-right of the memorandum and wrote: "Cy." All brackets are in the original except those indicating text omitted by the editors.

² Vance spoke about the treaties in Charleston on January 11 and in Louisville and New Orleans on January 12. For the text of Vance's speech in New Orleans, see the Department of State *Bulletin*, February 1978, pp. 56–59.

³ Carter wrote: "ok" in the left margin.

132. Letter From Panama Canal Treaty Co-Negotiator (Linowitz) to President Carter¹

Washington, January 20, 1978

Dear Mr. President:

I am taking the liberty of sending along these comments with respect to the next steps in connection with the ratification of the Panama Canal Treaties. I do so based on the long discussion I had at lunch on January 13th with Senator Robert Byrd and my further conversations with various members of the Senate—on both sides of the aisle.

There has, of course, been considerable talk about the need to “amend” the Treaties in order to meet the questions or objections of various Senators. The problem is that the words “amendment”, “reservation”, “understanding”, “interpretation” are often used interchangeably based on a misconception as to how one differs from the other. Thus both Senator Byrd and Senator Baker, among others, have referred to the need for “amending” or “clarifying” or “interpreting” the Treaties on the issues of our right to defend and expeditious passage.

During my conversation with Senator Byrd I pointed out that it should be possible to find a way to have the Statement of Understanding issued by you and General Torrijos incorporated in the approval by the Senate without actually changing the language of the Treaties themselves. I stressed the fact that since the Chief Executives of both countries had clearly agreed that the Statement sets forth what they had both intended when they signed the Treaties, the Senate could approve the Treaties *on the condition that the Statement of Understanding be appended to the Treaties with the same force and effect as though contained therein*. Senator Byrd seemed impressed with this as a possible answer.

The Constitution of Panama specifically provides that the Treaties made by the Executive with respect to the Canal “must be submitted to a national plebiscite”. In the plebiscite actually held on September 13, 1977,² the Panamanian voters were asked to vote yes or no on the following proposition: “I am in agreement with the new Panama Canal Treaty, the Treaty concerning the permanent neutrality and operation of the Panama Canal and the Connected and Annexed Agreements

¹ Source: Carter Library, White House Central Files, Subject File, FO 3-1, Panama Canal, 13. No classification marking. According to a routing document, this letter was overtaken by events and a response was not deemed necessary. (Ibid.)

² The Panamanian plebiscite on the treaties was held on October 23.

between the governments of Panama and the United States of America signed by them on Wednesday, September 7, 1977". From this language it appears likely that any *textual* change in the Treaty could require another plebiscite. The same need not be true if ratification involves incorporating the Statement of Understanding between you and General Torrijos and, thereby, makes explicit what was implicit in the Treaty language as approved by the Panamanian voters who were aware of the Statement of Understanding before the plebiscite.

Although General Torrijos has apparently indicated to Senator Baker that he would not object to a new plebiscite, the fact is that amending the Treaties will open up the negotiations for other proposed amendments from the Panamanians. (There is good reason to believe that there are some things in the Treaties which Panama would like to change if it could—although this has not yet been made clear.) Certainly it should not be necessary for the Panamanians to have to go through a whole plebiscite procedure again in order to reaffirm what they have already approved.

Respectfully,

Sol M. Linowitz

133. Memorandum From Secretary of State Vance to President Carter¹

Washington, January 25, 1978

1. *Panama Treaties*: Warren met with Bob Byrd this afternoon to discuss procedures for the Treaties. The Foreign Relations Committee will start considering the Resolution and its report tomorrow. The current plan is for the Committee to report out a "clean" resolution, leaving any recommendations as to amendments for the Committee's report. Byrd indicated that the Neutrality Treaty would be reported first,² which is also our preference, and that floor debate will start on February 6.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 1/78. Secret. Carter initialed the top-right corner of the memorandum and wrote: "Cy."

² Carter underlined "Neutrality Treaty" and "first" and placed a question mark in the left margin.

When Warren began to caution against deletion of the Sea Level Canal provision (on the ground that its retention is in the national interest and its deletion would open up the Treaties), Byrd called Howard Baker off the floor and invited him to join the discussion. Baker said his interest in deleting the provision was purely tactical, i.e., he hoped it would pick up votes, particularly that of Senator Griffin. Baker said, however, that Griffin seemed to be turning against the Treaties, and that he was prepared to shelve efforts to delete the provision for the time being. Both Byrd and Baker recognize that some Senators are strongly in favor of the Sea Level Canal provision.³ Although Baker said he felt that Treaty support had eroded somewhat today, he hopes to produce 20 Republican votes.

Baker stressed the need to include the October 14 Joint Statement as an amendment. When Warren warned against diving into the Treaty and making textual changes, Baker suggested that it be added at the end as a separate article. This would be workable.

[Omitted here is information unrelated to Panama.]

³ Carter wrote: "It's important, I believe, to hold this in the treaty" in the left margin.

134. Paper Prepared in the White House¹

Washington, January 25, 1978

SUGGESTED OUTLINE: PANAMA CANAL SPEECH

General Guidelines

1. The talk should be *short*, 10–15² minutes.
2. The tone should be confident, positive, and forward looking rather than dwelling on past sins in our dealings with Panama.³

¹ Source: Carter Library, Papers of Walter F. Mondale, Box 65, Foreign Countries—Panama Canal, (1–2/1978). No classification marking. Carter initialed the document and wrote: "cc Fallows, Powell." A notation on the document reads: "The President has seen."

² Carter circled "15." The talk took place on February 1. See footnote 4, Document 99.

³ Carter wrote in the right margin: "Concise—tough—pointed, one idealistic part—use McCullough's letter for idea."

I. *A brief history (1 minute)*

- A. Background of the 1903 treaty.
- B. Magnitude of the engineering achievement.
- C. The 1959 and 1964 troubles, and how they led a series of American Presidents to seek a modernized treaty.

II. *What the new treaties do (2 minutes)*⁴

- A. Partnership with Panamanians.
 - 1. Training in Canal operations.
 - 2. Collaboration in the new agency.
 - 3. Toll-sharing.
 - 4. Sharing of defense responsibility.
- B. Guarantees of perpetual neutrality after 1999.⁵
- C. The sea-level canal.⁶

III. *Answers to the following main objections to treaties:*

A. The Canal is ours; we bought it and paid for it, so why should we give it away?

B. We will no longer be able to defend the Canal, and the Treaties will hurt our national security.⁷

C. Our ships could not go to the head of the line in time of emergency.⁸

D. The Treaties will create a power vacuum, which the Communists could fill. They are another sign of our retreat from world power and another opening for our enemies.⁹

E. The Panamanians are incapable of operating the Canal.¹⁰

F. They could close it at will—and might, because of their political instability.¹¹

⁴ Carter wrote: "Have format. a) Concern or ? b) refutation (a series)" in the right margin.

⁵ Carter placed a checkmark next to this sentence in the right margin.

⁶ Carter placed a checkmark next to this sentence and wrote in the right margin: "No bidding by outsiders to parallel & bypass US—Panama Canal."

⁷ Carter wrote in the right margin: "McAullife—50,000 men, JC's 100,000. We want partnership—not military confrontation c̄ Panama."

⁸ Carter wrote in the right margin: "Quote treaty & joint statement."

⁹ Carter wrote in the right margin: "Disruption of our relations c̄ Panama & Western Hemisphere nations = opening for Communists."

¹⁰ Carter wrote in the right margin "Engineering feat—simplicity. 22 years, many now" and "US never had sovereignty."

¹¹ Carter wrote in the right margin: "Good faith of Panama gov't—Record—75 years" and wrote: "We want canal open & neutral."

G. General Torrijos is unpredictable, unreliable, and a violator of human rights.¹²

H. The Treaties are costing our taxpayers an arm and a leg.¹³

I. We have negotiated in secret and have succumbed to political blackmail.¹⁴

J. The Treaties take away our option to build a sea-level Canal some place besides Panama.¹⁵

IV. Why we should have the new Treaties.

A. For national pride—ours and the Panamanians.

1. We should have the same 20th century regard for others as we showed in another recent treaty, the Alcan pipeline agreement.¹⁶ In today's world, a "Pipeline Zone" would have been unthinkable.

2. We are mature and confident; fairness is a function of greatness. Also, our strength has always rested on our ability to adapt to change.

3. Panamanian pride deeply engaged, particularly since the referendum.

B. Better economic, commercial, and political relations with Latin America and whole third world through elimination of last colonial vestiges.

C. Treaties necessary for national security.

1. They ratify present rather than past realities, and are hence more likely to be observed.

2. They make the Panamanians our partners in Canal's defense, rather than indifferent bystanders.

3. Thus they make it easier, not harder, to defend Canal.

¹² Carter wrote in the right margin: "Senators, others, favorably impressed. Took case to people in referendum—OAS monitor."

¹³ Carter wrote in the right margin: "Fees are source of payments to U.S. & to Panama. Orig investment vs total receipts."

¹⁴ Carter wrote in the right margin: "Negotiated in good faith. Open principles—Terms publicized when known."

¹⁵ Carter wrote in the right margin: "Studies for 75 years. Emphasize recent (LBJ) study." Presumably a reference to the "Interoceanic Canal Studies, 1970: Final Report." See footnote 4, Document 76.

¹⁶ Presumably a reference to the U.S.-Canadian agreement on principles applicable to a northern natural gas pipeline which would be built in both Alaska and Canada, signed in Ottawa on September 20, 1977.

135. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, January 27, 1978

[Omitted here is information unrelated to Panama.]

Panama. The Foreign Relations Committee today considered what specific amendments and understandings it will recommend to the Senate. After extensive discussion, the Committee decided to recommend that the October 14 Statement of Understanding be added as a new article 9 of the Neutrality Treaty. The article would read as follows:

“The United States of America and the Republic of Panama,

“*Recognizing* that the President of the United States and the Chief of Government of the Republic of Panama have set forth a correct and authoritative statement of certain rights and duties of the Parties under Articles IV and VI of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal in Statements issued by the Government of the United States of America and the Government of the Republic of Panama on October 14, 1977, and October 18, 1977, respectively,

“*Have Decided* and hereby do incorporate that statement as an integral part of the treaty as follows:

(FOLLOWED BY FULL TEXT OF OCTOBER 14 AGREEMENT)

We consider this to be a satisfactory approach since it preserves the exact form of the October 14 statement and does not seek to alter the text of the Treaties as negotiated. The Committee rejected amendments to delete the sealevel canal provisions, recommending only an understanding which would preserve the President’s constitutional right to “confer” with nations other than Panama on the construction of a new waterway. The Committee will continue and (we hope) conclude action on the treaties on Monday.²

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 1/78. Secret. Carter initialed the top-right corner of the memorandum.

² January 30.

136. Telegram From the Embassy in Panama to the Department of State¹

Panama City, January 29, 1978, 2027Z

618. Pass White House for Hamilton Jordan and Frank Moore. For Deputy Secretary Christopher. Subject: Torrijos Meeting With CoDel Cranston.

1. In his meeting with CoDel Cranston Saturday² General Torrijos was ambiguous about the acceptability of an actual amendment to the Neutrality Treaty. He said he had no problem with the substance of the Foreign Relations Committee's recommended new Article IX,³ but that he was concerned that it took the form of a new article.

2. Asked if the addition of the new article would require a new plebiscite here, he replied at one point, "I don't think so." But later he moved away from that position. He urged that the language be incorporated in an annex or in some other way, which could even be placed above the signatures, or in an exchange of notes. But he asked rhetorically how you could add a new article and still say that the original treaty was the same as the one with an additional article.

3. Torrijos repeated that he has an open mind on these questions. He also said that if it was unavoidable that there be a plebiscite on this question, he would hold one, however dangerous it would be. He made it clear he would strongly prefer to avoid that course.

4. Torrijos would not say yes or no on the committee's recommended understanding on the sea-level canal,⁴ though he did opine that it would be more salable in Panama than the new Article IX. He said that giving the U.S. the right to confer with third parties without giving Panama reciprocity would be "too comfortable" for the U.S. He would prefer to drop the entire article. (Presumably he meant paragraph 2 of Article XII.) In any case, Panama would have to have the same right of consultation. Elimination of the article would give Panama something too, which he would take to his people.

5. Domestic politics. Torrijos said that he had publicly announced some time ago that if any party could get sufficient adherents it would have the right to be a legal party. He pointed out that the Constitution provides that any citizen may run for office. Romulo Escobar Baten-

¹ Source: Carter Library, Chief of Staff, Landon Butler Files, Box 9, Panama, 5/26/77–5/12/78 (CF, O/A 740). Confidential; Niact Immediate; Stadis; Exdis.

² January 28.

³ See Document 135.

⁴ Ibid.

court, who was also present, said that Panama now needs a law of parties which would establish the number of members required for legal status. Torrijos was asked about his future, and he responded in general terms that he would like to retreat gradually from the scene. He set no time frame. At least one of the senators interpreted this as meaning that Torrijos would not run for President this fall.

6. *Comment:* Torrijos's advisers (Escobar, Royo and Gonzalez Revilla) were present and were clearly concerned about where the October understanding would be placed in the treaty package. They quite correctly recognize that, if a new article is included and there is no new plebiscite, future detractors of the treaties' legitimacy will have a readier handle to attack them than they would otherwise have.

7. In a press conference Saturday night Senator Cranston said that if Article IX is necessary to obtain 67 votes for the treaty, he favors its inclusion; if changing the form whereby the October understanding would be incorporated some other way would not endanger the treaties' passage, he might consider such a change in form. I think this is a wise judgment.

8. As for the domestic political questions raised in the talks, I believe the future of both the parties and Torrijos are still undetermined—and indeed undeterminable until the treaty question is out of the way.

Jorden

137. Memorandum From Secretary of State Vance to President Carter¹

Washington, January 31, 1978

[Omitted here is information unrelated to Panama.]

6. *Panama:* Bob Byrd asked Warren to come up to talk about the floor debate on the Treaties, and they were joined by Howard Baker. When the debate begins next week,² both Byrd and Baker, and no doubt others, will have opening statements, after which the Neutrality Treaty will be discussed article by article. Amendments will be in order at the time, and Byrd will try to insure that the Amendments regarding

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 1/78. Secret.

² The week of February 6.

the October 14 Statement will be introduced, with many sponsors, prior to the recess.³

Byrd, Baker and Warren will meet again tomorrow morning⁴ along with White House and State Congressional relations people to assess the vote count, Senator by Senator, and discuss how we can improve our situation. They will also discuss our plans for supporting our side in the debate.

[Omitted here is information unrelated to Panama.]

³ Carter wrote in the left margin: "Ok—I'll show Byrd the TV speech—He asked." See footnote 6, Document 99.

⁴ February 1.

138. Memorandum From the Assistant to the President for Congressional Liaison (Moore) to President Carter¹

Washington, February 1, 1978

Because of the recent accords on Panama, the publicity Senator Howard Baker and Senator Robert Byrd have received and the deceptive vote in the Senate Foreign Relations Committee, many people have relaxed on the Hill and in the Administration thinking the treaty fight has been won. We are still 9 votes short of the necessary 67, and any combination of 67 votes that we can see is very fragile.

Some Senators who will vote for final passage will find it very difficult to vote against emotional amendments (flag amendment) which do not mean much to us but would be degrading to Panamanians.

I am, of course, optimistic that we will pass the treaties. I met with Alan Cranston last night. Bob Beckel and Bob Thomson are busy going back to see Senators, as am I. Your speech tonight² will create a good mood on the Hill for the next 4 or 5 days while there is a sort of legislative vacuum.

I have some suggestions for your consideration:

¹ Source: Carter Library, White House Central Files, Subject File, FO 3-1, Panama Canal, 1. No classification marking. Carter initialed the top-right of the memorandum and wrote: "Nunn + Hodges + Burdick?"

² A reference to the fireside chat.

1. I suggest that we arrange short appointments for you with Senators Ford, Zorinsky, Goldwater, and possibly Heinz.³

2. I suggest that you call Senators Hodges, Nunn and Burdick.⁴

3. I suggest that Hamilton call Dr. Kissinger and ask him to talk with Zorinsky and any other undecided members he thinks he can help.⁵

Former President Ford indicated he is willing to help in specific cases. I, also, suggest you consider calling the former President and asking him to talk with Senators Roth and Ted Stevens.⁶

³ Carter underlined "Ford," "Zorinsky," "Goldwater," and "Heinz" and wrote in the right margin: "ok"

⁴ Carter wrote in the right margin: "done."

⁵ Carter wrote in the right margin: "I will do."

⁶ Carter wrote in the right margin: "I will do."

139. Memorandum From the Assistant to the President (Jordan) and the Assistant to the President for Congressional Liaison (Moore) to President Carter¹

Washington, February 1, 1978

RE: PANAMA CANAL POLITICAL EFFORTS

Although we have good momentum now for ratification of the treaties, we have some tough days ahead. There will be the conservative reaction to your speech² and the fact that the members of the Senate who have not taken a public position will be besieged by their own constituents when they go home for the recess. Add to that the fact that some recent overly optimistic press reports have diminished the sense of urgency which should surround the ratification process.

We have many political resources that we can and should bring to bear on the Senate. Right now our approach to the ratification process is diffused. We need to focus these resources and make each of several key people feel personal responsibility for one or two votes.

¹ Source: Carter Library, Chief of Staff, Hamilton Jordan's Subject Files, Box 5, Panama Canal Calls (CF, O/A 413) 2. Confidential. Carter initialed the memorandum and wrote: "Ham."

² See footnote 6, Document 99.

Only you can do this. I would strongly recommend that you have a meeting of the following persons who are Washington based and call the balance on the telephone, and ask each person to live with and work on one of two Senators in the undecided category. You obviously will want to defer to them as to which Senators they know best. *But, it will only work if you look Bob Strauss, John White and others in the eye and say, "I'm counting on you figuring out some way to get me Senator X's vote".* We need to have these people and these resources working for us in a specific and focused way over the next few weeks. Unless precise assignments are made, I fear that we will get very little help out of these people.

The things you need to do are:

1. *Have a brief fifteen minute meeting with the following persons and make a personal appeal for them to become your main "political working group" on the ratification.* These assignments are arbitrary, but reflect our best thinking of who might cover each undecided Senator.

Mondale—Hatfield and DeConcini

Strauss—Randolph, Ford and Zorinsky

White—Burdick and Hodges³

Linowitz—Heinz, Roth and Danforth⁴

Andrus—Haskell Melcher⁵

Vance—Young/Schweiker

Brown—Cannon, McIntyre

These five people represent the best political help and talents we have. Again, we can assemble these five people and let you make personal appeals and specific assignments and get weekly reports on their efforts.⁶

2. Through several phone calls, you can expand this working group to include other key people with specific assignments. I would recommend that you make the following calls:⁷

Bert Lance—Nunn and Talmadge

Kissinger—Two or three persons of his choosing

³ Jordan crossed out Zorinsky and wrote in the right margin: "Hodges"

⁴ Jordan crossed out Stevens and wrote in the right margin: "Danforth"

⁵ Jordan crossed out "and Cannon" and wrote in the right margin: "Melcher". Jordan added under the list of names: "Vance—Young/Schweiker" and "Brown—Cannon, McIntyre".

⁶ Carter wrote in the right margin: "ok—do so".

⁷ Jordan wrote in the right margin: "Purpose", "Initial Contact 24 hours", "Contact—Bob Thompson/Frank Moore", "Political overview", "Help→Letter/Statement."

President Ford—Five or six Senators of his choosing⁸

Meaney—Two or three Senators of his choosing⁹

In summary, this fifteen minute meeting and these four telephone calls will activate our best people and resources. I would recommend that we do as much of this as possible before the “glow” from your fine speech tonight begins to fade. Possibly we can move some of the Senators now and freeze others who are leaning against the treaties.

We are doing a poll to see if there is movement after the speech, and I am preparing a presentation for the Cabinet meeting Monday¹⁰ which will utilize the Cabinet members in the ratification process.¹¹

⁸ Jordan highlighted this sentence and wrote and circled in the right margin: “10 Rep.”

⁹ Carter wrote: “give me names” in the right margin. Jordan wrote underneath this sentence “Deconcini” and “Hatfield,” and wrote and drew a box around “Hatfield,” “Stevens,” “Schweiker,” “Cannon,” “Melcher,” and “Burdick.”

¹⁰ February 6. See Document 140.

¹¹ In an undated note to Mondale, Jordan requested that Mondale make telephone contact with his senators by February 6. (Carter Library, Office of the Chief of Staff, Hamilton Jordan’s Files, Box 5, Panama Canal Calls (CF, O/A 413) 2) In an undated letter to Andrus, Jordan requested that Andrus make contact with the senators he agreed to talk to and give a report on these senators to Carter by February 6. (Ibid.) Jordan wrote Linowitz with a similar request. (Ibid.)

140. Minutes of a Cabinet Meeting¹

Washington, February 6, 1978, 9:01 a.m.

MINUTES OF THE CABINET MEETING

Monday, February 6, 1978

The fortieth meeting of the Cabinet was called to order by the President at 9:01 a.m., Monday, February 6, 1978. All Cabinet members were present except Ms. Harris, who was represented by HUD Under Secretary Jay Janis. Other persons present were:

¹ Source: Washington National Records Center, OSD Files, FRC: 330–81–0202, 337 Cabinet (Jan-June) 1978. No classification marking. The meeting ended at 11:05 a.m. A stamped notation on the document indicates it was received by Brown on February 10.

Joe Aragon
John Blake
(for Stansfield Turner)
Barbara Blum
Peter Bourne
Zbigniew Brzezinski
Midge Costanza
Hugh Carter
Stu Eizenstat
Jane Frank
Rex Granum
Richard Harden

John Kester
Bob Lipshutz
Bunny Mitchell
Frank Moore
Esther Peterson
Dick Pettigrew
Frank Press
Charlie Schultze
Jay Solomon
Charles Warren
John White
Jack Watson

[Omitted here is information unrelated to Panama.]

10. The Vice President said that debate on the Panama Canal treaties begins in the Senate on Wednesday.² He said that the issue is “fundamental to the Carter Presidency” and that “losing would be a disaster.” There are still ten to twenty undecided votes; he urged each Cabinet member to review a list of the undecided Senators with Frank Moore to see if they could be of any help.

[Omitted here is information unrelated to Panama.]

19. The President said that the vote on the Panama Canal treaties is critically important to the Administration. He asked several Cabinet members to stay after the meeting to discuss ways they might help in discussing the matter with key, undecided Senators. He noted that we have climbed from a position of virtually no support for the treaties to a slight plurality. He has personally attended more than twenty briefings at the White House with various groups from around the country. In addition to the Administration’s efforts, key people from the business community and state and local government are now advocating ratification of the treaties with various Senators.³ He noted that former President Ford and former Secretary of State Kissinger are helping with Republican Senators. Despite all these efforts, there are still too many undecided votes.

² February 8.

³ A November 30, 1977, memorandum from Aragon to Jordan listed the efforts of Carter and other members of the administration in support of the treaties, including personal briefings of over 1,000 leaders from 25 states, personal briefings of the heads of 70 national women’s organizations and personal briefings by Carter of over 250 key editors and news directors. (Carter Library, Congressional Liaison Office, Jeff Neuchterlein Subject Files, Box 237, (Panama Canal Treaty Negotiations, 1/3/77–4/2/77 (CF, O/A 193))

—The Vice President noted that the fight may be long. The Senate procedures for ratifying treaties are archaic and give every advantage to opponents.

[Omitted here is information unrelated to Panama.]

141. Letter From President Carter to Multiple Recipients¹

Washington, February 7, 1978

To Cy, Harold, Zbig, Ham, Frank

In my calls & meetings with Senators I've found that we are being hurt by varying answers to canal maintenance and operations cost questions.

Please consult immediately & evolve a clear procedure for answering new questions and for giving to me & others existing and future information.

Jimmy

¹ Source: Carter Library, Office of the Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty 1978. No classification marking. Sent to Vance, Brown, Brzezinski, Jordan, and Moore.

142. Memorandum From the White House Congressional Liaison Aide (Thomson) to the Assistant to the President (Jordan)¹

Washington, February 7, 1978

SUBJECT

PRESIDENTIAL TELEPHONE CALLS TO SENATORS

The following are the talking points for the President to use in making his calls to the Senators discussed this morning.

Senator Cannon

The Senator will express serious concerns over the economic aspects of the Treaties. He was very critical during Armed Services Committee hearings. The President should reassure him that the Canal will be economically viable under the Treaty and tell him that the Arthur Anderson report² proving that point will be released on Thursday³ or Friday.⁴ If Cannon needs a personal briefing on the report, we can provide it.⁵

The President should also tell Cannon that defeat of the Treaties will cripple him as President and deal a major blow to our foreign policy. Now that Cannon is chairman of a major committee, he should be willing to play a leadership role on important issues such as this.

The President can also point to the February 1 Gallup Poll showing Americans favor the Treaties 45 percent to 42 percent.⁶

Senator Randolph

The President has talked to Randolph at least 3 times. This time, he should again impress on the Senator the importance of the Treaties to the Carter Presidency. The vote has become a test of the compatibility and competence of the Democratic Congress and Democratic Administration.⁷

¹ Source: Carter Library, Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty 1978. No classification marking. A notation on the memorandum reads: "The President has seen." Carter initialed the top-right corner of the memorandum and wrote: "all done."

² Presumably a reference to the 1978 report by Arthur Andersen and Co., "Analysis of the Estimated Cash Requirements of the Panama Canal Commission, 1979–1983".

³ February 9.

⁴ February 10.

⁵ Carter wrote in the right margin: "8/77 Difficult in State."

⁶ Carter wrote in the right margin: "Using every possible argument against."

⁷ Carter wrote in the right margin: "Same" and "9/77—Sure vote if needed."

The President should explain he will go all out to help the Senator in his reelection bid, including a visit to his state. Administration officials can brief veterans or other groups if the Senator wishes.

Senator Young

We have had very little contact with him. The President should emphasize the support of the Joint Chiefs for the Treaties and highlight their input to the negotiations.

The Senator may respond to a plan based on the necessity for a strong Presidency in matters of foreign policy. The President should point out that President Ford, Senator Baker and other Republican leaders and conservatives support the Treaties.

Senator Stevens

The Senator is a hard-bitten political realist who has told Baker he will not support the Treaties. Baker still believes he can get Stevens, however.⁸

The President may want to dwell on the importance of a neutral and accessible Canal to shipment of Alaska oil. The Senator could also respond to a personal appeal based on the importance of the Treaties to Latin American relations.

Stevens may counter with some barbs about the “d-2 lands” issue.⁹

⁸ Carter wrote in the right margin: “8/77—open mind”

⁹ A reference to Section 17 (d) (2) of the Alaska Native Claims Settlement Act, which directs the Secretary of the Interior to withdraw 80 million acres of federal lands, referred to as “d-2” lands, from development. Carter wrote and circled: “Will go back & re-think—” He also wrote at the end of the memorandum: “Kissinger & Ford have called him this weekend” and “I put all of these on basis of profound national interest—bipartisanship—& prestige of the Presidency”

143. **Memorandum From the Assistant to the President for Congressional Liaison (Moore), the Special Assistant to the President for Congressional Liaison (Beckel) and the White House Congressional Liaison Aide (Thomson) to President Carter**¹

Washington, February 9, 1978

RE

PANAMA TREATIES—STATUS

You should know about the following developments today.

1. *Debate*

This morning's debate was dominated by Senator Byrd's magnificent performance. He delivered a fine speech and stood off at least ten conservative Republicans all by himself. In the afternoon, Senator Hatch held the floor for 2½ hours.² Our allies continue to hold the momentum on the floor, however.

2. *Implementing Legislation*

Senator Byrd has asked Warren Christopher to send up a draft of the implementing legislation even though it is not completed.³

3. *Stevens*

Your meeting with Senator Stevens had good results. He announced today that he would support the Treaties if amended in certain ways. We may be able to get him to accept a harmless understanding in lieu of his amendment, which deals with expeditious passage.⁴

4. *Ford and DeConcini*

We are told confidentially that Senators Ford and DeConcini will introduce an amendment tomorrow stating that the second \$10 million does not accrue over the life of the Treaty.⁵ They indicated through staff that they would eventually accept an understanding on this subject in lieu of an amendment.

¹ Source: Carter Library, White House Central Files, Subject File, FO 3-1, Panama Canal, 13. No classification marking. Carter initialed the top-right corner of the memorandum.

² Carter placed a checkmark in the right margin next to this sentence.

³ An unknown hand wrote an illegible comment in the right margin. Carter wrote in the right margin: "Give me a prior brief."

⁴ Carter placed a checkmark in the right margin next to this sentence.

⁵ Carter placed a checkmark in the right margin next to this sentence.

5. *Understandings*

Obviously, we must try to limit the number of understandings proposed. Nevertheless, key Senators will need to attach some before we can win. It now appears that understandings on the following topics may be necessary in order for us to get enough key Senators to win:

- a. Operation and maintenance after 2000
- b. Negotiation for bases after 2000
- c. Defining expeditious passage (Stevens)
- d. No accrual of the second \$10 million

It will be ticklish business holding the line at only these four.

144. Letter From Secretary of Defense Brown, Secretary of State Vance and Secretary of the Army Alexander to Members of the Senate¹

Washington, February 10, 1978

Dear Senator:

As debate begins on the Canal Treaties, questions have arisen about the financial viability of the Canal under the new arrangements and also about financial obligations the United States will incur as a result of the new Treaties. Enclosed are answers to some of the principal questions which have been raised.²

In the last analysis, the U.S. security and commercial interests these new Treaties are designed to serve cannot be measured in dollars. Under the past arrangements, the benefits that we have received from the Canal have far outweighed the costs of construction, security and the nominal annuity paid to Panama. We feel the costs associated with U.S. operation of the Canal between now and the year 2000 will be more than offset by the benefits derived from our continued use of the Canal during an orderly and efficient transition to Panamanian

¹ Source: Department of State, American Embassy Panama, Political Section Unclassified Files 1978, Lot 81F58, Box 2, POL 33.3–2(B) Finance and Compensation, 1978. No classification marking.

² Undated, attached but not printed.

management, and from the continued maintenance of U.S. troops and facilities in Panama for the next 22 years.

With best wishes.

Sincerely,

Harold Brown
Secretary of Defense

Cyrus Vance
Secretary of State

Clifford L. Alexander, Jr.
Secretary of the Army

145. Minutes of a Cabinet Meeting¹

Washington, February 13, 1978, 9:02 a.m.

MINUTES OF THE CABINET MEETING

Monday, February 13, 1978

The forty-second meeting of the Cabinet was called to order by the President at 9:02 a.m., Monday, February 13, 1978. The Vice President was absent. All Cabinet members were present except Attorney General Bell, who was represented by Associate Attorney General Michael Egan; Mr. Blumenthal, represented by Treasury Deputy Secretary Robert Carswell; Mr. Vance, represented by Under Secretary of State Philip Habib; and Ambassador Young, represented by his Executive Assistant Anne Forrester Holloway. Other persons present were:

Zbigniew Brzezinski
Landon Butler
Hugh Carter
Doug Costle
Stu Eizenstat
Jane Frank
Rex Granum

Dick Moe
Frank Moore
Dick Pettigrew
Frank Press
Charles Schultze
Jay Solomon
Stansfield Turner

¹ Source: Washington National Records Center, OSD Files, FRC: 330–81–0202, 337 Cabinet (Jan-June) 1978. No classification marking. The meeting ended at 10:47 a.m.

Richard Harden
Robert Lipshutz
Bunny Mitchell

Charles Warren
John White
Jack Watson

[Omitted here is information unrelated to Panama.]

18. The President asked the Cabinet to continue its efforts on the Panama Canal treaties. He said that it will be difficult to get the last 10 to 12 votes needed to assure Senate ratification. In the President's discussions with Republicans, he stresses the need for bipartisanship; the support of former President Ford, Vice President Rockefeller, and Secretary of State Kissinger; the support of the Joint Chiefs of Staff who were appointed by a Republican Administration; and the advantage of taking a worldwide perspective as against pursuing parochial interests. With Democrats, he underscores the importance of party unity and the devastating effect that defeat of the treaties would have for the Administration. He said that the public opinion polls are slowly turning in our direction, although he added that those who are opposed to the treaties are more vocal than those who support them. He commended and expressed his appreciation for the excellent help being given by former President Ford, Vice President Rockefeller and Secretary of State Kissinger. There is widespread business community support for the treaties, and Senators Byrd and Baker have committed their support to ratification of the treaties.

[Omitted here is information unrelated to Panama.]

146. Memorandum From Secretary of State Vance to President Carter¹

Washington, February 16, 1978

1. *Panama Treaties.* Warren met this morning with Bob Byrd to continue their discussions on the ratification process. He told Byrd in confidence that we have established a channel through Ambassador Jordan to obtain a Panamanian reaction to proposed understandings which may be offered during the course of the debate. General Torrijos

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 2/78. Secret. Carter initialed the top-right corner of the memorandum and wrote: "Cy."

has designated four members of his Administration to deal with these matters.

Warren went over with Byrd the reaction of the Panamanian group to a number of the understandings which are being discussed on the Hill and on which we have been consulting with the Senator. The value of such a channel with the Panamanians was proven when they alerted us that an understanding on proper Canal maintenance would be offensive if applied only to the years of Panamanian operation after the year 2000.² As a result, we have redrafted the understanding to call for proper maintenance by the US and Panama during their respective periods of responsibility.³

The Canal debate will resume next Monday⁴ with the continuation of opening speeches, including one by Senator Allen. Over the next few days, there will be a barrage of leaks and press stories on drug matters.⁵ Senator Byrd hopes that this diversionary issue can be contained in the secret session on Tuesday.⁶ I have written Senator Bayh objecting to the declassification of the highly sensitive report which Bayh, as Chairman of the Select Committee on Intelligence, made to the SFRC on intelligence and drug-related issues.⁷ We hope that Bayh can be persuaded to make public only a summary of the Committee's procedures and its conclusions that neither the intelligence issue nor the drug issue had any effect on the Treaty negotiations.⁸

Senator Byrd expressed great concern today about "killer" amendments to the Treaties. He recognizes the need to mobilize pro-Treaty

² In telegram 950 from Panama City, February 11, the Embassy reported this message from the Panamanians. (Carter Library, Chief of Staff, Landon Butler Files, Box 9, Panama, 5/26/77–5/12/78 (CF, O/A 740))

³ Carter wrote in the left margin: "good move."

⁴ February 20.

⁵ According to an October 12, 1977, CIA routing and record sheet, Carter asked the Attorney General and the SSCI to take a look at any relationship between drugs and the treaty negotiations in Panama. (Central Intelligence Agency, Office of Congressional Affairs, Job 79M00983A, Box 8, Folder 6: SSCI Countries—Panama March 1972–Nov 1977)

⁶ February 21. In a February 14 memorandum to Brown, Murphy explained that the Senate scheduled this secret session to consider reports from Senators Dole and Bayh regarding alleged drug trafficking activities of the Torrijos family. (Washington National Records Center, OSD Files, FRC: 330–81–0202, Panama, 1978)

⁷ A copy of Vance's February 10 letter to Bayh is in the Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 3/78. A sanitized version of Bayh's undated report to the SFRC is in the Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 3/78. The report stated the SSCI's conclusion that "U.S. intelligence activities had no adverse impact on terms of the Canal treaties." The report further stated that the SSCI "found no evidence that narcotics intelligence activities affected the final terms of the Panama Canal accords."

⁸ Carter wrote in the left margin: "He called me—Wants to work c̄ us. Keep Frank Moore briefed."

forces to fend off such amendments which may seem plausible on their face but will be unacceptable to the Panamanians and/or require another plebiscite.

[Omitted here is information unrelated to Panama.]

147. Telegram From the Department of State to the Embassy in Panama¹

Washington, February 16, 1978, 1601Z

41065. Subject: Security of Outstanding Panamanian Bonds. Ref: Panama 00995.²

1. The approach suggested in para. 2 reftel may be as effective in a legal sense as that initially proposed, but, in Department's view, would not provide sufficient reassurance domestically to alleviate the present political problem.³ A one sentence acknowledgement by Panama of a proposed U.S. modification of Panama's prior payment instructions would appear to be a very minimal commitment by Panama. Adoption of this approach would also be viewed as a retreat

¹ Source: Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, Classified and Unclassified Political and Economic Files 1976–1978, Lot 80F162, Box 3, E–4.1, Panamanian Bonds, 1978. Limited Official Use.

² In telegram 995 from Panama City, February 14, the Embassy explained that the Panamanian government expressed reluctance to give written assurance regarding bond payments under a new treaty arrangement until the treaty was ratified. The Embassy suggested initiating an exchange with the Panamanians outlining a proposed U.S. modification of Panama's payment instructions and asking them to respond positively with a one sentence response. (Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, Classified and Unclassified Political and Economic Files 1976–1978, Lot 80F162, Box 3, E–4.1, Panamanian Bonds, 1978)

³ A reference to concerns held by members of Congress and holders of Panamanian bonds that outstanding bonds from funds due to Panama under the 1977 treaties be secured. In telegram 30946 to Panama City, February 6, the Department informed the Embassy that Panama's continued failure to execute a written assurance regarding bond payments created a "serious political problem" for the Department regarding ongoing debates over the treaties and called "into question credibility of Department and GOP." (Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, Classified and Unclassified Political and Economic Files 1976–1978, Lot 80F162, Box 3, E–4.1, Panamanian Bonds, 1978)

from earlier position endorsed by Barletta⁴ and communicated to U.S. Senators and may be read as indicative of an unwillingness by Panama to make a strong commitment. Finally, reversal of the order of exchange would not seem to offer any advantage to Panama, since it would put Panama in the position of responding to a U.S. initiative rather than acting affirmatively.

2. Department continues to prefer approach initially suggested.⁵ If reversal of the order of exchange is necessary in order to break the current impasse, the U.S. note should be in terms of confirming the understanding reached in our discussions with Barletta, and the Panamanian reply should incorporate the full text of the U.S. note so as to give some substance to Panama's commitment.

3. We consider it essential that, at a minimum, the U.S. note refer to our earlier conversations in order to avoid the implication that the problem is a U.S. concern to which Panama is responding. Rather, the problem is between Panama and the holders of its bonds, and we are merely attempting to facilitate a mutually satisfactory resolution as between those parties.

Vance

⁴ In telegram 22934 to Panama City, January 28, the Department informed the Embassy in Panama that Department representatives had met with Barletta and "arrived at an agreement in principle which would continue the existing security on these bonds." The proposed solution involved an exchange of notes between Panama and the U.S. Barletta tentatively accepted the drafts of these notes, which were relayed in the telegram. (Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, Classified and Unclassified Political and Economic Files 1976–1978, Lot 80F162, Box 3, E-4.1, Panamanian Bonds, 1978)

⁵ See footnote 4 above.

148. **Memorandum From the Assistant to the President for Congressional Liaison (Moore) and the White House Congressional Liaison Aide (Thomson) to President Carter¹**

Washington, February 20, 1978

RE

PANAMA TREATIES—STATUS REPORT

1. *FLOOR SPEECHES*

Senators Weicker, Matsunaga and Hodges gave strong speeches in support of the Treaties on the floor today. We have drafted letters from you thanking them. Senator Sarbanes skillfully managed the debate most of the day.

2. *MELCHER*

Senator Melcher now wants the understanding we gave him on operation and maintenance after the year 2000 incorporated in the Neutrality Treaty as an amendment. Bob Thomson explained the problems with that. Sol Linowitz will call him tomorrow to try to talk him down from that position. We will keep you informed.²

3. *ALLEN AMENDMENT*

Senator Allen's amendment calling for a military presence after the year 2000 will be our first big vote on amendments. Defense and State are preparing talking points and position papers. We are urging Senators to vote "no". We must go all out on this first big test vote. We may need some calls or a letter to the Leadership from you. The vote could occur by Friday.³ Senators Byrd and Baker may well have to offer an understanding requiring the U.S. to begin negotiations with Panama in 1995 for a defense agreement. Baker could be a problem here.⁴

4. *DRUGS*

We briefed Senate staff today on the three-part UPI article that ends Tuesday.⁵ The *Star* is carrying it locally. We did not go into the

¹ Source: Carter Library, Office of Congressional Liaison, Frank Moore's Subject Files, Box 39, Panama, 2/20/78–2/13/79. No classification marking. Carter initialed the top-right corner of the memorandum.

² Carter wrote in the right margin: "No."

³ February 24.

⁴ Carter underlined "problem" and placed a question mark in the right margin.

⁵ February 21. The UPI story covered alleged ties by Torrijos to drug trafficking. A February 21 *Washington Post* article reported that two UPI reporters covering the story were called to the White House to hear complaints about the article. (Karen DeYoung, "White House Complains to UPI: Article about Torrijos and Drug Traffic is Challenged," p. A13)

classified material, but we did reassure them that the Administration had provided all relevant documents to the Intelligence Committee.

5. CLOSED SESSION

The Majority Leader remains convinced the closed session will last only one day.⁶ We hope he is right. Senator Dole has indicated privately he will attempt to drag it out to at least a second day. Today, at least 6 conservative Senators spent several hours in the Intelligence Committee reviewing documents in preparation for tomorrow.

⁶ See footnote 6, Document 146.

149. Memorandum From Secretary of State Vance to President Carter¹

Washington, February 23, 1978

[Omitted here is information unrelated to Panama.]

Panama. It is anticipated that Senator Allen will bring to a vote next Monday² a so-called “killer” amendment to the Neutrality Treaty, providing as follows:

“. . . That the military presence of the United States in what was the Panama Canal Zone on September 7, 1977, shall be continued beyond December 31, 1999, if the President of the United States deems it necessary for the defense of the Canal or the maintenance of the neutrality thereof and shall prior to December 31, 1999, so certify to the Government of Panama.”

Such an amendment is incompatible with the concept of the Treaties, and we will want to pull out all the stops to defeat it. Warren has talked to Senator Byrd about the device of using a palatable “understanding” to help defeat an unacceptable amendment.³ To that end,

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 19, Evening Reports (State), 2/78. Secret. Carter initialed the memorandum and wrote: “Cy.”

² February 27.

³ In a February 28 memorandum to Carter, Moore, Beckel, and Thomson reported that Byrd had successfully moved to table the Allen amendment. (Carter Library, Congressional Liaison Office, Bob Beckel’s Subject Files, Box 227, Panama Treaty—Status Reports, 1/27/78–9/19/78 (CF, O/A 425))

we are considering suggesting to one of the uncommitted Senators (perhaps DeConcini) that he state during the debate that he will offer at the appropriate time an understanding along the following lines:

“That Article V does not preclude the two Parties from negotiating, in accordance with their respective constitutional processes, an Agreement providing to the Republic of Panama after the year 2000 such U.S. military assistance as the parties might consider desirable to carry out their mutual responsibilities under Article IV to maintain the regime of neutrality of the Canal, and the United States shall initiate discussions with the Republic of Panama on this subject not later than one year before the expiration of the Panama Canal Treaty.”

[Omitted here is information unrelated to Panama.]

150. Letter From Secretary of Defense Brown to Senator Robert C. Byrd¹

Washington, February 25, 1978

Dear Senator Byrd:

Because, as the Joint Chiefs of Staff and I agree, passage of the Panama Canal treaties is important to our national security, I have followed the Senate debate on the new Panama Canal treaties with a great deal of interest. Having again reviewed the national security aspects of the new treaties in detail, I am acutely aware of the major defense issues which the Senate has focused upon in recent days. As a result, I would like to comment upon one facet of the defense issue that was not discussed during my testimony before the Foreign Relations Committee last September—the matter of a residual United States military presence in Panama after the year 2000.

The Department of Defense position on this issue is that we do not advocate a military presence in Panama after expiration of the defense treaty. The 1974 Tack-Kissinger Joint Statement of Principles² established the fact that the Canal treaty would have a fixed termination date—which, in effect, terminates the legal basis for a United States military presence. Therefore, our primary post-treaty concern was to establish a legal right to defend the Canal, to include introduction of

¹ Source: Washington National Records Center, OSD Files, FRC: 330–81–0202, Panama 821 (Jan–April 1978). No classification marking.

² See footnote 10, Document 3.

troops into Panama should the neutrality or security of the Canal be threatened. This issue was deliberated within the Defense establishment over a period of several years. These deliberations recognized that any United States military presence in Panama would require a termination date directly related to our responsibility for operation of the Canal.

This evolutionary process concluded with Panama's finally accepting our draft neutrality treaty which permits the United States to guarantee the Canal's neutrality unilaterally and to take action to enforce the related regime for an indefinite period of time. Thus, the JCS and I deemed it preferable, on balance, to accept a somewhat shorter period of U.S. military presence in Panama in exchange for a neutrality treaty with no termination date.

The Neutrality Treaty before the Senate contains the necessary legal authority for the United States to maintain the Canal's neutrality—by force if necessary. An amendment to the treaty which gives the United States the unilateral right to continue its military presence in Panama after the year 2000 is not necessary from a defense standpoint. Such an unnecessary provision in the treaty would serve only to create friction and discord within Panama—avoidance of which is a major consideration in our modernization of the 1903 treaty.³ Under some scenarios, a residual U.S. military presence would perhaps facilitate re-entry, should that unlikely event be necessary for Canal defense; however, it is clearly not acceptable to Panama. Neither Panama nor any other nation would voluntarily accept the unilateral right of another to maintain a military presence within its sovereign territory.

There are a number of military reasons why a residual military presence is not necessary:

—Only the United States has the regional capability to guarantee the neutrality of the Canal by military force.

—The United States possesses the capability for timely deployment of superior forces by air and sea in the face of military opposition, and to employ them effectively to secure the Canal with or without Panamanian support.

—External security and protection of the sea and air approaches to the Canal will continue to be maintained by the United States from CONUS and bases in the Caribbean.

In summary, the United States will continue to have the capability to project forces from CONUS into the Canal area to meet threats to the neutrality regime. Successful defense of the Canal after the year

³ See footnote 2, Document 84.

2000 is not dependent on residual base rights. It is more important from a Defense view to have the new treaties and a satisfactory climate in Panama rather than a base in Panama beyond the period that we operate the Canal. Our ability to defend and control access to the Canal is essential, but the issue is how that ability can be best assured—by a cooperative effort with a friendly Panama or by a garrison amid hostile surroundings. The treaties which you are debating provide real security, not paper claims. They offer the firmest and most practical guarantees obtainable that the Canal will remain operational, secure, and available to the United States and the rest of the world. I remain increasingly convinced that approval of the new Panama Canal treaties will best provide for our future national security.

Sincerely,

Harold Brown

151. Memorandum From Multiple Senders to President Carter¹

Washington, March 6, 1978

RE

PANAMA TREATIES—STATUS

A. STRATEGY

A strategy of dealing with undecided Senators one by one is not yielding results. The undecideds are reluctant to announce their intentions individually because of the great amount of press attention such a move would elicit.

We will continue to make individual contacts, but we have adopted a companion strategy that we hope will prompt some movement. We are encouraging key undecideds on each side of the aisle to approach their undecided colleagues urging them to coalesce around a package of understandings and announce their intentions to support the Treaties contingent upon Senate approval of the understandings or something similar. By taking the plunge as a group, each Senator in the group should be able to limit his individual exposure.

¹ Source: Carter Library, Plains File, President's Personal Foreign Affairs File, Box 3, Panama Canal, 9/77–5/79. Administratively confidential. Sent by Moore, Tate, Beckel, and Thomson. Copies were sent to Mondale and Jordan. Carter initialed the top-right corner of the memorandum and wrote: "Frank."

Three groups are underway—two inspired by us and one organized by Senators themselves:

1. Warren Christopher is working with Senator DeConcini and indirectly with Senator Ford. If something can be worked out, Christopher will urge the Senators to approach Zorinsky and Hatfield. Christopher is optimistic.

2. Senator Heinz has agreed to try to put together a Republican group consisting of himself, Bellmon, Brooke, Schweiker and Roth. He has already drafted two acceptable understandings. Bellmon and Schweiker are cosponsors of one. The Vice President meets with Heinz this morning for breakfast to provide some inspiration.² Roth is an unlikely participant. Schweiker is the real target. Much will depend on Bellmon's active participation.

3. A third group has begun a tentative dialogue at a staff level. Senator Nunn's staff member organized the initial meeting last Friday.³ The group is likely to include Long, Nunn, Talmadge, Cannon, Burdick and possibly Roth. With the exception of Nunn, these are hard-liners. They are exploring amendments as well as understandings. We are taking tentative steps to get access to this group to provide some direction. Obviously, this is delicate.

The groups are not well-defined.

There will be some overlap and changing positions throughout the week. We will keep you informed.

B. THE COUNT

We have 59 sure votes for the Treaties and 4 more probables (Ford, Nunn, Brooke and Heinz) for a total of 63. The opponents have 24 sure votes against. They will probably get Burdick, Cannon, Melcher and Stevens, as well, for a total of 28. The latter are carried on our L-list, but they appear lost.

The remaining 9 Senators are our primary targets. All are included in the groups we discussed above, but their individual situations are discussed below.

C. PRIMARY TARGETS

1. Hatfield (Montana)

The First Lady is extending an invitation to Senator and Mrs. Hatfield to have dinner with you this week. The Senator will be informed that you intend to discuss the Treaties with him. You will have

² An unknown hand placed an asterisk at the end of this sentence and wrote beneath the paragraph: "went well."

³ March 3.

to make a direct personal appeal for his vote. You should recommend to Hatfield that he help us put together a state briefing on the Treaties for his key constituents.⁴

Melcher is the fly in this ointment. The Senator is telling Hatfield he should attack Baucus as a liberal and use the latter's support of the Treaties against him in the primary.

Senator Hatfield is known to be interested in the Federal judgeship if he loses the primary to Baucus. We think Melcher has promised to recommend him for the job. However, before he died, Lee Metcalf had recommended someone else for the vacancy. Metcalf was a good friend of yours who supported you on all major issues, including the Panama Canal Treaties. We do not know if Hatfield is aware that Metcalf had recommended a very capable Montanan for the judgeship which he covets.

2. Long

The Senator is concerned about waterway user charge legislation. You should talk to Secretary Adams today about this situation and urge him to deal directly with Senator Long on this issue. The Secretary has been using Senator Domenici as an intermediary in the negotiations, urging Domenici to be as flexible as possible. If an agreement is reached, we fear Long will attribute it to Domenici's good will rather than ours.

Senator Long is sounding much more supportive now. He has said repeatedly he will support the Treaties if we need him.

3. Zorinsky

Senator Zorinsky will take his much-anticipated poll in Nebraska within the next 10 days. He has said if the poll shows movement in favor of the Treaties, he will support them. He has also stated he personally supports approval of the Treaties. We have helped him draft questions for the poll.

It would be very persuasive to Zorinsky and others if Prime Minister Begin could comment favorably on the Treaties when he is in the United States.⁵

We are continuing a steady stream of contacts by business people with the Senator.

4. Bellmon

The Senator has indicated privately he is leaning in favor of the Treaties, but wants to wait until the last minute to make his move. Our business friends have made numerous contacts with him.

⁴ An unknown hand wrote in the right margin: "Hatfield will not be at State dinner."

⁵ Begin met with Carter at the White House on March 21. See *Foreign Relations, 1977–1980*, vol. VIII, *Arab-Israeli Dispute*, January 1977–August 1978, Documents 232 and 234.

We should leave Bellmon alone for the time being and let Senator Heinz try to include him in his group of undecideds. Senator Baker is monitoring him closely.

5. Roth

Senator Roth is the most negative of all our undecided Republicans. However, Irving Shapiro feels Roth will eventually support the Treaties. Shapiro is not close to Roth, but has suggested others (e.g., the President of Hercules) who are good friends of his. Sol Linowitz has followed up on those suggestions.

Treaty advocates other than Shapiro have received favorable impressions of Roth's position.

The Senator is known to be upset over disapproval of funding for an alcoholism treatment center in Delaware. We will talk with Secretary Califano about this problem.

6. Schweiker

The Senator's position is a mystery to everyone. We suspect he remains undecided. Kissinger spoke with Schweiker by telephone last week and received favorable vibrations. He will speak with him personally later this week.

We can help bring him into the fold by consulting with him on a more regular basis about the coal strike. He reacted favorably to Dan Tate's call Saturday night.⁶

Senator Heinz will be working on Schweiker, as well. Numerous GOP leaders in Pennsylvania have contacted him (e.g., Governor Scranton, Thomas Gates).

7. DeConcini

The Senator's position softened perceptibly last week. Warren Christopher may be able to talk him into using an understanding or reservation rather than an amendment to solve his political problems. Outside groups and individuals have made numerous contacts with the Senator. He is responding best to the substantive discussions about the Treaties conducted by Christopher.

8. Randolph

Senator Byrd has given us a list of veterans' group leaders, many of whom are harassing Randolph. He wants us to invite them to the White House so that you can talk with them about the Treaties. We suggest you do this later this week.

⁶ March 4.

The Senator continues to leave the door open on the Treaties, but he has told many of the business executives who have contacted him that a positive Treaty vote will cost him his election.

The citizens committee has made some progress with veterans in West Virginia, but they remain a major problem.

9. Talmadge

We are arranging for Henry Kissinger, Admiral Holloway and General Brown to talk with Talmadge this week. The Senator respects the opinions of all three.

We also suggest you invite the Senator in for breakfast as early as possible some morning this week. As you know, the Senator is an early-riser and respects those who share this habit.

The Senator stopped making negative comments on the Treaties last week, but still doubts their wisdom. Senator Laxalt foolishly announced to the press last week that Nunn and Talmadge were the key votes on the Treaties. Talmadge will react unfavorably to that comment.

D. SECONDARY TARGETS

1. Senators L–

Senators Ford and Nunn are trying to maneuver themselves into position so they can support the Treaties. Ford may be willing to help DeConcini put together a group of undecideds. Nunn has approached Baker and Roth about an amendment deleting the sea-level canal provision. We will try to discourage this approach, but it may be necessary to moderate our opposition to such an amendment in order to get Nunn and others.

State reports such an amendment would require a second plebiscite. However, Torrijos thinks he can win again, if that is the only amendment.

We suggest you have Senators and Mrs. Nunn over for dinner this week. Frank will be talking to him as well.

2. Senators Leaning–

As you know from your conversation with Burdick, he is very negative. We do not think we should spend much more time on him or on Senator Cannon. Senator Long may be able to get one or both Senators to join him on an acceptable package of reservations or understandings, but we doubt it.

Senator Melcher is our biggest disappointment. He is likely to vote against and will try to take Hatfield with him. Last week, a House subcommittee raised funding levels for the MHD facility in Montana. We strongly suggest that Secretary Schlesinger write the Chairman of the full committee today expressing his genuine reservations about the facility and urging that funding be cut back to the figure reflected in your budget.

Senator Stevens made a very negative speech about the Treaties on the Senate floor last week. We will draft a letter expressing your disappointment with that speech.⁷ However, we are not optimistic.

⁷ Not found.

152. Note From President Carter to Multiple Recipients¹

Washington, March 12, 1978

To Fritz, Ham, Frank²

After calling 15 of the apparently hopeless Senators, I believe we should redouble efforts—including personal conversation by V.P. with:

Burdick “Wants debt service data”³

Cannon “Will talk to Byrd, Nunn”⁴

Melchor “Giving further consideration”

Dole—“Haven’t closed door”⁵

Young—“Don’t give up on me”⁶

Domenici—“Will talk to Nunn, call Mon.”⁷

¹ Source: Carter Library, Papers of Walter F. Mondale, Box 206, Middle East/Panama, (7/1–12/31/1977). No classification marking. Sent to Mondale, Jordan, and Moore. A notation on the letter reads: “The V.P. has seen.” Unknown hands wrote: “No copies,” “Brooke 1:30,” and “[illegible]w/ Saul” at the top of the memorandum.

² An unknown hand placed a checkmark by “Frank.”

³ An unknown hand placed a checkmark in the left margin. An unknown hand wrote and circled in the right margin: “1:00 Byrd.”

⁴ An unknown hand placed a checkmark in the left margin and underlined “will take to Byrd, Nunn.” A different unknown hand wrote: “VP” in the left margin and circled “Cannon” and “to Byrd, Nunn.”

⁵ An unknown hand placed a checkmark in the left margin. A different unknown hand wrote “Straus” in the left margin and circled “Dole.” A different unknown hand wrote in the right margin: “Shirley.”

⁶ An unknown hand placed a checkmark in the left margin and wrote: “No.” A different unknown hand wrote in the left margin: “VP”.

⁷ An unknown hand placed a checkmark in the left margin. A different unknown hand wrote “VP” in the left margin and circled “Domenici” and “Nunn.”

Hansen—"Will see Pres before 'No' vote"⁸

Roth—"Still giving thought"⁹

Hopeless: Stevens, Johnston, Bartlett, Griffin, Goldwater, Lupor.¹⁰

J.C.

⁸ An unknown hand wrote in the left margin: "VP".

⁹ An unknown hand wrote in the left margin: "No." A different unknown hand circled "Roth." A different unknown hand wrote and circled "strongly committed" in the right margin.

¹⁰ An unknown hand wrote beneath the note: "Straus—Zorinsky," "Straus Chris—DeConcini," "Hatfield—Mansfield (Stennis) Nun→Hatfield (By FM)," "Nunn—Belmon—FM→NUNN—Back tonight" and "Chris-VP—Brooke—."

153. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to Vice President Mondale¹

Washington, March 13, 1978

SUBJECT

Panama: Sabotage Planning

[*1 line not declassified*] there was an item on the above subject.² You asked what are we doing about this.

On March 10, Stan Turner provided me additional information on the subject. This information is attached. Also, an additional item [*1 line not declassified*] That report³ stated that [*less than 1 line not declassified*] called on the Panamanian Intelligence Chief—Lt. Col. Noriega—on the pretext of seeking further information concerning the alleged plan of anti-Castro exiles to place bombs in the Zone. Noriega was told, and appeared to agree, that any bombing would almost surely be blamed on Panama with dire effects on ratification prospects.

¹ Source: Carter Library, Papers of Walter F. Mondale, Box 65, Foreign Countries—Panama Canal, (3-6/1978). Secret; Sensitive.

² Not found.

³ Not found.

I am of the opinion that Noriega got the message [*less than 1 line not declassified*] was sending. Stan Turner will continue to monitor this situation.

Please let me know if you have additional thoughts on this subject.

Attachment

Memorandum⁴

Washington, March 10, 1978

SUBJECT

Panama—Possible Sabotage Planning

1. [*1 line not declassified*] reports that the National Guard has been conducting an extensive demolition course at a Panamanian military base. This would explain at least in part the recent withdrawal of a large amount of TNT from a Panamanian explosives factory and the unusual activity of members of the commando sabotage team, who would be involved in the courses. This information would further incline us to view the recent activity as a training/contingency effort with a view toward the possibility of action should the treaties be voted down.

2. However, some of the information such as [*1 line not declassified*] Intelligence Chief Lt. Col. Noriega had hurriedly cancelled an operation scheduled for the night of 22 February—does not support a contingency training scenario. This means we cannot rule out that the Panamanians were considering some action.

3. The Panamanians may be engaging in some of these activities in order to unsettle the US in the hope of generating greater US government efforts in behalf of the treaties.

4. We expect to receive a further report [*1 line not declassified*] today and will immediately provide that information to you.⁵

⁴ Secret; [*handing restriction not declassified*].

⁵ [*text not declassified*].

**154. Letter From the Chairman of the Joint Chiefs of Staff
(Brown) to Senator Talmadge¹**

Washington, March 13, 1978

Dear Senator Talmadge

I have followed with interest the Senate debate on the Panama Canal Treaties of which I am strongly supportive as you undoubtedly know. Your support is needed and I trust will be forthcoming.

I understand that you have expressed concern about Article 5 of the Neutrality Treaty. I have always felt that article very much favored US interests in that, unlike the current treaty arrangements, stationing of foreign troops anywhere on Panamanian soil would be precluded.

I understand you are considering a reservation to the instrument of ratification to the effect that the stationing of US forces in Panama subsequent to the turn of the century to protect the regime of neutrality would not be precluded, should both countries feel it necessary or appropriate. While I am not a lawyer, I don't feel such a reservation is necessary. It is not necessary for the treaty to spell out the steps we might take to meet future contingencies; the important thing is that it does not preclude the United States and Panama from negotiating, at a later date, an arrangement for a US military presence in Panama after the year 2000. The present treaty thus gives us the authority we need to protect the regime of neutrality while keeping our options open.

Therefore, while I don't feel the proposed reservation is necessary, at the same time I cannot say that it would be undesirable if it could be achieved without causing the treaties to require another plebiscite in Panama.

Sincerely

George S. Brown
General, USAF

¹ Source: Washington National Records Center, OSD Files, FRC: 330-87-0068, Impact Study—Treaty Implementation and Responsibility (1977-1978). No classification marking.

155. Letter From President Carter to General Torrijos¹

Washington, March 15, 1978

My dear General:

As you know, the Senate is now approaching the end of its debate on the Neutrality Treaty. Although we expect the final vote to be close, we remain hopeful about the result.

We have made good progress since last September when you and I signed the Treaties. The Senate Foreign Relations Committee endorsed the Treaties by an overwhelming vote. In the Senate debate, we have fortunately been able to prevent any amendments to the Treaty other than the so-called “leadership” amendments to Articles IV and VI. These incorporate exactly the terms of the statement of understanding published after our conversation of October 14.²

In considering its Resolution of Ratification of the Treaty, the Senate will almost certainly attach a number of reservations, conditions or understandings reflecting certain of its concerns. We have made every effort and have been successful to date in ensuring that these will be consistent with the general purposes of our two countries as parties to the Treaty. I hope you will examine them in this light.

After approving the Neutrality Treaty, the Senate will move immediately to consider the Basic Panama Treaty. While there will be problems, I am hopeful that the outcome will again be favorable, and that the two Treaties combined will gain for our countries the advantages we had envisaged when we signed them last September.

I know that the long public discussion of the Treaties in the United States has involved difficulties for you and your country. It has been a necessary element in informing the American public of the reasons for negotiating the Treaties and the benefits they bring to both parties. We have made notable progress in this regard.

Thus, as matters stand today, we are approaching an important milestone. If all of us can continue to work patiently and constructively for the achievement of our objectives, I believe we can achieve the outcome we both desire—sound and equitable treaties in our common interest.

Sincerely,

Jimmy Carter

¹ Source: Carter Library, Chief of Staff, Hamilton Jordan’s Subject Files, Box 50, Panama Canal Treaties, 1977 (4). No classification marking.

² See Document 113.

156. Transcript of a Telephone Conversation Between President Carter and General Torrijos¹

Washington, March 15, 1978

The President: Good afternoon. I am calling you on some very important matters. I would like you to identify this as one of the most important conversations we have ever had. The vote on the Panama Canal Treaty to go into effect in the year 2000, the neutrality treaty, will be held tomorrow.² The vote is very close and the results are in doubt, but I believe we will win if there is nothing to cause a disturbance in the Senate. Some reservations have been introduced which, sincerely, are not worded like I would have preferred, and which cause me some concern. But they do not violate the terms of the treaty as explained in our joint statement³—in other words, they are compatible with it. I realize from having spoken this afternoon to your Ambassador, Gabriel, and your Ambassadors to the OAS and the UN that you are concerned.⁴ I understand that. But these reservations, which have not been voted on yet, but which will be today and tomorrow, do not amend either Treaty.

If you are concerned by the action taken after the vote then you can, are free to, make whatever statement you may desire. I understand that. But it is extremely important that no statement is made before the vote, and I ask you please not to make any public statement on actions which the Senate may take in the future. After the vote I would like to send the Deputy Secretary of State, Mr. Christopher, and my assistant, Mr. Jordan, to Panama, to speak to you on Friday⁵ and to explain the Senate decision. Would that be satisfactory?

General Torrijos: That would be fine. But the root of the problem is basically the following: We consider that we have gone to the limit of the concessions we can make. A little bit more, and we will have a

¹ Source: Carter Library, Office of the Chief of Staff, Hamilton Jordan's Files, Box 5, Panama Canal Treaty (CF, O/A 413) 1. Secret. According to the President's Daily Diary, the conversation began at 4:43 p.m. and ended at 5:06 p.m. (Carter Library, Presidential Materials, President's Daily Diary)

² The Senate approved the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal (known as the Neutrality Treaty) by a vote of 68 to 32 on March 16. For the texts of Carter and Vance's statements on the ratification of the Neutrality Treaty, see the Department of State *Bulletin*, April 1978, p. 59.

³ See footnote 4, Document 113.

⁴ According to the President's Daily Diary, Carter met with these individuals from 4:40 p.m. to 5:19 p.m. (Carter Library, Presidential Materials, President's Daily Diary)

⁵ March 17. Carter wrote in *Keeping Faith* that Torrijos called Carter and asked that Jordan and Christopher not go to Panama. (p. 173)

treaty which will comply with the dictates of formality but which will be no solution to the problem of peaceful and friendly coexistence between our peoples. I have been reading and following the debates in the Senate. Our entire people have been doing so as well. Some are of the opinion that the strong emphasis being given to changing a period or a single comma is just a disguise for retaining perpetuity, that principle which we have all fought so hard to eradicate. I am much more interested in approving a treaty which is really a working instrument and not one which will just cause problems. I am more interested as is my people, in having the United States guarantees be for transit through the Canal and not ownership of it. I do not want a treaty, I want The Treaty which my people approved in the plebescite.

I do promise, out of the respect, admiration, and affection I have for you as a moral man, that there will be total silence until after the vote is taken.

I was just now in the process of drafting a letter to you which will be taken to your Embassy as soon as it is ready to be cabled up to you. It is a confidential letter from you to me.⁶

I just have one last recommendation to make to you. Just let yourself drop with the parachute of dignity. All falls on the parachute of dignity land in the field of peace.

The President: That was extremely clear. I would just like to respond to two or three points if I may. First, nothing that the Senate is doing we anticipate will change any of the agreements or principles contained in the Treaty. Under the Senate amendments, the transfer of ownership to Panama, the removal of perpetuity, and the removal of all U.S. forces by the year 2000 are all preserved. After the year 2000, according to our joint statement and the amendments, the interest of the United States lies in the regime of neutrality; in open access to the Canal. None of these principles, made clear in the Treaty are being changed.

I would just make one other request of you. As soon as the vote is over, Mr. Christopher and Mr. Jordan will be leaving to fly to Panama to meet with you. I would ask you to make no public statement of condemnation or concern until after you talk to our officials. Then, of course, you are free to make any statement you wish, but after consulting with them, and after ratification of the Treaties. They will be there tomorrow night.

⁶ The March 15 letter from Torrijos to Carter, transmitted via telegram 1777 from Panama City, March 16, is in the Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera 2/77–7/78.

General Torrijos: We will be pleased to see them. For us nothing has changed in what we signed together, and we will make no statement until we have talked to your people.

The President: That is excellent. There is just one other point. I have been working day and night for weeks and weeks on this matter. It has been more important to me than any other and is one of the most difficult political issues ever to face the American people. If the treaties are rejected now, it will be years and years, maybe 50 years, before any other president will wish to address the issue again. I believe we have excellent chances to win, in a way that will be a source of satisfaction to your people and a source of pride to you. I very much appreciate your willingness to trust me for a few more days, to wait and see what actions are taken by the Senate and by me.

Finally, I want you to know that your personal friendship is very valuable to me, as is that between the American and Panamanian peoples. And I believe that the Treaties will bind all of us together in permanent friendship. They are still in doubt, but we believe we will be successful. Thank you for your understanding of our domestic problems. Your decision today has been very valuable to us.

General Torrijos: Thank you for all the work you have done. And to say good-bye, let me say to you what I always say to myself: when you are a leader of men and those around you get bothered and upset, be serene.

The President: That is excellent advice and I have been trying to follow it the past few weeks but it is very difficult at times to do. But I feel a very close brotherhood with you and that has helped.

General Torrijos: Well, tomorrow is the vote. I trust your guiding hand.

The President: Thank you. Adios, amigo.

157. Telegram From the Embassy in Panama to the Department of State¹

Panama City, March 16, 1978, 1636Z

1759. From Ambassador Jorden. *Subject: Treaty Implementation—Role of the Ambassador*. Ref: State 60936.²

1. I agree: DoD's latest proposal completely fails to serve our objective of successful treaty implementation.³

2. I have no objection to reaffirming that the relationship between the Ambassador and the area military commander here be the same as in any other foreign country. Here, as anywhere, the latter is properly responsible to the President as Commander-in-Chief; this pattern of official relationships is a well-established and generally workable one. But it would be a fundamental error to accept DOD's desire to afford a similar legal autonomy to the Canal Commission. No matter what agency oversees the Canal operation, it will not be a military responsibility of the Commander-in-Chief. It will be a civilian agency, and there is absolutely no reason to accept such an unprecedented legal status in a foreign country.

3. No one has publicly justified why the commission should be different in this manner. Not to mince words, the DOD/Army/PanCanal unstated assumption is that the Ambassador will either have a vested bureaucratic interest in "keeping Panama happy" at the expense of U.S. operational interests in the Canal, or will seek to "run the Canal." But in my view, he would do neither; the Ambassador's proper role is to get Panama to do that which is in the U.S. national interest, with the least possible fuss and friction in the process.

4. The President and Congress have recognized for years that ambassadorial authority over and responsibility for all aspects of civilian USG activity in his country of assignment provide the only way the U.S. can pursue a coherent foreign policy. If one accepts that an overseas operation of a civilian agency should be legally exempt from that authority, one starts a pernicious process of watering down statutes

¹ Source: National Archives, RG 59, Office of the Deputy Secretary, Records of Warren Christopher, 1977–1980, Lot 81D113, Box 14, Historical Footnotes: Panama Canal. Limited Official Use; Priority; Stadis.

² In telegram 60936 to Panama City, March 9, the Department outlined the latest Defense proposal on treaty implementation and the authority of the ambassador in Panama, which failed to meet State's treaty implementation objectives. Defense argued that U.S. military personnel and the Administrator of the Panama Canal Commission and his or her employees be exempt from ambassadorial authority. State requested the Embassy's views. (National Archives, RG 59, Central Foreign Policy File, D780106–0984)

³ See footnote 2 above.

and Presidential policy directives established to further the U.S. national interest. This objection transcends the local situation.

5. One cannot speak of insulating the 'technical' Canal operation from U.S.-Panama bilateral relations. Those relations, and the new treaties, are about the Canal. All other considerations are secondary, and the new treaties will not change this. If the USG expects to make a success of treaty implementation, it badly needs to get its own act together. If the Ambassador, the President's personal representative responsible for relations with Panama, is faced with an administrator legally free to formulate and pursue his own foreign policy toward Panama, the result will be a mess.

6. Whether anyone in DOD realizes it or not, the administrator is going to badly need the support and protection that an Ambassador can provide. State and the Ambassador have an expertise in dealing with foreign governments which the administrator may well lack. Most problems will undoubtedly lend themselves to being worked out in the commission. But willy-nilly, others will be raised to the government-to-government level. Both the U.S. Government and the administrator himself will be well-served if the Ambassador is properly empowered to promote our interests. In the past, the Governor has been able to effectively ignore the wishes of the Panamanian Government. In the future, the situation will not be so one-sided. If, in the future, the administrator, by any act or omission, however easily remediable, commits a misstep in his relations with Panama, there will be no meaningful channel to deal with the situation. We would be well advised to have on the scene someone who could speak with the voice of the entire U.S. Government.

7. Separation of the administrator from the Ambassador's authority is an open and continuing invitation to friction between the two, and to exploitation of the separation by Panama, to the detriment of the canal operation and our overall interests here. It is something that the Department must not allow to happen.⁴

Jorden

⁴ In a March 25 memorandum to Bunker, Todman, and Hansell, David Anderson (S/S) relayed that, during a March 24 lunch meeting, Vance agreed with Brown's position of a Commission independent of ambassadorial authority. It was agreed at the lunch meeting that the Ambassador would be fully informed of Commission activities and could have a representative present at the Commission's formal meetings. (National Archives, RG 59, Official and Personal Files of Ambassador at Large Ellsworth Bunker, Lot 78D300, Box 4, Panama Key Documents 1978) In telegram 2161 from Panama City, April 3, Jorden expressed his disappointment upon learning of the exception to the ambassador's authority agreed to by State and Defense. (National Archives, RG 59, Central Foreign Policy File, D780143-1065)

158. Telegram From the Department of State to the Embassy in Panama¹

Washington, March 21, 1978, 0158Z

72014. For the Ambassador From Deputy Secretary Christopher.
Subject: Letter to General Torrijos.

Please deliver the following letter to General Torrijos from President Carter at the opening of business tomorrow:

Begin text:

"My dear General:

I appreciated your excellent letter of March 15, as well as our opportunity to converse on the telephone on that same day.² Your statement that the Government of Panama will not take any action until the Senate has acted on both treaties is a wise and prudent course. The same calm and thoughtful approach was also reflected in the official communiqué issued by your government after the Senate vote.³

The Senate has now commenced debate on the Panama Canal Treaty. Once again, we will urge the Senate to resist any amendments to the body of the treaty as well as any reservations or conditions which are inconsistent with the basic purposes and spirit of the treaty. Two such amendments were defeated today.⁴

The Senate leadership is endeavoring to establish a date certain for the final vote on the treaty. We hope there will be an agreement reached this week for a final vote to be taken by the second week of April.

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 3/78. Secret; Flash; Nodis. Sent for information Immediate to the White House.

² See Document 156.

³ The official communiqué, issued March 16, stated that Panama would withhold judgment on the Senate decision regarding the Neutrality Treaty until action was taken on the Panama Canal Treaty. Once the Panamanian government had both documents in its possession, it would study them thoroughly and reach a conclusion. A copy of the communiqué is in the National Archives, RG 59, Office of the Deputy Secretary, Records of Warren Christopher, 1977–1980, Lot 81D113, Box 17, WC—Official Chron.—August 1978.

⁴ According to a March 20 memorandum from Moore, Beckel, and Thomson to Carter, Dole introduced an amendment that day specifying that no foreign troops would be allowed in Panama before 2000. The amendment was narrowly defeated. Senator Malcolm Wallop (R–Wyoming) also offered an amendment that would have revived the 1903 treaty if Panama abrogated all or any part of the new Panama Canal Treaty. (Carter Library, Chief of Staff, Hamilton Jordan's Subject Files, Box 50, Panama Canal Treaty (CF O/A 647))

Until the debate is concluded, it will be important for us to follow your wise counsel to be calm and to withhold judgment until the treaties can be considered in their entirety. As I said after the Senate acted on the first treaty, you and the Panamanian people have been patient and forbearing during this long process, and you have earned the confidence and respect of all of us here.⁵

Sincerely,
Jimmy Carter''

End text.

FYI. The President is agreeable to talking with General Torrijos tomorrow. He will call at 9:30 a.m.⁶

Vance

⁵ A reference to Carter's statement on the ratification of the Neutrality Treaty. See footnote 2, Document 156.

⁶ See Document 159.

159. Transcript of a Telephone Conversation Between President Carter and General Torrijos¹

Washington, March 21, 1978, 9:45 a.m.

The President: (after exchange of greetings) I was very pleased to receive your letter of last week.² The Senate has now begun debate on the Treaty between us for the rest of the century. Yesterday two amendments were submitted and were rejected.³ We are attempting to have the vote take place sometime during the second week of April.

General Torrijos: Yes. I have been reading the Congressional Record, and specifically the statement of Senator DeConcini in explanation of

¹ Source: Carter Library, Chief of Staff, Hamilton Jordan's Subject Files, Box 5, Panama Canal Treaty (CF, O/A 413) 1. Secret.

² See footnote 5, Document 156

³ See footnote 4, Document 158.

his vote. It is very strong. The language is really very very strong.⁴ It endeavors to change the meaning of the memorandum of understanding which we signed together. I would like you to know that during the course of this week I have been making great efforts to improve matters in order to be able to reply to sectors of public opinion which have been trying to orchestrate a campaign to make necessary a second plebescite. If one were held now, the treaties would not be approved because this is a very sensitive issue. Any further amendment to the language would not be approved.

Therefore we must stay in close touch, in close communication so that the treaties which emerge will be instruments of work and not elements of perturbation. What Mr. DeConcini has said runs counter to the principles and provisions of the United Nations and of the Organization of American States, both bodies to which Panama belongs and for which it has deep respect.

It is really very strong language, so strong that one would not think it could deal with a friendly country. Only if we keep in touch can we hope to have a treaty—I know that your intentions are good. You are a moral man, and I know that there are things that you cannot control, just as there are things we cannot control here. Our people are reading the Congressional Record.

For all these reasons, I should like to request your authorization to make your letter⁵ public as a way of attenuating this problem and of helping the people of Panama.

The President: I understand very clearly what you have said and I understand the reasons for your concern. But what must be assessed is the final language of the treaties. The DeConcini interpretation is not an official interpretation. For example, Senator Church, who is our floor leader in the Senate, has made a statement placing a different interpretation and construction on the conditions.⁶ The ultimate judg-

⁴ A reference to DeConcini's Senate floor statement about the reservation he proposed and that the Senate adopted with the Neutrality Treaty. The reservation outlined the right of the United States to take unilateral action in Panama, including the use of military force, after the year 2000 if the Canal was closed for any reason. For excerpts of DeConcini's statement, see telegram 67894 to Panama City, March 16, in the Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 3/78. Senate and administration treaty supporters urged DeConcini to revise his proposed reservation to make it more palatable to the Panamanians, but he refused to do so. (Memorandum by Christopher, March 21; Department of State, Records of Cyrus R. Vance, 1977–1980, Lot 84D241, Box 10, Interviews III)

⁵ See Document 158.

⁶ Presumably a reference to Church's statement made just prior to the vote on the DeConcini reservation, which telegram 73218 to Panama City, March 22, transmitted. Church argued that the reservation must be considered as a restatement and an elaboration of the leadership amendment already adopted by the Senate to Article IV of the Neutrality Treaty and therefore deemed it acceptable and worthy of adoption by the Senate. (National Archives, RG 59, Central Foreign Policy File, D780125–0833)

ment as to what is to be included and the conditions attached will be made by the Government of the United States and the Government of Panama.

The main point is that we must wait until the end to see how the whole thing fits together. At that point I am certain that both you and I will then see that the actions of the Senate will have been constructive and adequate to alleviate all these concerns. For it is obvious that we have no intention whatever of intervening in Panama, not in this century and not in the next. The American Government and people have absolutely no desire to do so. And this statement was reconfirmed by the 68 Senators who voted yes last Thursday.⁷ There is no doubt that this is the belief of the Government and people of the United States.

Now treaty opponents are grasping at any sign of disagreement between you and me in order to defeat the treaties. Your advice to be calm and to cause no disturbance was very sound advice⁸ which I have been trying to follow here, matching what you have been doing in Panama.

You are most welcome to use my letter in any way you wish in order to reconfirm our mutual respect for the Panamanian people and our firm intention to honor the agreement reached between us and the provisions of the treaties.

The friendship and mutual respect between the peoples of Panama and the United States and the mutual trust between you and me are very strong and sufficient to overcome any temporary disturbance, any speeches, statements, or votes of individual Senators.

The main thing to remember is that I am following your advice to be calm in order to be constructive. If you do the same, I am sure that the final action taken by the Senate will lead to a good resolution of the issues still pending regarding the treaties.

General Torrijos: All right. We will stay within this framework of communication, but with a view to finding formulas to compensate for the language in that explanation of vote.

The President: I am very pleased to have talked to you again, and I believe that my statement following the Senate vote, my letter to you, and the statement by Senator Church do compensate for statements opposing the treaty.

Good luck to you and I hope to see you again personally without too much delay. Have a good day. *Muchas gracias.*

General Torrijos: Very well. Good-bye.

⁷ March 16.

⁸ See Document 156.

160. Memorandum From Robert Pastor of the National Security Council Staff to the Assistant to the President (Jordan) and the Assistant to the President for Congressional Liaison (Moore)¹

Washington, March 23, 1978

SUBJECT

The Canal Treaties: Compensating for the DeConcini Amendment

The President met yesterday with Secretary General of the OAS, Orfila,² and Orfila conveyed the strong concern all Latin Americans feel about the implications of the DeConcini amendment. Orfila is well aware of the political impossibility at this time of deleting that reservation, so he suggested as an alternative that we try to get the Senate to include language in the Panama Canal Treaty which would reaffirm the support of the U.S. Government for the principle of non-intervention as stated in the UN Charter³ and in Article 18 of the OAS Charter.⁴ The President seemed to indicate that this was a good idea which was justified, and after the meeting, he asked me to relay this information to you.

¹ Source: Carter Library, Congressional Liaison Office, Bob Beckel's Subject Files, Box 226 (Panama), 3/20–23/78 (CF, O/A 427). Confidential. Copies were sent to Inderfurth, Beckel, and Thomson.

² According to the President's Daily Diary, Carter met with Orfila from 2:02 p.m. to 2:25 p.m. on March 22. (Carter Library, Presidential Materials, President's Daily Diary)

³ Article 2 (7) of the Charter of the United Nations states: "Nothing contained in the present Charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state or shall require the members to submit such matters to settlement under the present Charter; but this principle shall not prejudice the application of enforcement measures under Chapter VII." (United Nations, Washington, DC: GPO, 1945)

⁴ Article 18 of the Charter of the Organization of American States states: "Respect for and the faithful observance of treaties constitute standards for the development of peaceful relations among States. International treaties and agreements should be public." (Organization of American States, Washington, DC: Pan American Union, 1949)

161. Telegram From the Department of State to the Embassy in Panama¹

Washington, March 24, 1978, 2008Z

76845. Subject: Security of Outstanding Panamanian Bonds.

1. Continued failure of Panama to provide for future security of bonds presently secured by payments under 1955 treaty creates a serious political liability for Department in ongoing treaty debates. Although the issue has not surfaced recently, it is unlikely to remain dormant. If unresolved, this issue could jeopardize the vote of Senator Huddleston and eliminate any chance of converting Senator Ford. Aside from the specific interest of these Senators, Panama's unwillingness to commit itself on this question weakens the credibility of both the Department and Panama in view of our January 30 letter to Senator Sparkman² announcing that an agreement in principle had been reached and would be formalized within the near future. This point, if raised during debate, could erode support for treaty.

2. Department appreciates that Embassy has made determined and repeated efforts to resolve this matter and that delay is due to dissension within GOP.³ Embassy is requested to continue these efforts and to consider whether contacts at a higher level might be productive. Embassy's views are also requested on whether delivery by Ambassador of a formal note from Department expressing concern over failure of GOP to implement agreement in principle reached January 26 would facilitate resolution.⁴

Vance

¹ Source: Department of State, American Embassy Panama, Panama Canal Treaty Negotiation Files, Classified and Unclassified Political and Economic Files 1976–1978, Lot 80F162, Box 3, E-4.1, Panamanian Bonds, 1978. Confidential; Immediate.

² Not found.

³ See Document 147.

⁴ See footnote 4, Document 147. In telegram 2229 from Panama City, April 4, the Embassy reported it had raised the issue of security for Panamanian bonds to Gonzalez-Revilla and that a letter from Adames to Gonzalez-Revilla was authorized to be delivered to State by Lewis. This letter cited Cabinet Council Resolution No. 14 which authorized the Panamanian Ministry of Finance, under the 1977 Treaty, to "maintain without interruption" guarantees extended by Panama in the bond sales contracts of 1950, 1958, and 1962. Jordan informed Gonzalez-Revilla he "did not know if this would meet our requirements in reassuring the bondholders or their agents," but he thought it might be inadequate. (National Archives, RG 59, Central Foreign Policy File, D780145–1104)

162. Note From President Carter to Multiple Recipients¹

Washington, March 27, 1978

To Fritz, Cy, Harold, Ham, Frank

The most important effort to be made during the next few days is to insure the passage of the Panama Treaty.

Work *hard* on this & coordinate your efforts. Fritz will lead.

J.C.

¹ Source: Carter Library, Papers of Walter F. Mondale, Box 206, Middle East/Panama (1/1/1978–1/20/1981). No classification marking. Sent to Mondale, Vance, Brown, Jordan, and Moore.

163. Memorandum of Conversation¹

Caracas, March 28, 1978, 3:30 p.m.–4:40 p.m.

SUBJECT

International Political Issues: Panama Canal Treaties, Non-Proliferation, Middle East, Africa, Belize, Nicaragua, and Conventional Arms Restraint

PARTICIPANTS

President Jimmy Carter
Secretary of State Cyrus R. Vance
Dr. Zbigniew Brzezinski, Assistant to the President for National Security Affairs
Terence A. Todman, Assistant Secretary of State for Inter-American Affairs
W. Anthony Lake, Director, Policy Planning Staff
Robert A. Pastor, NSC Staff Member
Ambassador Viron P. Vaky
Guy F. Erb, NSC Staff Member
Venezuela
Carlos Andres Perez, President
Simon Bottaro Consalvi, Minister of Foreign Affairs

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 36, Memcons: President: 2–3/78. Confidential. The meeting took place in the Miraflores Palace.

Manuel Perez Guerrero, Minister of State for International Economic Affairs
Valentin Acosta Hernandez, Minister of Energy and Mines
Carmelo Lesseur Lauria, Minister, Secretariat of the Presidency
Hector Hurtado, Minister of State, President of the Investment Fund
Ambassador Ignacio Iribarren
Dr. Reinaldo Figuerido, Director of Foreign Trade Institute

After exchanging cordialities, President Perez asked about President Carter's preference with regard to an agenda. President Carter said that he would like to discuss international political issues today and economic issues tomorrow.²

Panama Canal

President Perez asked President Carter for his estimate of the chances for Canal Treaty ratification. President Carter said that this was the most difficult political issue he has ever faced, with the vote still very close. We are determined, he said, that when the process is completed there is no continuation of U.S. presence after this century and no insinuation of any U.S. intent to intervene in Panama's internal affairs. Some of the language of the reservations was unfortunate, and we will make every effort to correct the mistakes in the process of ratifying the second treaty.

President Carter said that Perez could help by adding his voice to his own in counseling Torrijos to be moderate and to wait for the process to be completed. Those who oppose the Treaty welcome any sign of disharmony between the U.S. and Panama, and this should be avoided. We are reasonably sure, President Carter said, that we can accomplish what we have set out to do. He said he recognized the Treaties as the most important challenge and opportunity for bringing a new spirit to inter-American relations which has been placed on his shoulders.

President Perez expressed his concern over amendments to the Treaties, especially the DeConcini amendment. When he learned of it, he immediately telephoned Torrijos and counseled him not to react but to wait, to be calm and "to go the mountains and address the forest." (President Carter interjected that he had a similar conversation with Torrijos.) Perez said that Torrijos had described his conversation with President Carter³ and had agreed that he should wait until the process was completed and to evaluate the situation then. Torrijos had wanted to come to Caracas, but Perez said he talked him out of it on the

² The memorandum of conversation for the March 29 discussion is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XXIV, South America; Latin America Regional, 1977–1980.

³ See Documents 156 and 159.

grounds that if he were here the press would force him to make a statement. He sent his Minister of Education, Royo, instead, and Perez had a long conversation with him. They agreed, Perez said, that the wording of the DeConcini reservation was “unacceptable”. It was also unnecessary, Perez added, “since the U.S. had the power to do what it proposed anyway. War is simply declared; it is not announced ahead of time.”

Torrijos believes, *Perez* said, that some kind of declaration should be made in the second treaty to offset the public impact of the DeConcini Amendment. *Perez* said he had worked out suggested wording when Royo was here, and he wanted to give President Carter an aide memoire with that wording (*Perez* handed the President this memo).⁴ If something like this was not done, *Perez* said, the situation would be dangerous.

Perez said that Torrijos had sent a letter to each Latin American Chief of State who had attended the signing ceremony, since he felt obligated to keep them informed of recent developments which affected the Treaties.

President Carter said that we shared *Perez*’ views and concern, and these views were very helpful to him.

[Omitted here is a discussion unrelated to Panama.]

⁴ Not found.

164. Action Memorandum From the Assistant Secretary for Inter-American Affairs (Todman), the Assistant Secretary for East Asian and Pacific Affairs (Holbrooke) and the Assistant Secretary for Economic and Business Affairs (Katz) to the Deputy Secretary of State (Christopher)¹

Washington, March 29, 1978

SUBJECT

GSP—Sugar Benefits for Panama and a Few Others

ISSUE FOR DECISION

Whether to seek to assist Panama economically by redesignating it, and consequentially a few other countries, as beneficiaries under our Generalized System of Preferences for sugar.²

ESSENTIAL FACTORS

We are entering a difficult and critical month in our relations with Panama. There are a few immediate and tangible benefits we can give to improve the atmosphere. Redesignating Panamanian sugar for GSP would have an immediate and substantial favorable effect on Panama at little cost. Panama is legally eligible; the President need only sign a proclamation.

Panama originally was a GSP-sugar beneficiary, but lost eligibility in 1976, because high world sugar prices caused its shipments in 1975 to exceed the “competitive need” value limitation contained in our law. It became eligible again on the basis of 1976 shipments and remains so.

It is not feasible for domestic and international political reasons to single out Panama for special treatment. Panama, however, is one of a group of six countries (also Guyana, Jamaica, Colombia, Thailand, and Taiwan) which, having lost GSP on sugar for competitive need reasons in 1976, were not redesignated for 1977 nor again for 1978 although they were eligible in *both* years. Within this group, moreover,

¹ Source: National Archives, RG 59, Central Foreign Policy File, P780067–1578. Confidential. Sent for Action. Drafted by Joseph E. O’Mahony (ARA/ECP), John Bushnell (ARA), Anthony Geber (EA), Marc Baas (EB), and D. Burns (EB), and cleared in H and S/P. Spiegel wrote and circled on the memorandum: “Modified in D.”

² On February 28, Lewis sent Vance a letter requesting that raw sugar from Panama be redesignated as eligible for duty-free treatment under the GSP for the period beginning March 1. (Department of State, Principal and S/S Memoranda for 1978, Lot 80D90, Box 1, S/S Memorandum—1978, January thru March) Deputy Assistant Secretary of State for Economic and Business Affairs, William G. Barraclough, responded in a March 13 letter that such a redesignation would not be possible. (Ibid.) Tarnoff wrote Katz that Barraclough’s response warranted high-level attention before being dispatched. (Ibid.)

Panama would be the most benefited—even without GSP last year its \$22 million of sugar exports to the U.S. amounted to 45% of the six-country total.

The question of whether to redesignate any of the newly eligible countries was considered by the interagency, STR-chaired Trade Policy Staff Committee (TPSC) last month. Because sugar imports were deemed to be a sensitive political matter, given the demands for higher domestic sugar prices, the TPSC decided not to redesignate any of the eligible countries.

ARA considers it highly unlikely that redesignation of the six minor-supplier countries would engender any adverse fallout on our GSP program, Congressional approval of the International Sugar Agreement or any other national interest. These nations provide us with less than five percent of our sugar imports and less than two percent of our annual sugar supply. Domestic sugar prices would be unaffected by the action—a 2.8 cents a pound tariff on 300 thousand tons of imports would be lost to the Treasury. The “competitive need” provision of our law would prevent these countries from becoming long-term, large-scale suppliers of sugar to us. What is insignificant to us, however, can be important for all small countries. Sugar is a major foreign exchange earner and source of employment for the Latin American eligibles.

The NSC also favors the redesignation of sugar for GSP for Panama and the five other countries. Agencies other than State represented on the TPSC (STR, Agriculture, Treasury, Commerce and Labor), are less concerned about the international relations aspect of not making any new designations, and consider it better not to risk any adverse domestic interest group reactions. Therefore, a Presidential decision will be required on the basis of divided advice.

EB, on the other hand, cannot support the redesignation of additional countries for GSP at this time. Continuing low world sugar prices and the fact that U.S. domestic price support programs expire with the 1976 crop have created an ultra-sensitive atmosphere in the Congress regarding the problems of sugar. Farm interests have pressed hard for tighter import controls including quotas. Hawaiian cane growers and the corn industry have both joined in support of the continuation of import restrictions.

GSP for sugar is viewed by many Congressmen as a loophole in the domestic price support program. Many see it as allowing cheap foreign sugar to enter the U.S. at a time when the U.S. Government is loaning hundreds of millions of dollars to U.S. farmers to support the price of sugar. The sugar/GSP program is not insignificant either. Already 13% of U.S. sugar imports enter under GSP. Inclusion of the countries proposed for redesignation would add at least another 5%.

Senator Dole has already circulated a letter among his colleagues calling for the removal of GSP for sugar. Within the next month or two, the Administration will have to submit legislation implementing the International Sugar Agreement. This legislation could provide a ready catalyst for these anti-GSP sentiments.

EB thus believes that redesignation of additional countries could jeopardize the entire sugar/GSP program. This program has existing and important benefits for ten Latin American countries including Bolivia and Costa Rica as well as for six African nations such as Mozambique, Malawi, and Swaziland. Delaying redesignations until the International Sugar Agreement succeeds in raising world sugar prices would preserve these benefits for those countries that now have them and allow us to add more countries when the domestic pressure on sugar GSP is less intense.

OPTIONS

1. Seek GSP-sugar designation for six eligible countries: Panama, Jamaica, Guyana, Colombia, Thailand and Taiwan starting with the Trade Policy Review Group (TPRG, senior to the TPSC).

2. Take no action; explain to these countries that our domestic political³ situation will not presently⁴ allow it,⁵ [and] that we will continue to monitor Congressional attitudes and will [unclear] the situation when appropriate.

RECOMMENDATIONS

ARA recommends approval of Option 1. EA has a strong interest in assuring that if you approve Option 1, Thailand and Taiwan are included along with the four small Latin American suppliers.

EB recommends approval of Option 2.⁶

Attachment:

Table: 1977 U.S. Sugar Supply⁷

³ Spiegel inserted above the sentence: "political."

⁴ Spiegel inserted above the sentence: "presently."

⁵ Spiegel added: ", + that we will continue to monitor Congressional attitudes and will [unclear] the situation when appropriate."

⁶ Spiegel initialed Christopher's approval of this option on April 12 and wrote "(as modified see page 3)" below the approval line.

⁷ Confidential. Attached but not printed.

165. Transcript of Excerpts of a Telephone Conversation Between the Deputy Secretary of State (Christopher) and the United States Ambassador to Panama (Jorden)¹

Washington, April 7, 1978

We have had a very rough 24 hours here Bill.

Candidly the activity of the Panamanians has been very counterproductive.²

Perhaps the low point or the high point was Walter Cronkite's news show last night which as you know is seen by everybody and the correspondent reports that the Government of Panama is apparently laying the groundwork in case it should decide to reject the Panama Canal Treaty.

According to officials of Panama's Embassy here in Washington General Torrijos has sent letters to Heads of State around the world³ and also sent messages to the UN. According to a spokesman at the Panamanian Embassy demonstrations are being held in Panama tomorrow and then Cronkite pans to Howard Baker who says:

"I have really gone out on a limb for these Treaties I think our friends in Panama ought to know that just the twitch of an eyelid"⁴

[I did not take down the part of the article you read]

¹ Source: National Archives, RG 59, Office of the Deputy Secretary, Records of Warren Christopher, 1977–1980, Lot 81D113, Box 14, Historical Footnotes: Panama Canal. No classification marking.

² In telegram 2114 from Panama City, March 30, the Embassy reported on the uneasy and grim mood in Panama in the wake of the Senate's approval of the Neutrality Treaty and, in particular, the DeConcini reservation. The reservation was published in all the newspapers, read on Panamanian television and resulted in emotional, angry, and frustrated responses and "adverse public commentaries." The Panamanian government was making no effort to sell the Neutrality Treaty reservations to the people and appeared undecided on how it would progress. (National Archives, RG 59, Central Foreign Policy File, D780139–0128)

³ In telegram 2299 from Panama City, April 6, the Embassy transmitted an informal translation of the text of a letter from Torrijos to the British Prime Minister. In the letter, Torrijos explained it was Panama's duty to inform the British people and government of the DeConcini reservation, about which Panama had already publicly expressed its "deep concern." The telegram reported that an identical letter had been delivered to at least one European embassy on April 6. (National Archives, RG 59, Central Foreign Policy File, D780149–0403)

⁴ The rest of Baker's quote, according to an April 9 *Washington Post* editorial, stated: "our friends in Panama ought to know that just the twitch of an eyelid, just the slightest provocation or expression that these treaties, or this treaty in this form, is not acceptable to Panama, and this whole thing could go down the tube." ("Reservations About DeConcini," p. C6)

There is now being circulated here the packet that was sent to all members of the UN General Assembly by their Ambassador. It is being interpreted wrongly I think but some are interpreting it as a rejection of the second Treaty although I think probably it is simply a preparation document preparing the way.

There has become available here this morning the letter from Torrijos to all the foreign heads of state⁵ and finally

Ambassador Lewis is making the rounds on Capitol Hill insisting that something be done during the course of the Senate action demanding that it be done.⁶ The high level of publicity that has been generated by them over the last 24 hours has reduced to Zero our chance of doing anything in the Senate. That is not just my judgment that is the judgment of all those who are (following it)

Anything we try to do would be greeted with suspicion and disdain. Indeed we are already having to stem the broad flow that is

They are asking why are we spending our time on them (the Treaties) if the Panamanians don't like the Treaties.

Senate is . . . sick of the Treaties and they have a big backlog of legislation.

Lewis seems to be out so far ahead of the other people or at least some of the people down in Panama and I wonder if there is some way if we can let General Torrijos know two points

We understand their problem and have been working, planning, thinking as to how we can help them but the second point is that what has been done to give this such a high level of publicity focus and spotlight has limited our options rather than helping to increase them.

What we really need is to do what he initially said; the initial statement is exactly right, to wait until both Treaties are finished.⁷

I emphasize that I really, I am most sympathetic to them and we are our head as to the best way we can be helpful but we can't be seen as sabotaging Senator DeConcini's efforts.

⁵ See footnote 3 above.

⁶ According to an April 13 CIA intelligence memorandum, all government representatives from Panama were ordered by Torrijos to embark on a campaign to bring pressure on the United States to modify the Senate's changes to the Neutrality Treaty. (Carter Library, Office of the Chief of Staff, Hamilton Jordan's Confidential Files, Box 36, Panama Canal Treaty 1978)

⁷ Presumably a reference to Panama's official communiqué of March 16. See footnote 3, Document 158.

Because as I was told so many times yesterday that is what it is called but it reflects the views of a number of Senators who have been defending their votes on the basis of it.

It is, Bill, in the last paragraph is . . . we went through about 48 hours when it was not available and so you have the, Carl Rowen, speculating, no saying on TV that it was a rejection of the Treaty

Panama hasn't bothered to consult us before they launched this crusade.

Bill, this is most helpful. I wonder if—have you seen that yesterday?

I think either by flash cable or telephone call

In essence: the Ministry of Foreign Affairs is putting out a statement this morning for . . . that they have not rejected the Treaties and that they will be considering them after both Treaties have passed or the Senate has acted on both Treaties.⁸

Maybe you had a different readup to that. How did you characterize it?

That is just the entire statement and it is . . . deny that they have rejected or reached any judgment and will not do so until later.

We need that. Yesterday or two or three days ago I was thinking of ways to improve the situation; now I am thinking of ways to [unclear] I know you will immediately sense how deleterious it might be if we are seeming to be critical of his Ambassador, but maybe you can put it in such a way that the direction of events have moved in a way that has limited our flexibility.

Would you expect to be able to have any contact with the General today? Or to get a message to him of any kind?

Can you get a reading, Bill, on whether anything additional is needed. Whether his state of mind is such that any additional personal contact is necessary? I think that you are the best one to exert this calming influence. Any further telephone calls at a high level are dangerous because they [unclear].

Baker did not say lightly that “just the twitch of an eyelid, just the slightest provocation. . . .” it could go down.

⁸ In telegram 2346 from Panama City, April 7, Jorden transmitted the text of a statement that the Panamanian Foreign Ministry planned to release that day. The statement reaffirmed that the Panamanian government's official position continued to be that of the March 16 official communiqué: Panama would withhold judgment of the treaties until the Senate had concluded discussion and votes on both treaties. The statement denied any news that the Panamanian government had taken an official position on the approval or rejection of the Neutrality Treaty. (National Archives, RG 59, Central Foreign Policy File, D780151–0112) In telegram 2381 from Panama City, April 7, Jorden reported that the Foreign Ministry had released the statement. (National Archives, RG 59, Central Foreign Policy File, D780151–0517)

Only 150 or 200.

Well that is good.

Pray for rain.

Which group is that Bill?

This call has been very reassuring to me.

I am very glad to hear about that anticipated statement.⁹

A telephone call or flash cable, or somebody can read that on the open line.

If you can, report to me what the reaction is after you telephone the message that we very much want to be helpful but that high level publicity. . . . where we have not been . . . tends to be counterproductive and is counterproductive.

Because of these events the letter you were good enough to draft to send to DeConcini¹⁰ . . . it simply is not the right time to deliver that. It would only inflame him.

He is enjoying the bath of publicity. A good deal more than he ought to.

Incidentally the man he reached in the Embassy¹¹ gave him a message that tended to reassure him that there was nothing wrong with the course that he was on. Well, people read things in a different way, and I am sure your man didn't mean that. I don't have it very reliably, but at least he is hearing only what he wants to hear.

I am sure we will be talking again before the day is out. Thanks so much.

⁹ See footnote 8 above.

¹⁰ The draft letter, transmitted in telegram 2301 from Panama City, April 6, was in response to questions from DeConcini and further outlined the difficult impact of the Senate debate over the Neutrality Treaty on Panama. In response to DeConcini's inquiry about how his reservation had been accepted in Panama, Jordan wrote that members of the U.S. embassy had not encountered one Panamanian who felt "his country could possibly accept the reservation which they see as a clear denigration of their sovereignty." (National Archives, RG 59, Central Foreign Policy File, D780149–0486)

¹¹ DeConcini spoke with Paul Saenz of USAID on the phone. (Telegram 2301 from Panama City, April 6; National Archives, RG 59, Central Foreign Policy File, D780149–0486)

166. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, April 10, 1978

SUBJECT

Getting the Panama Debate Back on Track

Having come this far, it is ironic that we were almost de-railed last week on a non-issue: the Senate being disturbed that the Panamanians were upset by the DeConcini reservation. The question is how do we get the Panamanians and the DeConcini people back on board² helping us through the vote on the second treaty.

The problem last week stemmed from confusion and misunderstanding. We need to begin by untangling this web.

The Senate thought that the Panamanians rejected the treaties. This is untrue; the Panamanians are upset by the DeConcini reservation and fearful of future reservations. To keep his government in tact, Torrijos needs some language in the new treaty, which makes a self-evident point: that the treaties are consistent with the U.N. and O.A.S. Charter.³ (In fact, the U.N. Charter prohibits a state from entering into an agreement which overrides any provision—especially the principle of non-intervention—in the U.N. Charter.)

I don't think there are any Senators who voted for the Neutrality Treaty who believe that their actions would violate the U.N. Charter. Indeed, the leadership amendment restates the point which the President has often made: that we have no intention or desire to interfere in the internal affairs of Panama. The DeConcini reservation has not really hurt as much as his language on the floor.⁴ The Panamanians need a restatement of the principle of non-intervention, and the best person to do it would be DeConcini. Perhaps the President could call him,⁵ explain to him that the Panamanians have been misinterpreting

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 4/78. No classification marking. Sent for information. A copy was sent to Schecter.

² Brzezinski underlined, "question is how do we" and "Panamanians and the DeConcini people back on board."

³ Brzezinski underlined this sentence. See footnotes 3 and 4, Document 160.

⁴ See footnote 4, Document 159.

⁵ Brzezinski underlined "Panamanians need," "restatement of the principle of non-intervention," "the best person," and "it would be DeConcini. Perhaps the President could call."

his reservation, and telling him that, of course, his reservation is not intended to violate the U.N. or O.A.S. Charter. I have written a Q and A along these lines for the President and mentioned the idea to Hamilton.⁶

We are in an extremely delicate position right now; we share a none too steady ship, and there are many in the Senate and in Panama who are eager to sink it. Regardless of who sinks it, the President will be hurt very badly if the ship goes down. Therefore, we need to be sufficiently sensitive to the concerns of the Panamanians to keep them on our side. A statement along the lines of the Q&A would probably do the trick, but the President should probably call DeConcini first. You may want to mention this to the President tomorrow.⁷

Attachments:⁸

Tab A—Q&A

Tab B—Wash. Post Article

⁶ Brzezinski underlined this sentence and highlighted this and the previous sentences.

⁷ Brzezinski underlined this sentence. In an April 10 note, Inderfurth informed Jordan that Brzezinski wanted him to raise the suggested call to DeConcini with Carter if Jordan believed it appropriate. Jordan wrote the following on the note: "Zbig—Meeting with DeConcini is planned for Tuesday or Wednesday of this week. We are proceeding along the lines Pastor outlines. It is very precarious—like it or not DeConcini holds the fate of the treaties in his hands. We'll talk." (Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 4/78) According to an April 14 *Wall Street Journal* article, Carter was supposed to have met with DeConcini on April 12, but the meeting was called off. DeConcini met with Christopher on April 12. (James M. Perry, "DeConcini Amendment Dims Outlook For Approval of Second Panama Pact," p. 4)

⁸ Tabs A and B are not attached.

167. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, April 15, 1978

[Omitted here is information unrelated to Panama.]

Panama. Telegrams went out this afternoon to our Ambassadors in Colombia, Venezuela, and Costa Rica asking them to seek the help of the Chiefs of State of those countries to persuade General Torrijos to look at the Senate leadership's new non-intervention language with an open mind and favorably.² That language is as follows:

Pursuant to its adherence to the principle of non-intervention, any action taken by the United States of America in the exercise of its rights to assure that the Panama Canal shall remain open, neutral, and secure, pursuant to the provisions of this treaty and the Neutrality Treaty and the resolutions of ratification thereto, shall be only for the purpose of assuring that the canal shall remain open, secure, and accessible to the ships of all nations, and shall not have as its purpose interference in the internal affairs of the Republic of Panama, or infringement of its independence or its sovereignty.

For our Ambassadors' guidance, we noted the following points of significance in the above provision: First, the opening phrase is a strong affirmation of the principle of non-intervention. Second, this language spans both treaties and all reservations, conditions, and understandings. Third, the text limits U.S. action to the affirmative purposes of assuring that the canal remains open, secure and accessible. Fourth, the text explicitly denies that any action we might take under the treaties would have as its purpose the infringement of the sovereignty or independence of Panama. Finally, although part of the Panamanian concern seems to be the omission of a reference to territorial integrity,

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 20, Evening Reports (State), 4/78. Secret. Carter initialed the top-right of the memorandum and wrote: "Warren."

² See telegram 97549 to San José, Bogotá, and Caracas, April 15, in the National Archives, RG 59, Central Foreign Policy File, P840166–1980 N780004–0451. The telegram explained that Senate leadership had drafted the nonintervention reservation and—for addition to the Panama Canal Treaty—using language that expanded its application to include the Neutrality Treaty in an attempt to overcome Panamanian and other opposition to the DeConcini reservation. In telegram 80508 to Camp David, April 16, the NSC reported that the Panamanians were responding positively to the language. (Carter Library, Papers of Walter F. Mondale, Box 206, Middle East/Panama (1/1/1978–1/20/1981)) Christopher wrote in a May 15 memorandum that the Panamanians found the provision "to be a dignified solution to a difficult problem." (Department of State, Records of Cyrus R. Vance, 1977–1980, Lot 84D241, Box 10, Interviews III)

a strong argument can be made in a Latin context that sovereignty is a stronger and more embracing concept.

168. Letter From President Carter to General Torrijos¹

Washington, April 18, 1978

My dear General:

A few moments ago the Senate of the United States accorded its consent to the second of the two Panama Canal Treaties you and I signed here in Washington last September.²

Ratification of the new Treaties will open a new era in the relationship of the United States, not merely with Panama but with all the nations of the Hemisphere. Working together, our two countries can provide an example and an incentive to others, in the Americas and beyond, for fair and constructive international cooperation in the pursuit of common goals.

Precisely because these Treaties are so important to our two countries, their negotiation and approval has been difficult and time-consuming. The debate in our Senate has been the most extensive ever conducted on any treaty in the history of the United States. As you know, it has been vigorous. The Treaties have raised difficult and emotional issues in our nation, going far beyond the Canal and our ties with Panama. Just as in your country, patriotic men of good will have had sharply differing views, as they will whenever fair compromises are struck to advance a greater common interest.

The patience and patriotism of the people of Panama in this long process have been impressive and have earned for them the respect of the world.

There have been times in these past months when the outcome was uncertain, and when doubts arose as to whether we would be able to ratify the two accords. For our part, these doubts have now been set at rest. Through its action today, the Senate has reaffirmed what was central to the treaties from the outset: that the United States, while safeguarding its vital interest in a secure, open and accessible Canal,

¹ Source: Carter Library, Chief of Staff, Hamilton Jordan's Subject Files, Box 50, Panama Canal Treaties, 1977 (4). No classification marking.

² The Senate approved the Panama Canal Treaty with a vote of 68–32.

does not intend to intervene in the internal affairs of Panama, its government, its public policy, or its cultural integrity, or in any way to impair its sovereign integrity or political independence.³

These are principles that we as a nation have long cherished. We have observed them in our relations with the other American Republics since President Roosevelt first proclaimed our adherence to the Doctrine of non-intervention in 1933. They are enshrined as international law in the Charters of the United Nations and the Organization of American States. It is therefore fitting that these principles—and particularly that no nation has the right to intervene in the internal affairs of another—should be embraced in the Treaties and their accompanying documents, including the Senate Resolutions. When we meet to exchange the instruments of ratification, we can reaffirm that this principle of non-intervention is clearly accepted by both our countries.⁴

Respect for the sovereignty and national dignity of Panama and the United States must be the foundation upon which we build the cooperation and mutual respect which will be crucial for the new period of partnership we are about to open.

I want to extend my congratulations and thanks to you, General Torrijos, for the great courage and leadership you have provided to the people of Panama as our countries have negotiated this new relationship. I look to the future with great hope and confidence and am personally looking forward to visiting Panama to reaffirm our personal friendship and this new relationship between our countries.

Sincerely,

Jimmy Carter

³ In telegram 2681 from Panama City, April 19, the Embassy reported that Torrijos addressed the nation on April 18 and announced that the treaties, as just approved by the Senate, were acceptable to him and to Panama. (National Archives, RG 59, Central Foreign Policy File, D780166–0828) Immediately following the address, the Embassy reported in telegram 2682 from Panama City, April 19, that Torrijos held a press conference during which he discussed destroying the canal and leading a struggle for national liberation had the Senate not approved the second treaty, and that if the United States chose to intervene against Panama's will or without its consent, the National Guard could destroy the canal. (National Archives, RG 59, Central Foreign Policy File, D780166–0896) In telegram 2768 from Panama City, April 22, the Embassy reported that Jorden had communicated to Torrijos that his remarks regarding an alleged plan to attack the canal were "unhelpful in the extreme." (National Archives, RG 59, Central Foreign Policy File, D780172–0839)

⁴ See Documents 183 and 185.

Implementation Debates and Regional Concerns, April 20, 1978–January 13, 1981

169. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, April 20, 1978

[Omitted here is information unrelated to Panama.]

Panama Canal Treaties. With the ratification of the Treaties behind us, we will be following up in a number of areas. Attached is a memorandum outlining next steps.

Attachment

Memorandum²

Washington, undated

Next Steps on the Panama Treaties

Following up on the Senate's approval of the Panama Canal Treaties, we are initiating our planning in the following areas:

Treaty Ratification. We are preparing materials which would be useful if you visit Panama.³ We will have drafts in readiness as your plans develop. These will be keyed to the time schedule envisaged as a result of Senator Brooke's reservation:⁴ a relatively early ceremonial exchange of instruments of ratification by you and General Torrijos; an effective ratification date of March 31, 1979, and the beginning of the thirty-month treaty transition period on October 1, 1979.

Implementing Legislation. For use during the Senate debate, we made available an informal text of draft legislation which should be adopted before the Treaties go into force. Major points concern:

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 20, Evening Reports (State), 4/78. Secret. Carter initialed the memorandum and wrote: "Warren." Vance was in Moscow meeting with General Secretary Brezhnev.

² Secret.

³ Carter visited Panama June 16–17 to exchange the instruments of ratification with Torrijos. See Documents 183 and 185.

⁴ The Brooks reservation required that exchange of the instruments of ratification become effective no earlier than March 31, 1979, unless Congress enacted legislation to implement the treaties before that date.

- organization and procedures of the Panama Canal Commission;
- the setting and alteration of tolls;
- employment, recruiting and retirement;
- courts and legal arrangements;
- authority of the Ambassador; and
- miscellaneous provisions with respect to bilateral relations, security, health matters and the like.

Through OMB we are now completing inter-agency clearance of the draft legislation. We must consult the Congressional leadership on the timing of formal submission: the House Merchant Marine and Fisheries Committee is anxious to begin hearings soon. We expect the legislation to be considered by perhaps four committees in each House before enactment, next year. When we resubmit the legislation to the new Congress, we hope to arrange a time agreement with the leadership for early completion of Congressional action.

Economic Package. You will recall that our negotiators agreed that, entirely apart from the Treaties, we would use our best efforts to make available to Panama up to \$295 million over five years in loans and guarantees for economic assistance purposes, and up to \$50 million in FMS credits over ten years to prepare the Panama National Guard for its defense role. We believe we should proceed promptly to put the programs we have envisaged into effect, as they would be helpful in coping with Panama's depressed economic conditions.

U.S. Government Organization for Treaty Implementation. When the Treaties become effective, the Canal will be operated by the Panama Canal Commission, in which Panama has minority representation. In this sense, Canal management will take place in conjunction with Panama. We believe it is important that, while maintaining continuity and profiting from experience, the United States Government should adapt its bureaucratic machinery to the new requirements. At our suggestion, Jim McIntyre is completing a memorandum to you embodying the views of concerned Departments on this subject.⁵

Implementation Planning with Panama. We will want to begin promptly to conclude implementation arrangements on a series of matters as to which we are obligated to consult with Panama:

- an agreement covering exchange of prisoners similar to the Mexican treaty of this type. We are committed to the Senate to do this by formal treaty;

⁵ See Document 188. Carter wrote in the left margin: "Let's plan all of this very thoroughly & carefully—attentive to congressional sensitivities. I'll help."

—an agreement covering the continuation of Federal Aviation Agency activities in Panama; and

—a schedule for the transfer of property and jurisdiction during the first thirty-month transition period.

170. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, April 21, 1978

SUBJECT

NSC Position on Canal Implementing Legislation

OMB is coordinating a paper for the President on the implementing legislation for the Panama Canal Commission.² The central issue is whether any department would be designated a lead agency, and if so, which one.

I have spoken to you about this issue before, and the position I have recommended that NSC be listed as taking is the following: that we should go to Congress requesting Presidential discretion to designate which ever agency he believes is most appropriate. If Congress demands that we designate an agency, then we should choose the Department of Transportation. If Congress pushes us to accept the Defense Department as the lead agency, then we should defer to Congress' will, making clear that Congress has improved the legislation. I think this strategy would be helpful in getting implementing legislation passed, and the Congressional people with whom I have talked, agree.

RECOMMENDATION

That you approve this strategy.³

¹ Source: Carter Library, White House Central Files, Subject File, FO 3-1, Panama Canal, 1. No classification marking. A copy was sent to Albright.

² See Document 188.

³ Brzezinski checked the approve option.

171. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, April 26, 1978

SUBJECT

Panama Visit

You asked Hamilton for a memo from State and NSC with recommendations on your trip. Warren has written a memo at Tab A,² but permit me to summarize:

1. *Should you go to Panama?* In the light of your letters to and conversations with General Torrijos, State and NSC believe you should go.

2. *When?* Ambassador Lewis has just telephoned the Department and informed us that the Panamanians will welcome your visit at any time, but they would prefer early June. State and NSC agree that a June date is best.

3. *How long?* State and NSC believe that a 30-hour overnight would be most appropriate, and provide you time to exchange the Instruments of Ratification, meet with General Torrijos, lunch with the "Bogota Five" (Perez, Torrijos, Lopez Michelsen, Oduber and Carazo, and Manley), visit the Canal and listen to a briefing on Panama's investment plan for the Canal area, and perhaps take a short trip the next morning to a small village outside Panama City.³

4. *The Brooke Amendment.* The Brooke Amendment does not affect your wanting to exchange the Instruments of Ratification in June. All the Brooke Amendment says is that the exchange "cannot become effective" until Congress passes implementing legislation or until March 31, 1979, whichever comes first.

RECOMMENDATION:

1. Trip should be scheduled for early June.⁴
2. Trip should be 30 hours, overnight.⁵

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 4/78. No classification marking. Sent for action. An unknown hand wrote "April 26, 1980" on the memorandum, and another unknown hand wrote "[1978]."

² Not attached. A copy of Christopher's April 25 memorandum to Jordan is in the Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 4/78.

³ Brzezinski wrote underneath the paragraph: "I personally favor a shorter visit—no overnight".

⁴ Carter did not indicate his approval or disapproval of the recommendation. Carter visited Panama June 16–17. See Documents 183 and 185.

⁵ Carter did not indicate his approval or disapproval of the recommendation. See footnote 4 above.

172. Memorandum From the Department of Defense
Representative for Panama Canal Treaty Affairs (Dolvin) to
Multiple Recipients¹

Washington, May 5, 1978

SUBJECT

Treaty Ratification Documents

Summary. Negotiations between the US and Panama on the draft documents for the 16 June 1978 treaty ceremonies were successfully concluded on 3 May 1978 in Panama City. Agreement *ad referendum* was reached on all major points concerning the Instruments of Ratification and the cover Protocol. A draft joint communique was reviewed and generally agreed upon, with the understanding that both parties would submit the draft to top-level review. The negotiations were carried out in a friendly and cooperative fashion. Discussions with other US Government and Panamanian agencies indicated that treaty implementation planning is proceeding expeditiously and is being coordinated effectively at the local level. The Government of Panama is in the advance stage of establishing an autonomous “super” agency to direct and coordinate all aspects of treaty implementation.

Background. Negotiating sessions were held in Panama City on 2 and 3 May 1978.² The principal participants were.

a. For the Republic of Panama:

Minister Aristides Royo
Ambassador Carlos Lopez Guevara
Dr. Diogenes De La Rosa

b. For the United States:

Ambassador David H. Popper
LTG Welborn G. Dolvin, USA (R)
Mr. Richard Wyrrough
Mr. Mike Kozak
COL George F. Carroll, USA
Mr. Elkin Taylor (US Embassy)

¹ Source: Washington National Records Center, OSD Files, FRC: 330–81–0202, Panama 821 (May–Sept 1978). Confidential. A stamped notation reads: “May 9 1978 Dep Sec Has Seen.” Sent to Duncan, Alexander, Acting Chairman, JCS, and McGiffert.

² In telegram 3021 from Panama City, May 3, the Embassy provided a summary of the first round of the May 2–3 negotiating sessions in Panama. (National Archives, RG 59, Central Foreign Policy File, D780189–0384)

Treaty Documents. A total of six documents were discussed and generally agreed upon for the mid-June treaty ceremony: Instruments of Ratification for each treaty by both parties, a Protocol and the Joint Communique. Clean copies of these documents will be distributed early next week. The most troublesome defense related issue was an understanding in both Panamanian Instruments of Ratification which we thought restricted the US right to act unilaterally to keep the canal open and operating. The statement was as follows:

“It is likewise the understanding of the Republic of Panama that actions by it or by the United States of America in exercise of their rights and the performance of their duties under the aforementioned canal treaty, including measures to reopen the canal or restore its normal operations, in case of interruption or impediment, *will be carried out, to the extent possible, subject to prior consultations between the two governments.*”

Upon the insistence of the Defense Representative this language was eliminated. The following paragraph was agreed upon *ad referendum*:

“It is also the understanding of the Republic of Panama that the actions which either party may take in the exercise of its rights and the fulfillment of its duties in accordance with the aforesaid treaty concerning the Permanent Neutrality and Operations of the Panama Canal, including measures to reopen the canal or re-establish its normal functioning, if it should be interrupted or obstructed, will be effected in a manner consistent with the principles of mutual respect and cooperation on which new relationship established by that treaty is based.”

Observations. US-Panamanian discussions were held in a spirit of friendship and cooperation.

—The Panamanian Negotiating Team has transitioned successfully to the implementation planning stage. A detailed briefing by the Planning Group revealed that the GOP is in the process of establishing an autonomous Government agency to assume control of all treaty implementation matters. It will provide the Panamanian representatives to all treaty-related boards and committees and will coordinate all actions taken by Panamanian Government agencies. Several meetings between the PCC and representatives of this agency have already occurred.

—It is clear that the principle impact of the Senate debate in Panama has been to solidify support for the Torrijos regime. Opposition appears to have little chance to undercut his power at this time.

—Panamanians feel that Senate attacks on the treaties were primarily political but did identify two weaknesses and potential problem areas:

—The \$10 million public service payment.

—The \$10 million, if earned, contingent payment.

—Briefings and discussions with Governor Parfitt, General McAuliffe and Ambassador Jordan indicated that US treaty implementation planning is well underway at the local level. The magnitude of the problem is apparent to all. A number of problem areas will require Washington-level policy decisions in the near future. They include:

—Property disposal.

—Relocations.

—Transfer of PCC functions to DOD. (Need authority to transition from planning stage to implementation by specific assignment of responsibilities for schools/hospitals/post offices/commissaries.)

—Personnel problems.

—Discussions were scheduled to begin this week between USSOUTHCOM and the Guardia Nacional on treaty implementation, with emphasis on the SOFA and the Combined Board and the Joint Committee. Relations between the Guardia Nacional and the US military are excellent. Guardia Nacional participation could be affected by personnel limitations and funding constraints.³

Welborn G. Dolvin

Lieutenant General, USA (Ret)

*Deputy Negotiator from the Department of Defense
for the Panama Canal Negotiations*

³ In telegram 3365 from Panama City, May 15, the Embassy reported that Contreras, who had been given primary responsibility for treaty implementation planning for the GN, joined Fabrega for one initial meeting with USSOUTHCOM. The Embassy described the current state of GOP planning for treaty implementation, including discussion of the Joint Committee established by the SOFA. (National Archives, RG 59, Central Foreign Policy File, D780205–0841)

173. Memorandum From the Deputy Secretary of Defense (Duncan) to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, May 9, 1978

SUBJECT

Authority of U.S. Ambassador to Panama

During our luncheon meeting on 24 March 1978 the Secretary of State and I discussed the authority of the U.S. Ambassador to Panama as it relates to the Panama Canal Commission (PCC).² In the initial draft of the implementing legislation, State proposed that the Ambassador have complete authority over the PCC. Defense recommended that the PCC Administrator be placed in the same category as the area military commander (exempt from authority of the Ambassador) and that the Ambassador, the PCC Administrator and the area military commander be required to keep each other fully informed and to cooperate and coordinate on matters of mutual interest.

The Department of Defense recognizes that the U.S. Ambassador to Panama will be concerned with certain issues affecting the Canal. We believe the Ambassador's need for early information and adequate opportunity to consider implications for the U.S.-Panamanian relationship can be met by effective coordination in Panama, by having the Ambassador present and participating as an advisor at PCC Board meetings and by continued participation of the Ambassador and his staff in the Panama Review Committee, an in-country vehicle for interchange of information and views between U.S. agencies. This will provide the Ambassador with a voice at PCC Board meetings and timely information so that he can weigh in at the local or Washington level through his chain of command. A Foreign Service Officer could also be assigned to the PCC staff, on a reimbursable basis, to provide political advice.

The Department of Defense does not believe that it is necessary, or wise, for the Ambassador to exercise authority over the PCC. Although the Ambassador normally would not want to interfere in Canal operations, the possibility that he might use this authority would create a dichotomy between policy and operations that would hinder the PCC management in carrying out its assigned mission.

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 4/78. No classification marking.

² See footnote 4, Document 157.

I believe strongly that the operation and defense of the Canal must be managed centrally under the aegis of one agency. We assume that as the result of an ongoing OMB study the President will assign oversight of the Panama Canal Commission to the Secretary of the Army acting through the Secretary of Defense. The Ambassador does not belong in what would then be a Department of Defense chain of command.³ Giving the Ambassador final authority within country would, I believe, also undermine our present position with the Congress, by implying that the Executive Branch was willing to subordinate U.S. interests in the operation and defense of the Canal to the vagaries of U.S.-Panamanian political relations.

For these reasons, the agreement reached at our meeting with Secretary of State Vance on 24 March provided for placing the PCC Administrator in the same category as the area military commander (i.e., reporting in my channel) is the best solution. Proposed language was agreed upon subsequently by the State and Defense Department staffs and included in the legislative package forwarded to Senator Brooke and other Senators on 28 March 1978.

Recent reports indicate that staff personnel of the NSC and Embassy Panama are now attempting to reverse the Ambassadorial powers decision.⁴ I object strongly to these attempts to circumvent the agreement reached previously, and request that you intercede with the Office of Management and Budget to ensure that the legislation forwarded to the Congress will be in accordance with my agreement with Secretary Vance.

CW Duncan Jr.
Deputy

³ An unknown hand underlined the last two sentences.

⁴ See Document 177.

174. Memorandum for the Record¹

Quarry Heights, Panama Canal Zone, May 12, 1978

SUBJECT

Visit with Brigadier General Omar Torrijos

1. COL Gordon, Director, J-3; LTC Phillips, USMILGP Panama; and the undersigned visited with Brigadier Omar Torrijos at 111230R May 1978 for approximately one hour. The primary purpose of the visit was to present BG Torrijos with a congratulatory personal letter from the CINC.² As a result of BG Torrijos' reading the letter, the following main points of discussion ensued:

a. Any efforts on both our parts directed towards the betterment of relations, development of combined defense concepts and/or training programs incident thereto will have to be a graduated effort done in stages little by little. One of the first areas that BG Torrijos indicated should be his primary concern is that of helping the GN and the Panamanian people eliminate their anti-imperialist attitudes. He said that he hoped that such change would eventually become a spontaneous enthusiasm rather than a forced enthusiasm.

b. His second point was that any effort should be held in abeyance until after President Carter's visit in June.³ All the treaty efforts to date have built up like a crescendo that will be capped by President Carter's visit and the accompanying exchange of ratification documents. After all the excitement dies down, cooperative activities can begin to take place. Such activities should be open (as opposed to secret), but not ostentatious or clamorous (ruidoso).

c. BG Torrijos alluded to the fact that Americans do things very rapidly ("you move at six miles per hour") and that the Panamanians were a lot slower. The emphasis was made here that we would both have to go forward together (in parallel), even if it meant slowing down to "three MPH."

d. Civilians should be kept informed matter-of-factly of all the combined efforts engaged in by both the GN and USSOUTHCOM

¹ Source: Department of State, American Embassy Panama, 1978 Political Section Classified Files, Lot 81F59, Box 1, DEF 4 SOFA/JC Commission Affairs. Confidential. Stamped: "For Official Use Only." Drafted by Patton. An unknown hand wrote on the memorandum: "I fully support the slow, graduated approach to combined military endeavor outlined by Gen Torrijos."

² Not found.

³ See Documents 183 and 185.

elements so that the people—both Panamanian and American (Zonian)—can see that the real spirit of cooperation exists and is working.

e. The first echelon (priority) would be to establish the evident visibility of the GN in the “maintenance of public order” role. This position, he said would be the first echelon and that it was a necessary one to put the GN in the position of maintaining order over all Panamanian territory, especially when there was a problem between Panamanian and American citizens. He discussed this from a juridical or legal point of view and said that Colonel Noriega is working on the plans.

f. The second echelon (priority) as described by BG Torrijos, which would follow the “maintenance of public order” steps described above, is the development of defense considerations. Responsibilities for the development of basic plans for defense should be shared and coordinated. Again he mentioned the need to go slowly and without fanfare.

g. Any changes that occur as a matter of transition from one government to another or from one policy to another should be a logical progression of small changes until the entire big change had been effected. Again BG Torrijos emphasized the need for a step-by-step approach to any changes to the status quo.

h. The GN must be the visible “front line”, particularly along 4th of July Avenue. This was a reiteration of a previous comment and appeared to be one of the thoughts foremost on BG Torrijos mind.

i. What BG Torrijos then described was essentially a commander’s estimate type of procedure whereby he indicated that first we would have to identify the threat, then develop the proper defensive tactic to counter the threat to include an analysis of all the advantages and disadvantages for both sides with respect to each threat and selected defensive tactic. This was to be done in order of priority, according to the seriousness of the threat. He specifically mentioned disorders, sabotage, and guerrilla action, as well as “higher levels of threat.” One of his main preoccupations was the question of the integration of defensive concepts. He recognized the need for classified defense plans but that their development should be open and above board. The public would be informed that plans were being developed but that the specific content would not be divulged to unauthorized persons.

j. Finally BG Torrijos discussed the impending visit of President Carter. He said that he strongly recommended that the President not just visit Panama for the purpose of exchanging protocols of ratification nor that he just fly to the locks and then out as if he were a “thief in the night”; but rather should enter the Zone (as if triumphantly) “through the main entrance rather than through the kitchen door.” BG Torrijos indicated that he felt that by not visiting with the Americans in the “Zone” the Americans here might feel betrayed, and that they

should have an opportunity to see and cheer their President. He scoffed at the idea that there would be any danger to the President.

2. As the group rose to leave, BG Torrijos indicated that he would respond soon to the CINC's letter. (After he had first read the CINC's letter he asked if there would be any problems in making it public. He was told that there would be no problem.)

David W. Patton
LTC, USA
Chief, O&T Div

175. Letter From President Carter to Panamanian President Lakas¹

Washington, May 12, 1978

Dear Mr. President:

Your letter is most generous,² and I am touched by the warm feeling of friendship between us which it expresses.

Together we have reached a new era in the relationship between our two nations. It has not been an easy achievement for either country, but the result was worth the effort; and in the long and trying days that brought us to this moment, the Panamanian people and their leaders won our respect for their goodwill, courage and clear sense of national destiny. This mutual respect between a large country and a small one, earned in a severe test, should give us confidence about the strength and durability of the relationship we have formed. Working together, we have given others reason to hope that they can find common ground in the pursuit of national goals. As the President of Panama, you may justly take pride in your country's fulfillment of its aspirations of many decades.

I am looking forward to seeing you in Panama to celebrate this occasion.³

Sincerely,

Jimmy Carter

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: President Demetrio B. Lakas, 5/78. No classification marking.

² Not found.

³ See Document 185.

176. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, May 12, 1978

SUBJECT

The Panama Trip

I lunched with Ambassador Lewis today, and he told me that Torrijos has invited the following Presidents to the ratification ceremony: Perez from Venezuela, Lopez Michelsen from Colombia, and Oduber and Carazo from Costa Rica. He plans to invite Manley from Jamaica next week, and asked whether the President wanted him to invite Lopez Portillo from Mexico to the ceremony. He is returning tomorrow morning to Panama and asked whether I could inform him before then.² I know that Secretary Vance would like for Lopez Portillo to be at the ceremony and I think that would complete the picture of democratic presidents very neatly.

RECOMMENDATION:

Therefore, I recommend that I be permitted to inform Lewis that the President would like for Torrijos to invite Lopez Portillo to the ratification ceremony.³

** As to the rest of the conversation, I urged him to expedite the Exchange of the Instruments of Ratification by Panama on the American Convention on Human Rights which it has already ratified. We spoke about Panamanian participation in the non-aligned movement and he said that Panama's UN Ambassador would probably attend the session in Havana,⁴ and so I briefed him on the Cuban situation in Africa and suggested that he convey this information to the Panamanian UN Ambassador. Lewis said that he believed Cuba's involvement in Africa was "a mistake", and that Panama should indeed play a more vocal role in bringing this issue to the fore. He asked if I would talk to Torrijos about it when I was in Panama next week.⁵ (I said that I would

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Trip File, Box 13, President, Panama, 6/16–17/78: Cables and Memos, 5/12/78–6/13/78. No classification marking. Sent for action. Brzezinski wrote on the memorandum: "Urgent."

² Brzezinski underlined this sentence.

³ Brzezinski checked the approve option.

⁴ Brzezinski circled "participation in the non-aligned movement" and "Ambassador would probably attend the session in Havana, and" and wrote below the paragraph: "That's extremely bad! They should not. ZB."

⁵ Brzezinski highlighted this sentence.

have to speak with you first.) We also spoke about Panama's desire to establish democratic relations with the Soviet Union, and I expressed the opinion that now was not⁶ the time for such a move. Lewis agreed wholeheartedly, and also urged that I weigh-in with Torrijos. He said that Torrijos valued my views on these matters, noting that I had been right and Torrijos wrong when we spoke last October about Somoza's survivability.⁷

As to the political situation in Panama, Lewis said that he believed Torrijos, like Chairman Mao (my analogy), intended to let 100 flowers bloom this summer, and see who was politically ambitious for the Presidency, then he would elect to run, and cut the other flowers off at the stem.

I hope to have an opportunity to speak with you on Monday or Tuesday⁸ on the Panama trip, the PRC meeting, and the President's speech in Panama.

⁶ Brzezinski underlined "not."

⁷ See Document 116.

⁸ May 15 and 16.

177. Telegram From the Embassy in Panama to the Department of State¹

Panama City, May 23, 1978, 2320Z

03623. Tosec 7157. For Asst. Secretary Todman & Ambassador Popper From Jorden. Please Pass to NSC for Brzezinski. Subject: Deputy Defense Secretary's Memo on Ambassadorial Powers.

1. A memorandum from Deputy Defense Secretary Duncan to Assistant to the President for National Security Affairs Brzezinski dated May 9 has come to my attention.² The main thrust of it is that a decision to exempt the Panama Canal Commission from the Ambassador's authority has been made by the Departments of State and Defense and that certain government officials, including personnel of this Embassy,

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron., Panama, 1-5/78. Confidential; Exdis. All brackets except those that indicate omitted text are in the original.

² See Document 173.

are attempting to reverse that decision. I have some problems with that memorandum.

2. In the first place, I am the Ambassador of the United States—not the Ambassador of the State Department—in Panama. And as the President's representative in this country, it is my responsibility to advise him on matters concerning our policies relating to it. Similarly, the NSC and OMB have a responsibility to render independent judgments. I understand that an agreement was reached between the Departments of State and Defense on this policy matter. In my judgment, it is a bad agreement. I presume the President will make a final decision on a policy exception of this magnitude, and I hope my views will be available to him before he does so.

3. Second, this Embassy has not been trying to "circumvent the agreement," but rather to make certain that the President is aware of the viewpoint of his Ambassador in this country before his final decision on a precedent-breaking foreign policy question. The last paragraph of the memorandum suggests that unidentified "staff personnel" of the Embassy have been a source in this effort of "circumvention." I am responsible for making our views on this subject known; it has been done at my specific instructions.

4. I have, on several occasions, expressed my views on this matter to the Department of State, my normal and proper channel for such communications. I see no need to repeat those views at length here, but I would like to comment briefly on several matters raised by Secretary Duncan's memorandum.

5. His argument that the entire canal operation should be in an operational-military-type chain of command is unpersuasive to me. Canal operation, and the Canal Commission, are civilian, not military, activities. All other civil agencies, including extremely sensitive ones [*less than 1 line not declassified*] operate under the Ambassador's statutory authority in every country in the world. There are no exceptions.³ The same is increasingly true even of overseas Defense Department military operations not parts of an operational force under area command, e.g., MAAG's, MilGroups and security assistance activities. This system has worked quite well. Recent Presidential and congressional actions have moved in the direction of strengthening, not diluting, it.⁴ The principle of agency authority over overseas operations has nevertheless not been compromised; no one else seems to be complaining. American operations overseas have generally been responsive to our overall national foreign policy interests as they relate to each country. I have explained

³ An unknown hand underlined this sentence.

⁴ An unknown hand underlined this sentence.

several times—most recently in Panama 3327⁵— why Panama should not be the first exception.

6. A second premise of the memorandum is that leaving the law as it now stands would imply “that the executive branch was willing to subordinate US interests in the operation and defense of the canal to the vagaries of U.S.-Panamanian political relations.” I fail to see how any such inference can be drawn. Whether we like it or not, the very real fact is that as of October 1, 1979, the Panama Canal will be operating in a foreign country. It can no more be operated unilaterally, without regard to the host country,⁶ than can any other U.S. Government overseas operation anywhere. The thought that anything else will be the case⁷— and such a thought appears to underlie both the memorandum and the change in policy and law which it advocates—will itself be one of our major problems in protecting our interest in the canal operation.⁸

7. Let us be clear about one thing. We are begin underline not end underline talking about the Embassy operating the canal or “interfering with its operation.” No one wants that. What we begin underline are end underline talking about is assuring that the operations of an agency of the U.S. Government in a foreign country conform to the overall policy of the U.S. and are supportive of its interests.⁹ We are also talking about assuring that the problems that inevitably will arise will be settled quietly and effectively on the scene by those who know most about them, i.e., here in Panama.

8. The worst thing about trying to curtail the Ambassador’s authority over the commission is that it simply will not work. Panama has the power to raise questions with the Ambassador, and is extremely likely to do so. The initiative on what questions those are will belong to Panama, no matter what U.S. laws we try to pass about it.¹⁰ Simply shipping all these problems off to Washington solves nothing, because the expertise on most of the nuts-and-bolts questions we will have to deal with—on both Panamanian and American sides—is here in Pan-

⁵ In telegram 3327 from Panama City, May 12, Jorden discussed the Embassy’s role in treaty implementation and requested additional personnel for that purpose. (National Archives, RG 59, National Archives, D780203–0058)

⁶ An unknown hand underlined “as of October 1, 1979, the Panama Canal will be operating in a foreign country. It can no more be operated unilaterally, without regard to the host country.”

⁷ An unknown hand underlined: “The thought that anything else will be the case—”

⁸ An unknown hand underlined: “be one of our major problems in protecting our interest in the canal operation.”

⁹ An unknown hand underlined: “the operations of an agency of the U.S. government in a foreign country conform to the overall policy of the U.S. and are supportive of its interests.”

¹⁰ An unknown hand highlighted these three sentences in the left margin.

ama, not there. In the end, if we try to perpetrate such a shell-game, we will find that it will not succeed in the new situation. And the canal operation that is our national interest to protect will be the only real loser from it.

Jorden

178. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, May 24, 1978

SUBJECT

NSC Position on Canal Implementation Legislation

OMB is coordinating a paper which it intends to send to the President very soon on the Canal implementing legislation. There are only a few issues on which the Agencies did not reach agreement, but these have become rather controversial, with DOD vehemently arguing its point, usually alone. You have already made a decision on the central issue (I attach that memo at Tab A),² but in the light of a recent memo to you from Charles Duncan (at Tab B),³ I thought I would give you an additional opportunity to review that decision.

The question fundamentally is: which Agency should have primary responsibility for running the Canal? A subsidiary question—whether the US Ambassador should have authority over USG officials in the Canal Commission—was discussed at a meeting which you attended by Secretaries Vance and Brown.⁴ Brown apparently argued hard for the independence of the Commission and, as the memo by Duncan suggests, assumed that DOD would control the Commission; and Vance conceded that point. Our Ambassador in Panama, Bill Jorden, has just sent (at Tab C)⁵ a very forceful cable in which he argues—

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron., Panama, 1-5/78. Confidential. Sent for action.

² Not attached. Tab A is printed as Document 170.

³ Not attached. Tab B is printed as Document 173.

⁴ See footnote 4, Document 157.

⁵ Not attached. Tab C is printed as Document 177.

to my mind, persuasively—that the Ambassador needs to have the authority over the Canal Commission, lest our broader national interests for a smooth and cooperative transition be sacrificed by those (presumably in DOD) who are reluctant to accept a new partnership.

Stimulated by this recent flurry of memoranda, I now believe more strongly that NSC should maintain its position (as stated in Tab A) that the President should be given discretionary authority, but first choice for lead agency should be the Department of Transportation. OMB agrees with our position. State is “inclined to favor” DOD oversight, but believes DOT also is qualified.

RECOMMENDATION

That NSC maintain its position.⁶

A second issue is whether the five US seats on the Board of Directors should be composed of senior officials from the five primarily interested agencies (DOT, DOD, State, Commerce and Treasury), or whether the designations should be unspecified. All except DOD support the former—that the seats be given to the five agencies—and I recommend that you support this as well.⁷

⁶ Brzezinski checked the approve option. Aaron drew an arrow to the checkmark and wrote in the right margin: “ZB [*illegible*] DOT in but let’s depoliticize this transition as much as possible.”

⁷ Brzezinski checked the approve option.

179. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, May 27, 1978

SUBJECT

Trip Report: Panama and Caracas

While you were racing the Chinese up the Great Wall,² I went to Panama and Caracas on May 17–22 and can characterize my trip as “frank and extremely productive.” I will attach the cables, which summarize my conversations with Torrijos and with Perez (at his request) at Tabs A and B,³ and confine this memo to my observations and some summary points.

Panama

I have been able to establish a good rapport with Torrijos, and he was extremely cooperative and positive in the conversation and forthcoming to all my requests.

—He accepted with good grace the fact that the President has a limited amount of time during his trip to Panama,⁴ and said he would not press his schedule preference. (We are not going to Cantadora or to his home village, Santiago, as he had requested. [3 lines not declassified] at hearing that the President would not go to Santiago. He therefore went a long way in one day.)

—He said he understood the political sensitivity in the U.S. during the next year or two while implementing legislation is considered, and that he would therefore not move rapidly to establish diplomatic relations with the Soviets as he had originally planned. He also backed away from his request to begin construction immediately of a container port in the Zone for the same reason.

—He not only enthusiastically approved of the idea of issuing a multilateral Declaration of Panama along the lines which I described,

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron., Panama, 1–5/78. Top Secret. Sent for information. All brackets except those that indicate omitted text are in the original.

² Brzezinski visited the People's Republic of China, May 20–22. Records of his conversations with Chinese officials can be found in *Foreign Relations, 1969–1976*, vol. XIII, China, Documents 108–111.

³ Tabs A and B are not attached. In telegram 3545 from Panama City, May 20, Jordan reported on his and Pastor's talk with Torrijos. (Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 5/78)

⁴ See Document 183.

but he said that his Foreign Minister would make our draft Panama's draft and carry it to the various capitals. (The Presidents of Venezuela, Colombia, Costa Rica are definitely coming, and we also expect Jamaica and Mexico to attend.)

—This is all insignificant, however, compared to the distance he traveled in our discussion on Cuba and the NAM. I pressed him very hard, appealing to his idealism and to his (and our) concern with the principles of non-intervention and non-alignment. I told him that the U.S. wanted a strong and independent non-aligned movement; we didn't mind occasional criticism of the U.S. provided it was balanced and that we weren't the only power criticized. Is the Soviet Union or Cuba so pure, I asked, that they can be free of criticism from the NAM? I repeatedly hammered him with questions like, How can the NAM permit Cuba to be a member when it is so obviously aligned with the Soviets?

He tried to laugh it off by saying that our "pride was hurt more than your security," and then suggesting that Latin Americans don't mind as long as Cuban troops were outside of Latin America. He accepted my response that if you don't voice your concern about Cubans in Africa, you will be too late and too weak when they turn to Belize or Nicaragua.

He then asked me to accompany him alone for a trip by jeep through the farming community. We spoke for about an hour. He began by asking whether there was anything that I wanted to say to him privately, and I decided to pursue the Cuba subject, only by appealing even more to him as a person who had influence with Castro and a person whose ideals couldn't permit a double standard. I waxed with thick praise, and it worked. He opened up.

He said that he communicated often with Castro, and he had already stated his concern in general terms. In the light of our conversation, he now intended to be more forceful, especially when he visits the Non-Aligned Summit in Havana next year. He admitted that he and other Latins had been hypocritical in their silence on this issue. He asked whether we had been briefing other Latin governments as I was doing with him, and whether U.S. policy to the non-aligned had really changed, because prior to my remarks he had not seen any evidence of change. He said he felt reasonably certain that Venezuela, Costa Rica, and Colombia, for example, were not aware that the U.S. no longer "frowned" on the NAM because if they knew that to be the case, they would probably want to play an important role in it.

The Panama Government, and especially Torrijos, have very good lines of intelligence running to Cuba (and Cuba, I suspect, into Panama), and Torrijos volunteered some information. He said he had indications that Castro had increasing problems with the Army General Staff, who

are extremely concerned about the morale problems of the Cuban troops. “The problem with Castro,” Torrijos said, “is that he was a revolutionary, and he doesn’t understand the mentality of the people (soldiers) who live in the barracks.”

Torrijos said that he thinks Castro has made a disastrous mistake by going into Africa; the continent had swallowed up other imperial efforts before. He feels that in the long term Cuba will not have had any significant impact on Africa, but that the African experience will significantly affect Cuba. The longer Castro stays in Africa, the more vulnerable he will become in Cuba. Torrijos doesn’t doubt that Castro is firmly in charge right now, but he does believe that Castro’s decision was his Rubicon, and that it was a “mistake,” and one Castro will live to regret.

He surprised me by saying that if the other leaders coming to Panama agreed to condemn Cuba in the Declaration, he too would sign the Declaration. (I am following up on this.)

After our meeting, his Foreign Minister requested some background papers on Cuba in advance of his trip to the Belgrade Conference in July. I believe that a short briefing by you for him during the President’s trip would reap significant dividends. Shall I mention to him that you will try to brief him during the trip, and try to set it up?⁵

Several other subjects:

1. *Panama’s Political Future.* I asked him about his future political plans, and he candidly sketched three options in a way that led me to believe he was leaning toward the third.

a. *Status quo.* Torrijos as “Chief of Government” and head of National Guard, with a new President elected by the National Assembly in October.

b. *Run for President.* He would probably win because he’s genuinely popular and because he controls the National Guard.

c. *Leave the government completely and only keep control of the Guard.* He expressed repeated concern about those in the Guard who still want to serve the old oligarchy—like Arnulfo Arias, the President whom Torrijos deposed in 1968 and who is returning to Panama a week before the President. (Arias clearly worries Torrijos, with some—but not that much—justification). Torrijos seems more interested now in preserving the gains of his development efforts than in striking out with new initiatives, and so it’s possible that the third option is good for all, but in my private and casual conversations with Gabriel Lewis and Panama’s Foreign Minister, Gonzalez-Revilla (an old friend of

⁵ Brzezinski did not indicate his approval or disapproval of the suggestion.

mine), I was left with the impression that Torrijos could continue to wreak havoc in the routine governmental policy-making—as he does now—if he chose the third option.

2. *Torrijos Development Strategy*. Torrijos' tenure as Jefe has coincided with a dramatic expansion of the government budget, and its reorientation from serving the wealthy in the city to serving poor people, in the rural area, with particular and special emphasis on education. In his inimitable way, he told me: "I have replaced the traditional *class struggle* with a more modern and relevant *classroom struggle*." Education, he said, is the beginning and the heart of any genuine social change. And he means it: rural education has increased its share of government expenditures under Torrijos.

3. *Carter and the Latin American Left*. Torrijos was full of praise for the President, saying that he had given the poor and unrepresented in Latin America "hope." Carter's greatest source of influence in Latin America, in Torrijos' (and my) opinion, is his idealism, which Carter has so successfully projected. He said that there are groups in Latin America who have long been anti-American, but they are now prepared to cross this ideological divide if Carter were to quietly reach out to them. I think this is an interesting idea with important geo-political implications and will try to send you a memo on it shortly.

Caracas

[Omitted here is information unrelated to Panama.]

Perez was also enthusiastic about the Declaration of Panama idea. And he suggested that we put "discreet pressure" on Torrijos to move Panama towards democracy.

Status of Trip

The schedule of the President's trip seems completed (Tab C).⁶ From the substantive perspective, the most important events are the two one-hour multilaterals among the "Panama Seven." Hopefully, we will complete agreement on the Declaration and should probably structure the agenda of those meetings around three or four questions related to developing ways to follow-up the main goals of the Declaration.

The most recent draft of the Declaration is at Tab D.⁷ I expect we will complete negotiations within the government by Tuesday,⁸

⁶ Tab C is not attached.

⁷ Tab D is not attached.

⁸ May 30.

although there are a couple of significant differences which remain, and I may solicit your guidance on them if I can't work them out.

I will draft a proposed agenda for the multilaterals once the Declaration is accepted by the USG and Panamanian government and would like to discuss it with you. I am working on the speech now.

Conclusions

The trip was enormously useful, but the one thing which was continuously impressed on me and which I find troubling is what a poor job we have done in getting the President's message out on a continuous basis—not just by trips of high officials to our Embassies. I was amazed to hear that Vaky did not receive any information from us on the Dominican elections until a week ago, even though it is such an important issue to Perez and also to us. Because we have failed to keep our Ambassadors informed on a wide range of issues of great importance to us, we have lost invaluable opportunities to achieve our objectives. It is troubling that no one has briefed Torrijos on our views on Cuba's role in Africa and our views on the Non-Aligned Movement, in spite of Torrijos' obvious interest in both; that Perez has been briefed only twice on Africa—by the President and by the President's letter; that we have never touched base with Colombia, Argentina, Peru and Guyana—all countries whose voices in the G-77 on international issues count. We need to do something about this, and the President's trip to Panama is a good place to start. It's important that he re-states how much we value these countries as important actors in international affairs.

180. Memorandum From Secretary of State Vance to President Carter¹

Washington, June 1, 1978

[Omitted here is information unrelated to Panama.]

5. *Panama Treaties*. The House has adopted a Hansen amendment to the Defense Department Authorization Bill providing that no DOD funds may be used for any force reduction or base realignment in

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 20, Evening Reports (State), 6/78. Secret. Carter initialed the top-right corner of the memorandum and wrote: "Cy."

the Canal Zone in implementation of the Treaties, without an act of Congress. A similar House amendment prohibits expenditure of State Department funds for Treaty implementation without specific Congressional authorization. In addition, the first Congressional Concurrent Resolution on the Budget declared the intent of the Congress to terminate the Canal Company's status as a government corporation, and to establish it as an agency subject to annual Congressional appropriations.

If these restrictions on Executive action were enacted into law, they could prevent us from making the necessary preparations for Treaty implementation; raise costs; jeopardize the Canal's management; and conceivably force us to delay steps in implementing the Treaties.

We intend to work with the Senate leadership to assure that the Senate will work to eliminate the Hansen amendments in conference. We also intend to alert the House leadership to the potential dangers of further House action of this kind.²

² Carter wrote in the left margin: "Work hard on this in the Senate—Fritz & I will help you as requested."

181. Memorandum From Secretary of Defense Brown to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, June 6, 1978

SUBJECT

Panama Canal: Follow-On Issues

As you recall, we discussed at lunch yesterday two issues arising out of the Panama Canal treaties which had previously been agreed upon by Secretary Vance and myself but which the bureaucratic process has kept open for the President's decision.

The first issue concerns whether the Secretary of the Army, acting under the Secretary of Defense, should have oversight responsibility for

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Trip File, Box 13, President, Panama, 6/16–17/78: Cables and Memos, 5/12/78–6/13/78. No classification marking.

the Panama Canal or whether instead the Department of Transportation should have that responsibility. State and Defense, as well as the Department of Commerce, agree that this responsibility should be continued in the Department of Defense where it has been for the duration of the Canal's existence. Indeed, until this issue was recently raised, both Defense and State have been operating on the premise that the Canal would be a DOD responsibility. That assumption was conveyed on numerous occasions to the Congress in the course of the debate surrounding ratification.² To change course now would put the treaty implementing legislation at serious risk and would substantially add to the managerial problems of integrating the Canal's operation and its defense.

The second issue concerns the authority of the Ambassador over the Panama Canal Commission. Secretary Vance and I have long agreed that, even though the Ambassador has a legitimate interest in how the Canal is operated, he should not have operational responsibility over the Panama Canal Commission. Here too the Congress was led to believe during the ratification process that DOD would not only have oversight responsibility over the Canal Commission but also operational control.

I expect you will be able to take appropriate steps to see that these joint views of the Departments of State and Defense are brought to the attention of the President if that is necessary.

Harold Brown

² An unknown hand underlined this sentence.

182. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, June 12, 1978

SUBJECT

Canal Treaty Ratification Documents

Cy has sent the documents, which will be exchanged in Panama, for your approval.² When we learned that the Panamanians had put two "understandings" in their instruments of ratification, we suggested to State that they consult on the Hill first before submitting them to you. The first Panamanian understanding reaffirms the commitments of both countries to certain provisions regarding non-intervention contained in the UN and O.A.S. charters.³ The second provides that action to maintain the Neutrality Treaty be done in a manner consistent with the "principles of mutual respect and cooperation."⁴

Cy notes that the Instruments and Protocol are acceptable to the Senate leadership and members of the Senate Foreign Relations Committee. In addition to these legal instruments, we are planning to issue a joint communique⁵ which reaffirms the principles on non-intervention, mutual respect, and cooperation. This communique is not legally binding, and so we did not consult with the Senate on it.

RECOMMENDATION

That you approve the documents sent by Cy.⁶

We have consulted with the Senate leadership and members of the Senate Foreign Relations Committee and find that the Instruments and Protocol are acceptable to them. As soon as you have approved them, we will prepare signing copies with the Government of Panama.⁷

JC

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 6/1–14/78. Limited Official Use. Sent for action.

² The Panama Canal Treaty ratification documents are attached but not printed. See footnote 2, Document 185.

³ Brzezinski underlined the majority of this sentence. See footnotes 3 and 4, Document 160.

⁴ Brzezinski underlined the majority of this sentence.

⁵ Brzezinski underlined "joint communique."

⁶ Carter checked the approve option and initialed below the options.

⁷ Carter checked the approve option and initialed below the options.

183. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, June 14, 1978

SUBJECT

Your Visit to Panama: The U.S.-Panamanian Dimension

Your visit to Panama has two dimensions:

—*Panama, U.S., and the Canal.* Your trip will serve to symbolize and solidify the new and warm relationship between our two countries and to launch a new partnership for running the Canal. The transitional period between U.S. and Panamanian control of the Canal (1979–2000) will require a fair amount of goodwill by both sides if it is to be smooth and successful.

—*Inter-American and North-South Relations.* The attendance of the Presidents of Venezuela, Colombia, Jamaica, Costa Rica, and Mexico permits you to underscore the broader dimension of the Canal Treaties and the wide support they received in the hemisphere. In this sense, the Treaties represent not just the end of a commitment to Panama, but the beginning of a new kind of relationship with Latin America and the developing world.

This memo will deal with the first dimension.²

I. Panamanian Politics

On June 10, Arnulfo Arias, three times elected President and thrice deposed, returned to Panama, and before nearly 100,000 people, he gave a hard-driving campaign-like speech in which he directly insulted Torrijos and his government in the most provocative way. Though 77 years old, Arias is said to still possess the charisma and forcefulness which made him a Panamanian equivalent of Juan Peron. He is a populist of the far right.

Since 1968, Torrijos has mostly feared the left in Panama, and his rhetoric reflects that. The return of Arias alone has changed the political

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Trip File, Box 12, President, Panama, 6/16–17/78: Briefing Book (I). Secret.

² The June 14 memorandum from Brzezinski to Carter dealing with the second, or multilateral dimension, is in the Carter Library, National Security Affairs, Brzezinski Material, Trip File, Box 13, President, Panama, 6/16–17/78: Cables and Memos, 6/14–16/78. The memorandum of conversation of the first multilateral meeting, held June 16, is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XXIV, South America; Latin America Regional, 1977–1980. The memorandum of conversation of the second multilateral meeting, held June 17, is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XXIV, South America; Latin America Regional, 1977–1980.

spectrum, forcing Torrijos to admit recently that his greatest fear is from the right, from “those in the National Guard”, in his words, “who still want to serve the oligarchy”.

Within a day of his return, Arias sent one of his confidants to negotiate the overthrow of Torrijos with Col. Noriega, Panama’s Intelligence Chief. Our judgment is that Noriega reported the contact immediately to Torrijos, and since Arias must have been aware of the great risk of Noriega telling Torrijos, one has to conclude that Arias is trying to deliberately provoke Torrijos. Our intelligence suggests that Torrijos and Noriega do not want to do anything which detracts from your receiving the warmest welcome in Panamanian history, and so we expect that Torrijos will try to overlook all but the most flagrant and dangerous transgressions. It is not clear how far Arias will go this week towards his goal of re-assuming power. Arias has told us that he also does not want to spoil your visit, but he is less trustworthy.

In a word, you are arriving in a highly volatile political situation—the first real test of Torrijos’ control over the Guardia and the country for nearly a decade. Torrijos hopes that the trip will solidify his grip, and the opposition may coalesce around Arias to try to prevent that from happening. My guess is that the situation in Panama will remain *relatively* stable and quiet during your trip and that Torrijos will retain considerable flexibility to define Panama’s future political system in the months ahead.

Our *bilateral* goals are not so personalistic as Panama’s politics, but to a certain extent, they are closely identified with Torrijos:

—*We want to strengthen Panamanian support for the Treaties and encourage Panama to approach our new relationship in a genuine spirit of partnership and goodwill.* In his speech, Arias attacked the Treaties as a sell-out of Panama’s sovereign rights, and said that it created a new source of friction between the U.S. and Panama. Torrijos is surprisingly vulnerable on this issue from both the right and the left, and Panama’s “middle” will need some outside support if Torrijos is to rely on it to build a peaceful and stable transition.

—*We want to continue to prod Torrijos towards increased democratization.* He will make a series of critical decisions in the next six months, defining Panama’s political future. Perez is likely to push him very hard on this front, as did a number of Senators. Since your presence is likely to help Torrijos, a gentle nudge on your part would probably be acceptable and is likely to have some positive impact.

—*We want to show our support for the social and economic reforms undertaken in the last decade in a way which will encourage the Panamanians to continue down that path.* Until Torrijos overthrew Arias in 1968, Panamanian politics was, to a large degree, a contest between political parties representing the relatively narrow interest of the oligarchy.

Government was minimal and primarily oriented to serving Panama City. This partly explains Torrijos' extreme distaste for political parties. (Last year, Torrijos, in a typical interview, said that while "it is not exactly correct that political parties make me feel like vomiting [as the press had quoted him], decisions on the country's fate should not be confused with the private interests of these groups.")

Torrijos rather dramatically shifted the government from serving Panama City to serving the rural areas and placed greatest emphasis on education, health services, and agrarian reform. His Finance Minister, Barletta, has also undertaken a number of expensive investment projects, including a large hydro-electric project which will open up much of southern Panama to new cultivation. These investments and reforms deserve our support.

—*We also need to seek the support of the Americans in the Zone, who are uncertain and anxious of the future. Their cooperation is essential to a smooth transition, and we should let them know we are counting on them.*³

—*We will want to seek the support of Torrijos on a number of international issues in which he has a considerable amount of influence because of Panama's role in the Non-Aligned Movement and his personal interest, involvement, and influence on a number of Third World leaders, including Castro.*

II. Events on Your Trip

You will have an opportunity to pursue all of these goals in your public statements and meetings. In your bilateral with General Torrijos, the issues which he will raise will probably depend on which of his Ministers attend. If it is a small breakfast between the two of you, Torrijos will probably concentrate on international issues like Nicaragua, Belize, Cuba, and perhaps even the Middle East.⁴ Torrijos may also recommend that you take advantage of your new credibility with the Latin American Left—a result of your idealism—and that the USG extend itself to groups like the Sandinistas (of Nicaragua) or the Montoneros (of Argentina). We have reservations about being in touch with these groups on an official basis at this time.

If Torrijos brings several of his Ministers to the breakfast, he is likely to focus more on bilateral and treaty implementation issues, like

³ Carter and other executive branch officials met with Canal Zone employees and residents on June 17. A draft memorandum of conversation of this meeting is in the Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 7/78.

⁴ According to the President's Daily Diary, Carter and Torrijos had breakfast from 8:12 to 8:40 a.m. on June 17. (Carter Library, Presidential Materials, President's Daily Diary)

military and economic cooperation and the Coco Solo Container Port. Those issues are covered in your briefing papers.⁵ We will inform you when we know more about the composition of the breakfast meeting.

⁵ The State briefing paper for Carter's visit is in the Carter Library, National Security Affairs, Brzezinski Material, Trip File, Box 12, President, Panama, 6/16–17/78: Briefing Book (I).

184. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, June 15, 1978

SUBJECT

Response to Thurmond's Fears²

On the eve of your trip, Thurmond's "sense of apprehension" is predictable, but not justified by the facts.

He is concerned that Panama's Foreign Ministry Communique and its instrument of ratification circumvent the letter and the spirit of the Senate's Treaty. This is not true.

First of all, the Communique is a statement of the government, but not legally binding like a treaty. Secondly, while it clearly expresses concern with certain reservations—notably DeConcini and Nunn—it does not repudiate or reject anything in the Treaty.

With regard to Panama's instrument of ratification, it contains two understandings and a declaration. The first Panamanian understanding reaffirms the commitments of both countries to certain provisions regarding non-intervention contained in the UN and O.A.S. charters. The second provides that action to maintain the Neutrality Treaty be

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Trip File, Box 13, President, Panama, 6/16–17/78: Cables and Memos, 6/14–16/78. No classification marking. Carter initialed and wrote on the top-right of the memorandum: "Prepare nice reply to ltr—based on your memo—LMS."

² Thurmond's June 13 letter expressing his concerns with the proposed exchange of the instruments of ratification relating to the treaties is attached but not printed. Carter's June 16 letter in response to Thurmond is in the Carter Library, National Security Affairs, Staff Material, North/South, Box 41, Pastor, Country, Panama, 6/15–30/78.

done in a manner consistent with the “principles of mutual respect and cooperation.”

The declaration states that Panama’s independence is “guaranteed by the unshakeable will of the Panamanian people,” who will reject any attempt at intervening in their internal affairs. We do not have any problems with these, and State has reviewed them with the Senate leadership, who also accepts them.

Thurmond makes three requests:

(1) *That you make the instruments of ratification public immediately.* Warren Christopher will brief the press on the documents at 11:30 tomorrow, but we intended to keep an embargo on the documents until the Friday³ ceremony, and the Panamanians prefer it like that. If you decide to release them immediately, we need to coordinate it with the Panamanians first, and they may be a little suspicious of our trying to move the timing forward. If we release the documents immediately, it is likely to generate some controversy in the U.S. and Panama and provide more time for the opposition to try to halt the trip.

Should we release them on Thursday after consulting with the Panamanians?⁴

Or on Friday?⁵

(2) *That you refuse to sign the documents “without ironclad and public assurances from Panama that they have fully embraced” the Senate’s treaties.* Thurmond evidently is unaware that in the act of signing of the Protocol of exchange by you and Torrijos, he formally accepts all the amendments and reservations in the Senate’s treaties.

(3) *That you inform the American people of Panama’s assurances.* If you think this request is necessary, we could just include a brief reference in your ratification ceremony statement that the exchange of instruments and the signing of the Protocol signifies Panama’s full acceptance of the Senate’s treaty and our full acceptance of Panama’s treaty. Should we include such a reference?⁶

³ June 16.

⁴ Carter checked the “no” option.

⁵ Carter checked the “yes” option.

⁶ There is no indication of approval or disapproval of the recommendation, but Carter wrote in the right margin: “Let State do this—speaking for me.”

185. Letter From President Carter to General Torrijos¹

Washington, June 17, 1978

Dear General Torrijos:

I believe that our meeting accomplished all of the purposes we both had in mind when your invitation was extended. Most importantly, we exchanged the Instruments of Ratification and signed the Protocol of Exchange for the Panama Canal Treaties.² By inviting the Presidents of Mexico, Costa Rica, Colombia and Venezuela and the Prime Minister of Jamaica to share in this historic occasion, you gave all of us the opportunity to meet and exchange views on the important issues we face. I know we both value their advice and friendship.³

The months between our Treaty signing ceremonies last September in Washington and the ceremony in Panama City were long and difficult. But during those months the people of Panama and the Senate of the United States demonstrated their approval of the Treaties. I know that our shared endeavors during this time made the exchange ceremony yesterday that much more meaningful for us both. I have no doubt that it truly marks the beginning of a new and more promising era in relations between our two nations, and among all the nations of the Hemisphere.

I hope that you will convey to the people of Panama Rosalynn's and my appreciation for the hospitality they have extended to us. We were warmed by our welcome and all that you did to make our visit the success it was.⁴

Rosalynn and I enjoyed being with you and Raquel again, and would like to thank you for the beautiful watercolor painting and other

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera 2/77-7/78. No classification marking.

² For the text of Carter's remarks at the June 16 Instruments of Ratification exchange ceremony, the texts of the Instruments of Ratification and the text of the Protocol of Exchange, see the Department of State *Bulletin*, July 1978, pp. 52–57.

³ See footnote 2, Document 183. On June 17, the presidents of Colombia, Costa Rica, and Venezuela and the Prime Minister of Jamaica, in addition to Carter and Torrijos, issued a multilateral statement of cooperation and support on the occasion of the exchange of the Instruments of Ratification of the Panama Canal Treaties. For the text of this statement, see the Department of State *Bulletin*, July 1978, p. 51.

⁴ At the June 19 meeting of the Cabinet, Carter reported that his trip to Panama "was extremely productive and rewarding," that he met with an outpouring of support and that the reaction of the Latin American leaders who attended was "very positive." (Minutes of the Cabinet Meeting; Carter Library, Vertical File, Cabinet Meeting Minutes, 3/6/78–11/20/78)

gifts you presented to us. We will long treasure them as expressions of our friendship and as a remembrance of the historic occasion we shared with you.⁵

Sincerely,

Jimmy Carter

⁵ Carter wrote at the end of the letter: "P.S. I really appreciate the clock/calculator, which is on my desk in the oval office. J."

186. Letter From the Deputy Secretary of State (Christopher) to the Deputy Secretary of Defense (Duncan)¹

Washington, July 11, 1978

Dear Charles:

Your letter of July 7² was a valuable catalyst in enabling us to reach agreed language for Section 102(b) of the Panama Canal Treaty Implementing Legislation.³ As you know, I have given the new text to Mr. McIntyre as our joint proposal for his use in moving the draft legislation along.

We look forward to working with your Department in the spirit of the understanding we reached in our recent discussions. As I said on the telephone last Friday,⁴ I welcome your suggestion that our staffs draft an Interagency Memorandum of Understanding on the procedures to be used for coordinating Treaty issues within the framework of the Panama Canal Review Committee.⁵ With such a Memorandum

¹ Source: Washington National Records Center, OSD Files, FRC: 330-81-0202, Panama 1978. No classification marking.

² The letter from Duncan to Christopher is in the National Archives, RG 59, Office of the Deputy Secretary, Records of Warren Christopher, 1977-1980, Lot 81D113, Box 6, 1978, 3 of 3. Duncan wrote: "It seems to me that both State and Defense are in agreement that the Ambassador should be fully involved in the implementation process, but that he should not be involved in the operation, management, or maintenance of the Panama Canal."

³ Section 102 (b) addressed the authority of the Ambassador and the supervision of the Administrator of the Panama Canal Commission.

⁴ July 7.

⁵ See Document 201.

dum as a guide, I am certain that United States Government officials in Panama will be able to work together smoothly to attain the objectives set forth in the Treaties and the proposed legislation. Our people will be in touch with yours very promptly.

With regards.

Sincerely,

Warren Christopher⁶

⁶ Christopher signed “Warren” above his typed signature.

187. Memorandum From the Assistant Secretary of Defense for Manpower, Reserve Affairs and Logistics (White) to Secretary of Defense Brown¹

Washington, July 15, 1978

SUBJECT

Military Construction and Other Costs Incident to Implementation of the Panama Canal Treaty—ACTION MEMORANDUM

The Issue

Funds in the amount of \$44.1 million are required in FY 79 for implementation of the Panama Canal Treaty. A budget amendment is being prepared in accordance with the wishes of the House. Congressional committees now informally advise that this request will not be favorably received by the current Congress. What are the alternatives?

Background

—Provisions of the Panama Canal Treaty require the transfer of various U.S. military facilities to Panama over the first five years of the Treaty, with initial transfers to take place on 1 October 1979, the

¹ Source: Washington National Records Center, OSD Files, FRC: 330–87–0068, 1978–1979 Panama Canal Treaty Milcon Costs. No classification marking. Prepared by J.P. Sylva (CEC USN) on July 11. Dolvin concurred. A stamped notation reads: “SecDef Has Seen.” Brown wrote on the memorandum: “7/15 JLS should see this. I approve Option 1 in each case. This relays our good faith to Panama. I reserve the possibility of seeking Cong'l approval for contingency funds + reprogramming, at least for planning and for the initial items, if Congress rejects the FY 79 amendment.”

effective date of the Treaty's entry into force (T-Day). U.S. Army units (primarily HQ 193rd Inf Bde, 210th Avn Bn and 470th MI Grp) essential to the defense of the Panama Canal Zone will be displaced in the process, requiring considerable rehabilitation of alternate facilities and new construction.

—Various base operation support functions, including dependent education and medical services, will be assumed by the Services from the Panama Canal Zone Government and Panama Canal Company on T-Day. The resultant assumption of additional facilities and approximately 3,000 civilian employees will require an expansion of base support management and a modicum of facility construction and rehabilitation.

—Language in the FY 79 DoD Appropriation Authorization Bill (Hansen Amendment or Section 813) and HAC MILCON Committee Report No. 95-1246 requires a formal budget submission (vice reprogramming) to cover treaty-implementation costs. Accordingly, a FY 79 budget amendment in the amount of \$44.1 million has been prepared, with \$36.9 million for military construction and \$7.2 million for operation and maintenance. This budget amendment is summarized at Tab A.² Congressional pressures appear now to be mounting to delay submission of an appropriation request, at least until after the elections.

—SecDef letters of 28 June 78 to the Chairman of both Committees on Armed Services³ included a request for deletion of Section 813 from the House Bill.

—The SAC, on 7 June 78, agreed with the House that projects in support of implementing Panama Canal Treaty should be addressed during normal budget process, except that reprogramming should be considered as an acceptable alternative for initial FY 79 phases in order to avoid major disruption (i.e., reprogramming should not be automatically precluded, as directed by the House).

—LTG McAuliffe, USCINCSO, in testimony before the Senate Committee on Armed Services on 24 January 1978, indicated that planning to date, though incomplete, resulted in a current estimate of treaty-related start-up (construction) costs of \$42.9 million. Subsequent planning refinements and OSD/OMB analysis produced MILCON requirements of \$36.9 million to be completed by T-Day. This plan will effectively permit unit and activity relocations without recourse to expensive interim moves.

² Attached but not printed.

³ Not found.

—FY 79 O&M requirements for a 30 day transition period to facilitate effective assumption of additional base operations support by T-Day are estimated at approximately \$7.2 million.

—Relocation of affected units without measureable mission derogation is possible if funded by the onset of FY 79. This extremely time sensitive construction would require employment of accelerated construction procedures, probably a 3-shift contract operation, to enable commencement of construction by December 1978, the beginning of the next 5-month dry season.

—Indigenous contractor capability and locally-available construction materials/equipment are extremely limited, necessitating a U.S. contractor and heavy importation of materials and equipment.

—Accelerated construction and heavy importation more than double the cost of construction. A similar Stateside program under normal conditions would be estimated at \$15 to \$18 million.

—Lease-back of facilities scheduled for transfer by T-Day for a year or more to obviate accelerated construction and permit regular programming of construction in FY 80 is not feasible since renegotiation with Panama would be required. The majority of the areas occupied by U.S. forces being returned on T-Day are of high political priority to Panama and Panama is not expected to agree to any meaningful extension of their use.

—Emergency funding for interim relocations is estimated at \$8.2 million of which approximately half would be non-recoverable, i.e. required for stop-gap construction of only short term need. Details are at Tab B.⁴ Current availability of SecDef emergency construction funds (contingency funds) is \$15.4 million.

—Post T-Day requirements being evaluated by Defense Components for regular MILCON programming are estimated at \$32 million. Details are at Tab C.⁵

The Options

Five basic options have been considered regarding the new construction and facility rehabilitation incident to implementation of the treaties. The options have similarly been considered for assumption of additional base operations support during 30 day transition to T-Day. These options, in order of declining preference, are as follows:

⁴ Attached but not printed.

⁵ Attached but not printed.

MILCON

I—FY 79 Budget Amendment—Full funding by 1 October 1978

II—SecDef Contingency Funding/Service Reprograming—Full funding by 1 October 1978

III—SecDef Contingency Funding/Service Reprogramming—Interim Relocation funded by 1 October 1978, balance incorporated into FY 80 program

IV—FY 79 Budget Supplement—Full funding not until late FY 79.

V—FY 80 Budget—Full funding at beginning FY 80

O&M

I—FY 79 Budget Amendment—Full funding by 1 October 1978

II—FY 79 Budget Supplement—Full funding in late FY 79

III—Service reprogramming within FY 79 TOA—Approval not likely prior to late FY 79.

To deprive or significantly delay the funds needed for unit relocations by T-Day will impact adversely on the operational readiness of U.S. forces, will cause personnel turbulence and seriously affect morale at a time when the attitude of our people will play an important role in initiating a successful U.S./Panamanian partnership. Command and control, intelligence, aviation, security and postal services would be measurably degraded and troops would be relocated to substandard quarters. This effectively negates MILCON options IV and V and O&M option II.

MILCON options II and III would require prior approval of reprogramming by the Committees on Appropriations which, in view of political considerations (elections would probably delay these unacceptably in view of the limited Panama construction season.) Option II would deplete available DoD contingency funds and emergency authorization available to the Army. Option III, to permit interim relocation, would be wasteful in as much as about \$4 million of such costs would be nonrecoverable. It would also result in derogated operational readiness and in relocation of troops to substandard BEQ's.

Recommendation

That you approve Option I (MILCON and O&M) to preclude any measurable readiness and morale degradation, command and control problems and inefficiency of operation which, in the end, will result in higher costs for treaty-related transitions.⁶

⁶ Brown initialed the approve option on July 15.

ALTERNATIVELY, that we re-emphasize our concern by seeking Congressional approval for use of DoD contingency funds and Service reprogramming (MILCON Option II and O&M Option III) to the maximum extent possible in substitution for the budget amendment.⁷

John P. White

*Assistant Secretary of Defense
(Manpower, Reserve Affairs & Logistics)*

⁷ There is no indication of approval or disapproval of this recommendation.

188. Memorandum From the Director of the Office of Management and Budget (McIntyre) to President Carter¹

Washington, July 27, 1978

SUBJECT

The Panama Canal Commission

As you know, the two major civilian agencies now operating in the Panama Canal Zone—the Panama Canal Company and the Canal Zone Government—are to be abolished and a new agency, the Panama Canal Commission, created. Under the supervision of a Board consisting of five United States and four Panamanian nationals, the Commission will be responsible for managing, operating, and maintaining the Canal. The Commission will operate, with substantial Panamanian participation, in territory under the plenary jurisdiction of the Republic of Panama (although the Commission itself will be immune from Panamanian jurisdiction).

OMB has consulted with NSC, Frank Moore's staff, Landon Butler, William Jordan (Ambassador to Panama), State, Defense, Treasury, Transportation, Commerce, and the Office of the Secretary of the Army on a number of issues not settled heretofore. That process has suggested

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 8–12/78. No classification marking. Carter initialed the top-right corner of the memorandum.

what I believe to be the appropriate resolution of a number of issues. *This memo indicates the issues and the decisions I will communicate to the affected agencies unless you indicate otherwise.*

ISSUES

1. *Lead agency*

The Secretary of the Army has had principal oversight responsibility for the Canal for over 25 years; DOD wishes to continue this arrangement, but Transportation wants to assume responsibility. DOD argues for continuity, while Transportation claims that the Canal is primarily a transportation facility and that changed circumstances resulting from the Treaty require a change in agency oversight. There are some concerns that moving responsibility to Transportation will upset the Senate Armed Services Committee, which will consider legislation implementing the Treaty. Landon Butler, NSC, State and Commerce support the DOD position; Transportation is not supported by any other agency; Frank Moore's staff and Treasury take no position.

I conclude that responsibility should remain with DOD, at least for now, but that the Canal Administrator, who is the American most visible to the Panamanians, henceforth should be a civilian rather than a military person and that at the first opportunity after the 30-month transition period, consideration should be given to moving oversight responsibility to Transportation.

*Comment:*²

2. *Board membership*

Most participants support the idea of making the five U.S. Board members representatives of the five agencies with a major interest in the Canal—DOD, Transportation, State, Commerce and Treasury. Landon Butler and the Secretary of the Army suggest that Board members be U.S. Government officials, but that they be selected on an individual rather than an agency basis.

I think that under the new circumstances created by the Treaty, wider, formal agency involvement in overall policy direction of Canal operations is necessary and therefore propose that the five principal agencies be represented on the Board.

*Comment:*³

3. *Overall U.S. policy formulation*

The issue here is whether the five U.S. Board members should serve as an interagency coordination group for overall Canal policy.

² Carter wrote: "ok."

³ Carter wrote: "ok."

All participants but DOD support this idea. DOD argues that most problems involving the Canal can be settled between it and State.

It seems clear to me that there should be a Washington-level coordinating group and that having the U.S. Board members handle this task is appropriate.

*Comment:*⁴

4. Role of the U.S. Ambassador

Present policy guidance, including your letter to all our ambassadors last October,⁵ would call for the U.S. Ambassador to Panama to have responsibility for the direction, coordination and supervision of the Panama Canal Commission. State and Defense have agreed to an exemption to this policy in this instance. We agree that the unique policymaking environment of the new Commission, with its joint Panamanian-U.S. Board membership and the formal mechanism for coordination of Canal policy by the U.S. Board members as discussed above, will make the role of the Ambassador somewhat redundant with respect to the Commission. We propose, therefore, that in the legislation implementing the Treaty this exemption be made explicit (language attached).

*Comment:*⁶

5. Special Immigration Status

The issue here is to what extent we should grant liberal immigration rights to Panamanian citizens who have been employed by the U.S. Government in Panama for 15 years or more. The Secretary of the Army has urged that these people and their families be given special immigration status under the Immigration and Nationality Act and that they be exempted from the restrictions in that Act pertaining to physical health and proof that the immigrant will not become a public charge. Although State and Justice have agreed to all these provisions, I think that waiving the public charge restriction of the immigration law would set an undesirable precedent and ought not to be included in the implementing legislation.

⁴ Carter wrote: "ok."

⁵ The text of Carter's October 25, 1977, letter outlining the authority and responsibilities of chiefs of mission was transmitted in telegram 256085, to all diplomatic posts, October 26, 1977. (National Archives, RG 59, Central Foreign Policy File, D770394-0548)

⁶ Carter wrote: "ok."

*Comment:*⁷

6. *Source of Pension Funds*

A number of Panamanian citizens who are currently employees of the U.S. Government in the Canal Zone will become employed by the Republic of Panama or the private sector in Panama when the Treaty becomes effective. They will then be eligible to join the Panamanian Social Security system and we have agreed under the Treaty to make a contribution to the Panamanian system for each employee who chooses this course. Our contribution will be equal to the amount of the U.S. Government's contribution to our Civil Service Retirement Fund during the time the individual was employed by a U.S. agency. The Civil Service Commission believes this cost ought to be funded by the general fund of Treasury. State and Treasury believe that this provision should be funded from amounts already credited to the Civil Service Retirement Fund.

I believe that using the Civil Service Retirement Fund to pay this expense is preferable to seeking a new appropriation for this Treaty-related expense.

*Comment:*⁸

Attachment

Draft Language⁹

Washington, undated

PROPOSED LANGUAGE ON ROLE OF THE U.S. AMBASSADOR

Section 102. Authority of Ambassador

(a) The Ambassador to the Republic of Panama shall have full responsibility for the coordination of the transfer to the Republic of Panama of those functions that are to be assumed by the Republic of Panama pursuant to the Panama Canal Treaty of 1977 and related agreements.

(b) The Administrator of the Panama Canal Commission and personnel under his supervision shall not be subject to the direction or

⁷ Carter wrote: "If employees in Zone are discharged without cause they should be permitted to immigrate—otherwise, ok."

⁸ Carter wrote: "ok."

⁹ No classification marking.

supervision of the United States Chief of Mission in the Republic of Panama with respect to the responsibilities of the Commission for the operation, management or maintenance of the Panama Canal as established in this or other acts, and the Panama Canal Treaty of 1977 and its related agreements; in other respects, section 16 of the Act of August 1, 1956, ch. 841 (22 U.S.C. 2680a) shall be applicable.

189. Memorandum From the President's Deputy Assistant for National Security Affairs (Aaron) to President Carter¹

Washington, July 28, 1978

SUBJECT

Letter from General Torrijos on the Inter-American Development Bank

General Torrijos sent you a cable on June 30 (Tab B)² asking that we support continued eligibility for Panama, Costa Rica, and Jamaica to the soft-loan window (FSO) of the Inter-American Development Bank (IDB). This issue—the criterion for determining access to the FSO—is an important one in the current negotiations for the next IDB replenishment.

Treasury, State, NSC, and Henry Owen all agree that we should seek a formula that uses several social and economic indicators in addition to per capita income in determining access to the FSO; under this formula, the major share of FSO funds would clearly be reserved for the poorest countries of the hemisphere, but Panama, Costa Rica, and Jamaica would also have limited access to the FSO for projects that assist low-income groups.

Resolution of this issue will not alter our position on the level of FSO replenishment; all we are talking about is how to allocate these funds.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera, 8/78–12/79. Confidential. Sent for action. Carter initialed and wrote on the top-right corner of the memorandum: "This is more encouraging to Torrijos than I want. Make it more non-committal. 'Other factors'—ok. 'Promise to include Panama'—no."

² Tab B is not attached. A June 30 letter from the Panamanian Embassy to Jordan transmitted the June 30 cable from Torrijos. (Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera, 8/78–12/79)

The issue which Torrijos raised proved to be a difficult one, and it has taken two weeks for the U.S. Government to decide on a position. The attached draft reply sets forth an approach which Treasury, State, NSC and Henry Owen all support.³

RECOMMENDATION:

OMB does not—McIntyre's comment is attached.⁴

That you sign the letter to Torrijos at Tab A.⁵

The text has been approved by Jim Fallows.

³ Draft reply is not attached.

⁴ McIntyre's comment is not attached. In an August 2 memorandum to Carter, McIntyre disagreed with State and NSC's proposal that Carter respond positively to Torrijos's request, arguing that proposed response undercut the "general approach of conserving soft loans for the poorest countries and permits ad hoc bilateral considerations to drive overall development assistance policy." McIntyre recommended that Carter send a negative response to Torrijos. (Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera, 8/78–12/79)

⁵ There is no indication of approval or disapproval of the recommendation. However, on August 3, Carter sent a letter in response to Torrijos stating: "My administration believes a formula can be negotiated that will take account of several important social and economic indicators in determining access to the FSO." Whatever the outcome, Carter expected that "a large majority of FSO funds would be reserved for the poorest countries and that any concessional funds for countries other than the poorest would be directed to projects that clearly assist low income groups." (Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera, 8/78–12/79)

190. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, August 8, 1978

SUBJECT

Phone Call From General Torrijos

At 9:45 p.m., as I was leaving my office, I got a phone call from General Torrijos and his Foreign Minister Nicolas Gonzalez-Revilla. They were obviously in good spirits, having just returned from the inauguration of the Colombian President.² Torrijos said he had had conversations with the Presidents of Venezuela, Colombia, Ecuador, and the Special Representative of the President of Peru, and he wanted to relay them to me, my boss (Brzezinski) and my boss' boss.

They were obviously "happy"; after reflecting on the conversation, I really don't know if they were putting me on for parts of it, or if they were serious. I will "report" it to you as they gave it to me.

1. *Honduras*

Torrijos had spoken with Carlos Andres Perez (CAP) about the recent change in Honduras, and CAP had authorized Torrijos to speak on his behalf to recommend to the Hondurans that they include three more colonels in the new junta. The names of the colonels were: van Seca, Maldonado, and Suarez. He said that CAP and he were concerned that the junta had shifted to the right (our intelligence reports have the same assessment), and they wanted to include these three in the junta so as to make the government a little bit more progressive.

I pointed out to them that the communique issued by the Honduran Superior Defense Council had stated that the new government would continue the same "progressive policy" on land reform and other social issues as the previous government. They answered that was true, but "it still depends on the people who will be implementing the policies." I asked if they would convey this recommendation privately or publicly, and they said they would do it privately.

They then said they would "speak for the U.S." as well, and I asked them if they had spoken to any high American official and been

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 4/78–5/79. Confidential. Sent for information. Copy was sent to Jordan. Brzezinski wrote on the top of the memorandum: "DA sounds as if he was drunk!" Aaron wrote next to Brzezinski's comment: "Indeed!"

² Julio César Turbay Ayala took office on August 7.

authorized to do that. I said with great seriousness that they in no way should construe this conversation as giving them any authority to speak on behalf of the U.S. because I could not authorize such a statement. And frankly, I told them I would not recommend it since I didn't think it was such a good idea.

I asked them when they intended to place the call, and they laughed and said, "Already done". I said uneasily that they shouldn't have spoken for the U.S., and they then backed off a bit, and said that Torrijos had told the Hondurans that he thought that the U.S. "would look on [the recommendation] with good eyes."

2. *Bolivia*

Torrijos spoke with General Pereda in Bogota, and said he is a "good man; he is positive and thinks well." The Panamanians will not recognize his government yet so as to not let it appear that they are following a crowd, but they will before too long. All in all, Torrijos feels that the alternative to Pereda probably would have been civil war.

3. *Nicaragua*

Torrijos believes that if the U.S. put the same pressure on Nicaragua as it had done with Bolivia, then things would be much better there. He said that Latin Americans think we have a double policy towards Somoza, and it is unclear. He said that we continue to support him, and that is confusing to him.

4. *Panama*

Torrijos said that there was a heavy turnout in Panama—84% voted.³ Torrijos asked me to ask you what he should do now. "What are the next moves he should make in accordance with the U.S. human rights policy? Don't you think we have done as much as we can?"

I recommended that Torrijos add three more colonels to his government to make it more progressive, and the laughter jammed the inter-American circuits.

5. *Spain*

Torrijos also met with Felipe Gonzalez, who asked Torrijos to convey to the U.S. that Gonzalez is "not your [U.S.] enemy, and hopes you [Americans] have nothing against him." Gonzalez told Torrijos that he hopes the U.S. will not oppose him.

³ On August 6, Panama elected its 505 members of the National Assembly of Community Representatives.

6. *Perez*

According to Torrijos, Perez spoke in a private meeting to all the Foreign Ministers and Presidents about his views with regard to the U.S. position on a number of issues. Torrijos would not elaborate except to say that Perez was clear in saying that he was not speaking for anyone other than himself.

Torrijos apparently spoke to the same group (on the afternoon of the eighth) and said he thought U.S. human rights policy had placed too much emphasis on political rights and too little on economic rights.

7. *Message to Hamilton*

Torrijos asked me to convey a message to Hamilton. He said that he had not seen any articles in the newspaper on Hamilton's problems for such a long time that he wondered whether Hamilton was still in the White House.

191. Briefing Memorandum From the Secretary of State's Special Representative for Panama Treaty Affairs (Popper) to Acting Secretary of State Christopher¹

Washington, September 8, 1978

SUBJECT

Panama Canal Treaty Implementation: Status Report

1. *Economic Aid Package Laid On.* September 7, the first anniversary date of the signing of the Panama Canal Treaties, passed without any particular comment or observance in the United States. In Panama, our Charge concluded an exchange of notes on that day to activate preparations for carrying out the package of economic and military assistance measures envisaged as a concomitant of the Canal Treaties, though separate from them. Subject to compliance with our legislative and administrative procedures, we are now committed to work with Panama to effectuate a five-year program of Export-Import Bank loans and guarantees, AID housing guarantees, and OPIC guarantees for Panama's National Development Bank, as well as a ten-year foreign military sales credit program.

¹ Source: National Archives, RG 59, Central Foreign Policy File, P790020–1621. Limited Official Use.

2. *Slow Progress on Organizational Matters.* We are laboriously perfecting with DOD a Memorandum of Understanding on the authority of the US Ambassador in Panama,² to elaborate upon the succinct language included in our draft implementing legislation as a result of the agreement you reached with Deputy Defense Secretary Duncan.³ You will recall that he had suggested that such a memorandum be prepared, for your signatures. We are likewise gradually pressing through DOD a joint memorandum to set up the arrangements approved in general terms by the President August 1,⁴ for the coordination of US policies on Canal Treaty matters. This memorandum will also establish coordinating machinery for use during the period between now and the date when the Treaties come into force—a subject not addressed in the Presidential memorandum.⁵ One of our problems in this and other matters is the understandable concern of Secretary of the Army Alexander and the Panama Canal Company regarding possible limitations on their statutory authority, as their actions increasingly impinge upon the Treaty implementation process.

3. *First Consultative Meeting in Panama.* I recently informed you of General Torrijos' feeling, shared in other Panamanian quarters, that we were dragging our feet in preparing for Treaty implementation.⁶ We hope to help counteract this erroneous impression, in a trip which my Defense counterpart and I will be making to Panama for higher level consultations during the week beginning September 17.⁷ While in Panama we will confer with the newly designated Panamanian treaty implementation team, as well as with our own principal officials in country. We will inform the Panamanians of the steps we have taken to gear up for Treaty implementation; review with them the substantial initial planning moves undertaken by our respective officials in the Canal area; lay out the major policy problems we see ahead; and exchange views with the Panamanians on these matters. We expect the meeting to be beneficial, both substantively and cosmetically, and it is welcomed by the Panamanians.

4. *Proposed Letter from the Secretary.* To establish our credentials for the meeting, we are preparing a letter⁸ from the Secretary to the

² See Document 201.

³ See Document 186.

⁴ See Document 188.

⁵ See footnote 4 above.

⁶ In an August 25 briefing memorandum to Christopher, Popper reported on Torrijos's concerns that implementation of the treaties had stagnated. (National Archives, RG 59, Central Foreign Policy File, P790013–1806).

⁷ See Document 194.

⁸ See Document 192.

Panamanian Foreign Minister, explaining our mission and our functions, and the contribution we hope to make to successful Treaty implementation. The letter should also be helpful in our efforts to facilitate coordination among the concerned US Government elements. We will send it forward through you, as soon as we receive Defense Department clearance.

192. Letter From Secretary of State Vance to Minister of Foreign Relations of Panama Gonzalez-Revilla¹

Washington, September 14, 1978

Dear Mr. Minister:

The Secretary of Defense and I are pleased to inform you that General Welborn G. Dolvin and Ambassador David H. Popper, our Special Representatives for Panama Canal Treaty Affairs, will be in Panama from September 17 to September 22 to participate, as our personal emissaries, with Dr. Edwin Fabrega in an initial review of the Panama Canal Treaty implementation process.

As you know, in the months which have passed since the Treaties were approved and instruments of ratification exchanged, representatives of our two Governments have met in Panama and begun to plan for the Treaties' entry into force. Now, our representatives have agreed that the time has come to make a general assessment of those steps which have been taken and those which must be taken in the months ahead to ensure that the Treaty implementation process continues to proceed smoothly. To that end, General Dolvin and Ambassador Popper have come to Panama eager to work with you and your associates in the same spirit of cooperation and goodwill which characterized the Treaty negotiations and President Carter's visit to Panama in June.²

I am confident that these consultations will further facilitate progress toward our common goal of successfully bringing the Panama Canal Treaties into effect.

Sincerely,

Cyrus Vance

¹ Source: National Archives, RG 218, Records of David C. Jones, Box 47, 820—Panama 3JC/78—26 Nov 80. No classification marking.

² See Documents 183 and 185.

193. Memorandum of Conversation¹

Washington, September 14, 1978

PARTICIPANTS

Gabriel Lewis, former Panamanian Ambassador to the United States
Robert Pastor, NSC Staff
Ambler Moss, U.S. Ambassador-designate to Panama

Gabriel Lewis said that he was in the United States on a private business trip but that both General Torrijos and Aristides Royo had separately asked Lewis that he suggest that the United States send a high-level delegation to Royo's inauguration as President on October 11.²

Pastor and I said we did not think that would be possible at this stage (the Presidential elections are that same day) but that there would be ample opportunity for us to work with Royo and be of assistance to his new government as appropriate. Lewis asked how we regarded Royo. I said that our contact with him during the negotiations had been very positive; that we knew him as a pragmatic, flexible and honest negotiator. Lewis said that Royo wanted us to know that he was a friend of the United States and wanted to work with us. He also said that Royo had consulted him extensively and was following his advice to make overtures to the private sector. He said that Royo had asked him to become Minister of Commerce, but that he was not interested in joining the government.

I said that we had noted Royo's speeches in Panama emphasizing the importance of the private sector and that such a policy, if translated into action, would obviously be welcome in this country. I said that at some point it would be useful for Royo to meet with representatives of American business in this country and assure them of his government's interest in creating a favorable climate for private investment.

Lewis said that Torrijos told him that he really intends to leave his active involvement in the government and occupy himself solely with the National Guard. Torrijos added that he wanted to clean up the corruption which existed in the Guard. Lewis expressed considerable skepticism about Torrijos' true intentions, however, and said that Tor-

¹ Source: Carter Library, Staff Offices, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 8-12/78. Confidential. Drafted by Moss. The meeting took place at the Army-Navy Club.

² On October 11, the Panamanian National Assembly of Community Representatives elected Royo to a 6-year term as President of Panama. Royo and the Vice Presidential candidate, Ricardo de la Espriella, were Torrijos-backed candidates.

rijos probably did not know himself what his future role would be. He sees Torrijos as wanting some sort of “larger role” in Latin American politics and said that he was very much like a movie star who, having made one film, now wants to make another.

With respect to the *Sandinistas*, Lewis said that he did not know what relationship, if any, existed today between Torrijos and the group. Lewis said that he saw Pastora and “Commandantes Uno” and “Dos” at Torrijos’ house in Farallon earlier this month but was not involved in any detailed discussions with them beyond simply hearing their description of how they had managed their seizure of the National Palace in Managua. I emphasized that it was very important in our view that Panama not be used in any way as a base of operations of the Sandinistas or even present the appearance of being involved in the matter. Lewis agreed and said that he did not know of any specific actions being taken by Panama at this time, while adding that “everybody knew” that the Sandinistas were being supplied with arms by Venezuela and that they were operating freely across the Costa Rican border.

Lewis said that he knew Somoza personally and felt that he was respected by Somoza, although he had not seen him for three or four years. Somoza and Lewis once had a business venture together (a box manufacturing plant in Nicaragua) and Somoza has been a house guest at the Lewis house on Contadora Island several times.

Lewis said that he felt it important for Somoza to leave the scene while a moderate solution for Nicaragua was still possible, but that he doubted Somoza could be persuaded to do so.

194. Telegram From the Embassy in Panama to the Department of State¹

Panama City, September 21, 1978, 2311Z

6903. Subject: Joint Review Group Visit: Report No. 2.

1. Popper, Dolvin and Chargé Dikeos visited General Torrijos at Farallon September 20. GOP Implementation Administrator Fabrega and Rory Gonzalez were also present. In discursive session lasting almost two hours, we reviewed for Torrijos state of developments

¹ Source: National Archives, RG 59, Central Foreign Policy File, D780386–0419. Limited Official Use; Priority; Stadis.

re treaty implementation in each country. General tone was one of satisfaction with progress thus far, but realization that the hardest implementation problems still lay ahead.

2. Among points stressed were the following:

A. Importance of restraint in public utterances, and professed determination to settle problems privately.

B. Torrijos view that when GOP is represented on Canal Commission, it will make innovative proposals such as incentive pay for pilots to prevent ship backlogs (we pointed out that pilot performance was not the problem).

C. Continued pressure by Panama for help to GOP through advance preparations for treaty day transfers (we explained care we must take to avoid "pre-implementation").

D. Necessarily slow progress in our legislative procedure, and sensitivity of our Congress to all developments in Panama.

E. Our encouragement at continuing momentum of democratization process in Panama.

F. Return to theme that U.S. should permit Panama to start construction of Coco Solo container port before treaty comes into force (we replied that planning steps already permitted will use up much of intervening time).

G. Torrijos's evident feeling that turning over houses to Panamanians to use freely as occupants will be politically important in convincing Panamanian people that a new era has really begun for them.

H. Panamanian concern that any closed down or abandoned items be either turned over to GOP for Panamanian use or maintained intact by GOP guards or joint watchmen, if necessary, to prevent vandalism or deterioration; Coco Solo school was cited in this connection.

I. Determination of Torrijos expressed to help combat deforestation (his appreciation of problem appears quite imprecise).

3. We raised question of Panamanian debts to U.S., in context of upcoming treaty implementation debate. (We also did so September 19 in discussion with Foreign Minister.)² Torrijos expressed understanding of advantage of movement on this subject and instructed that Goodin (Vice Minister of Planning) and Perez Valladares (Ministry of

² In telegram 6872 from Panama City, September 20, the Embassy reported that the Joint Review Group headed by Dolvin and Popper called on Gonzalez Revilla. (National Archives, RG 59, Central Foreign Policy File, D780384-0507). In a September 25 memorandum to Brown, Alexander, Jones, and McGiffert, Dolvin provided a detailed report of the United States-Panama Joint Review Group's September 18-22 visit. (Washington National Records Center, OSD Files, FRC: 330-81-0202, Panama 821 (May-Sept 1978))

Finance) should negotiate for Panama. (We have asked Embassy to follow up.)

4. Torrijos wants Panama National Assembly to approve prisoner exchange treaty before it adjourns October 11. Embassy will work with Foreign Ministry Legal Adviser Carlos Lopez Guevara to complete agreement on prisoners and cemeteries soonest.

Dikeos

195. Memorandum for the Record¹

Washington, September 22, 1978, 1:05–1:10 p.m.

SUBJECT

Telephone Conversation—Nicaragua

PARTICIPANTS

Dr. Zbigniew Brzezinski, Assistant to the President for National Security Affairs
Nicolas Gonzalez Revilla, Minister of Foreign Relations, Panama
Robert Pastor, Staff Member/NSC

Dr. Brzezinski began by saying that the President had been trying to reach General Torrijos, but thus far unsuccessfully. The U.S. was actively pursuing its mediation effort, and any unilateral military action which internationalizes the problem in Nicaragua would have a very serious impact on that situation and also on the United States.² *Dr. Brzezinski* said that as good friends, he felt that he was able to convey to the Foreign Minister his feeling that the situation should be handled in a very prudent fashion. Any move to internationalize the conflict would cause the United States very serious problems, and have a very negative impact here.

The Foreign Minister said that he had been working on this problem since the early morning, and he would convey *Dr. Brzezinski's* message directly to General Torrijos.

¹ Source: Carter Library, Staff Offices, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 8–12/78. Confidential. Brzezinski was in his office for the telephone conversation.

² Brzezinski's September 19 memorandum is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XV, Central America.

Dr. Brzezinski said that the U.S. and Panama have a lot at stake. Our two countries are creating a new relationship, and General Torrijos and President Carter have invested a lot of their time in this effort. It would be extremely unfortunate if this relationship were to be injured. *Dr. Brzezinski* said that the Foreign Minister was well aware of negative forces in the United States, and we did not want to give encouragement to these groups because that would endanger the implementing legislation as well as the entire relationship. From the standpoint of our international interests, *Dr. Brzezinski* said that the United States could not permit one nation getting involved in a way which would draw others into a conflict. This would cause the United States to assess the situation in a very grave fashion.

The Foreign Minister said that he thought General Torrijos was very concerned about other nations participating in the Nicaraguan conflict; he referred to Salvadorean planes.

Dr. Brzezinski said that he would check into this. It would, of course, be of great concern to the United States as well. *Dr. Brzezinski* suggested that perhaps the OAS could take a stand against foreign intervention in Nicaragua.

The Foreign Minister said that there were also reports of foreign troops fighting in Nicaragua.

Dr. Brzezinski said that this was all the more reason why there is a need for a call for non-intervention.

The Foreign Minister said that this point should be conveyed to other countries.

Dr. Brzezinski said that was a good idea and that he would speak to the State Department about that.

196. Memorandum for the Record¹

Washington, September 22, 1978, 2:15–2:30 p.m.

SUBJECT

Telephone Conversation on Nicaragua

PARTICIPANTS

President Jimmy Carter
Brig. Gen. Omar Torrijos Herrera, Chief of Government, Panama
Robert Pastor, NSC
Stephanie Van Reigersberg, Interpreter

Carter. Good afternoon, General Torrijos. It's a pleasure to talk to you again.

Torrijos. Good afternoon, Mr. President. I'm very happy to talk to you too.

Carter. We have many problems with Nicaragua, don't we? I hope that working together with you, Venezuela, Colombia and others that we can quickly bring a peaceful settlement to this serious problem and restore democracy and preserve human rights in Nicaragua. We are very eager that this problem be solved without any more blood of the Nicaraguan people being shed.

Torrijos. I agree with you.

Carter. To do this, we need close communication. As you know, we have sent William Rogers [Jordan] to represent us, and we believe that he and others can coordinate the careful efforts that will be necessary to reach agreement on a solution. Do you agree with that?

Torrijos. That is a very good idea. Now it is important for all countries to be discouraged from engaging in incursions with their military forces. The problem can be reduced to one simple definition: "An insane man with an armed gang of criminals engaged in a massacre of a defenseless population." We must try for an early solution because otherwise the massacre will go on. The borders, Costa Rica and Honduras, are already filling with refugees. There are already 8,000 on the border of Honduras and the President says he can't do anything for them. I am told that by Monday there will be 11,000 there. We must get our Red Cross organizations working on the problem. We are continuing to analyze the situation, but it is an indigestible one. You,

¹ Source: Carter Library, Staff Offices, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 8–12/78. Confidential. Carter was in the Oval Office for the telephone conversation.

Mr. President, have great prestige, very, very great prestige, on this continent. There is nothing you can't do by means of dialogue.

We have been informed that Nicaragua is now inflaming the belligerent feelings between Honduras and El Salvador, promoting conflict there in order to solve its own problems. I have told the leaders of Honduras not to fall for that.

Carter. Let me respond briefly to the points you have made. I believe your assessment of what needs to be done is very accurate. First, the efforts of all peace-loving countries in the hemisphere must be coordinated, and we are very glad to participate in that effort. Secondly, mediation efforts must be used to the maximum degree, and here again we would be pleased to participate. Thirdly, the Red Cross must be involved in the relief effort and I will start taking steps in that direction immediately. I appreciate your leadership on that. Lastly, a common declaration is necessary that this matter must be resolved without military attack from the outside, preserving the integrity of all countries, and that includes El Salvador and Honduras. I agree with all this. Please confirm that I have understood you fully.

Torrijos. Yes, Mr. President. First, as I said the problem comes down to one of an insane man in control of an armed gang engaged in a massacre. Secondly, the warning that nobody should interfere should be issued, but it should be valid for or applied to all. Thirdly, I think that all due precautions must be taken not to inflame the situation between El Salvador and Honduras, making the Nicaragua situation secondary in importance. Mr. President, you have enough prestige to get anything you want in a conversation with any President.

Carter. I appreciate your high opinion of me. I will certainly do my best. I greatly value your partnership and help and intend to pursue your ideas. I will keep you informed of any progress I may make. I would report to you on the attitude of Nicaraguan officials when I know. I think it is important for the two of us to share information with each other and likewise share the responsibility to restore peace. Therefore, I will follow up on these matters immediately and hope that we will keep each other thoroughly informed.

Torrijos. Very good. Mr. President, I should just like to congratulate you on what you have achieved in using your good offices to bring a solution to the situation in the Middle East.²

Carter. Thank you. Your friendship and help are very valuable to me. With your kind friendship, I am confident that, like the first step

² Presumably a reference to the Camp David Accords, signed September 17 at the White House by Egyptian President Anwar el-Sadat and Israeli Prime Minister Menachem Begin.

which was taken in the Middle East situation, we will be able to restore peace to this Central American region. Thank you very much, General Torrijos, and good-bye.

197. Memorandum for the Record¹

Washington, September 22, 1978

SUBJECT

Telephone Conversation—Nicaragua

PARTICIPANTS

Nicolas Gonzalez Revilla, Minister of Foreign Relations, Panama
Robert Pastor, NSC

The Foreign Minister called me three times after the President had called Torrijos, and he himself spoke to Torrijos twice. Torrijos asked that Gonzales Revilla convey the following information to President Carter:

1. General Torrijos has decided to follow our position on non-intervention. "Because of the respect and friendship which he has for President Carter, he accepts and obeys this policy."

2. A most important element in the situation is the support which Nicaragua has received from El Salvador, Honduras, and Guatemala. He said it was a shame that U.S. passivity had allowed these three countries to come to the aid of Nicaragua.

3. It is necessary for our mediation effort to produce early progress and results.

4. The problem of Nicaragua is not one for the OAS; it is a problem for a psychiatrist. Somoza has undertaken the strategy of attacking his own people and exterminating all leftists.

5. El Salvadorean President Romero had asked Torrijos to ask President Carter for international humanitarian assistance.

6. Torrijos asked that Jimmy Carter have as much faith in Torrijos' judgment as Torrijos has in Carter's.

¹ Source: Carter Library, Staff Offices, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 8-12/78. Confidential.

7. Torrijos will make sure that Venezuelan planes, which are now stationed in Panama, will not take off for Nicaragua.

In answer to my question of why Torrijos had considered an air strike last night, the Foreign Minister said that Torrijos and Perez had received reports saying that the human rights situation in Nicaragua was getting extremely bad, and that something more dramatic was necessary.

I asked him why he thought Torrijos had called the attack off. He answered: "because of the President's personal intervention" and because of the persuasiveness of our arguments. He said that he conveyed the message from me and from Dr. Brzezinski much more strongly than we had. *He also said that one very important thing is for us to continue sending encouraging signs and words to both Torrijos and Perez.*

Torrijos called the Foreign Minister again at 4:30 p.m. and said that he wanted to work closely with the United States again. The General intends to call the Presidents of Bolivia, Ecuador, Argentina, Honduras, El Salvador, and Guatemala and ask them to support the mediation effort and to suggest a ceasefire. *Torrijos asked that we instruct General McAuliffe to call the military leaders in these countries to make the same point.*

198. Memorandum of Conversation¹

Washington, September 23, 1978, 11:20 a.m.–noon

PARTICIPANTS

U.S.

Zbigniew Brzezinski, Assistant to the President for National Security Affairs

Warren Christopher, Deputy Secretary, Department of State

Frank Moore, Assistant to the President for Congressional Liaison

Robert Pastor, Staff Member, NSC (notetaker)

Panama

Nicolas Gonzalez-Revilla, Minister of Foreign Relations

Ricardo Bilonick, Chargé to the U.S.

Gabriel Lewis

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron., Panama, 7–12/78. Secret. The meeting took place in Brzezinski's office.

SUBJECT

Nicaragua

Dr. Brzezinski began by expressing the President's apologies that he would be unable to meet with the Panamanians as he had wished, but it might be possible to see the President briefly when he leaves for Pennsylvania at 12:30² (they did).

Dr. Brzezinski said that the President has given the issue of Nicaragua his personal attention. Frankly, Dr. Brzezinski said, the U.S. Government was very unhappy about the message which was received early Friday morning from Gen. Torrijos.³ There are two ways to interpret that message. First, that Gen. Torrijos really intended to launch an attack, and if this were the case, that would have had very serious consequences for Panama, for U.S.-Panamanian relations, and for all of Central America. The second interpretation is that the message was intended to stimulate the U.S. to action, and we, frankly, don't appreciate that either. *The U.S. is trying to work out a peaceful solution to the problem, and this kind of action is not helpful.*

Dr. Brzezinski stressed that *it was not only a matter of overthrowing Somoza, but of creating stable and peaceful conditions for a genuine move to democracy.* It's very easy to polarize the situation, but if that occurs—if the Communists win, or if Somoza wins after a long, hard civil war—that will produce serious consequences for the entire region. The difficult thing is to create a political environment where peace and democracy will prevail. This is the path which the U.S. is pursuing, and we did not find Gen. Torrijos' message helpful in that regard.

Gabriel Lewis explained that it was "not my message, but I had a responsibility to deliver it." He also said that it was a matter of great concern to him.

Dr. Brzezinski said that in medieval times, the bearer of bad news would lose his head! In a more serious vein, Dr. Brzezinski said that either of the interpretations is not the proper way to deal with the U.S. Whatever the reason for the telephone call, we don't appreciate it, and the Panamanians should understand the consequences for our relationship of taking such action.

Dr. Brzezinski said that the U.S. is serious about working out this problem, which we see as not only getting rid of Somoza but also creating conditions through a mediation process which will lead to an enduring solution. He said that international intervention would make

² According to the President's Daily Diary, Carter flew to Pittsburgh to meet with state and local Democratic Party officials. (Carter Library, Presidential Materials, President's Daily Diary)

³ Presumably a reference to Document 195.

that difficult. In answer to a question from Gabriel Lewis, Dr. Brzezinski said that the U.S. is determined to be very frank and equally direct on this point with the Salvadoreans and the Hondurans as we are with the Panamanians.

Lewis said that Torrijos had been very disturbed about the possibilities of Salvadorean P-51 Mustangs fighting in Nicaragua, and Dr. Brzezinski said that Nicaragua also had Mustangs.

Dr. Brzezinski said that there were reasons to believe that Somoza would try to distract the U.S. by proposing an internal mediation formula, but the U.S. believed some external mediation would also be important. He closed by saying that it was important for the U.S. and Panama to work closely together in pursuit of these objectives.

Foreign Minister Gonzalez-Revilla said that *what had moved Panama was a lack of progress by the U.S.* The Panamanians were concerned that Somoza's program to pacify the country by killing so many people would consolidate his hold for another 40 years. Panama recognized the implications of what Dr. Brzezinski said, but was still very concerned that if this opportunity for change in Nicaragua was lost, it might not occur again for a long time.

The Foreign Minister said he had spoken with Gen. Torrijos, and *Torrijos said he will fully support the process of mediation and the U.S. effort, and he will not undertake any military action.* In short, Torrijos said that he will trust the U.S., but this leaves a very large responsibility on the shoulders of the U.S. *General Torrijos has already called many leaders to support the mediation effort.* And he agrees that we should begin considering alternatives. Torrijos suggested that the three Rs—Rivas, Robelo and Ramirez—are a feasible solution to the problem. Torrijos also said that CONDECA (the Central American Defense Council) could serve as a "liberation army" under U.S. patronage if a peacekeeping force were necessary.

The Foreign Minister said, however, *if there is no progress, the internationalization of the conflict is almost inevitable,* so Panama is now fully behind the U.S. effort.

Deputy Secretary Christopher welcomed the Foreign Minister's statement on a mediation effort. He explained that U.S. policy has to work within a kind of paradox. On the one hand, the U.S. wants to be modest in its approach, but at the same time, others want us to play a leadership role. We first tried to throw our support behind a Central American mediation effort, but everyone said that the U.S. should take the leadership. We have reluctantly assumed that leadership, but still we want others to be involved in a genuinely multilateral effort. While Panama perhaps should not be directly involved in the mediation effort, Christopher said that he hoped Panama would continue to signal its support for the effort.

Christopher said that the U.S. does not intend to let Somoza manipulate the mediation to his own ends. One item that has to be on the table in the mediation effort is Somoza's tenure in office. Bill Jorden has instructions to see Somoza this afternoon and to be firm on this point.⁴ If Somoza agrees to mediation, the U.S. will designate a distinguished lawyer to be our mediator. Other countries should also designate mediators.

Christopher said that the U.S. understands Panama's concern that Somoza may reassert himself, but the U.S. does not see an end to the conflict now. There is only a lull; we realize it won't last.

Christopher said that we have been working in the OAS for a resolution, which we hope will pass today. It is not all that we wanted, but it will be satisfactory. If the resolution is defeated, it will send the wrong signal to Somoza by showing him that the hardliners in the Hemisphere have prevailed.

The Foreign Minister said that he would support the U.S. resolution.

Dr. Brzezinski said that mediation is a process which we want to set in motion, but we don't want to set in train an ideological emotionalism which will try to sweep away a number of leaders in the Hemisphere. If this is the case, who will be next? Pinochet? Castro? Or someone else? If we are not careful, this will open the gates to ideological warfare and chaos. The reason we are involved in Nicaragua is because the situation has clearly gotten out of hand, but we need to be very careful because this is an extremely dangerous game.

Lewis asked *Dr. Brzezinski* whether he meant that during the mediation process, it is essential that other parties be more careful and lower their profile rather than raise it? He asked whether *Dr. Brzezinski* was referring to Venezuelan planes in Costa Rica.

Both *Dr. Brzezinski* and *Christopher* said that the U.S. is discouraging military intervention from all quarters. The Venezuelan planes suggest a muscularity that is not helpful to the process.

Christopher said that the real danger is that the planes could be used.

Dr. Brzezinski said that danger of escalation is very great. Suppose Somoza invited some help; this then would provoke a counter response. He suggested that the presence of Venezuelan planes in Costa Rica should be phased-out.

The Foreign Minister asked whether it was correct to assume that the mediation process is based on a phase-out of the Somoza regime.

⁴ In telegram 4618 from Managua, September 25, Jorden summarized his meeting with Somoza during which Somoza accepted mediation but balked at the U.S. Government's preferred mediator. (National Archives, RG, Central Foreign Policy File, D780392-0120)

Dr. Brzezinski said that will be the outcome of the process, but the U.S. wants to contribute to a process which mobilizes the great variety of moderate forces in Nicaragua to help create something that is democratic and viable. The alternative is chaos.

The Foreign Minister said that under those circumstances, Panama will push very hard, even with President Perez and the rest of the anti-Somoza groups. The Foreign Minister said that he understands that this mediation process will not stop even if Somoza believes he has pacified the country.

Dr. Brzezinski stressed that Somoza has to be one of the parties to the mediation process to assure that the transition is stable and certain.

Christopher said that we don't expect Somoza to manipulate the process in a way which will permit him to remain in power. Both the schedule of departure and the nature of the transition are very important elements of the process.

The Foreign Minister asked if the U.S. would consider it a failure if, after 12 months, Somoza is still in power and Nicaragua is pacified.

Dr. Brzezinski said that he would not put a deadline on the process. The purpose is to create a process which will affect the Nicaraguan political structure, from one which is dominated by Somoza to a more pluralistic system. We do not want to change the system by violence. He said that the U.S. accepts and shares a part of the responsibility, but the responsibility also rests with Panama, Venezuela and others. It is necessary that all of our countries work together, and Panama should work towards that end with other governments and with the opposition, including the extremists, which Panama has been supporting. Dr. Brzezinski said that there is a larger historical point which we should not overlook. Do we really want to change the internal politics of other governments? We have problems with that, but believe that to the extent it is done, it must be a genuine collective endeavor.

Lewis said that he had spoken to Torrijos, and Torrijos had said that there was some confusion about who is helping and who are the extremists. Torrijos claims that the extremists are isolated in Cuba and that the Sandinistas who are fighting in Nicaragua only intend to change Nicaragua into a kind of Costa Rica. Before going to Panama last time, Lewis said that he had spoken with Bob Pastor and gotten the strong impression that the U.S. does not like the Sandinistas. He had conveyed this to Torrijos.

Dr. Brzezinski stressed that much more was at stake than apparent. The U.S. wants a more natural, cooperative relationship with Panama, but support for extremists would make that difficult.

Christopher said that there needs to be a reconciliation in Nicaragua. The last thing the U.S. wants is to substitute a system in which one person is dominant, for a system where one group dominates.

Lewis said that Nicaraguans cannot wait until 1981, and that Panamanians assume that something will have to be done before that.

Christopher said that he had never been confident that Somoza will leave in 1981 and that his personal view was that the situation wouldn't hold until then. But as to the exact date, that would be something which the mediators would have to decide themselves.

Dr. Brzezinski asked that the Panamanians help us identify good prominent leaders in Nicaragua to bring into the political process.

Lewis said that he would hate to see Nicaragua turn Communist and asked if we knew anything about the three R's.

Pastor said that Robelo was a prominent young businessman, Cordova Rivas was a relatively traditional politician, and Ramirez was from the Group of 12 and probably a Sandinista.

The Foreign Minister asked whether we contemplated the mediation effort to be within the OAS or outside?

Christopher said he thought it would be outside the OAS since Somoza has too much support in it. We hoped, however, that the OAS would include in its resolution something which urged other nations to offer their good offices.

199. Letter From President Carter to General Torrijos¹

Washington, October 4, 1978

Dear General Torrijos:

In just one year's time the two treaties which you and I have signed and solemnized will enter into force. We have affirmed that, as partners in a common purpose, our two countries want the period of transition which lies ahead to be smooth and effective. Making this a reality will require the dedication, foresight, and understanding of many individuals. Ambassador Moss will be assuming his duties at this particularly auspicious moment.² He has my highest confidence in representing me as we work together at our common task.

I expect all United States Government officials associated with efforts to plan and implement the treaties to perform their tasks with

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera 8/78–12/79. No classification marking.

² Moss became Ambassador to Panama on September 30.

flexibility and with political sensitivity. As they work with representatives of the Government of Panama, these officials will seek solutions to problems in the same spirit that led us to agreement last year.

In the months since you and I exchanged ratification documents for the Panama Treaties, representatives of our two countries have made a promising beginning in planning for treaty implementation. They have approached this task in good faith, as equals, and with a determination to overcome differences. I am confident that these contacts will be broadened and deepened during the next year, and that there will be full opportunity for consultation before decisions are taken in all matters affecting our mutual interest. Ambassador Moss and other U.S. officials are pledged to work closely with your representatives on this basis.³

Sincerely,

Jimmy Carter

³ At the end of the letter Carter added: "P.S. Implementing the treaties will not be easy. You and I need to stay in close touch and to work in complete harmony during the next few months. Best wishes. J.C." The Department of State and Aaron recommended that Carter send this letter to encourage Torrijos to shift his focus from Nicaragua back to the Canal and to provide Moss with a "handle for encouraging the American community in the Zone to consult more fully with the Panamanians and to work more closely with them." (Memorandum from Aaron to Carter, October 4; Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Country Chron., Panama, 7–12/78)

200. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, October 5, 1978

SUBJECT

Panamanian Ties to the East

You asked me to follow up on an intelligence report which you saw,² which indicated that a Panamanian delegation visiting the USSR and Eastern Europe in August and September strengthened its relationships and built new ones.³ You mentioned that these activities should be “actively discouraged.” As you will recall, when I met with Torrijos last May⁴ and again in August,⁵ I made very clear the depth of our concern about reports we had heard of possible new trading and other relationships between Panama and the Soviets. I told him, and I repeated the same message to his foreign minister twice, that any effort on Panama’s part to expand its ties with the East would have a very serious and negative impact on the implementing legislation which Congress is considering. Both Torrijos and his foreign minister told me that they heard and understood my message. Since receiving your note, I have spoken with our new Ambassador, Ambler Moss, and suggested to him that he use the opportunity of his first meeting with Torrijos, where he will deliver the President’s letter, to reiterate our great concern on this matter.⁶ He has agreed to do that, and indeed,

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File, Country Chron Panama, 7–12/78. Secret. Brzezinski placed a checkmark on the top-right corner of the memorandum.

² Not found.

³ In telegram 7353 from Panama City, October 6, the Embassy reported on the Panamanian trade mission to Eastern Europe. The delegation reportedly negotiated several agreements on commerce and scientific-technological exchanges, expressed interest in a visit by Torrijos or a Panamanian Foreign Minister to the region, and sought normalization of consular and diplomatic relations. (National Archives, RG 59, Central Foreign Policy File, D780413–0449) In telegram 20692 from Moscow, August 29, the Embassy reported that the Panamanian delegation visited the Soviet Union August 20–27 to discuss “opportunities for economic cooperation.” (National Archives, RG 59, Central Foreign Policy File, D780353–0705)

⁴ See Document 179.

⁵ Not further identified.

⁶ Brzezinski highlighted and underlined this sentence. In telegram 7412 from Panama City, October 11, Moss reported on his first meeting with Torrijos, which occurred on October 10. During the meeting Moss delivered Carter’s letter, which is printed as Document 199. (National Archives, RG 59, Central Foreign Policy File, D780416–0461)

informed me that he was hearing a similar message during his consultations on the Hill, particularly from Senator Byrd and Senator Church.⁷

As regards to the accuracy of the intelligence report, my first reaction—which was confirmed by the CIA in a later conversation—was that some of the information seems wrong, some is old; and part is distorted. I have asked the Agency to do a paper for us on the whole report,⁸ but let me describe my first impressions. First of all, the Panamanians have been discussing the possibility of building a new hydroelectric plant with the Soviets for a long time; I would be surprised if an agreement has been reached on that. Secondly, my impression of the primary purpose of the Panamanian trip was to get the Soviets and their allies to sign on to the Neutrality Treaty. The Panamanians have been pursuing signatures to the Neutrality Treaty in every forum—the UN, OAS, the Non-Aligned Movement. They believe that the more numerous the signatures and the more diverse the signators, the more valid the Treaty. Surely, we cannot fault them for that.

There are *two questions* related to Panama's apparent desire to seek new ties with the Soviets and East Europe. One is the question of *timing*; and no one with any understanding of the American political system—and that includes Torrijos and certainly most of his advisers—could think that this was a good time for such an initiative. The second question is whether, in the *long-term*, we should actively discourage normal, commercial ties—like we and many Latin American governments have with the Soviet Union and East Europe—by Panama.

There is no question in my mind that we should actively discourage such ties by Panama during this transition period of the next two years, especially while the implementing legislation is being considered. However, in the long term, I do not believe that it is right for us to discourage the Panamanians from doing something that we ourselves do, or which many of the Latin American countries, like Colombia, Venezuela, Costa Rica, Argentina, etc., do. It would be hypocritical and paternalistic for us to tell the Panamanians not to do something we ourselves do, and to a country as sensitive to U.S. paternalism and hypocrisy as Panama is, it would likely be ineffective, and it would make us look terribly inconsistent.

One of Panama's foreign policy goals is clearly to project itself as a *neutral* as well as a Non-Aligned country. Panamanians believe that neutrality and non-alignment are essential for them to effectively run the Canal, and in the long term, I believe they will pursue that path.

I will send forward the report from the Agency on this intelligence item as soon as I receive it.

⁷ Brzezinski highlighted this sentence.

⁸ Not found.

201. Memorandum of Understanding¹

Washington, undated

MEMORANDUM OF UNDERSTANDING CONCERNING THE
COORDINATED DISCHARGE OF THE RESPONSIBILITIES OF
THE UNITED STATES AMBASSADOR IN THE REPUBLIC OF
PANAMA AND THE ADMINISTRATOR OF THE PANAMA
CANAL COMMISSION

The entry into force of the Panama Canal Treaty will significantly change the environment and the purposes of U.S. Government activity in the Republic of Panama. In particular, a major new responsibility of the United States will be to assist Panama to prepare for its stewardship of the Panama Canal. In this regard, all agencies of the U.S. Government in Panama will conduct their activities in full consideration of their impact on U.S. relations with Panama. Effective implementation of the Treaty will require consultation among U.S. agencies operating in Panama and full cooperation in the coordination of the policies and activities of these agencies.

The Panama Review Committee (PRC), established pursuant to NSAM No. 296² and NSDM 22,³ will continue to serve as the principal forum in Panama for such consultation and coordination. Upon entry into force of the Treaty, the PRC will be composed of the Ambassador to Panama, USCINCSO, and the Administrator of the Panama Canal Commission. The PRC shall be chaired by the Ambassador, and will meet periodically or at the request of any member.

The PRC shall be the forum for the exchange of reports and information, and for the coordination of actions and proposals relating to the implementation of the Panama Canal Treaty, as they bear upon United States/Panamanian relations. The members will endeavor to resolve promptly in Panama any differences which may arise between them, and, if necessary, will refer such matters through appropriate channels to Washington.

¹ Source: Washington National Records Center, OSD Files, FRC: 330–81–0202, Panama 821 (Oct-Dec) 1978. No classification marking.

² See *Foreign Relations*, 1964–1968, vol. XXXI, South and Central America; Mexico, Document 414.

³ See *Foreign Relations*, 1969–1976, vol. E–10, Documents on American Republics, 1969–1972, Document 522.

In order to ensure that U.S. activities in the Republic of Panama in implementation of the Panama Canal Treaty are effectively coordinated, the following instructions shall apply:

—The statutory responsibilities of the Ambassador are set forth in P.L. 93-475, dated October 26, 1974, (22 U.S.C. 2680a). The statutory responsibilities of the Ambassador and the Administrator also will be prescribed in Sections 102 and 207 of the legislation implementing the Panama Canal Treaties.

—Pursuant to Presidential Guidance, the Administrator, as Chief Executive Officer of the Panama Canal Commission, subject to the direction and supervision of the Board of Directors, executes the responsibility of the Commission with respect to the management, operation, and maintenance of the Panama Canal.

—The Ambassador in the Republic of Panama has the responsibility to assess the effect of Panama Canal Commission plans and activities in light of U.S. objectives in the Republic of Panama and to make appropriate observations thereon, in Panama and in Washington. His concern will be with the effect of Panama Canal Commission activities on U.S. relations with the Republic of Panama, and not with management, operation, and maintenance of the Panama Canal. Of equal importance, he is responsible for assessing the impact of the Government of Panama's policies and activities on U.S. objectives and for promoting the GOP's understanding and acceptance of these objectives. The Ambassador shall have no authority to direct the Administrator to initiate or to withhold policies or activities regarding the management, operation, or maintenance of the Canal.

—To enable the Ambassador to discharge his responsibility, the Administrator will keep the Ambassador fully and currently informed with respect to the official activities and operations of the officers and employees of the Commission in the Republic of Panama. In particular, the Administrator will inform the Ambassador of the proposed initiation of major activities, operations, or changes in policy of the Commission in reasonable time to permit the Ambassador to comment on such matters in Panama, and, if required, in Washington, prior to their initiation. The Ambassador shall similarly inform the Administrator of all activities and policies of U.S. agencies in Panama which may affect the management and operation of the Canal and provide him the same opportunity for comment.

—The Administrator will coordinate through the Ambassador proposed official contacts between Panama Canal Commission and Panamanian Government officials other than those normally involved in the Commission's activities. He will keep the Ambassador informed of the results of these as well as other significant contacts with Panamanian officials.

The procedures outlined above apply to the planning and preparation for the implementation of the Panama Canal Treaty prior to its entry into force, and subsequently to its implementation.

Charles W. Duncan, Jr.⁴

*Deputy Secretary
Department of Defense*

Warren Christopher⁵

*Deputy Secretary
Department of State*

Clifford L. Alexander, Jr.⁶

Secretary of the Army

⁴ Duncan signed on October 19.

⁵ Christopher signed on October 11.

⁶ Alexander signed on October 13.

202. Memorandum of Conversation¹

Washington, November 1, 1978, 10–11:30 a.m.

SUBJECT

Panama

PARTICIPANTS

Gabriel Lewis, Ambassador-at-Large, Panama
Robert Pastor, NSC Staff Member

Lewis gave me a detailed briefing on recent political and economic developments in Panama. He is convinced that Royo is not only getting used to being President, but also is determined to build an independent political base and take charge of the Panamanian Government. Secondly, Royo apparently realizes the difficult economic state Panama

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Country Chron., Panama, 7–12/78. Confidential. The meeting took place in Room 392 of the Old Executive Office Building. Pastor forwarded this memorandum to Brzezinski and Aaron under a November 2 covering memorandum. Brzezinski placed a checkmark and wrote “good” on the covering memorandum. (Ibid.)

is currently in, and intends to throw his full weight behind the business community, abandoning whatever leftist supporters he once had. Examples of this include various recommendations which Royo has accepted from Lewis on establishing business advisory committees. Royo has also agreed to appoint a number of people which Lewis has recommended. Thirdly, Royo is determined to appoint the best people to high governmental positions even when that means the firing of Torrijos' relatives. For example, Royo has fired Hugo Torrijos as Director of the Casinos, and has appointed Sosa to clean up the operation there. He has also refused to appoint Torrijos' brother to be Ambassador to Spain and instead will be sending Jaime Ingram, Head of the Cultural Department in Panama and a famous pianist. Torrijos has apparently acquiesced in all of these actions.

Lewis has become very close to Royo, and has been asked to advise him on almost a daily basis. He said that he would not have accepted this position, which he does without remuneration, unless he was convinced that Royo could be a good President. (Comment: A more accurate description, in my opinion, is that Lewis would not have accepted the position unless he could have a lot of influence on Royo's actions, which he apparently has had.)

Lewis has come to the U.S. this time for three reasons. First, he has come to describe what Royo stands for and what he intends to do. He has already spoken to Hamilton Jordan and Frank Moore. Secondly, he wanted to explore the possibilities of a State visit by Royo. Thirdly, he wanted to ask Hamilton, who knows the Saudis as well as he knows the Panamanians, to recommend to them that they invest their money in Panama's international banks. He believes that Panama's international requirements for investment are enormous, and that Saudi money will be essential.

I was very frank with Lewis. I told him that he has got a long way to go before the idea of a Royo State visit is even conceivable to us. I said that at this time, Panama is identified with the Sandinistas, Royo is seen as a puppet of Torrijos and a leftist, and the primary U.S.-Panamanian issue on our agenda—implementing legislation—is in jeopardy because of these two points. I told him that Royo needs to establish his credentials as someone who is pro-business, is in charge, and has a clear and fiscally sound economic policy. Furthermore, Royo needs to show the world that the Panamanians are not consorting with the Sandinistas. Until these points are clearly demonstrated to the American people, it would be difficult for the U.S. Government to consider encouraging the Saudis to put their money in Panama, and it would be inconceivable to consider a State visit. Moreover, I suggested that he discourage Royo from thinking about quick-fix, international cures to their internal economic problems. The real answers must come from internal policies by Panama.

After some give-and-take, we talked about a three-step process. First, the Panamanians consider a high-level trip to Saudi Arabia for the principal purpose of explaining to the Saudis where Panama is on the map, as well as the fact that Panama is a banking center. Secondly, Royo needs to do a number of things in Panama which show the new direction he is heading, and then he can demonstrate his new image in the U.S. by a private visit to New York and Washington to meet with the U.S. business community. Finally, if these conditions were met, I told him that we would consider endorsing Panama's request for Saudi investment. As regards a State visit, we would consider it at that time. I was in short very noncommittal.

Lewis will now seek an invitation from the Saudi Government for a high-level delegation to visit there.

Robert A. Pastor

203. Telegram From the Department of State to the Embassy in Panama¹

Washington, November 17, 1978, 0220Z

291606. Distribute as Nodis, For Amb. From Assist. Secy. Vaky. Subject: Nicaraguan Mediation.

1. You should draw upon State 291407 to bring Torrijos up-to-date on the mediation effort,² emphasizing that we hope and expect he will do everything in his power to restrain the Sandinistas from further violence. Your talking points should include the following.

2. We are deeply committed to the success of the mediation effort, which is now at a critical stage. An outbreak of widespread violence at this point would cause the effort to fail. Somoza could win, or radical elements could prevail and impose their own form of dictatorship.

¹ Source: National Archives, RG 59, Central Foreign Policy File, P840139–1827. Secret; Immediate; Exdis; Distribute as Nodis. Sent Immediate for information to the White House. Drafted by Grove and Haahr, and approved by Vaky and Richard Castrodale (S/S-O).

² In telegram 291407 to all American Republic diplomatic posts, November 16, the Department delivered instructions to brief heads of state on the Nicaraguan mediation effort and to ask for their support of the U.S. stance. (National Archives, RG 59, Central Foreign Policy File, P840139–1838)

Democracy is not the likely outcome of a civil war in which thousands of persons would be killed.

3. If Panama in any significant way contributes to a renewed outbreak of fighting, this would have a profoundly negative effect on the present excellent nature of our relations and the good feeling that has been so evident in the course of 1978. Such a negative effect would be evidenced within the administration and would obviously extend to the Congress which will have the implementing legislation before it in late January. It should be clearly understood that if such an effect results as a consequence of Panamanian involvement in the Nicaraguan crisis, then Torrijos and Panama will have been responsible for the inevitable consequences in our ability to do business in the same way as we have done so successfully up to this point.

4. Certain information available to us is both disturbing and puzzling. That information ranges beyond earlier reports of support for certain elements of the Sandinistas, including the provision of arms. Even more disturbing are reports of shipments of substantial quantities of arms from Cuba through Panama destined for hostilities in Nicaragua. Such latter reports add an entirely new dimension to the equation and, in fact, to our perception of our relations. (FYI: see State 281987³ and your 8065,⁴ also 470th Report 2-771-0622-78⁵ and HQ AFOSI 081900Z Nov 78,⁶ end FYI.)

5. In short, the success of what our two countries have sought for a substantial number of years could be jeopardized by Panamanian actions. Torrijos should know this so that there is no misunderstanding between us in interpreting our attitude.

Vance

³ Not found.

⁴ In telegram 8065 from Panama City, November 5, the Embassy reported on conversations with Torrijos and evaluated the motive of "alleged arms shipments as attempt to maintain supposed influence over Terciario Faction of FSLN." (Department of State, INR/IL Historical Records, TIN: 980643000018, Box 15, Panama City)

⁵ Not found.

⁶ Not found.

**204. Memorandum From the Department of Defense
Representative for Panama Canal Treaty Affairs (Dolvin) to
Multiple Recipients¹**

Washington, January 16, 1979

SUBJECT

US-Panama Canal Treaty Consultation

1. *Summary.* The United States-Panama Joint Review Group (JRG) met in Panama during the period 8–12 January 1979. During the visit, the U.S. contingent participated in the signing of three treaty-related bilateral agreements, received treaty implementation status briefings from the Panama Review Committee (PRC) and the Binational Working Group (BWG), made a courtesy call on President Royo, and met with representatives of various Canal Zone Labor and Civic groups. Three major points emerged as characteristic of the current situation in Panama. First, the U.S. decision on the new labor-management system and wage policy may become a bilateral issue. It is clear that the Government of Panama (GOP) fully supports labor's position for maximum benefits and high wages. Second, implementation planning at the Joint Subcommittee level has reached a critical stage—with most committees now engaged in detailed planning to accomplish agreed upon objectives. Planning cycle involves establishing procedures, identifying resources, scheduling training, and then actual implementation. The one major exception is the juridical subcommittee which has yet to meet. Both parties realize the need for urgent action in order to meet 1 October 1979 implementation deadline. Formation of the new Panama Canal Authority (PCA) should help reduce planning lag on GOP side. And third, the spirit of cooperation and friendship established as the result of the treaty ratification atmosphere remains good. President Royo pledged his government's full cooperation in making the Canal Treaty work and will apparently exercise close supervision over all treaty-related matters.

2. *Bilateral Agreements.* One of the major objectives of the trip was to participate in the formal signing of the FAA Agreement and to resolve differences which were delaying conclusion of the Prisoner Exchange Treaty and the Cemetery Agreement. The FAA Agreement, which concerns air traffic control and related services, was signed on

¹ Source: Washington National Records Center, OSD Files, FRC: 330–82–0205, Pan (Jan-Apr 1979). No classification marking. Duncan initialed the memorandum. A stamped notation reads: "Jan 17 1979 Dep Sec Has Seen." Sent to Duncan, Alexander, Jones, and McGiffert.

8 January 1979. The final details of the other two pacts were negotiated by representatives of both parties and the formal signing ceremony occurred on 11 January 1979. All three agreements were called for in the Panama Canal Treaties and related agreements. Details on the latter two agreements are at Tab A.²

3. *Labor Issues.* The major topic at all levels of our consultations was the USG determination of its labor-management policy and the wage scales for various types of canal-related employees—both Canal Commission and Defense. Although our policy is still under active consideration, the GOP has come down strongly on the side of the local unions. Lewis projected the subject to the forefront with a sweeping statement that the only “Just” solution for the wage problem was maintenance of the U.S. wage scale for old *and* new USG employees in Panama. Specifically, the GOP favors one wage scale, wage bargaining, no RIFS for Panamanians, and delayed bumping rights for Commission employees needed by Panama. We avoided any specific discussion of the USG position, but Lewis made it clear that labor was the principal treaty implementing issue and described it as a dynamic political problem which was key to the “partnership” concept of the new treaties. Lewis did acknowledge, however, that under the provisions of the Canal Treaty, the USG had the unilateral right to decide the final labor policy and wage scales.

4. *Treaty Implementation Planning.* The JRG received in-depth briefings on the status of implementation planning from both the unilateral and bilateral points of view. Talks with the PRC, the BWG, and detailed reports from selected subcommittees (ports/railroad/post office) produced the following general impressions:

Implementation Planning Status. Both the Defense and canal subcommittees have generally reached agreement on their planning objectives and are heavily engaged in developing specific plans to accomplish same. The one principal exception is the juridical subcommittee which has yet to meet. Working atmosphere is good and the BWG is carefully monitoring the subcommittee performance to insure that any disagreements are resolved at the appropriate level. The next several weeks are critical, as proposals from both side are considered and adjudicated. Some lag time has been experienced on the GOP side due to their up-to-now slow policy and decision-making process, key personnel shifts,

² Attached but not printed. The Prisoner Exchange Treaty made it possible for Americans arrested and convicted under Panamanian legal jurisdiction to request to serve their sentences in the United States. The Cemetery Agreement provided that a portion of the Corozal Cemetery, where many Americans were buried in the former Canal Zone, be permanently maintained by the American Battle Monuments Commission as a suitable resting place for deceased Americans.

and a lack of knowledgeable personnel on some subcommittees, particularly on the military side of the house. Problem is particularly acute on the Guardia Nacional staff representation,—where in some cases Lieutenants are facing off with U.S. Colonels and Lieutenant Colonels. This problem is being addressed and the GN is already using civilian technicians from other GOP agencies to form their representation on some subcommittees.

Panama Canal Authority. The appointment of Gabriel Lewis, the former Panamanian Ambassador to the U.S., as head of the new GOP Panama Canal Authority (PCA) should lead to a more responsive Panamanian implementing capability. All treaty-related actions will be coordinated through the PCA. Lewis claims to have authority to make decisions and cut through red tape. He has just completed assembling his “Team” and is now awaiting a USG response to his urgent request for the use of a building in the Zone to house the PCA.

GOP Capability. A major USG concern has been the capability of the GOP to assume all treaty-related responsibilities assigned to them by 1 October 1979. It appears that the GOP will retain primary responsibility for running public service type functions (ports/railroad/post offices) and will contract out many of the commercial-related functions (drydock/bunkering). Lewis indicated that the GOP will have a list of PCC employees this week that Panama would like to have help operate those functions and activities being transferred to Panama. Persons selected will be offered direct GOP employment or a reimbursable detail from Panama Canal Commission (PCC) as inducement to continue in present jobs after October 1. Lewis and GOP are asking for “delayed bumping rights” for employees who elect to accept reimbursable detail until GOP has hired Panamanian replacements or they are no longer needed. PCC stressed need for GOP decisions ASAP and no later than April 1 for PCC employees needed to support transferred activities and also stressed need for similar decisions re extent of PCC support required by GOP (e.g., heavy electrical repair for railroad).

5. *CZ Civic and Labor Organizations.* Ambassador Popper and I met with some 70 representatives of the various Canal Zone Civic Councils and Labor unions on 11 January 1979. Purpose of the meeting was to solicit views from group on treaty implementation and related problems. Tenor of meeting centered on resident concerns regarding wages, early retirement, future of the Canal Zone College and the status of non-profit organizations (churches/YMCA/Fraternal Organizations) under Panamanian jurisdiction. In regard to the Canal Zone College, we informed the group of the recent favorable decision made by Mr. Duncan to sustain the school system substantially as it is for FY 1980. Residents see the College as a major factor in maintaining their “Quality of Life” under the new treaties. Representatives also requested that

Canal Zone residents be kept better informed of treaty-related developments. Labor leaders used this occasion to further publicize demands for rights and privileges that are not in the treaty nor the Administration version of the Implementing Legislation. (Collective bargaining for wages/use of DOD facilities after 5 year cutoff/U.S. minimum wage for new employees/early retirement option for DOD employees, etc.)

6. *Miscellaneous*. During the course of our discussions with the PCA, representatives reaffirm GOP intent to satisfactorily settle outstanding debts to the Panama Canal Company and to waive any claim for retroactive taxes on U.S. businesses operating in the Canal Zone. Discussions are currently underway concerning the debt repayment schedule. The signing of the bilateral agreements and the resolution of the GOP debt and taxation issues are both concrete examples of the willingness of both sides to overcome obstacles and get to the work at hand—planning for the 1 October 1979 implementation of the Canal Treaty. While considerable progress has been made since our September 1978 trip to Panama,³ much work remains to be accomplished in the months ahead.

Welborn G. Dolvin

Lieutenant General, USA (Ret)

Department of Defense Representative for Panama Canal Treaty Affairs

³ See Document 194.

205. Memorandum From the Director of the Office of Management and Budget (McIntyre) to Multiple Recipients¹

Washington, January 18, 1979

SUBJECT

Panama Treaty Implementation

1. In accordance with decisions made by the Office of Management and Budget and approved by the President, the following organiza-

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 1–5/79. No classification marking. Sent to Mondale, Vance, Blumenthal, Brown, Bell, Kreps, Adams, Alexander, Campbell, Jones, and Brzezinski.

tional arrangements will apply to the implementation of the new Panama Canal Treaty.

a. Oversight of the Panama Canal Commission will be exercised by the Department of Defense through the Secretary of the Army.

b. After 1 April 1982, consideration will be given to moving oversight (lead agency) responsibility to the Department of Transportation.

c. The U.S. Administrator (Deputy Administrator after 1989) of the PCC will be a civilian.

d. The U.S. Members of the Board of Directors of the PCC will consist of representatives of the Departments of Defense, State, Treasury, Transportation and Commerce. The Board will be chaired by the representative of the agency having lead responsibility.

e. Members of the Board of Directors, the Administrator and the Deputy Administrator of the PCC will be appointed by the President.

f. The United States Government agencies' representatives on the Board of Directors will also be members of a Washington-level interagency coordinating group. The interagency group will develop coordinated policy guidance on Canal and related issues, will coordinate matters associated with Treaty implementation, and will seek as necessary to resolve differences which may exist within the Panama Review Committee (the U.S. Ambassador to Panama, the Administrator of the Canal Commission, and the Commander of U.S. Forces in Panama). The interagency group will be co-chaired by the State and Defense representatives and will meet periodically, or at the request of any member. A member of the interagency group may designate another officer to represent his agency. The co-chairmen will keep all members informed of developments that occur between meetings. In the event that the interagency group cannot reach an agreed position on a matter involving an important U.S. interest, either of the co-chairmen may refer the matter to the appropriate agency within the Executive Office of the President.

g. The U.S. Members of the Board of Directors of the PCC will carry out their duties in conformity with coordinated policy guidance.

h. The Department of State, in consultation with the Department of Defense, will negotiate with the Government of Panama the composition of and procedures for a Consultative Committee to be established pursuant to Article III (7) of the Treaty.

2. Interim measures must be taken now to coordinate United States policy in preparation for Treaty implementation. For this purpose, the following arrangements are established:

a. Panama Canal Treaty Implementing Group. This group will serve as the forerunner of the interagency coordinating group (para. 1.f., above) and will be similarly constituted. It will seek, as necessary,

to resolve differences that may arise out of the PRC and will provide a vehicle for Washington-level coordination of Treaty implementation matters. The co-chairmen will keep all members informed of developments that occur between meetings. The Implementing Group will have no authority to direct the Secretary of the Army to initiate or withhold policies or activities regarding the management, operation or maintenance of the Canal or the conduct of the Canal Zone Government.

b. United States-Panama Joint Review Group. The Department of State will propose to the Government of Panama the prompt establishment of a bilateral review group to serve as the precursor to the Consultative Committee to be created under Article III of the Treaty. Participation of the United States will be coordinated by the State Department in consultation with the Department of Defense.

206. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, January 18, 1979

SUBJECT

Your lunch with Rep. John Murphy January 19, 1979

From the foreign policy perspective, your meeting² has three purposes: (1) to try to secure the cooperation of John Murphy in passing the *Panama Canal implementing legislation* by June; (2) to inform him that the *proposal* presented by the mediators for a *Nicaraguan plebiscite* on January 12 was our bottom line,³ and if Somoza does not accept it, or if he tries to draw out the negotiations by bickering over details, our relations with his government will be seriously and negatively affected; and (3) to make clear that you will not permit any linkage between the two issues. (C)

¹ Source: Carter Library, Congressional Liaison Office, Francis, Copeland, Small (Coordination), Freiberg, Brooks, Naechterlein, Tate, and Thomson, Box 6, Panama (Canal Treaty) Implementing Legislation—Working File for Bob Beckel, 5/30/78–3/28/79. Confidential. All brackets are in the original except those indicating text omitted by the editors.

² According to the President's Daily Diary, Carter met with Murphy from noon to 1:05 p.m. on January 19. (Carter Library, Presidential Materials, President's Daily Diary)

³ The proposal is discussed in telegram 220 from Managua, January 13, which is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XV, Central America.

As an opponent of the Canal Treaties, Murphy would be difficult enough to win over even if there weren't policy differences between us on Nicaragua. A classmate and very close friend of Somoza, Murphy is angry that your Administration has abandoned (what he views as) one of America's best friends, Anastasio Somoza. I suggest you read the cable summarizing Murphy's conversations in Panama for a flavor of his views on the two issues of Panama and Nicaragua. (see Tab A).⁴

Panama. Murphy introduced implementing legislation on Monday⁵ which causes us a number of problems. In particular, he wants to maintain continued Congressional authority by establishing an appropriated fund agency to run the Canal rather than an independent corporation as we prefer. Also, he wants to draw the American members of the Commission from private life, while we favor appointing USG officials so as to assure a coordinated US approach. We expect that our implementing legislation will be submitted next Monday.⁶ You should note our strong interest in cooperating closely with Murphy to pass a bill by June 1 and assure a peaceful and stable transition to a new Panama Canal administration. (C) (see Tab B).⁷

[Omitted here is information unrelated to Panama.]

⁴ Tab A is not attached. In telegram 243 from Panama City, January 10, the Embassy reported on Murphy's January 9 trip to Panama. Murphy advised Royo that Panama stay as far away from the situation in Nicaragua as possible because the "notion of Panamanian involvement could be disastrous for the passage of implementing legislation." Murphy characterized the Nicaragua situation as a problem "made in Washington" and the result of a "change in policy toward an old ally" that occurred during the Carter administration. (National Archives, RG 59, Central Foreign Policy File, D790014-0071)

⁵ January 15.

⁶ January 22. Carter forwarded the text of the administration's proposed treaty implementation legislation to Congress with a January 23 letter to Mondale and an identical letter to O'Neill. For the text of the letters, see *Public Papers: Carter, 1979*, Book I, p. 102.

⁷ Tab B is not attached.

207. Memorandum From Secretary of State Vance to President Carter¹

Washington, January 23, 1979

SUBJECT

Funding the Panama Canal Commission

In your discussion with Chairman Murphy on January 19,² he indicated his preference for a Canal operating agency whose funds would be appropriated by Congress as a part of the Department of Defense budget. He noted his disagreement with the proposal contained in the Administration's Panama Canal Treaty implementing legislation to establish the Panama Canal Commission as a Government corporation.

You asked for my comments.

The present Canal operating agency, the Panama Canal Company, is a US Government corporation. It prepares and submits to Congress an annual budget showing its projected revenues and expenses for the upcoming year. The budget is routinely reviewed each year in the Transportation Subcommittee of the House Appropriations Committee, and approved by law, subject to any limitations imposed by Congress. The Company's financial transactions are audited by the General Accounting Office under principles similar to those governing commercial transactions.

The Treaty does not specify the organizational form of the Commission. This issue is left for determination by the United States.³

The Treaty implementing legislation proposed by the Administration, with DOD concurrence, would continue the present system by creating the Panama Canal Commission as the corporate successor to the Panama Canal Company.

Chairman Murphy has introduced legislation which would abandon the corporate form and create the Commission as an agency subject to the authorization and appropriations process, under the general supervision of the Department of Defense. All revenues received by the Commission would be deposited in the Treasury. The Commission

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 1-5/79. No classification marking. Carter initialed the top-right corner of the memorandum and wrote: "Cy." Brzezinski forwarded the memorandum with Carter's notations to Vance under a January 31 covering memorandum. (Ibid.)

² See Document 206.

³ Carter underlined "does not specify" and highlighted this paragraph.

would expend money in such amounts and for such purposes as provided in annual authorization and appropriation acts. Murphy's desire is to tighten the degree of Congressional control over the Commission.

I believe the corporate form proposed by the Administration's legislation is preferable to Chairman Murphy's proposal for the following reasons:

—As a corporation, the Commission will be expected to be self-sustaining, thus limiting the possibility of subsidizing the Canal operation from general revenues through the annual appropriations process.⁴

—Efficient operation of the Canal requires a degree of operating flexibility and management discipline which the corporate form provides. It was for this reason that Congress in 1951 established the Panama Canal Company as a Government corporation.⁵

—Abandonment of the corporate form could politicize the operation of the Canal, through annual debates in Congress, and might lead to efforts by the shipping industry to keep toll rates uneconomically low.⁶

—The need for continuity supports retention of the corporate form. Conversion to another form of organization during the difficult period of transition to the new relationship with Panama would be unnecessarily disruptive.⁷

—Effective Congressional control over the Commission exists under the corporate form by virtue of the authority of Congress to review the corporation's budget. Through this procedure, every aspect of the Commission's operations is potentially subject to Congressional oversight and modification.⁸

—Finally, intensified Congressional involvement in Canal operations risks reducing the Panamanian voice in our delicately balanced partnership, with potentially adverse consequences.⁹

If you would like, I should be glad to get in touch with Chairman Murphy and make these points, expressing the Administration's position that we should retain the present type of arrangements at least through the two-and-a-half year transition period.¹⁰

⁴ Carter placed a checkmark in the right margin.

⁵ Carter placed a checkmark in the right margin.

⁶ Carter placed a checkmark in the right margin.

⁷ Carter placed a checkmark in the right margin.

⁸ Carter placed a checkmark in the right margin.

⁹ Carter placed a checkmark in the right margin.

¹⁰ Carter placed a checkmark in the right margin and wrote in the left margin "ok."

208. Action Memorandum From the Assistant Secretary of State for Congressional Relations (Bennet) to the Deputy Secretary of State (Christopher)¹

Washington, February 1, 1979

SUBJECT

Appearance Before Panama Canal Subcommittee of Merchant Marine and Fisheries Thursday, February 15 at 10:00 a.m.

ISSUE FOR DECISION

Whether to accept invitation to lead off Administration testimony on Panama implementing legislation.

ESSENTIAL FACTORS

You have been asked to be the first Administration witness before the Panama Canal Subcommittee of Murphy's Committee on Merchant Marine and Fisheries. Hearings begin on February 14, with a full day of Congressional witnesses. Carroll Hubbard, a staunch opponent of the treaties and a co-sponsor on Murphy's bill, is the prospective chairman of the Panama Canal Subcommittee and will conduct most of the hearings. Murphy is expected to issue an opening statement on February 15 and will probably remain throughout the State testimony.

Tentative plans are for you to lead off, followed by David Popper and Herbert Hansell in the morning session, with DOD witnesses in the afternoon. Duncan has already accepted the invitation to appear after the State witnesses on February 15.

Murphy has requested high-level representation from all departments, particularly from State and Defense as the lead agencies. It is important to accommodate Murphy since his support is absolutely essential to passage of the legislation.

On the subject of Nicaragua, Murphy has indicated on several occasions, both in Panama² and with the President last week,³ that it would not be a factor in his consideration of the legislation. We can only hope that he will not raise questions about our Nicaragua policy in the course of the hearings. He has promised his full cooperation in pushing the legislation through the House although he will probably try to amend it to resemble his own bill.

¹ Source: National Archives, RG 59, Central Foreign Policy File, P790021–0614. No classification marking. Drafted by Betsy Frawley (H) and cleared by Atwood.

² See footnote 4, Document 206.

³ See Document 206.

Recommendation:

That you accept the Committee's invitation to appear on February 15.⁴

⁴ Christopher checked the approve option on February 2. A memorandum for the record of the hearing prepared by the Department of the Army, February 15, is in the Washington National Records Center, OSD Files, FRC: 330–87–0068, 1977–1979 Congressional Hearing Resume.

209. Memorandum From Madeleine Albright of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, March 3, 1979

SUBJECT

Weekly Legislation Report

[Omitted here is information unrelated to Panama.]

IV. Panama Treaty Enabling Legislation

Chairman Hanley of the House Post Office and Civil Service Committee and Murphy of the House Merchant Marine and Fisheries Committee led separate trips to Panama during the period February 15–25.² Both committees held hearings in the Canal Zone on specific aspects of implementing legislation. Both trips went well in that most of the Representatives came away with a feeling of the urgency of obtaining legislation which satisfies basic requirements for a smooth treaty implementation. Even some treaty opponents saw that need.

The single fly in the ointment was supplied by Panamanian officials who took positions with the Murphy Committee which were contrary to earlier understandings between our Governments (e.g., they claimed the right to tax retroactively companies in the Zone). This problem resurfaced when Ambassador Ambler Moss was testifying before Mur-

¹ Source: Carter Library, National Security Affairs, Staff Material, Press and Congressional Relations, Box 1–5, NSC Weekly Legislative Report 3/79. No classification marking. Printed from an unsigned copy.

² See footnote 4, Document 206.

phy in Washington February 26.³ Murphy and his colleagues asked Ambassador Moss to provide written clarification of these apparent policy differences. Murphy and Bauman warned that unless these apparent differences can be eliminated, there would be no need to proceed with the legislation, since the understanding reflected in the treaties would be unmasked as more apparent than real. Ambassador Moss is confident that the problems can be resolved satisfactorily with Panama.

DOD reports that the Panamanians told Jack Murphy and Members of his Committee that they fully expected the \$10 million contingency payment in the treaty to be included in the new toll base and that facilities we turn over to Panama be updated to mint condition even though they have been vacant a considerable time.

Post Office will hold follow-up hearings in mid-March to determine early retirement benefits to Canal employees, which many Members regard as too generous as provided in our bill.

[Omitted here is information unrelated to Panama.]

³ In telegram 48826 to Panama City, February 28, the Department reported on Moss's February 26 testimony before the Panama Canal Subcommittee as well as the committee hearings held in the Canal Zone February 23–24. The areas of perceived misunderstandings between the United States and Panama by Murphy and his colleagues included the \$10 million contingency payment in the treaty, the liability of private firms in the Canal Zone for back taxes to Panama and the refurbishment of buildings and facilities prior to the turn over of the canal to Panama. (Washington National Records Center, OSD Files, FRC: 330–80–0024, Panama, Sept 1978–May 1979)

210. Memorandum From the Acting Chief of the Latin America Division, Central Intelligence Agency (*[name not declassified]*) to the Department of Defense Representative for Panama Canal Treaty Affairs (Dolvin)¹

Washington, March 19, 1979

SUBJECT

Forwarding of Intelligence Report Concerning Panama Canal Treaty Implementation Negotiations

Following is the text of an intelligence report [*1 line not declassified*] from a sensitive source concerning Panamanian Government intentions on Panama Canal Treaty Implementation negotiations. The information has also been made available to General McAuliffe and Governor Parfitt, as well as Embassy Principal Officers in Panama City and the Director, INR.

“SUBJECT: Panamanian Government Intentions on Panama Canal Treaty Implementation Negotiations (DOI: 9 March 1979)

SOURCE: [*3 lines not declassified*]

1. On 9 March 1979, the principal Panamanian Government officials involved in implementation of the Panama Canal Treaty met at the Presidencia and decided to take a hard line with the United States to obtain more benefits for Panama under the treaties. Those present at the meeting were President Aristides Royo, Finance Minister Ernesto Perez Balladares, Panama Canal Authority (PCA) Director Gabriel Lewis Galindo, PCA Deputy Director Eduardo Tejeira, PCA Advisor Fernando Manfredo, and Panamanian Ambassador to Washington Carlos Lopez Guevara.

2. Although Lewis was the principal protagonist for a tough line with the United States on Treaty Implementation, this posture was also championed by Royo. Both Royo and Lewis said that the only way that the Americans will accept Panamanian demands is to treat them tough and keep strong pressure on them. Further, the best proof of the correctness of this hard line strategy was that National Guard Commander General Omar Torrijos Herrera used it successfully during the Treaty Negotiations which gave Panama such favorable results. (Source Comment: It is believed that this group would not be taking such a hard line policy unless encouraged to do so by General Torrijos.)

¹ Source: Washington National Records Center, OSD Files, FRC: 330–87–0068, 1977–1979 Govern of Panama Treaty Views—Implementing Legislation. Secret; Noform.

3. On specific issues, the group advocated maintaining a strong position with the United States on the right of Panama to tax retroactively the earnings of companies now operating in the Canal Zone. They also agreed to require that the United States rehabilitate the landing field and houses at Coco Solo as well as all equipment and properties that are to be turned over to Panama on 1 October 1979. The group also decided to demand that the Panama Canal Commission, which will function from 1 October 1979 to 2000, pay all the expenses until 2000 for maintenance of the Canal Zone lands and properties which revert to Panama. Lewis also suggested that the United States should be charged for the use of water from the Chagres River which has been used for 75 years to operate the Canal locks.

4. The only dissenting voice in the group was Lopez Guevara, who said that such hard line tactics, while successful during the Treaty Negotiations, would not work today because of the Treaty Implementation opposition which already exists in the United States Congress and that Panama should be working with rather than against the United States. He considers the attitude taken by Royo and Lewis to be ultimately bad for Panama."

[name not declassified]

211. Action Memorandum From the Secretary of State's Special Representative for Panama Treaty Affairs (Popper) to the Deputy Secretary of State (Christopher)¹

Washington, March 23, 1979

Costs to the US of Implementing the Panama Canal Treaty

Conservative elements in Congress have as you know characterized the Panama Canal Treaty of 1977 as a "giveaway," requiring the turn-over to Panama of billions in real estate and equipment. In attacking the Administration's Treaty implementing legislation, opponents have concentrated on the cost to the United States. They have criticized the Administration for conveying the impression during last year's Treaty

¹ Source: National Archives, RG 59, Central Foreign Policy File, P790047-1586. Confidential. Drafted by Popper on March 22. ARA, L, and H concurred. A typed notation on March 24 from Christopher to Popper reads: "DOD apparently scrubbing figures, after Brown requested."

debate that there would be no cost to the United States taxpayer. (While our rhetoric was by no means always clear, the intent was to indicate that *payments to Panama* under the Treaty would come from Canal revenues, not from the US Treasury.)

In February 1978 Secretaries Vance, Brown and Alexander sent a letter to Senators stating that expenses to the United States were not likely to be much more than \$350 million over the life of the Treaty.² You used this figure in responding to questions from the Panama Canal Subcommittee when you testified before it last month,³ although you did indicate that there would be some additional expense. On request of Congressman Bauman, we agreed to furnish a breakdown of these costs to the US over the life of the Treaty.

As the attached memorandum shows, the 1978 figures were indeed too low.⁴ In recalculating and refining its estimates, the Defense Department has raised its global figure from under \$200 million to \$757 million. The Office of Personnel Management figure exceeds \$200 million (up from \$150 million). Together with other incremental costs, the overall total to be reported on this basis would be \$980 million. Taking into account offsetting savings, the figure can be reduced to \$869 million.

A certain increase in the \$350 million estimate was to be expected, as the legislative proposals for early retirement benefits were worked out, the cost of relocating military facilities became clearer, and other requirements not originally envisaged gradually came into view. Much of the major escalation is due to the DOD recomputation, which may be unduly generous. For example, the tabular computation of projected DOD costs is headed by an item entitled “base operations” for which an annual increased appropriation of \$16.5 million is projected through a period of 21 years. DOD has not yet clarified for us why “base operations” should be any more expensive in the future than in the past. This one item accounts for over \$300 million of the estimated cost to DOD.

The way in which we respond to the charges regarding Treaty costs may have a determining effect on the character of the implementing legislation. The credibility of the President and the Secretaries is at issue. It should not be needlessly jeopardized to protect DOD budgetary flexibility.

We appear to have two options. We can publish the figures as they now stand, or we can undertake a high-level blue-pencilling operation.

² See Document 144.

³ See Document 208.

⁴ Draft memorandum, dated March 22, is attached but not printed.

In either case we will have to explain that the new figures are based on further analysis and the emergence of additional requirements. We would contrast the result with the \$4 billion total being used by the opposition.

L and H favor the second option (blue-pencilling). We see its advantages, but are concerned about the delay—Subcommittee mark-up goes forward March 27—and the risk of charges that we had “massaged” the original estimates.

Recommendation

That you discuss the matter with the Secretary and with Deputy Secretary Duncan to determine how we should proceed⁵ (Talking Points are attached).⁶

⁵ Christopher did not indicate his approval or disapproval of the recommendation. See footnote 1 above.

⁶ Attached but not printed.

**212. Memorandum From the Department of Defense
Representative for Panama Canal Treaty Affairs (Dolvin) to
Multiple Recipients¹**

Washington, March 26, 1979

SUBJECT

Panama Canal Treaty Implementation Update

The purpose of this memorandum is to summarize recent developments pertaining to key treaty implementation activities.

1. (C) *Summary*: House hearings and related markups on implementing legislation continue. Some slippage may occur in legislation passage date. Staff discussions underway to resolve major issues and to report out a Bill that both the Administration and Murphy can support. House Foreign Affairs Committee hearings will focus on the role of the U.S. Ambassador in Panama. State-DOD MOU may be

¹ Source: Washington National Records Center, OSD Files, FRC: 330–82–0205, Panama (Jan-Apr 1979). Confidential. A stamped notation reads: “Mar 30 1979 Dep Sec Has Seen.” Sent to Duncan, Alexander, Jones, and McGiffert.

released for insertion into the record (Tab A).² GOP has agreed to USG position on contingency payment/back taxes/building refurbishing issues. Some Panama Canal Subcommittee members remain dissatisfied with GOP attitude on these and other issues (Tab B).³ It is a fact that GOP attitude has hardened across the board—a tactic often used during the course of the treaty negotiations.⁴ Treaty costs remain a front-running opposition issue. Revised DOD incremental treaty costs (Tab C)⁵ have been provided State for incorporation into Administration response to Panama Canal Subcommittee query.⁶ USCINCSO is concerned about the \$2–4 million cost overrun on the contingency MILCON Project. The PCC Board has approved a proposed toll rate increase of 21.8 percent. If approved, the rates become effective 1 October 1979. A number of other miscellaneous treaty-related developments are discussed herewith.

[Omitted here is further explanation of issues discussed in the summary and other miscellaneous information.]

² Tab A, attached, is printed as Document 201.

³ Tab B, “Statement of the Honorable John M. Murphy, March 22,” is attached but not printed. On March 21, the Embassy in Panama and Panama exchanged notes resolving the issues of contingency payments, back taxes and building refurbishing that had troubled the Murphy committee. Murphy found the Panamanian note unacceptable, and sent a Merchant Marine and Fisheries Committee task force to Panama March 22–26 to learn the true positions of the Panamanian government on these issues. In telegram 2194 from Panama City, March 26, the Embassy reported on this visit, which resulted in the task force stating publicly that “troublesome obstacles had been overcome and that negotiators here and the Congress could now settle down into productive work.” (National Archives, RG 59, Central Foreign Policy File, D790139–0407)

⁴ See Document 210.

⁵ Tab C, “Memorandum for the Record, March 12,” is attached but not printed.

⁶ See Document 211.

213. Telegram From the Department of State to the Embassy in Panama¹

Washington, March 29, 1979, 2351Z

78624. Subject: FMS cut.

1. With respect to House action today to eliminate FMS credits for Panama for FY1980, you should draw on the following in your discussions with GOP.²

2. Department was adamantly opposed to this action as it was to previous committee action reducing 1980 level by 50 percent. To the extent that this latest action was based on human rights considerations, it was completely unjustified.

3. You should make clear that this is not essentially an action taken on human rights grounds, but rather one that was unfortunately used by treaty opponents for their own purposes.

4. The Department will seek vigorously to restore all or at least part of these credits, with best opportunity to do this arising in eventual Senate/House Conference Committee action.

Vance

¹ Source: National Archives, RG 59, Central Foreign Policy File, D790145–0474. Limited Official Use; Niact Immediate. Drafted by Haahr and approved in ARA, H, and HA.

² In telegram 2383 from Panama City, March 30, the Embassy reported that Panamanians were distressed by the House's elimination of FMS credits for Panama for FY 1980 from the House appropriations bill, but that the full extent of the negative reaction was not yet known and communicating with the Panamanians was proving difficult. (Department of State, American Embassy Panama, Classified and Unclassified Political Subject Files, 1979–1980, Lot 83F67, Box 33, DEF 19) In telegram 2418 from Panama City, April 2, the Embassy concluded that the Panamanians' restrained reaction indicated that Torrijos had decided, for the moment, to keep the issue low profile to avoid giving treaty opponents any target. (Ibid.)

214. Memorandum From Secretary of State Vance to President Carter¹

Washington, April 2, 1979

[Omitted here is information unrelated to Panama.]

3. *Panama Legislation.* Warren met with Jack Murphy and other members of his Committee this morning before the markup began. Your call Saturday² had been helpful. We recognize that Murphy is operating in a constrained situation, and we will try to minimize, not aggravate, his problems, in producing a bill which is consistent with the Treaties. Following the Committee's partial markup this morning (at which some improvements were made), Warren feels that four main problem areas remain:

1. The provision that no payments will be made to Panama if an expropriation claim against Panama is outstanding. Murphy appears to agree that this provision is at odds with the terms of the Treaty, and we think he will be helpful tomorrow.

2. The provision requiring that all costs of Treaty implementation (including an estimated \$870 million in DOD expenditures) be paid out of tolls before Panama could receive the \$10 million annual "contingency" payment under Article XIII of the Treaty. Warren called Murphy tonight to say that this is potentially the most troublesome problem; Murphy was noncommittal.

3. The provision authorizing the President to name a U.S. military officer to replace the Panama Canal Commission in the event of wartime or national emergency. While Murphy's Committee approved that provision today, we hope that the House Foreign Affairs Committee may help us modify it.

4. The provision requiring Congressional approval for each transfer of property required by the Treaty. The House will probably insist on this provision, but the Senate would be likely to help us modify it.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 21, Evening Reports (State), 4/79. Secret. Carter initialed the top-right corner of the memorandum and wrote: "Cy."

² March 31. According to the President's Daily Diary, Carter spoke with Murphy from 11:33 to 11:36 a.m. (Carter Library, Presidential Materials, President's Daily Diary) In an April 1 memorandum to Christopher, Chester reported that Carter expressed his concern to Murphy during the call about provisions in the implementing legislation bill that were inconsistent with the treaty. Murphy apparently disclaimed any intention of violating the treaty and agreed to meet with State officials to resolve any problems, requesting to meet with Christopher. (National Archives, RG 59, Files of Assistant Secretary J. Brian Atwood, Subject Files and Chrons. 1977/78/79/80, Lot 81D115, Box 2, Panama Implementing Legislation)

We will be sending you a strategy memo³ tomorrow outlining the way we will be approaching this legislation in the subsequent stages in both House and Senate.⁴

[Omitted here is information unrelated to Panama.]

³ See Document 215.

⁴ Carter wrote in the left margin: "I'll help if needed".

215. Memorandum From Secretary of State Vance to President Carter¹

Washington, April 4, 1979

SUBJECT

Congressional Strategy for Panama Canal Implementing Legislation

Status of the Panama Legislation

Yesterday the House Merchant Marine and Fisheries Committee completed its mark-up of the implementing legislation introduced by Jack Murphy. A number of issues raising treaty violation questions were resolved favorably, albeit by narrow margins. Some were not, however, and will have to be dealt with in other forums.

The Post Office and Civil Service Committee and the Judiciary Committee have already marked up, having treated such issues as employee benefits and the immigration provision. The House Foreign Affairs Committee will mark up on April 5. The House Rules Committee will resolve differences among the four committees on return from Easter recess April 22. House floor action is not likely before early May. The Senate will probably not consider the legislation until the House acts.

¹ Source: Carter Library, Papers of Walter F. Mondale, Box 65, Foreign Countries—Panama Canal 1979. No classification marking. Carter initialed the top-right corner of the memorandum and wrote: "cc Cy What happens with no legislation?" The memorandum, with Carter's comments, was forwarded to Vance under an April 5 covering memorandum from Hutcheson. (Ibid.) According to an April 9 memorandum from Oxman to Popper, an undated memorandum entitled, "What Happens if There is no Panama Canal Implementing Legislation," was sent to the White House on April 7. (National Archives, RG 59, Office of the Deputy Secretary, Records of Warren Christopher, 1977–1980, Box 57, Panama Canal)

During mark-up, the Merchant Marine Committee adopted favorable positions on the following issues:

—It dropped the objectionable Murphy bill provision that no payments could be made to Panama so long as the Canal Commission asserted that a plausible U.S. expropriation claim was outstanding.

—It deleted the provision that Panama’s representatives on the board of the Commission would be subject to prosecution under U.S. bribery and conflict of interest laws.

—It provided for monthly payments to Panama. Murphy had previously proposed quarterly payments.

—It restored as separate binational entities the Joint Commission on the Environment and the Diplomatic Consultative Committee.

—It eliminated the requirement that the tolls base should include amortization costs (although it retained the requirement that interest payments and early retirement payments would continue in the tolls base).

Issues which were not resolved favorably in the Merchant Marine mark-up include:

—The bill provides that in wartime or national emergency the President would be authorized to displace the Commission with a U.S. military officer.

—The Bauman-sponsored provision requiring that all costs of treaty implementation (including DOD costs until the year 2000) would be paid out of Commission profits before Panama could receive its “contingency” payment under Article XIII (4) (c) of the Treaty remains in the bill. This provision would insure that Panama would never receive this payment.

—The bill now authorizes only those transfers of property which are required upon the entry into force of the treaty; all subsequent transfers must be approved by Congress. This approach reflects the view prevalent in the House that legislation is necessary to transfer U.S. property.

Apart from the foregoing issues raised by the Merchant Marine Committee’s mark-up, there are important differences between Merchant Marine and Post Office on employee issues. Generally the Post Office Committee has sought to reduce canal employee benefits to general Federal employee levels. If enacted, such provisions could cause a strike or slowdown. Merchant Marine has resisted any substantial watering down of the Administration’s commitment to Canal employees.

House Strategy

Congressman David Bowen is planning to offer an amendment in the House Foreign Affairs Committee (HFAC) that would replace the

provision authorizing the President to displace the Commission by a U.S. military officer in wartime. While we do not have the exact text of this amendment, we believe it will be acceptable and that it has an excellent chance of approval by the HFAC.

The “contingency payment” and “property transfer” issues are potentially more serious and must be resolved satisfactorily during the legislative process. At this stage, we do not have the strength to obtain corrections on the floor of the House.

The “contingency payment” issue is highly volatile politically since it relates to the costs of treaty implementation. Murphy and his committee do not feel that it would be possible to pass a bill on the House floor which, by implication, could be read as allowing profits for Panama while the American taxpayer foots the bill for costs associated with the transfer of the Panama Canal to Panama. We concur in this assessment and feel that the best chance to change this apparent treaty violation is in the Senate.

The “property transfer” issue may conceivably be properly resolved on the House floor, but only if our lobbying efforts succeed in raising the level of support for the implementing legislation generally and if the House leadership actively seeks to convince Members that subsequent votes on the transfer of property to Panama would be politically undesirable. In any event, as noted below, we believe the Senate will insist on a resolution of the “property transfer” issue that we will be able to accept.

Finally, we will be working with Tip O’Neill and the Rules Committee in an effort to sustain Merchant Marine’s position on the employee benefits issue.

Senate Strategy

Senators are not anxious to confront Panama Canal matters again, and there will almost surely be no move to mark-up the legislation until the House has acted. On the other hand, the Senate will be more sensitive to possible treaty violation issues than the House, which accepts no responsibility for ratification.

The Armed Services Committee will have primary jurisdiction over this legislation in the Senate. Senator Stennis was an opponent of the Canal treaties, but we have had informal contacts with his staff and feel that he will be helpful. Other committees which will likely share jurisdiction with Armed Services are Foreign Relations, Governmental Affairs, Judiciary, and Commerce, Science and Transportation. These committees will apparently play a minor role.

It will be important to make an early effort to alert Stennis to the two issues likely to be outstanding after House action, namely the “property transfer” and “contingency payment” issues. After House

action, we believe it may be desirable to ask you to discuss this with Stennis. We expect him to uphold the Senate position that the treaty is self-executing in transferring property, but we would want to work with him on a compromise which would permit the House to preserve its formal legal position that transfers of U.S. property cannot be made without legislative authority.²

The “contingency payment” issue will be more difficult because the \$870 million we now estimate as the cost of treaty implementation is considerably higher than that estimated during the treaty debate in the Senate. Nevertheless, we have already undertaken a public affairs campaign to demonstrate that our current estimate of the cost is commensurate with the benefits. With an intensive DOD lobbying effort, we feel that Stennis’ Committee will support our position.³

Conclusion

In sum, we believe the bill as it emerges from the House may well contain unacceptable provisions. We estimate our chances of eliminating such provisions in the Senate, and subsequently in conference, as reasonably good.

Warren and I will work closely with Frank Moore and Bob Beckel to try to achieve acceptable legislation which will not be seen as inconsistent with our Treaty obligations.

We are also studying ways to handle the situation if Congress does not produce acceptable legislation. We will be ready to report to you if legislative developments make it likely that this contingency will occur.

² Carter wrote in the left margin: “Cy, I think you & Harold should talk to Stennis right away—I’ll do it later.”

³ Carter wrote in the left margin: “\$870 mil seems excessive to me. I’ve told OMB/DOD/NSC to try to hold it down.”

216. Memorandum From Secretary of Defense Brown to
President Carter¹

Washington, April 6, 1979

SUBJECT

Significant Actions, Secretary and Deputy Secretary of Defense (March 31–April 6, 1979)

[Omitted here is information unrelated to Panama.]

Panama Canal Treaty Legislation: As Cy mentioned this morning, there are some problems with the legislation emerging from committee to implement the Panama Canal Treaty. Particularly objectionable are the costs of employees transferred to DoD; payment of all implementing costs before the contingent treaty payment to Panama; loss of significant benefits to canal employees; Congressional control of property transfers; and the requirement to continue the U.S. minimum wage for *all* employees (Commission and DoD) throughout the duration of the treaty. We are launching an effort, in coordination with State, to deal with these issues on the House floor. There are other political problems in the legislation, but these I believe can be managed administratively. On the DoD cost package issue, Charles Duncan has recommended to Zbig that we stand fast on the initial² planning figures; let Congress take credit for a \$205 million cut by putting the retirement costs in the toll base; and publicly demonstrate the likelihood of much lower costs in the out years. I agree with this approach.

[Omitted here is information unrelated to Panama.]

Harold Brown

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Agency File, Box 5, Defense Department: 3–4/79. Secret. Carter initialed the top-right corner of the memorandum. Brzezinski forwarded the memorandum with Carter's notation to Brown under an April 9 covering memorandum. (Ibid.)

² Carter underlined "initial" and placed two question marks in the left margin.

217. Telegram From the Embassy in Panama to the Department of State¹

Panama City, April 6, 1979, 2026Z

2588. Subj: Meeting With President Royo April 5

1. *Summary.* Upon my return from Washington, I called on President Royo to bring him up to date on the progress of implementing legislation and other congressional events. We discussed the House rejection of the dols 12.7 million FY–80 aid package,² the status of the legislation as it has been reported out of Merchant Marine and Fisheries Committee, and the mood of Congress in general. Royo was concerned and upset about the course of developments, but stated that his policy was to remain calm and trust that the USG would work out its problems in order to be able to fulfill its treaty obligations properly. We also discussed Royo's meeting with the President on May 10.³ *End*

2. I found President Royo in a rather sombre mood, as he had just been informed by Fernando Eleta (owner of TV 4 and Foreign Minister in the 1960s) about the lop-sided House vote cutting off FY–80 aid. Royo said that he found it difficult to understand how a great country could act so small. He asked what could be done about it. I said that the vote had taken place despite very strong administration efforts to avoid it, which I described in some detail, and that it was indicative of the anti-treaty furor which would have to play itself out before we could move ahead. I said I thought we had a good chance of getting a clean foreign assistance bill out of the Senate and then restoring the assistance to Panama in conference.

3. Turning to implementing legislation, I gave Pres Royo a rundown on the legislative events of the past week, especially the emergence of H.R. 111 from the House Merchant Marine and Fisheries Committee. I explained in some detail the successful efforts to purge the bill of treaty violations and described what problems remained. I mentioned the major role played by Congressman David Bowen in working toward a bill which was in conformity with the treaty, and stressed that Royo's meeting with Bowen on March 23 had been extremely

¹ Source: Department of State, American Embassy Panama, Classified Political Subject Files, 1979, Lot 82F93, Box 1, AM Moss—Telegrams—1979 Classified. Confidential; Immediate; Stadis.

² On April 5, the House approved Bauman's amendment striking all development assistance to Panama in a 246–150 vote.

³ See Document 224.

helpful.⁴ I also said that Chairman Murphy had been helpful in working to eliminate certain provisions which had emerged from the subcommittee, such as the expropriation clause, and that only by a close vote in the committee was he able to have the bill reported out. I said that the FMS vote and the aid vote show that we are in for extremely difficult times on the floor of the House, but that the Departments of State and Defense and the White House were engaged in massive efforts to educate members and staffers on the legislation and to prepare for the floor action, which could come in about a month.

4. Royo said that his posture through all this had been one of “serenity and tranquility” even though he and his government were extremely concerned about what was happening in Washington. He said he understood our political difficulties, but that it was obviously of the utmost importance that we be able to meet our treaty obligations and that he was being put under great political pressure by these events. I said that his attitude and that of his government was commendable, and that we deeply appreciated their forbearance and their understanding of our political difficulties. I assured him that everyone from the President on down was personally engaged in the effort, and that we would simply have to work our way through the present mood of the house and would eventually be successful.

5. I conveyed to Pres Royo the news that Pres Carter would have a private working meeting with him on May 10, on Royo’s return from Europe. Royo said that this was extremely important to him in view of the repercussions in Panama over congressional treatment of the implementing legislation, and he suggested an eventual joint press release in which Pres Carter would assure Panama that the United States would fulfill its obligation under the treaties, and that Panama would make the same reciprocal representations. He also said that he very much wished to have a letter from the President inviting him to a private working meeting in Washington to discuss aspects of the implementation of the treaties and mutual interests.⁵ Pres Royo also asked that, as a Head of State even though not on a state visit, that

⁴ Royo and Bowen met mid-morning on March 23, during the Merchant Marine and Fisheries Committee task force visit to Panama. See footnote 3, Document 212.

⁵ In an April 9 letter, Carter invited Royo to meet in Washington to discuss cooperation between Panama and the United States. (Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 1-5/79) In telegram 114451 to Rome, May 5, the Department transmitted text of Carter’s response to Royo’s April 27 letter that had raised concerns over the treaty implementing legislation. Carter wrote that he had “every intention of supporting legislation” which fulfilled the “letter and spirit of the treaty” and looked forward to discussing the matter with Royo in Washington on May 10. Royo was visiting European nations at the time. (Department of State, American Embassy Panama, Classified Political Subject Files, 1979, Lot 82F93, Box 1, POL 2.3 Economic Matters—1979 Domestic)

some guest quarters be furnished, as space in the Panamanian embassy was inadequate.⁶ He said it would not be seemly for him to have to be lodged in a hotel. I mentioned that the Senate Foreign Relations Committee and certain House leadership might want to arrange a luncheon or other meetings with him, and he welcomed this idea. He also said that Alejandro Orfila had planned to give an OAS reception in his honor May 10.

6. *Comment.* I strongly support the three requests made by Pres Royo regarding the trip, particularly in view of the helpful and statesmanlike attitude he is adopting with respect to events which are difficult for him and his government. These amenities are the least we can do for him at this difficult moment, and I hope they can be arranged.
End comment.

[Omitted here is a proposed draft letter from Carter to Royo.]

⁶ In an April 17 memorandum to Carter, Brzezinski recommended that Royo be invited to stay at the Blair House from May 9–11. Carter approved the recommendation on April 23. (Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 4/78–5/79)

218. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, April 18, 1979

Panama Canal. I met with Jack Murphy today to discuss plans for gaining House approval of the implementing legislation. Murphy said the crucial vote would probably occur on a motion by George Hansen to recommit the Murphy bill to committee, or on a substitute Hanson bill which would contravene the treaties.

We had a good talk, and (I hope) established a basis for working more closely together in subsequent stages. Murphy urged us to undertake a major educational campaign to convince House members, particularly Republicans, that the treaties cannot be overturned and that the Hansen approach would jeopardize efficient operation of the Canal. Ed Derwinski's excellent piece on the Op Ed page of the POST

¹ Source: Carter Library, Plains File, President's Daily Diary, Box 14, 10/15–21/79. Secret. Carter initialed the memorandum and wrote: "Warren."

today, entitled "Panama: from No to Yes," should be helpful with Republicans.²

Bill Rogers has been asked by Panama President Royo to come to Panama to provide counsel on the implementing legislation. I gave Bill our appraisal of the legislative situation this afternoon. It will be good to have his wise and calming counsel available to the Panamanians.

[Omitted here is information unrelated to Panama.]

The Shah. A campaign remains in progress to change our position with respect to the Shah's admission to the U.S. John McCloy, following up conversations with Cy and Zbig and a long letter to me, is continuing to call influential people throughout the country. We understand that McCloy's effort continues to be stimulated by Henry Kissinger and by the efforts of Ardeshir Zahedi.

The Shah has turned down Panama. We are awaiting a response to an inquiry [*less than 1 line not declassified*] to President Lopez Portillo on behalf of the Shah.³

[Omitted here is information unrelated to Panama.]

² See Edward J. Derwinski, "Panama: From No to Yes," *Washington Post*, April 18, 1979, p. A25.

³ Carter wrote in the left margin: "He should go to Panama."

219. Action Memorandum From the Secretary of State's Special Representative for Panama Treaty Affairs (Popper), the Assistant Secretary of State for Inter-American Affairs (Vaky) and the Department of State Legal Advisor (Hansell) to the Deputy Secretary of State (Christopher)¹

Washington, April 19, 1979

Circular 175 Request for Authority to Negotiate and Conclude Panama Canal Treaty Implementing Arrangements

Problem

The process of planning and preparing for implementation of the Panama Canal Treaties and related agreements, which will enter into force October 1, 1979, is now well underway. Representatives of our Embassy, the Panama Canal Company/Canal Zone Government, and the U.S. Southern Command are meeting with their Panamanian counterparts on an almost daily basis to draw up implementing plans and arrangements of various types. In connection with this process, conclusion of a number of agreements with the Government of Panama will be necessary. This memorandum requests Circular 175 authority² to negotiate and conclude minor operating agreements with Panama, subject to the concurrence of S/PTA, L and ARA.

Discussion

The Panama Canal Treaty and related agreements provide for the conclusion of further implementing agreements between the Parties on a wide range of matters. Three of the more significant agreements were signed recently—a treaty concerning the transfer of prisoners, an agreement providing for permanent U.S. maintenance of the American sector of Corozal Cemetery, and an agreement concerning the status of the Federal Aviation Administration in Panama.³ Several other agreements are now under consideration, including an agreement for the

¹ Source: National Archives, RG 59, Central Foreign Policy File, P790062–1833. Unclassified. Drafted by Kozak on March 12 and cleared in L/T, L, and ARA/PAN.

² The Department of State developed “Circular 175 procedure” regulations to ensure that the power to make treaties was exercised properly. Two types of Circular 175 requests exist. One requires the approval of full powers (defined as heads of State and Foreign Ministers) to sign treaties that will be sent to the Senate by the President for advice and consent to ratification. The other, more typical request occurs in the form of an action memorandum from a Department of State Bureau or office to a Department official at the Assistant Secretary level or above and requests authority to “negotiate, conclude, amend, extend, or terminate an international agreement.” (www.state.gov/s/l/treaty/c175/, accessed 15 November 2015)

³ See Document 204.

use of an area of land in Panama by the U.S. military for tropic testing purposes, an agreement for the repayment of debts owed by Panama to the U.S., and an agreement concerning the mode and timing of the payments to be made to Panama pursuant to the Canal Treaty. In addition, a large number of routine operating arrangements will be needed.

Negotiations in which Embassy or Department personnel are to be involved are subject to applicable Circular 175 procedures. Negotiations to be carried out by other agencies are subject to a recently enacted statute (P.L. 95-426 §708(c); 92 Stat 993) which requires consultation with the Department prior to conclusion of an international agreement. (The Department is still in the process of developing detailed regulations to implement this statute.)

We request Circular 175 authority for the negotiation and signature⁴ of minor agreements with Panama in implementation of the Canal Treaties and related agreements, such as agreements related to the importation of goods, procedures for customs inspections, procedures related to the use of telecommunications, and agreements relating to the use of military school, hospital and commissary facilities. The negotiation and signature of such minor agreements would be subject to the concurrence of S/PTA, L, and ARA. Similarly, Ambassador Popper would be authorized, as regards matters of Panama Canal Treaty implementation, to supervise the conduct of the consultations with the Department required of other agencies by statute. Proposed agreements of any substantial political or economic significance or of major interest to the Congress, such as the proposed agreement on repayment by Panama of debts owed to the Panama Canal agencies and on a schedule for payments to Panama pursuant to the Panama Canal Treaty, would require separate Circular 175 authorization.

In the case of the minor operating agreements covered by this request for Circular 175 authority, the Embassy would be instructed to include a discussion of relevant policy and legal considerations in telegraphic requests for approval. Once we are satisfied that the issues of legal authority, need for Congressional consultations, and other Circular 175 requirements have been satisfactorily addressed in each case, Ambassador Popper would inform the Embassy of the Department's concurrence.

Recommendation:

That you (a) grant Circular 175 authority for the Department and the Embassy to negotiate and conclude minor agreements with the

⁴ An unknown hand, presumably Christopher's, underlined "and signature."

Republic of Panama in implementation of the Panama Canal Treaties and related agreements subject to the concurrence of S/PTA, L and ARA, and (b) authorize Ambassador David H. Popper to supervise consultations with the Department required by statute of other agencies proposing to enter into agreements with Panama concerning Treaty implementation.⁵

⁵ Christopher checked the approve option on April 23.

220. Memorandum From Jake Stewart of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, April 27, 1979

SUBJECT

Costs of Implementing the Panama Canal Treaty

You asked that I get on top of the Panama Canal Treaty cost issue. Off and on over the last week, I've tried to do so.

Background

As you may recall, last year as the debate on the Canal Treaty began, questions arose in the Senate about additional financial obligations the United States would incur as a result of the treaty. In a February 10, 1978 letter signed by Cy Vance, Harold Brown and Army Secretary Alexander² (known as the Three Secretaries Letter) certain assurances were made to the Senate concerning treaty implementation costs:

- the Canal could meet its financial obligations under the new treaty arrangement;
- the total *appropriations* impact over 21 years would not be much more than \$350M; and
- none of the appropriated \$350M would go to Panama.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 4/78–5/79. No classification marking. Sent for information through Albright. A copy was sent to Pastor. Aaron initialed the memorandum.

² See Document 144.

Within the Administration the validity of the three Secretaries' \$350M figure was immediately called into question by OMB for two reasons—Defense costs were probably not fully reflected in the estimate, and OMB had not been afforded the opportunity to review, scrub, or clear the number before its presentation to the Senate. When the President's 1980 budget was submitted to Congress containing specific treaty implementation costs, it became apparent that \$350M was low. In response to questions raised by the House Committee on Merchant Marine and Fisheries, the State Department forwarded a "reviewed and refined" treaty cost estimate of \$870.7M for the period FY 1979–2000, which represented a 150% increase from the earlier \$350M figure. House opponents of the treaty seized the "cost growth" issue to illustrate the Administration's deceptive practices in selling the treaty to the Senate. In a Dear Colleague letter,³ Congressman Bauman (R–MD) stated that the \$350–\$871M implementing costs would continue to grow over time to more than \$4B. Since the House didn't take part in the treaty ratification process, most members and their staffs are unfamiliar with treaty provisions. Cynically, some members are convinced that actual treaty costs will fall nearer the \$4B than the Administration's \$870.7M figure. Senator Church, unfortunately, has lent some additional credibility to the \$4B by requesting from Cy Vance an explanation of Bauman's estimate.⁴

Explanation of Costs

The \$870.7M figure for treaty implementation costs (detailed at Tab A)⁵ is essentially in three parts—Defense costs in the near term, FY 79–84; outyear Defense costs, FY 1985–2000; and personnel costs that principally cover the preferential retirement benefits as specified in Article X(9) of the Treaty. The DOD costs result from the need to relocate certain military facilities and to take over the operation of schools, hospitals and some community services from the present Canal Zone Government. Other federal agencies also have additional costs, the most significant being the special retirement benefits to be offered to the currently employed members of the Canal work force. This expenditure (\$205M) would compensate employees whose careers are interrupted as the result of the treaty, and would provide an incentive to others to continue to lend their skills to ensure the efficient operation of the Canal.

³ Not found.

⁴ Not found.

⁵ Tab A, entitled, "Net Additional Cost Requirements to the U.S. Government, Payable from the General Fund of the Treasury through the Life of the Treaty," is attached but not printed.

Strategy for Handling the Cost Issue

In marginal notes on Cy Vance's recent Panama memo, the President indicated his desire to hold the \$870.7M down since it seemed excessive to him.⁶ Bob Beckel of Frank Moore's staff has noted that the President's basic concern is that we insure that costs or programs unrelated to the Canal Treaty not be allowed to be included in DOD or other agency Panama cost figures. While OMB and State have reviewed the costs at Tab A and are confident that these estimates are all related to treaty requirements, the Senate's reservations to the treaty, or to promises made to Zone residents or Canal employees during the treaty ratification process, they also admit that the estimate contains some "padding" that covers the uncertainty of planning 21 years into the future.

If the \$870.7M figure is to be reduced—and it can be—we have several options: a) let OMB squeeze the DOD portion of the implementation costs yielding cuts as high as \$40M (cost cuts would fall mainly in the base operations area); b) fund the major non-DOD cost, the \$205M for the preferential retirement benefits from the Canal toll base, not from US appropriations, thus reducing implementation costs to the USG; or c) a combination of both the above techniques.

I am concerned that by simply squeezing the DOD numbers to obtain at most \$40M in cuts we will lose even more credibility on the Hill and create additional confusion among House members who are now struggling to sort out the \$350M to \$870.7M to \$4B puzzle. Funding the retirement benefit out of tolls seems a more fruitful approach to cost reduction. Simply acquiescing to Merchant Marine Committee mark-up of the Administration's Canal bill (HR 1716)—which would pay these benefits by increasing Canal tolls by some 7%—is the easiest course of action. Congress takes the credit for cost cuts—we probably get an acceptable bill. Defense favors this tack and State, while not terribly keen on the idea since they tend to think such actions violate the spirit of the treaty, will go along.

Another way of making the \$205M disappear from US appropriations, would be to retain in the Canal toll base the interest charge on the US direct net investment in the Canal (a payment to the USG of about \$20M paid annually since 1951). The Administration's bill (HR 1716) proposed that this charge to the Canal Commission be dropped in the future. This payment by the Canal to the US Treasury is retained in the HR 1716 mark-up. If the interest was directed specifically to fund the preferential retirement costs, the Treasury would then see about an \$8M annual increase in revenue above that which would

⁶ See Document 215.

have been expected, if the Administration's bill had passed Congress unamended.

The key though to getting a bill out of Congress that does not raise the issue of treaty violation is to continue to educate the staffs and members of the House about the treaty provisions—and not to make the \$870.7M become \$830M by some budgetary magic. There is a new slant that can be put on our \$870.7M figure that may put it in better light and thus help us to “sell” the Canal implementing bill. A useful way to look at costs in this case would be to compare total Canal associated costs to the United States *with* and *without* a treaty over the period FY 1979–2000. If an adjustment for decreased DOD activities (say 3% annually) can be assumed in the 1990–2000 period *with* a treaty, instead of a steady DOD activity level without a treaty, a *net* cost of the treaty of about \$320M can be demonstrated.

While this is not exactly what the three Secretaries meant by their \$350M *appropriations* estimate last year, it at least puts the \$870.7M sum in better perspective. The danger is that the net cost of \$320M may get mixed up with last year's \$350M *appropriations* estimate and this year's \$870.7M *appropriations* request causing additional confusion in the interagency arena and on the hill.

At this time it appears that it is going to be difficult to arrive at a cost strategy acceptable to Defense, State and OMB, and it is likely that the President will have to resolve the issue. I will stay abreast of the situation for you.⁷

⁷ Brzezinski highlighted this paragraph and wrote beneath it: “Action? Next steps? Short report to the P? Or OMB report?”

Implementation Debates and Regional Concerns, April 20, 1978–January 13, 1981

221. Briefing Memorandum From the Assistant Secretary of State for Congressional Relations (Bennet) to Secretary of State Vance¹

Washington, May 1, 1979

*Your Breakfast Meeting with House Members on the Panama
Implementing Legislation May 3, 1979, 8 a.m.*

SCENARIO

We have invited a group of moderate to conservative House Members to discuss House strategy for gaining approval of the Panama implementing legislation over breakfast Thursday. (A list of those invited is at Tab 1.)² Not all of these Members have agreed to support the implementing legislation, but they are all important leaders, all of whom are at least leaning in favor. David Bowen and Ed Derwinski are our most active allies and they were consulted over the composition of this group.

Opening Remarks

David Bowen and Ed Derwinski will want to initiate a detailed discussion of the politics of this issue and the strategy for handling it. Warren Christopher and Brian Atwood who will attend will help to carry this part of the discussion. Your opening remarks should therefore stress the vital importance of this legislation for the national interest, acknowledge the political burden the issue creates and cite the need

¹ Source: National Archives, RG 59, Files of Assistant Secretary J. Brian Atwood, Subject Files and Chrons. 1977/78/79/80, Lot 81D115, Box 1, Secretary's Breakfasts, Meetings w/ Members of C. Limited Official Use. Drafted by Taylor and Atwood and cleared in S/PTA, ARA/PAN, and ARA. According to a May 4 memorandum from Bennet to Moore, Vance met with Murphy and a bipartisan group of ten other representatives. (National Archives, RG 59, Files of Assistant Secretary J. Brian Atwood, Subject Files and Chrons. 1977/78/79/80, Lot 81D115, Box 1, White House Reports April–June 1979)

² Attached but not printed. In a May 2 memorandum to Vance, Bennet reported that Murphy and Findley had been added to the invite list because Murphy had been designated to shepherd the legislation through the House and represented the "single most important asset in getting this legislation passed." As of 4 p.m. on May 2, the following members had accepted the invitation to attend the meeting: Zablocki, Murphy, Fascell, Bowen, Bonior, AuCoin, Oberstar, Derwinski, Findley, and Pritchard. (National Archives, RG 59, Files of Assistant Secretary J. Brian Atwood, Subject Files and Chrons. 1977/78/79/80, Lot 81D115, Box 1, Secretary's Breakfasts, Meetings w/ Members of C.)

for leadership on both sides of the aisle. Following are some suggested points:

—I am well aware of the political burden this issue represents for many of you in the House. Nevertheless, it seems to me that the national interest is in keeping the Canal open and running efficiently.

—We need your help in explaining to your colleagues and to the American people the advantages of fully implementing our treaty obligations and the disadvantages of failing to do so. No legislation, or bad legislation, could have a serious negative impact on the Canal's operation—could even close it down for a while.

—Jack Murphy has reported out a bill which, though it contains provisions we do not like, would implement the treaty. Our goal now is to get that legislation through the House.

—This legislation is basically concerned with Canal management. The Congress is charged with setting the rules which will govern whether it is managed well or badly. I need your advice and assistance to see that the right kind of law is passed.

Background

We have been trying to work with Jack Murphy to develop a strategy for protecting his version of the implementing legislation from further debilitating amendments. This has not been an easy task since Murphy wants to hold the Administration at arm's length while he works on developing a center-right coalition to support what he would describe as a "Congressional control vs Executive Branch fiat" piece of legislation.

While there are serious flaws in Murphy's bill, we feel the chances of correcting them in the Senate are good. Our goal now is to get his legislation passed on the House floor in as painless a way as possible. To do this we need to develop a core group of bi-partisan supporters who will be willing to participate actively in lobbying colleagues and participating in the floor debate. David Bowen and Ed Derwinski would be the defacto leaders of this group.

Following are some of the political issues we will need help with during the debate:

1. *Treaty standing.*

Though the courts have ruled that the treaties are self-executing and the transfer of property will take place on October 1, even without implementing legislation, many in the House feel they can undermine the treaties by defeating the implementing legislation. Key conservative Members, such as Bob Bauman, have already conceded that the treaties will go into force October 1 whatever Congress does and we plan to quote their views on this issue extensively. It is extremely important politically that we get Members over the hurdle of believing that they can undo or renegotiate these treaties. Once they have reconciled themselves, they must then face the consequences of defeating

legislation, or enacting legislation that would disrupt the Canal operation.

2. *Costs.*

Representative George Hansen has, through some gross misrepresentation and double counting, come up with \$4 billion as the cost of treaty implementation. Last year you and Secretaries Brown and Alexander estimated that the cost would be \$350 million over the twenty-year life of the treaties. In March of this year, however, we sent to the House data indicating that the cost might be as high as \$870 million. This figure was based on high-cost assumptions and it is possible that a review recently commissioned by the President himself will produce yet another estimate, somewhere between the two earlier estimates.³ Chairman Jamie Whitten of the House Appropriations Committee has asked the President to review the matter personally.

This cost issue should not be an insuperable one politically. Hansen's figures make ours seem small by comparison. In addition, it is important to emphasize that these payments do not go to the Panamanian government. Virtually all the additional costs are either for new responsibilities taken over by the Defense Department as a result of the treaties, or for the early retirement benefits for Canal employees.

3. *The Hansen Bill.*

Our most difficult task will be to defeat the moves of George Hansen to substitute a new bill which would require Panama to pay all implementation costs. If he fails in this ploy, he may move to recommit the legislation. Hansen and his supporters may have a host of other hostile amendments, including:

—No payments to Panama as long as there are outstanding expropriation claims.

—Non-implementation of "unconstitutional" parts of the treaties, e.g., Panamanian government members on the Canal Board.

³ See Document 222.

222. Memorandum From the Director of the Office of Management and Budget (McIntyre) to President Carter¹

Washington, May 3, 1979

SUBJECT

Costs of the Panama Canal Treaty

You asked me to look into the question of Panama Canal treaty implementation costs. As you know, the Administration has been criticized for citing two different estimates in our presentation to the Congress—one of \$350 million in February of 1978 and a more recent one of \$870 million in March of this year.

We have taken a hard look at the \$870 million estimate. This figure was originally provided in support of testimony by Under Secretaries Duncan and Christopher. It has since been widely disseminated in media packages, informal discussions, and responses to Congressional staff inquiries. There are a number of adjustments (both plus and minus) which could be made to this estimate, but the net result is a new estimate of \$850 million, which is so close to the old \$870 million that we see no reason to change.

However, the \$870 million estimate assumes that DOD will maintain its *full* presence and operation in Panama right up to the year 2000. A gradual phase down of the U.S. presence in Panama is more likely. By assuming a *phased* withdrawal for about the last 10 years (1990–2000) the total estimate can be reduced to approximately the \$350 million figure provided to the Congress by Secretaries Brown, Vance and Alexander in February, 1978. The rate and timing of withdrawal can be adjusted to yield whatever final dollar estimate is desired. For example, a 3% annual phase down starting in 1981 would reduce the \$870 million figure to \$350 million. If this approach is taken, we may be accused of “creative bookkeeping”.

The question, therefore, as we see it is whether we should: (1) merely reaffirm the \$870 million estimate, or (2) add the “phase down assumption” for a total estimate of \$350 million.

—\$870 million

—\$350 million

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 43, Pastor, Country, Panama: Visit by President Royo, 4-5/79. No classification marking. Carter initialed the memorandum. Hutcheson forwarded the memorandum with Carter's notation to McIntyre under a May 8 covering memorandum. (Ibid.)

If you prefer, the two concepts can be tied together by indicating that the Administration's outside estimate is \$870 million but that the total costs can be significantly reduced (e.g., to \$350 million) by a gradual phasedown in the outyears—situation permitting.²

² Carter wrote in the right margin: "ok, but emphasize the \$870m figure."

223. Internal Transcript of a White House Briefing¹

Washington, May 8, 1979, 7:40–9:05 p.m.

THE PRESIDENT: I don't know of a better way to wind up a day of delightful legislative work—(Laughter)—than to discuss the Panama Canal Treaty and its implementation.

I would like to start out and say a few words as President and then call on Secretary Alexander to follow me and then General McAuliffe and then Ambassador Ambler Moss. And following those brief explanations of what issues are involved, to spend the time we have available, I am at your disposal to answer questions that you might have about this very important issue.

I appreciate you coming over. I know it has been a hard and long day for you. But there is really no issue that you will address this year that is more difficult or more important than to pass reasonable legislation to implement the treaty. The instruments of ratification went into effect the first day of April. And, as you know, the Panama Canal Zone will come under Panamanian jurisdiction as Panamanian territory on the first day of October. This has already been written into the treaty which is now law. It has been ratified, after a treaty was negotiated for 14 years or more by me and, I think, three other Presidents. And this is an accepted fact that on the first day of October, the Panama Canal Zone will become Panamanian territory under Panamanian jurisdiction.

¹ Source: National Archives, RG 59, Files of Assistant Secretary J. Brian Atwood, Subject Files and Chrons. 1977/78/79/80, Lot 81D115, Box 2, Panama Implementing Legislation. No classification marking. A handwritten note reads: "Treat as Classified." The briefing of approximately 100 Members of the House of Representatives took place in the East Room at the White House. All brackets except those that indicate omitted text are in the original.

The responsibility that we share now, the House, Senate and the President, is to draft and to pass legislation to implement a treaty that is in existence. We have the right under the treaty, carefully negotiated, to operate and defend the canal itself through the year 2000. And after that time, our country has the right to continue to defend the canal fairly much as we see fit.

The most crucial element of the transition period for the next 20 or so years is to make sure that the canal is operating effectively, efficiently, that it is not in danger of interruption, and that we evolve over that period of time an even stronger sense of partnership and sharing with Panama.

As you know, we have for many years, many decades, many generations, shared with Panamanian workers there the responsibility for the effective maintenance and operation of the canal itself. And we built into the treaties the proposition that during this transition period, we would continue to work to operate the canal in harmony with one another.

I think there has been evolved in the last year or more a mutual respect for one another between ourselves and the people of Panama. There were sharp divisions and concerns raised during the intensely debated treaty ratification time. And I think the exchange of documents when I went to Panama,² the visits by General Torrijos up here,³ Congressional delegations, particularly a large number of Senators—I think almost half the Senate went to Panama to discuss with the leaders there and examine the canal installations and also to discuss future employment and retirement benefits with the American workers, primarily, but also Panamanian workers, to set a basis for proper relationships that are very crucial.⁴

I think that all of the military leaders who testified in meetings like these, which were numerous, with the Members of the Senate, or with the public throughout the Nation, indicated accurately that a major factor in the peaceful operation of the canal itself was harmonious relationships with the Panamanians. And that is what we have achieved, and that is what we hope to maintain.

I believe that it is important to recognize that you and I have a responsibility to carry out a solemn commitment of the United States of America. Our word of honor is at stake. There have been promises made by the Panamanians and by us. The legal binding promises are spelled out in the technical language in the general terms of the treaty.

² See Documents 183 and 185.

³ See Documents 102 and 113.

⁴ See Document 129 and footnote 2, Document 130.

But there is a general tone and spirit of the treaties that were evolved after difficult negotiations and when commitments were made on both sides.

We have an obligation to meet those commitments. We, in addition, have negotiated with the American employees there. There are certain employment rights, salary levels, retirement terms, benefits after retirement on which the successful operation of the Panama Canal depends. And the good will of the U.S. and Panamanian workers who maintain and operate the canal is a very important element in its proper operation.

Any defaulting on the treaty terms and the commitments that have been made would, I think, create serious problems for our country, not only in the violation of a respected nation's word of honor, but also possible labor unrest or even potential violence that might interrupt the operation of the canal.

East Coast oil deliveries from Alaska are dependent upon normal, uninterrupted traffic to the Canal. American shippers, shipping lines, Gulf Coast ports, consumers, farmers and others all depend upon the proper operation of the Panama Canal.

I think it is very important also for us to recognize the need to meet our responsibilities with adequate defense of the Canal itself. The expenses that accrue to our government primarily relate to workers' benefits of all kinds, which I have just described, and the proper deployment and equipping of American military personnel to be sustained there through the year 2000 to guarantee the safety of the Canal operation itself.

I recognize perhaps even more vividly than anyone in this room the political consequences of the consummation of the Panama Canal Treaty. When we started our final stage of negotiation, only eight percent of the American people favored the Panama Canal Treaties in any form. About 39 Members of the Senate had signed a resolution the year before I became President, committing themselves not to ratify any Panama Canal Treaty. But as the public became aware of the terms of the Treaty and the connotations of it and the consequences of rejection, the benefits of completion of the Treaty terms, a substantial majority approved of the Treaty provided we had the right after the year 2000 to defend the Canal and provided during the rest of this century, for the next 20 years, we had the right both to defend and operate the Canal.

We gave estimates of the cost of workers' benefits and defense primarily to the Senate in the early stages of the canal debate last year, as \$350 million over the next 20 years, roughly 10 years. We didn't know what premises would be finally written into the implement legis-

lation after the final ratification. Of course, we didn't have time to do accurate projections not knowing the final terms of the legislation.

Our latest estimates by the Defense Department are \$870 million.⁵ The Office of Management and Budget have fairly well confirmed these figures. Their figures came out on the same premises to amount to about \$850 million, only \$20 million difference.

I would say over the next 20, 21 years, the average cost per year will be about \$42 million. As you know, payments to Panama come out of toll fees and I believe that I can assure you that these figures are accurate to the best of our ability to estimate.

There have been wild exaggerations of cost, including all the toll fees and so forth, much higher than this. If we take a period, say, ten years before the termination of our responsibility, the year 1990, and begin to phase down the cost of maintaining our troops at a rate of about three percent per year, which is a reasonable assumption, but it is one we have not yet assumed, then the total cost would be about \$350 million.

But our presumption in reaching the \$870 million figure is that we would sustain the present level of American troops adequately deployed and adequately equipped right up to the last day we are responsible for the defense of the Canal.

These terms, I think, are fair to our country. I think there are great benefits to be derived from the Treaties themselves. We are obligated, I think, to act in good faith with Panama. I would say that there has been some expression of concern in the House, to answer the last question that I know about, concerning the human rights status as it exists in Panama.

I think Ambassador Moss would agree and General McAuliffe would agree—they live there—that there have been dramatic improvements in Panama in the last year and a half. General Torrijos has stepped down; a genuine civilian government has been chosen. Panama has signed the Inter-American Human Rights Convention.⁶

We have seen Panama move toward freedom of the press. The political exiles from Panama have been invited to return and there has been a general improvement there all around.

It is not perfect. They don't measure up yet to American standards, but the objective analysts who have been in Panama would agree, I think, with what I have just described to you.

⁵ See Documents 222.

⁶ See footnote 3, Document 102.

I, as President, want to ask you, without any timidity, to help us evolve within the House an acceptable implementation bill to carry out the terms and the spirit of the treaties that we have negotiated and which the Senate has confirmed and which are now U.S. law and international law.

I think Jack Murphy, Ed Derwinski, David Bowen represent three Members of the House who have shown tremendous courage, as have the numerous groups in the Senate. All three of these men, as you know, were opposed to the treaty. They did not want to see the Panama Canal Treaties signed. But I think they have studied the issue and now see that legislation is necessary to carry out the commitment that our Nation has made and to fulfill an oath that you and I both took that we would uphold the U.S. law.

I have to say that there are some elements within the bill which Jack Murphy is sponsoring that I don't agree with completely. But I think it is an excellent effort and shows great courage on his part, and I want to thank him for it.

I think now I will call on the Secretary of the Army to say a few words and then our Ambassador and then General McAuliffe and then we will open the session for questions.

[Omitted here are remarks by Alexander, McAuliffe and Moss.]

QUESTION: Mr. President, I believe you mentioned in your remarks that the \$870 million that you estimate it will cost us now, I believe you said all that would come out in toll fees. Is that correct?

THE PRESIDENT: No. Any payments to Panama will come out of toll fees. The \$870 million is designed basically for workers benefits, retirement benefits for our workers, payments to them of an increased nature and the sustaining of our military presence to defend the Canal.

The original estimate that was made to the Senate during the early days of the debate was \$350 million, before we knew the terms of the legislation and how long all our personnel would stay there and so forth. We have assumed in the \$870 million figure that we will maintain the present level of military personnel up to the last day we are in Panama. If we are getting along well with Panama under the military leadership, which will be General McAuliffe's successor, and, say, in 1990 we start phasing down costs at three percent a year, letting Panama join with us on a cooperative basis, then it will work out to about \$350 million.

But we are talking about sustaining our military presence up to the last day of 1999. Under those circumstances, we would pay about \$42 million a year, which works out roughly to \$870 million. That is for our workers and for our defense capability.

QUESTION: Do they make a contributing factor out of the Canal tolls also? Do they pay anything?

THE PRESIDENT: Panama?

QUESTION: Yes.

THE PRESIDENT: Panama has the smallest military force in Central America except Costa Rica, which doesn't have any military force. And as General McAuliffe said, it is primarily a police force. They have a very tiny National Guard. They are cooperating—and one of the setbacks that we have had was action taken by the House to wipe out a \$5 million loan to Panama to let them improve their military, a tiny amount, as you know, to let them join in with the defense. But in kind of a lashing out at Panama to show something, we eliminated that FMS loan to Panama.

But we would expect over the next 20 years, slowly but surely Panama will build up their military capability. But in this century, we are directly charged with the primary defense of the Canal. And following the year 2000, we have the right to defend the Canal if in the President's judgment, as Commander-in-Chief, the Panamanians are not defending it adequately.

QUESTION: Mr. President,

If I could follow on, on the question of how much the increased tolls are going to cost us for the payments to Panama, I have had some expression of concern by shipping people in New York City that the increases in the tolls that are contemplated in essence are going to make competitive trans-continental land shipments and, thus, hurt the ports initially in the Gulf and later on, as the tolls go up, along the East Coast, including New York City. I was wondering if you could tell me what increases in the tolls are contemplated and whether your Administration has done any analysis of what the effects of these will be on the Atlantic and Gulf ports?

THE PRESIDENT: We made projections during the Senate debate but let me refer to the Ambassador and Secretary to give you a more accurate answer because I have not kept up with it that much.

AMBASSADOR MOSS: Perhaps Secretary Alexander can elaborate on this, too, but under the Administration bill, I understand the Canal company would only be required to raise tolls by 11 percent. This is better than our estimates last year and in fact in 1977 when the treaties were concluded, when sensitivity studies indicated that Canal traffic could reasonably bear an increase of anywhere up to, let's say, 30 percent. Now, there is the question, of course, of how much the traffic should bear, how much the total traffic should bear, and how much the taxpayers should bear additionally to that.

For instance, in Chairman Murphy's bill, the interest payments which are presently made to the U.S. Treasury, which have been made for the past 30 years to the U.S. Treasury, would be continued, and

that would require a total increase of slightly over 21 percent. Again, well below the figures that we talked about during the negotiations.

There have been, of course, other proposals to add in other treaty costs, or extra treaty costs—for instance, some of the early retirement benefits that can be given to our workers—and they were put under the tolls rather than borne by direct appropriations, that would rise a little further.

So you start off with kind of a floor, basic treaty, direct treaty related costs, which would cause a toll rise of 14 percent, but then there are, of course, a certain number of add-ons which would represent other funding which could be taken out of the total revenues, if that were the decision of Congress in the implementing legislation.

THE PRESIDENT: That toll fee setting would remain with us.

SECRETARY ALEXANDER: There have only been two recent increases in the tolls in the entire history of the canal. They were 19 and 20 percent.

Actually, business has continued to rise, the feasibility studies were, as indicated by Ambler Moss, that you could go in the range of the 30 percent area without having a substantial effect on traffic. When you get too much beyond that, it could be—

QUESTION: Mr. President, I would like to know, is there any provision for repayment to this country for transfer of property such as the railroad or buildings that will eventually take place in Panama, presently owned by the canal company?

SECRETARY ALEXANDER: There is no provision for payment by Panama for the transfer of the railroad, which will take place on treaty day.

The provision within the treaty is that the railroad will be transferred without change. It does not at any point establish a certain dollar value for any of the lines or any of the property transferred. For a property not specifically covered by the treaty, if the Panamanians want to have it, they pay the fair market value for it; for example, typewriters.

QUESTION: Anything basically attached to the land will remain?

SECRETARY ALEXANDER: That is correct.

THE PRESIDENT: Will remain there, in Panama.

Yes?

QUESTION: Mr. President, prior to the ratification of the treaty, the anti-American forces within Latin America, especially Central America, use the presence of the United States in order to inflame the anti-American sentiment.

What has been the impact of the signing and ratification of the treaty on the anti-American movement, especially in Central America and in the Caribbean?

THE PRESIDENT: I have been to a number of Latin American countries, Bill, and my wife has visited seven of them—seven different countries. I have met in Panama with the leaders of some of the key nations—Venezuela, Mexico, Costa Rica, Colombia.⁷ There has been an outpouring of appreciation and an easing of tension and animosity against our country that has been truly remarkable.

It is hard for us as Americans to understand the deep sense that existed in many very friendly Latin American countries that we were still a colonial power. I think that all of the military even agreed, the Joint Chiefs of Staff were unanimous—I won't try to speak for General McAuliffe. He is here to speak for himself.

But we all felt that the Panamanian government, their limited national guard in spite of extremely inflammatory statements made during the Senate debate—Torrijos was their chosen leader—was frequently referred to as a tinhorn dictator; racist statements were made against the Panamanians themselves, allegations that they were sub-human or were literally incapable of learning how to operate a valve on the canal or repair the canal.

The Panamanians listened to these debates with the same degree of intensity that we watched and listened to the Watergate hearings during their most interesting moments.

But in spite of all that, the Panamanian government acted with great sensitivity and the people of Panama showed great restraint.

I am not going to get into the argument that we suffered through for six or eight months last year about whether or not we could have defended the Panama Canal if there was an outpouring among the Panamanian people to try to damage it or sabotage it.

The Joint Chiefs thought we would have had a very serious problem of defending it and would have required perhaps several hundred thousand more troops to enter into combat to do so. But I think there has been a remarkable change in attitude toward the United States of both friendly and previously unfriendly nations because we signed these treaties and we have carried out our agreements under the treaties as best we could, with the exchange of documents and the attitude we have assumed.

If there has been any sense of animosity since then, I have not heard about it. Maybe Ambassador Moss or General McAuliffe, who live there, could correct me if I am wrong.

⁷ See Document 183.

GENERAL McAULIFFE: No, you are absolutely correct, Mr. President. I would like to say something with respect to these elements in Central America.

I do have occasion to visit those countries primarily, of course, to talk to the military leaders. But I do keep track of it.

I will say briefly that the United States' action in ratifying the treaty has taken the wind out of the sails of a lot of those anti-U.S. elements. They don't love us for that. But nevertheless, it has denied them a weapon that they had previously.

Let me just say categorically to another comment, Mr. President, that I have supported the treaties and the concept of the treaties since I first assumed that command.

I was appointed to the command by President Ford. My first tour as a Unified Commander was up about two years ago. President Carter reappointed me. If I didn't agree with the treaties that would have been an ideal time for me to retire. But I chose to stay on.

THE PRESIDENT: I think the military, so far as I know, the military was unanimous in believing this was a good move.

I never heard any adverse reaction among active military persons.

QUESTION: I would like to follow up again on the scenario, if Congress does not approve implementing legislation—what would the direct result be in Panama and what would the indirect result be in terms of our relationship with Latin American countries?

THE PRESIDENT: Let me repeat what I said earlier, and then let the Secretary and the Ambassador respond more fully.

The treaty instruments were exchanged, went into effect the first day of April. The Panama Canal Zone comes under Panamanian jurisdiction on the first day of October, no matter what action the House or Senate might take now.

The treaty, as you know, under our Constitution is, the supreme law of the land just like a bill that is passed.

The Secretary has outlined things that could not happen if we did not pass implementing legislation. There is some doubt about whether we could operate the Canal at all. We would have no authority, for instance, to take care of personnel problems, to continue to employ them, to pay retirement benefits.

It would be doubtful unless the Congress would pass some kind of legislation that we could continue to operate military installations there. And the adverse effect on Panama, I think, would be profoundly damaging.

But let me turn to, the specific answer, over to the Secretary and then to the Ambassador and let General McAuliffe follow up because

I want this to be very accurate. In fact, any time I make a statement because I haven't been involved in it for six or eight months that is incorrect, I hope you will all feel free to correct me. Is that clear?

SECRETARY ALEXANDER: Certainly, what you stated is completely accurate about all the personnel problems that would flow. Another set of problems is related to the transfer of people to run the hospitals, and run the schools. This could not take place. The setting of tolls could not take place. An increase in tolls would be necessary under any conditions, some have estimated 14—whatever percent, whatever one wants to put on the top. That could not take place.

It is questionable what authority the people who are working there would have because the entity known as the Panama Canal Company cannot operate in Panama as of October 1st. That is a fact.

So how something could continue to function as the operating entity for the canal is a very serious question. Now what would continue, there are some elements of the Panama Canal Government that continue for a 30-month transitional period, like the police and so forth, but they, too, must be placed within a new organizational entity. But many activities would just plain stop.

THE PRESIDENT: We have about 3,000 employees there who are presently U.S. citizens living under U.S. jurisdiction. And what their rights would be, absent implementing legislation, would be very doubtful. I don't think the courts have ruled on it yet, but they might become U.S. Government employees without rights. These matters have not been addressed, and the consequences are so profound, it is almost impossible to assess how serious those consequences would be.

Ambassador, add anything you want.

AMBASSADOR MOSS: I want to add one more point to that. I think certainly the Secretary has addressed very fully the organizational problems we have had. General McAuliffe and I live down there and spent an awful lot of time talking to the U.S. citizens. I can tell you, too, we have a very severe morale problem. In fact, I think we have one already because the U.S. citizens who work down there really expect certain things to happen under the treaty, not only their status in a foreign country, but also the conditions of their employment, their labor organization, this kind of thing. And I can honestly report to you that the U.S. citizens in the Canal Zone almost unanimously opposed the treaties, there is no doubt about that. But they are almost equally unanimously in favor of this implementing legislation.

They want to stay there, they love their work, have a high esprit de corps, want to live in Panama. But they want promises fulfilled, want their status defined, want their way of life to continue, want the quality of life to continue as much in the same way as it is now

as humanly possible. And sometimes psychologically, they have a tendency to feel Washington—and they don't distinguish much between the Legislative and Executive Branches—is out to undercut them or take away the things they were promised.

This affects the morale very deeply. Their morale normally on the job is very high. We would like to see it stay that way because it is a very direct factor in how well the canal operates in adverse circumstances.

Mr. [unclear] raised the point, too, about how the Latin American countries would see the implementing legislation. I want to point out the canal is terribly important to us because about 7 percent of our international maritime commerce flows through the canal. But it is even more important to some Latin American countries. The West Coast countries of Latin America—Chile, Ecuador, Peru—in each of those cases, over 35 percent of their goods flow through the canal, 25 percent of Columbia, even though it is on two oceans.

One of the reasons these countries were outspokenly in support of the treaties was not to be so much anti-American and beat up on the United States, but in their own economic interests, because they felt this was the best way to see their interests preserved. I think a lot of them would view the failure of implementing legislation, or for that matter anything which threatened to disturb the perfect functioning of the canal, as being something which hit them very hard economically and would make a great impact on Latin America, great negative impact, not simply in political ways, but economically it is their lifes' blood and they would depend very much on that. I think that is something we have to bear in mind.

QUESTION: Mr. President, I understand that over 60 years ago, we were charging for passage through the canal \$1.25 a ton. And now, four wars and 60-some odd years later, we are only charging pennies more. I am troubled if these figures are correct, as to why we can't make the canal pay for itself and why we can't raise those \$42 million a year out of tolls so it doesn't cost the American taxpayer.

We know that it is a 9,000-mile trek to go around South America, and with fuel costs and crude costs and shipping costs, certainly there is still a great saving on the part of our country as well as other nations of the world if we charged just a fair rate.

SECRETARY ALEXANDER: You are certainly accurate in your statements about the dollars per ton that are charged. The only two raises in tolls have come within the last four or five years, and they have been 19 to 20 percent. One could question whether the canal was run like a good business for many years, there is no question about that. But some facts should be pointed out. Since 1951, the U.S. Treasury has received \$317 million in interest payments. And that is out of

international toll payments. Since 1951, the capital improvements have been some \$377 million, again out of tolls.

Our feasibility studies indicate that there might be a search for alternate routes for the transportation of goods if one went beyond the raising of tolls in and around—I am not precise on this; somebody can correct me—around thirtyish percent. And as you raise it even higher, you eventually reach the point where you lose traffic faster than you gain revenue. We would not want to have a toll, obviously, that is any more than the traffic can bear. But the assumption is that with inflation and running it more as a business should be run, that in the future, you are going to have to raise tolls some more.

Therefore, that potential way of transporting goods has to stay competitive. So we don't want to see tolls go so high that you eliminate the capacity to provide coming revenue.

QUESTION: But in terms of world inflation, the tolls are a pittance in terms of what they should be. We have no money for countercyclical funds, urban aid and other programs, yet we spend millions of dollars down in Panama. It is hard to explain to my people back home why we can't have some urban help for the needy, handicapped, senior citizens, underprivileged, yet we are spending \$42 million helping the manufacturers of the world.

These tolls are very low and certainly from an admitted business viewpoint, an abomination.

SECRETARY ALEXANDER: The \$42 million are not going to the people of Panama. The payments to Panama all come from international shipping. \$42 million, which is, again a high side estimate—it is \$277 million for five years, that is the best we can get a handle on—go to many of our defense needs, which we would construe to be in our national interests. Obviously there are other defense needs that are made around the world.

The rest of the estimates, to make it 870 million, are out-years after the year 1984 that may or may not come to pass, depending on what assumptions you make on force levels. But those \$42 million aren't being transferred from the American taxpayer to the Panamanian government, not at all.

QUESTION: I realize that. I just wonder if they can defray our costs.

THE PRESIDENT: When you look at the size of the defense budget, \$42 million sounds like a lot of money, perhaps to a peanut farmer, perhaps to someone in New Jersey. But compared to the total defense budget, it is a relatively small amount. And, of course, one of the insistent demands on the part of the American people, the Senate and myself, was that we retain the right to defend the canal.

I think the Panamanians would have been very eager to take over the canal earlier, without giving us a permanent right to defend it and

therefore to arrange to pay for the defense of it themselves, as they will be after the year 2000. But I think that was not only a right but a duty and a privilege, in a way, for us to maintain a military presence in Panama.

We not only keep the canal open and secure during this 20-year transition period, but we have a military presence there in the central part of Latin America which can be also beneficial to us.

The payments, retirement benefits and pay scales and so forth, of our workers, were negotiated with equal difficulty as we experienced in negotiating with the Panamanians in turning over the canal and the operation of it. Our same negotiators, some of who are here tonight, met with the labor leaders and met with individual American citizens to make sure that after the canal did go over to Panama, that their rights for retirement benefits and so forth were not interrupted. That is where some of that money goes out to. It is a little more expensive to phase out with early retirement and so forth. That is where some of it comes from.

I can't deny there could be an approach which was not written into the treaty and so forth that we would take all the canal tolls and pay for our military presence there. I don't think that would be fair and it would be in violation of international practice.

QUESTION: Mr. President, General McAuliffe talked about the gradual transition to build up the Panamanian forces to where they would be able to protect or defend the canal.

In light of the fact—what is the population of Panama, a million and a quarter?

GENERAL McAULIFFE: About 1.7 million.

QUESTION: So that is about the size of the State of [Georgia], as far as population is concerned.

THE PRESIDENT: A very fine size.

QUESTION: A very fine size, yes. (Laughter)

I won't argue that point, Mr. President. But to support on their economy and through that time, do you really believe that you are going to get an adequate force, considering as a military man, what military presence will be necessary there as an adequate force for whatever eventuality, that the Panamanians will, in fact, be able—through their economy and their numbers—to come up with an adequate force by the year 2000 or will they, in fact, at that point do somewhat as the Philippines and suggest maybe they would like to have us stay on?

Would you like to respond to that?

GENERAL McAULIFFE: First of all, I did say, and I do believe that Panama should and does intend to restructure its forces. It is now three-quarters police and about one-quarter a tactical type of force.

QUESTION: It is not even equivalent of what we would have as a national guard, though, is it?

GENERAL McAULIFFE: No. It has very, very minimal military or defense capabilities. But I see them restructuring this force and I see them making a very modest enlargement of the force in order to create, perhaps a couple of battalions, by when is anyone's guess, 1990—you know, quite a bit down the road.

They certainly are not in a position now economically to do any expansion. They are in the position to do a little bit of restructuring so as to dedicate perhaps some symbolic units to canal defense, starting this October, and then gradually to enlarge upon that.

As far as what might happen out at the end of the treaty period, many of us have speculated that depending on the attitudes of the United States Government, the Panamanian government, and the situation in Central America on or about the year 2000, I think it is entirely possible that the Panamanian government at that time, might ask the United States to retain a small military presence there after the year 2000.

But that is sheer speculation. We have to plan on what is said in the treaty, and that is, that by the year 2000 we will turn over the last remaining military bases and other property that we would have in that canal area and withdraw our forces.

Then the full impact of the neutrality treaty comes to bear, as the President indicated, wherein we would perhaps not have forces there but would be permitted to take such actions as would be necessary to maintain neutrality and our continued use of the canal thereafter.

QUESTION: But would that preclude a United States military presence thereafter?

GENERAL McAULIFFE: The treaty, as it is written now, would preclude it. In order for forces to stay after the year 2000, some other type of bilateral agreement would have to be reached.

QUESTION: We would have to negotiate similar as we have done with the NATO powers to come in or with the Philippines or whatever—

GENERAL McAULIFFE: Yes, sir.

QUESTION:—under that mutual bilateral agreement and do you feel then on top of that, that is wise for our national security or the relationships in the western hemisphere that the United States have a military presence in Panama thereafter?

GENERAL McAULIFFE: I think it is very important for the United States to have military forces in Panama, not only for canal defense but as a deterrent to perhaps possible or potential hostile actions or elements in that area. They do provide an element of stability within

the country of Panama and within the region. I think that so long as we have forces in Panama, they serve as a deterrent to a possible predatory nation thinking about coming in and taking advantage of the situation in Panama.

That is down to the year 2000. As I said, it is very difficult to predict what would be the requirement of the situation beyond that. And I think we just have to—our successors will have to see.

QUESTION: But my question was related as to whether we feel our position was to try to negotiate at that point a bilateral agreement for presence.

THE PRESIDENT: I will say this: In the latter part of the Senate debate on the treaty, I would have stolen \$10 from Amy's piggy bank and paid the Panamanians to say you could stay after the year 2000 with just one batallion of American troops. I don't know what is going to happen. I think it primarily depends on our relationship with Panama. If you don't mind my being critical, you know, Panama is our friend. They are our neighbor. They are symbolic in many ways to the other Latin American countries [and] the Caribbean countries, as a test of how the United States is going to implement our professed commitment to basic human rights, a powerful nation in every sense of the word, how do we deal with a small nation that has been heavily dependent upon us and which has negotiated in good faith under the most difficult of circumstances to work out an agreement that is mutually satisfactory.

We send billions of dollars to Israel, to Egypt, tens of millions of dollars to countries like Jordan, Syria, Thailand and so forth. Here is Panama, you know, a neighbor, friend, a partner alongside of us in the wars; they never have abandoned us. It has been difficult for them. And just a few weeks ago when we had proposed, I think a \$5 million FMS credit so Panama could borrow some money—it was not a grant—to build up their national guard so they could be more capable, the House cut it off, just wiped out \$5 million, a drop in the bucket for you, but symbolically it was a slap in the face to Panama.

You know, we have proven that we are powerful enough to do it. Maybe it helped politically back home to say, "I showed the Panamanians." But you know, we have got to work with Panama and I don't believe it is good for us to show that we are powerful enough to punish a little nation just because we disagree with the negotiated treaty that was signed by me and ratified by two-thirds of the Senate.

I would hope that you would take that into consideration.

One of the best ways to defend the Panama Canal is not for us to send 100,000 more troops down there, but to have a friendly relationship with Panama so they will join in with us in a cooperative and

friendly spirit to help defend the canal that we and they both want to be kept open.

I know it is a difficult vote. If I was in the House, I would be going through the same difficult decision-making that you are. But I hope that you will recognize that generosity or fairness is a crucial element in foreign diplomacy and help us not to try to punish Panama even though you decide not to vote with implementing legislation. Let's don't turn those people against us and make it almost impossible for General McAuliffe and our military troops to defend it.

QUESTION: Mr. President, I certainly support the treaty, but on a certain matter here, for example, it says, "The Panama Canal Treaties provide the United States with the necessary authority at the time of war to defend and secure the canal." I wonder if you could tell us a little bit about who decides whether it is a war and whether it is the kind of war in which we would move? Suppose it were one of these wars which is kind of hard to decide whether it is a war or revolution?

THE PRESIDENT: The President of the United States decides. If, in his judgment—or perhaps her judgment—at that time the Panama Canal is in danger, if the security is in danger, the United States has a right to take such action as it deems necessary to defend the Panama Canal.

QUESTION: They don't regard this as an invasion of their sovereignty?

THE PRESIDENT: Not only has Panama agreed with this provision—that was the most difficult single negotiating point—but other nations in that region have also endorsed that principle. And the treaty that is continues after the year 2000 has a multinational protocol throughout which countries like Venezuela, Colombia, Mexico can join with us as signatories to make sure that not only does Panama agree we have a right to defend, but we have a duty to defend. But other nations who would be sensitive also agree to respect the neutrality of the canal; it will be a written, signed international document. And Panama, if they disagree with a judgment made by the President, as Commander-in-Chief, they have to refer to the agreement that the Panama Canal is kept open by unilateral action, if necessary, on the part of the United States.

QUESTION: I support the implementation of the treaty, Mr. President. Even more do I support your conception of what the honor of a great country is in dealing with a smaller country. I think those are words that we must remember.

I would like to ask you about how this new President is installed, if not by election. What is going on by way of their electoral process and governmental change?

THE PRESIDENT: Let me tell you what I recollect, which is kind of short, and let the Ambassador correct me.

Last August they had an election to choose a General Assembly—I think about 500 members. And then those 500 members chose the President. And I understand that in 1984 there will be direct elections of the President, similar to what we have.

AMBASSADOR MOSS: That is absolutely right.

[Omitted here is a portion of the question and answer session.]

QUESTION: Mr. President, I think that probably the most serious question we are going to have to answer during these entire debates is the question of how much our property is worth there, just as you are talking about, and why we are not going to take that portion of the operation of the canal that is for our additional personnel costs, excluding our military, out of the tolls that Panama is going to get, why we are not going to get them to pay us back for the equipment, for anything that we are leaving for them, to acquire all the properties and pay for our additional costs.

I recognize that would be a very substantial burden to ask them to do, but that is the issue that we are really going to be facing. All these other things we can talk about, but the real issue is whether we are going to, in effect, require that the tolls from Panama to require for the \$4 billion worth of whatever our inventory is there.

I think that is the real issue, and I think it is going to be a difficult issue for us to face, because I think the people back home are from concerned about us turning that over without requiring them to pay us for it and at the same time increase their toll payments so substantially.

THE PRESIDENT: Let me give you two quick answers and let the Ambassador follow up. In the first place, we have never claimed sovereignty over the Panama Canal Zone, neither Teddy Roosevelt nor the Supreme Court in, I think, five different rulings, nor anyone else in a position of authority, including no Presidents have ever claimed we had sovereignty over the Canal Zone during the 75 years or so we have used it. It has been Panamanian territory. We have not paid them much rent on it, but we have used it.

As the Secretary pointed out, we have derived since 1957, as so-called interest payments on our original investment, over \$317 million which has come up here and gone into the United States Treasury. I think that was fair. I think that we benefited, I think that Panama benefited. It was not a favor done by either person, by either nation.

To answer your question, if we could have written the treaty unilaterally without negotiating it with Panama, a sovereign nation, we could have made any demand we chose. We could have confiscated all the tolls, figured out how much all of our buildings cost, made Panama pay for it and not given them anything.

But we negotiated with them over 14 years, beginning with Lyndon Johnson—I am the fourth President—in a quid pro quo relationship, where both countries ostensibly, and I think actually, derived benefit. The treaty does not call for Panama to pay us for those facilities out of tolls. It specifically prescribes what we have outlined to you tonight. And we are now living under an agreement signed by me, ratified by the Senate, which does not call for Panama to pay for those facilities that we are turning over to them.

We can't renegotiate the treaty. We can't reject it under international law or under United States law. I am sworn to uphold the U.S. law, U.S. Constitution, just like you are. And there is no way for us to undo the treaty that we have ratified.

If we discovered at this point that we had made a serious mistake, because of a major oversight, or if the Panama Government had been overthrown by a radical communist dictator, instead of being taken over by a democratically-chosen, friendly President, we still are bound to carry out the terms of the treaty.

We can't undo the treaty. It has already gone into effect. So to raise this question now, why don't they pay us for it, that was not the agreement we reached. We signed the agreement just like a contract to sell land.

If you bought a piece of farmland for \$400 an acre and you discovered oil on it, the former owner couldn't come back and say, "It is worth \$100,000 an acre. I want my land back." The same thing is basically the question you are asking. You have to be fair with the people once you traded with them. That is what we did. We traded with them, signed the document. I think it was fair and is fair the way it has been worked out.

AMBASSADOR MOSS: Let me add that on the Panamanian side, of course, there was tremendous opposition to the treaties for almost the equal and opposite reason there was opposition here. The Panamanian people, many of them, thought their country had given away too much and in fact they should have gotten a better economic bargain.

They pointed out over the years we paid \$2.3 million for the use of about 600 square miles of territory, some of their best real estate, and it works out to about \$6.00 an acre a year. And at the present, we are paying ourselves \$20 million a year interest payment and they are only getting 2.3 million. Their economy benefits enormously from the canal, but still when they consider that they look around the world and see what we pay for military base rights in Spain, Turkey, Philippines, and we are keeping our bases for the next 20 years without any quid pro quo for the bases, a lot of Panamanians have criticized their own government for not driving a harder bargain.

These negotiations were genuine arms length negotiations, tough negotiations, and as the President said, it is the way the bargain finally came out. I think the proof of the fact it is a fair bargain is the fact it did generate so much heat in both countries for the equal and opposite reasons.

QUESTION: Mr. President, what you are saying, as I understand it, is we can't re-open the treaty negotiations, which I think we all understand, that we either have got to take and accept one way or the other, or reject, what you have proposed here as far as what you have already obligated to the President as soon as it is ratified. Is that about it?

THE PRESIDENT: Yes, except I would say that Jack Murphy's bill, which we are supporting and hope will not be modified, is not exactly what we want. If I were writing the bill myself, I would write it differently. I think that Jack's bill is not quite fair enough to Panama, and I think it borders on violating the spirit of the agreement that I negotiated.

But we are supporting it, and I think that Jack and Ed Derwinski and others are very courageously supporting it. But we can't violate our word of honor, we can't violate the law of the land, which is the treaty. And I would hope you all would support the implementing legislation, including the spirit in which the treaty was negotiated, although you might find some loophole in the treaty that you could take advantage of if you wanted to abuse Panama.

The last point is if the House does not act favorably and pass legislation, then we are faced with a serious debacle the first of October, because the whole thing goes to Panama, they have jurisdiction over it, and we don't have any mechanism by which we can continue to operate.

QUESTION: Regardless of what we do. Right?

THE PRESIDENT: Regardless of what we do.

I want to thank you all for being so patient.

224. Memorandum of Conversation¹

Washington, May 10, 1979, 11:20–11:55 a.m.

SUBJECT

Summary of the President's Meeting with President Aristides Royo

PARTICIPANTS

The President
Secretary of State Cyrus Vance
Deputy Secretary of State Warren Christopher
Secretary of the Army Clifford Alexander
Assistant Secretary of State Viron P. Vaky
Ambassador Ambler Moss, US Ambassador to Panama
Robert Pastor, National Security Council Staff Member

President Aristides Royo of Panama
Foreign Minister Carlos Ozores
Ambassador Gabriel Lewis, Director, Panama Canal Authority
Ambassador Alfredo Lopez, Panama Ambassador to the United States

Presidents Carter and Royo met for 20 minutes privately in the Oval Office first. (U)

President Carter opened the meeting by giving President Royo two books as a gift and saying that it was a great honor to have Royo visit the US. President Carter followed Royo's travels throughout Europe, and had received good reports of his meetings with Members of the House of Representatives. (C)

President Carter explained that the problems that have emerged during the implementing legislation were the result of an unstructured democratic system, and an independent Congressional branch. He hoped that President Royo would not forget that President Carter and all of the members of his Administration are absolutely committed to implementing both the letter and the spirit of the Canal Treaties. To pass the implementing legislation in an acceptable form will not be an easy task. It is quite possible that the House of Representatives may pass a bill with some significant problems, but the honor of the US Senate is at stake. The President had spoken with Sen. John Stennis, who is chairman of the Senate Armed Services Committee and will be managing a good part of the bill in the Senate, and the Senator assured the President that even though Stennis had opposed the original treaty, he recognized that the treaty had been ratified, and he will honor the

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 37, Memcons: President: 4-5/79. Confidential. The meeting took place in the Cabinet Room at the White House.

will of the Senate and pass implementing legislation compatible with those treaties. (C)

President Carter said that he had met with about 100 of the most doubtful members of Congress the previous Tuesday.² He asked his staff to prepare a verbatim transcript of the meeting with those Congressmen,³ and to give it to President Royo. He thought that President Royo would be reassured to see in the questions and answers the commitment by President Carter and other members of his Administration to passing fair implementing legislation. He asked President Royo to review the transcripts, and if he had any ideas on how to refine the arguments, he should get directly in touch with President Carter. (C)

President Carter expressed gratitude for Panama's increasing cooperation since the ratification of the Treaties. There are about 250 specific commitments in the treaties which we are working to implement, and Panama's cooperation is unquestionably the best way to assure a favorable outcome on implementing legislation and on maintaining an efficient and open canal. (C)

President Royo said that he appreciated the words of President Carter. Royo said that he wanted to reiterate the confidence that Panamanians had in the US and in President Carter's Administration. Panamanians appreciate all the efforts that President Carter has made to get proper and adequate legislation, and Panamanians also understand all the difficulties and the obstacles to passing this legislation in good form. Royo said that he thought that his visit could be helpful in this task, and he hoped to explain Panama's position in the meetings he would have. He intended to say that if the US wanted a good and efficient canal, then all that is needed is the passage of implementing legislation which follows the spirit of the Canal Treaties. Members of Congress have expressed to Royo their concern that the Canal Treaties may have been a give-away, but Royo has explained that rather than a give-away, it is a new form of cooperation between a big country and a small country. He explained that the Panamanians have a new confidence and trust in the US as a result of the Canal Treaties and the respect the government has accorded a small Latin American country. (C)

President Royo, however, expressed great concern about the possibility of violations of the treaty being added to the implementing legislation, and he gave President Carter an *aide-memoire* which listed such

² May 8.

³ See Document 223.

“violations.”⁴ President Royo said that he agreed that we should wait until the Senate considers the implementing legislation before taking steps to try to change the bill. He said that Panamanians have confidence that things will come out properly in the end. (C)

President Carter said that he and President Royo had a private conversation on Nicaragua, and that they agreed on ultimate goals. President Carter also said that he had asked Royo in their private conversation to continue to work with us closely in the implementation of the treaties. October 1 is a memorable day not only because it is the day in which full jurisdiction is transferred from the US to Panama of the Canal Zone, it is also President Carter’s birthday. President Carter said that he is eager to help to make the transfer a day of excitement and celebration, rather than dissent or disagreement. With regard to the five-year agreement on operation of the School of the Americas, President Carter said that he would like to consult with the Panamanian Government on mutually acceptable terms at that time. He expressed gratitude on the part of the US for President Royo’s visits to the Zone and his talks with the Americans in the Zone; this has helped to alleviate the concerns and assure the residents; it was very helpful, and President Carter personally thanked Royo for it. (C)

President Carter said he is committed to seek a restoration of the economic and military assistance to Panama which Congress had cut. The problem was that the House of Representatives used that to express its displeasure with its inability to vote on the Canal Treaties. However, President Carter said that he thought that this was just a phase, and he would work to restore the assistance. He cannot guarantee success, but he will work toward that objective. Furthermore, within the bounds of the law, President Carter pledged that he would carry out the commitments of the Treaties. It would be a tough fight, but his integrity and his word of honor are at stake, and he pledged again to consummate the treaties in a fair and acceptable form. He reminded President Royo that when the treaties looked hopeless, he redoubled his efforts. Furthermore, President Carter said that he viewed his pledge to Panama to be fair and generous and cooperative and still binding on him. There will be some problems in the future. For example, he will have to negotiate the transfer of movable property, and we may have a specific law to deal with this. If so, we will try to assess the property at a low

⁴In telegram 5835 from Madrid, April 27, the Embassy transmitted the text of a letter from Royo to Carter, in which Royo expressed concern that the spirit of the draft treaty implementation legislation was in open opposition to the spirit, objectives, and goals of the treaties. (Department of State, Classified Political Subject Files, 1979, Lot 82F93, Box 2, 33.3; U.S.-Panama General Relations, 1979) A copy of a translation of Royo’s letter is in the Washington National Records Center, OSD Files, FRC: 330-87-0068, 1977-1979 Govern of Panama Treaty View—Implementing Legislation.

but fair price. With regard to the tugs that serve the canal, our first priority is to have these continue to serve the canal, but we also hope that they will be able to serve the ports under an agreement which would be acceptable both to Panama and to the tugs' owners. Our inclination is to keep the relationship undisturbed. (C)

Ambassador Moss said that he had already discussed many of these issues with the Panamanians, and he feels that the cooperation between both sides is excellent. (C)

President Carter said that we had become increasingly disturbed about the enormous environmental problems in the Zone, especially as related to soil erosion and the prospect of floods in the future. The President regretted the unfortunate incident which involved the burning of two homes in the Zone,⁵ but he hoped that this wouldn't stand in the way of continued cooperation on these important environmental matters, which could have such a devastating impact on the operation of the Canal. President Carter said he hoped that the concern surrounding the burning of the two homes would not stand in the way of our mutual goal and mutual environmental concerns. (C)

President Carter expressed his appreciation for the progress made in Panama on human rights and democratization, as illustrated by Royo's election and by the return of political exiles. He said he was sure that this is a source of great satisfaction to Panamanians. While done on Panama's own initiative, it also has set an important example for other countries in the hemisphere. (C)

President Carter said that he hoped Panama would not be timid in using its influence in international meetings, including in the Non-Aligned Summit which will be held in Cuba.⁶ President Carter said that he hoped Panama will use its voice to express democratic principles, and that President Royo would consider our views in preparing for these meetings. He said that he understood that our attitudes on Puerto Rico are precisely the same as President Royo's—that Puerto Rico's status should be determined by the people of Puerto Rico. President Carter said that he has always had this position. However, the Cubans have tried to use the Puerto Rican issue to embarrass the US, and he hoped that President Royo would express the view that Puerto Rico should be free to determine its own future. He hoped that Panama would do that not just because we are friends or partners, but also

⁵ In an undated briefing paper on environmental matters, the Department noted that Canal Zone policemen burned one or two squatters' huts and the Panamanian government protested and claimed damages. The Embassy was handling the situation. (Carter Library, National Security Affairs, Staff Material, North/South, Box 43, Pastor, Country, Panama: Visit by President Royo, 4–5/79)

⁶ The Non-Aligned Movement Summit took place September 3–9 in Havana.

because he wanted Panama to exert its influence to stand for what is right. (C)

President Carter said that he believes in the Non-Aligned Movement, and he thinks that it is a very powerful and useful force for developing countries to express their concerns in world affairs. We don't want to see it controlled by authoritarian governments or used for totalitarian purposes. This is very important to the US. If Panama's views are compatible with those which President Carter expressed, he hoped that President Royo would understand his views of the Non-Aligned Movement and of these issues, and convey them in an appropriate way at the Summit. (C)

President Royo said that on October first Panama would give President Carter a very nice birthday present. Ambassador Moss is working very closely with the Panamanians on this. He said that the progress of democracy in Panama is not always easy. When President Royo said that he wanted the School of the Americas to remain open with some important changes, such as the greater cooperation and participation of the Latin American countries, he was called a traitor by his people and even "a bastard." But he said that he will keep his word on keeping the School of the Americas open with some fundamental changes. With regard to economic and military assistance, President Royo promised not to make any statement on this issue. He said that he realizes that a sensitive job needs to be done, and that Panamanians know that in the end the issue will be resolved, and so it does not make any sense to talk about it any further now. "We need to go forward with other issues, rather than just be concerned about the assistance." On unmovable property, President Royo said that he is working closely with Americans to try to clean the table on past problems. On environmental concerns, President Royo said that Panama is currently spending \$10M to preserve the forest. He recognizes that each ship that passes through the canal uses 52 million gallons of water, which is almost as much as Panama City uses in a single day, so Panama is very interested in working and cooperating with the US on environmental matters in the Canal Zone. (C)

President Royo said that with regard to the democratization process in Panama, political parties have been legalized, students have begun to organize for elections which will take place in 1981, with a presidential election in 1984. He is very pleased with this progress. (C)

President Royo said that he thinks that the Non-Aligned Movement can help Panama, and Panama will remain a member of it. *President Carter* expressed his positive agreement with President Royo's statement. *President Royo* said that Panama is not a radical in the Movement, and when he goes to Havana in September, and makes his speech before the Summit, he will mention the US, and he will say that he is

very proud of the good relations which Panama has been able to establish with the US, and is very proud of the Canal Treaties which the two governments have developed together. (C)

On Puerto Rico, *President Royo* said that he does not agree with the actions of the Non-Aligned Movement. He thinks that the Independence Movement is Communist and that the headquarters is not in Puerto Rico, but in Havana. It is the government of Cuba which is trying to force the Puerto Ricans to be independent. President Royo agrees with President Carter on this issue; he supports self-determination for the Puerto Rican people. (C)

President Royo said that in addition to these issues, there are a number of economic concerns, but he does not want to raise them at this time. He hopes that the State Department and the Treasury Department and other departments will help to resolve the problems which are outstanding on sugar and on tuna in the same spirit that President Carter has brought to this conversation. He said that he came to confer with President Carter on the treaties, and that this is not the right moment to discuss these issues. (C)

President Carter said that on economic concerns, when Ambassadors Moss and Lopez Guevara considered it advisable, President Carter said he would be glad to take whatever action he could to increase American business investment and trade in Panama. (C)

Ambassador Moss said that his embassy has been actively engaged in helping the American business community invest in and trade with Panama. He thought that the establishment of a new Chamber of Commerce in Panama was a good sign. Ambassador Moss said that he thought Panama offers a good business investment climate for the US. (C)

President Carter said that if Secretary Blumenthal or Secretary of Commerce Kreps could be helpful in any way, President Royo should let President Carter know right away, and he would be in touch with them. (U)

President Royo asked whether it would be convenient for the US to send a team to Panama like the Strauss mission to Egypt and Israel,⁷ to look around Panama and to encourage US business to invest in and trade with Panama. *President Carter* said he thought that that would be very good idea and would be very helpful to US–Panama relations.⁸ (C)

President Royo added that with regard to narcotics, Panama has done all it can under President Royo's administration to control the

⁷ On April 10, Carter asked Special Trade Representative Robert Strauss to lead a U.S. trade mission to Egypt and Israel April 16–20.

⁸ See Documents 226, and 248.

traffic of drugs in Panama. A few months ago he reminded President Carter that Panama had confiscated several big planes and ships; it had been a big haul. But perhaps the US and Panama could reach a new agreement on narcotics trafficking to increase our cooperation in this area. (C)

Both *President Carter* and *Secretary Vance* said that it would be easy to send a team like the Strauss mission and that the US would like to do something like this. They also agreed that the United States would look into a new agreement on narcotics cooperation. (C)

President Carter closed the meeting by saying that he was looking forward to receiving any questions or comments or advice that President Royo might have on the transcript which he had given to him that day. (U)

President Royo thanked President Carter for the books that he had given him, and said that he would like to give President Carter a book, but the only one that he had written was on the Panamanian penal code. (U)

225. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, May 15, 1979

SUBJECT

Follow-Up of Royo Visit (U)

At your request, Bob Pastor brought the transcript of your briefing of Congress on the implementing legislation to President Royo on Thursday² evening. In a conversation with Bob, Royo made the following points:

—On *Nicaragua*, he said that as a result of his conversation with you and his meetings on the Hill, he believes the risks to the implementing legislation and to US-Panamanian relations is too great to consider any further assistance to the Sandinistas. (C)

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 4/78-5/79. Confidential. Sent for information. Carter initialed the top-right corner of the memorandum.

² May 10. See Document 223.

—On the *Non-Aligned Movement*, he reiterated his pledge to you to speak in Havana about the new relationship between the US and Panama which is the result of the treaties. He welcomes follow-up briefings by us on the specific issues, and we will be doing that soon. (C)

—On the *implementing legislation*, he said he would be helpful in any way you wanted, and would return to Washington to speak to Congressmen and Senators if you so requested. He was worried that our strategy of waiting for the Senate to correct the “violations” of the House could backfire since he feels that many Senators believe that they have already done their duty for the treaties and do not want to “get bloodied” a second time. (C)

—On *his meeting with you*, he was extremely pleased. He admitted that while he had some doubts at times about the US, he had full trust and faith in you as a moral leader and a friend of his and Panama’s. (He asked that his comments on the School of the Americas in his conversation with you be kept in strict confidence, or it could cause him serious problems at home.) (C)

—On the *US investment team to Panama*, he has asked Gabriel Lewis to coordinate Panama’s side. They are looking forward to it. (C)

226. Memorandum From the President’s Assistant for National Security Affairs (Brzezinski) to Secretary of State Vance, Secretary of the Treasury Blumenthal, Secretary of Commerce Kreps, and the Special Representative for Trade Negotiations (Strauss)¹

Washington, May 15, 1979

SUBJECT

U.S. Investment Team to Panama

In his meeting with Panamanian President Royo, on May 10, 1979,² President Carter agreed to Royo’s suggestion that the U.S. government send a high-level team to Panama to encourage U.S. investment and trade with that country. Both Presidents referred to the Strauss Mission to Egypt and Israel as an example of the kind of mission the U.S. should

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron., Panama, 1-7/79. Confidential.

² See Document 224.

send to Panama.³ The State Department should coordinate this effort with agencies in the government, interested Members of Congress, the U.S. business community, and the Panamanian government. Please report as appropriate.⁴

Zbigniew Brzezinski

³ See footnote 7, Document 224.

⁴ See Document 248.

227. Telegram From the Department of State to the Embassy in Panama¹

Washington, May 24, 1979, 1339Z

132507. Subject: Panamanian Involvement With Nicaragua.

1. (Confidential—Entire text)

2. Ambassador requested to seek appointment with President Royo to review with him in general terms problems posed by congressional and press attention to Panama's alleged involvement with Nicaragua. Following talking points should be drawn on.

3. (A) Royo is fully aware from his visit to Washington² of high degree of attention being given by certain sectors in Senate and the House to various aspects of Panama's alleged involvement with Nicaraguan situation. He will recall the specific questions posed to him both by congressional figures and by press.

(B) Since his return to Panama, there continues to be heavy press coverage of Miami arms case in which indictment handed down³ and

¹ Source: National Archives, RG 59, Central Foreign Policy File, D790236-0489. Confidential; Immediate. Drafted by Haahr and approved by Vaky.

² See Document 224.

³ In telegram 126464 to Panama City, May 18, the Department informed the Embassy that the U.S. District Court for the Southern District Court of Florida had indicted five individuals for their role in deals that provided weapons to guerrilla forces in Nicaragua. An affidavit in the case alleged that the former Panamanian Consul in Miami, at the direction of the Panamanian G-2, had participated in at least seven arms transactions involving over 200 firearms. Treaty opponents were seizing the issue as "proof of Panamanian complicity with Sandinistas" and as revealing the "true nature and character of GOP." (Department of State, American Embassy Panama, Classified and Unclassified Political Subject Files, 1979-1980, Lot 83F67, Box 33, DEF 19)

further questions and charges were raised in House debate on implementing legislation on May 21. We expect this to continue and perhaps even intensify during coming weeks, particularly when House resumes consideration of legislation.

(C) There have been a number of discussions in the past with him and with General Torrijos on the general question of Nicaragua and Panama's role therein. From those conversations, we drew the conclusion that Panama shared our view with respect to the necessity to find a peaceful solution in Nicaragua both because it was desirable for the sake of that country and because of the danger that some action might lead to an extension of the conflict. We hope Royo continues to share that general view.

(D) Because of the press and other allegations of Panamanian involvement in arms deliveries to the Sandinistas which grew out of the Miami case in which five persons were indicted, we greatly appreciate having received word of Royo's decision to authorize an investigation to determine whether there was any violation of Panamanian law. We assume that such investigation will encompass all aspects of the Miami case including those arms which were exported legally to Panama but which were intercepted by the Nicaraguan National Guard. We hope that Royo will broaden that investigation should other cases emerge or come to his attention.

(E) We hope that these matters will not have a serious effect on the implementing legislation in either the Senate or the House. We also hope that Panamanian cooperation will enable us to continue to resist congressional pressures to limit assistance to Panama.

4. *FYI.* Our intention in above is to focus Royo's attention again on what does represent not only a problem in the public domain, but one which holds out potential for difficulties in conduct of our bilateral relations.⁴

Christopher

⁴ In telegram 3952 from Panama City, May 30, the Embassy reported that Moss delivered the points contained in telegram 132507 to Royo, who agreed that a peaceful resolution and not an armed intervention from the outside was best for Nicaragua, but remained vague regarding Panama's role and measures he could take. (National Archives, RG 59, Central Foreign Policy File, D790245–0297)

228. Memorandum From Secretary of State Vance to
President Carter¹

Washington, June 4, 1979

[Omitted here is information unrelated to Panama.]

(2) Panama—Gabriel Lewis told us last night that Torrijos believed Somoza was on his last legs and wanted to deliver the *coup de grace*. Torrijos is apparently supplying arms deliveries daily to the Sandinistas in southern Nicaragua. Lewis intimated that Torrijos now wants to recognize a “Sandinista government.” Lewis asked for someone to come to Panama to calm Torrijos down, and Ambassador Moss and Bob Pastor flew to Panama today to try to do that.²

(3) Murphy—Congressman Murphy is voicing concern over Panama’s involvement with the Sandinistas and the charges that Panama is equipping the guerrillas.³ He says he will hold hearings on the subject later in the week, which will further complicate the problems facing the Treaty implementation legislation. We ought to try and get the leadership to turn it off or postpone it.⁴

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 21, Evening Reports (State), 6/79. Secret. Carter initialed the memorandum and wrote: “Cy.”

² See Document 230.

³ Carter wrote in the left margin: “I’ll call Murphy.” See Document 229.

⁴ Carter placed an arrow in the left margin and wrote: “Do so.”

229. Briefing Memorandum From the Assistant to the President for Congressional Liaison (Moore) and the Special Assistant to the President for Congressional Liaison (Beckel) to President Carter¹

Washington, undated

CONGRESSIONAL TELEPHONE CALL

TO: Rep. John Murphy (D-17-N.Y.)

DATE: This weekend²

RECOMMENDED BY: Frank Moore and Bob Beckel

PURPOSE: To discuss Panama Canal Implementing Legislation.

BACKGROUND: The House Merchant Marine and Fisheries Committee will begin full Committee Markup of the Panama Canal Implementing Legislation on Monday.³ The Bill as it has emerged from subcommittee (chaired by Carroll Hubbard D-1-Ky.), is clearly in conflict with the terms of the Panama Canal Treaty. Before subcommittee markup Murphy appeared to be seeking a compromise with the Administration but caved to Hubbard and Bauman in the markup session. We have attached comments on the amendments which cause us the most difficulty.⁴

We suggest you tell Murphy that the Bill in its present form is unacceptable,⁵ and urge him to correct the problems in the full Committee markup. We think Murphy does want a Bill you can accept, but is feeling the heat from his right. He should be reminded that nothing short of taking the Canal back will satisfy Bauman, and that Murphy is better off working with you to seek solutions we can all accept.

You may want to offer to meet with Murphy and some Members of the Committee (not the whole Committee) if it will help. The Speaker will follow your call with a meeting on Monday⁶ with Murphy.

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 7-9/79. No classification marking. Carter initialed the memorandum and wrote: "done. Jack reassured me that nothing would be in the bill to violate treaty terms. Warren and/or Cy will have to work the committee—then I will help if necessary."

² According to the President's Daily Diary, Carter spoke with Murphy from 8:34 to 8:38 a.m., Tuesday, June 5. (Carter Library, Presidential Materials, President's Daily Diary)

³ June 11.

⁴ Comments not attached. Carter wrote in the left margin: "cc: Vance."

⁵ Carter underlined "unacceptable."

⁶ June 11.

230. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, June 5, 1979

SUBJECT

Mission to Panama

Ambassador Ambler Moss and I arrived in Cantadora Island (off Panama) for five full hours of talks with Torrijos. On Tuesday,² we met with President Royo.

The objectives we set for ourselves were: (1) to calm Torrijos down and try to persuade him not to escalate his involvement in the Nicaraguan civil war, as he hinted he would do; and (2) to seek assurances, preferably in writing from Royo and Torrijos, that Panama would not involve itself in Nicaragua's affairs. We were skeptical of achieving the second objective since we were informed before arriving by Bill Rogers, who had spoken with Gabriel Lewis, that Torrijos' objective was to try to get the US to recognize the Sandinista Front when it established a provisional government in Nicaragua as he expected it to do soon.

Torrijos began by saying that he regretted that because the US always seemed so slow to recognize new realities we hadn't bothered to "buy a share" of Sandinista stock. He said he believed the Sandinistas would triumph, perhaps in a matter of days. I countered by saying that we had come to Panama not to buy Sandinista stock but to try to get Panama to sell its stock. This divergence in perspective characterized much of our discussion.

In sorrow as well as anger, I said that our two governments had worked in such a painstaking way over 2½ years to negotiate and ratify the Canal Treaties and to develop a new relationship based on mutual respect and non-intervention. President Carter had invested his prestige in this effort, which most Americans either didn't understand or opposed. As we approached the last and in some ways the most difficult stage—the implementing legislation—in our journey, Panama seemed to be doing everything to jeopardize the treaties. I told him that the Murphy hearings and the OAS meeting called by Nicaragua were intended to scuttle the treaties by tying Panama to the Sandinistas.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron, Panama, 1-7/79. Confidential.

² June 5.

Murphy and Sevilla Sacosa would try to show that Panama had violated their sacred principle of non-intervention, that Panama was aiding the communists, and that Panama was not a reliable partner. Passing the legislation was a difficult enough task in itself; playing with the Sandinistas could make a difficult task impossible.

Torrijos said that he had never trusted Murphy and thought we were foolish to have trusted him. Somoza had warned Torrijos that either Panama would help Nicaragua, or it would lose the implementing legislation. Torrijos said he was not prepared to make a pact with the devil. I told him that he didn't have to support Somoza; all we were asking was that he not try to overthrow him.

Torrijos continually tried to pull me into a discussion on Nicaragua, but I insisted at the beginning that we deal with the implementing legislation. Finally, in frustration, he said: "I am out of the Canal Treaty business." Because of his friendship for Carter, he said he wanted to make sure we were aware how directly our interests would be affected by a Sandinista victory. He seemed sincere in his statement that he didn't want to cause problems for us or anyone, and was prepared to leave Panama for a year if we wanted him to.

(Personal comment: He said that, I believe, in order to support his point that he wasn't trying to push us to do everything. Torrijos was curiously withdrawn. I had expected him to try to push us into a new position on the Sandinistas, but, on this occasion, that was neither his purpose nor his style. Rather it set out his view of developments, and it was Ambler and I doing the lobbying.)

Torrijos was joined, after a time, by Marcel Salaman, a very intelligent "political scientist" who serves as his personal representative to the Sandinistas, Gabriel Lewis, Col. Noriega (his Chief of Intelligence), and Panama's military attache in Managua. All painted a picture of a rapidly deteriorating situation in Nicaragua. They showed us letters from several National Guard leaders who defected and sought asylum in Panama. They believe that the Sandinistas have begun a general offensive which will be joined by a general strike in Managua and will lead soon to the downfall of Somoza and the installation of a transition government dominated by the moderate opposition and the Terciario faction (the more pragmatic, less ideological faction) of the Sandinistas. I told them that I believed this second cycle of violence would see more fighting and deaths than last September, but that Somoza would prevail. However, after this cycle, Somoza might finally come to realize that he will never defeat the Sandinistas and the longer he blocks a political solution the more likely a Sandinista "military solution" will occur. Then, the democracies in the hemisphere will need to assist the people of Nicaragua to find a political solution. I said that we are reviewing our policy, that we would be sending a new Ambassador

to Managua soon,³ and that I expected we would be adopting a more active role to try to work with other nations in the region in a constructive and collective effort to resolve the Nicaragua crisis.

Salaman compared the situation in Nicaragua to that of Iran. In both cases, he said the US was too slow to see or act on the imminent downfall of a dynasty. In both cases, we failed to understand or recognize the many dimensions of the opposition (i.e. Sandinista opposition) and therefore failed to exploit the differences between the opposition. Even today, the US has not established a liaison at the policy level with the Sandinistas. When we finally agreed to speak to Eden Pastora, for example, we sent an intelligence agent to “interrogate” him rather than a policy-level person to dialogue with him. The Panamanians asked if we would meet with several Sandinista leaders, and we said we wouldn’t. They said that even the Chamber of Commerce in Managua recognized the divisions in the Sandinistas and were providing financial support to the Terciarios. If we couldn’t meet with some Sandinistas, Torrijos asked if we would consider having an American intermediary like Bill Rogers meet with them on our behalf.

I asked Torrijos bluntly whether Panama was sending arms directly or indirectly to the Sandinistas or whether Panama was helping Cuba send Sandinistas back to Nicaragua to fight. (We have some evidence of both.)⁴ Torrijos denied both charges flatly. I asked him three times whether he would convey his assurances of Panamanian non-intervention in Nicaragua’s internal affairs in a letter to President Carter and whether he would ask President Royo to do the same. At 12:30 a.m., on the third try, Torrijos said he would send such a letter.

But before doing so, he wanted to know whether we would be as diligent in seeking an end to intervention by El Salvador, Guatemala, and Honduras to bolster Somoza as we were in seeking the termination of assistance to the Sandinistas. We informed him that the USG had already made demarches to those governments and had received assurances from them, but that we would repeat demarches during this period of crisis. Torrijos pressed me very hard for signs of a double standard or lingering support for Somoza. I told him that I could not say precisely how the US would react if troops from one of Nicaragua’s neighbors were sent to assist Somoza, but I felt that our reaction would be similar to our reaction if any of Nicaragua’s southern or eastern neighbors were to come to the aid of the Sandinistas. I recommended a collective and a legitimate, overt effort to solve the problem.

³ Lawrence A. Pezzullo.

⁴ See Document 233.

Meeting with President Royo

Ambler and I prepared drafts of both letters and negotiated them with Romulo Escobar, Royo, and by phone with Torrijos, Tuesday morning. We reached agreement, and the letters (at Tab A)⁵ not only provide firm and unequivocal assurances that Panama “is not intervening and will not intervene” in Nicaragua’s internal affairs, but they also put Panama’s concern about the Sandinistas in an international context, with Panama standing alongside Mexico, Costa Rica and the Andean Pact countries (Colombia, Venezuela, Ecuador, Bolivia, and Peru). Ambler and I believe these letters could be very helpful to the President in delinking the Nicaraguan and Panamanian issues in the Congress; it will be more difficult to suggest that the Sandinistas are a bilateral Panamanian-Nicaraguan problem. The letters will also help assure wavering Congressmen that Panama is not providing arms to the Sandinistas (and indeed has adopted the same approach to Nicaragua that the US and more than seven Latin American countries have).

Royo made several other points worth noting. He really has the deepest admiration for Carter and said he intends to send a “personal letter” to the President soon summarizing his feelings.⁶ He restated strongly his assurances that Panama is not providing weapons or assistance to the Sandinistas. He repeated his pledge that he will be very supportive of our goals at the NAM Summit in Havana,⁷ and while he singled out Puerto Rico and Egypt as two issues he will follow our guidance, he welcomed more detailed briefings on the NAM. (Comment: Represented by its President, Panama could have really significant influence at the NAM since I think the Yugoslavs are going to try to establish regional co-chairmen as a way of diluting Cuban influence, and Panama is the most likely candidate for that position—which it held last year in Belgrade.)

On Nicaragua, Royo said that Somoza is the most hated man in all of Latin America, particularly among the young. Pinochet and Stroessner are almost likeable in comparison. Torrijos said that the crisis in Nicaragua would be solved with the departure of three men: Somoza, his son, and his half-brother.

⁵ Tab A is not attached. The letters to Carter from Royo and Torrijos containing their assurances of non-intervention in Nicaragua were transmitted in telegram 4157 from Panama City, June 6. (Carter Library, National Security Affairs, Brzezinski Material, President’s Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera, 8/78–12/79)

⁶ Royo sent Carter a July 11 letter detailing his concerns with the implementing legislation passed by the U.S. House of Representatives on June 21 (see footnote 2, Document 237). A copy of an informal translation of Royo’s letter is in the Carter Library, White House Central File, Subject File, Box 22, FO 3–1/Panama Canal 6/22/79–7/17/79.

⁷ See footnote 6, Document 224, and footnote 4, Document 247.

Summary

When I asked Torrijos what he would have us do in Nicaragua, he said simply: "Make declarations every other day," condemning the wanton slaughter of a civilian population by a "madman." Lead the way with moral statements; other nations will follow, and the pressure will ultimately work on Somoza.

RECOMMENDATION

That you send the summary of the mission at Tab I to the President with the letters at Tab A.⁸

⁸ There is no indication of approval or disapproval of the recommendation. An unknown hand wrote beneath the recommendation: "ZB signed memo to Pres."

231. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, June 6, 1979

SUBJECT

Moss-Pastor Mission to Panama

On Monday² morning, after the third urgent plea from Gabriel Lewis for Ambassador Moss and Bob Pastor to go to Panama to speak to General Torrijos, they went.³ They held five hours of discussions with Torrijos and his advisers on Monday night and met with President Royo on Tuesday⁴ morning.

Moss and Pastor explained the current precarious status of the implementing legislation and the efforts by Nicaragua and the opponents of the Canal Treaties to try to undermine the implementing legislation by linking Panama to the Sandinistas. Moss and Pastor requested from both Royo and Torrijos their personal assurances that

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron., Panama, 1-7/79. Confidential. Carter initialed the top-right corner of the memorandum and wrote: "good."

² June 4.

³ See Document 230.

⁴ June 5.

Panama “is not intervening and will not intervene” in the internal affairs of Nicaragua. Royo and Torrijos gave these assurances orally and in letters to you (Tab A).⁵ Moss and Pastor confronted Royo and Torrijos with evidence of DC-6 flights from Cuba to Nicaragua to Costa Rica, but both insisted that these flights were for cultural and sports exchanges. We do not have any firm evidence which contradict their assurances, and we believe it would be very useful for you to convey these assurances to Murphy and key people in the House.⁶ If you agree that it would be useful to show these letters to certain Congressmen, we will inform Royo as he will want to release the letters in Panama first.

Torrijos had asked Moss and Pastor to meet with him because he felt that Somoza was nearing his end in Nicaragua. The Sandinistas apparently believe that the general strike in Managua and their all-out offensive will toll the end for Somoza, and Torrijos wanted to give us his assessment of the situation and recommend that we begin to open channels of communication with the more moderate and pragmatic elements of the Sandinista movement. Next Monday,⁷ Cy will chair a PRC meeting on Central America,⁸ and we will have an opportunity to reexamine our strategy to Nicaragua and all of Central America and make recommendations to you.

Apparently, the Moss/Pastor trip succeeded in calming down Torrijos and the letters could be very helpful in delinking the implementing legislation from the Nicaraguan crisis. In his letter, Royo clearly places his concerns for Nicaragua in a broadly multilateral context (including Costa Rica, Mexico, Andean Pact) and his assurances on non-intervention are unequivocal.

⁵ Tab A is not attached. See footnote 5, Document 230.

⁶ Carter underlined “convey these assurances to Murphy and key people in the House” and wrote in the left margin “do so thru Vance or Moore.”

⁷ June 11.

⁸ The meeting minutes are scheduled for publication in *Foreign Relations, 1977–1980*, vol. XV, Central America.

232. **Action Memorandum From the Assistant Secretary of State for Congressional Relations (Bennet) to Secretary of State Vance**¹

Washington, June 6, 1979

Phone Calls on Panama Implementing Legislation

ISSUE FOR DECISION

Whether you will agree to call Henry Kissinger, Dean Rusk and five congressmen to gather support for the Panama Canal treaty implementing legislation.

ESSENTIAL FACTORS

The effort to reach a working majority on the implementing legislation in the House reaches its climax this week and the White House has asked Cabinet officers for support. You have been asked to call former Secretaries Kissinger and Rusk to request their help with certain Members. If you decide to call, you should ask Kissinger to call John Rhodes, Bob Michel, Bill Broomfield and John Buchanan.² Rusk should be asked to call Michel, Rhodes, Edgar Jenkins (D-Ga.) and Elliott Levitas (D-Ga.)³

We recommend that you phone the following congressmen urging them to vote against amendments that would constitute treaty violations and using the general talking points attached:

Floyd Fithian (D-Ind.)

Ben Gilman (R-N.Y.)⁴

Jim Leach (R-Iowa)

Bob McClory (R-Ill.)⁵

Bob Young (D-Mo.)

Recommendation:

1. That you call Kissinger and Rusk.⁶
2. That you call the Congressmen listed above.⁷

¹ Source: National Archives, RG 59, Central Foreign Policy File, P790089–0816. Limited Official Use. Drafted by Atwood and cleared in S/PTA by Popper.

² Vance highlighted this sentence and underlined “Kissinger to call John Rhodes, Bob Michel, Bill Broomfield and John Buchanan.”

³ Vance highlighted this sentence and underlined “Michel, Rhodes, Edgar Jenkins (D-Ga.) and Elliott Levitas (D-Ga.)”

⁴ Vance placed a checkmark next to this name.

⁵ Vance placed a checkmark next to this name.

⁶ Vance checked the approve option on June 8.

⁷ Vance did not indicate his approval or disapproval of the recommendation.

Attachment:

Tab 1—Talking Points⁸

⁸ Attached but not printed.

**233. Memorandum From the Chief of the Latin America Division,
Central Intelligence Agency (*name not declassified*) to
Robert Pastor of the National Security Council Staff¹**

Washington, June 8, 1979

SUBJECT

[*less than 1 line not declassified*] Information Reports on Panamanian Support to the FSLN of Nicaragua

The following represents a listing and summary of twenty-four [*less than 1 line not declassified*] Information Reports which describe the involvement of Panama, and specifically the Panamanian National Guard (GN), in providing weapons, ammunition and training to the Sandinist National Liberation Front (FSLN) from September 1978 to the present. The reports were obtained from various [*1½ lines not declassified*] In my opinion, these reports clearly reveal a direct and official role by Panama in aiding the Sandinist guerrillas.² In many cases, Panama acted as a conduit³ to facilitate the delivery of weapons and supplies provided to the FSLN by other countries, including Cuba. There is also a large volume of special traffic and military reports which provide substantial confirmation of the clandestine human intelligence reports. In my judgment the totality of the reporting leaves little doubt that Panama has provided substantial support to the FSLN over the past eight months.

[Omitted here are summaries of the referenced reports.]

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 6/79. Secret; Noform. All brackets except those that indicate omitted text are in the original.

² An unknown hand underlined this sentence.

³ An unknown hand underlined "a conduit."

234. Memorandum From Secretary of Defense Brown to President Carter¹

Washington, June 8, 1979

SUBJECT

Significant Actions, Secretary and Deputy Secretary of Defense (June 2–8, 1979)

[Omitted here is information unrelated to Panama.]

Panamanian Involvement in Nicaragua—Sandinista Rebellion: LTG McAuliffe had a lengthy session before Carroll Hubbard's House Merchant Marine Panama Canal Subcommittee Thursday² on Panamanian involvement in the Nicaragua—Sandinista rebellion. We think he was able to field the questions reasonably well considering the hostile intent. His basic approach was that General Torrijos and President Somoza have made no secret of their open hostility, but that does not indicate that Panama is an unreliable and trouble-making partner or cannot be trusted with gradually assuming control of the Panama Canal. The Committee requested a special classified hearing today for Members only. At best this series of hearings offers us no advantages; it will surely be used to attack the Panama Canal implementing legislation during House floor action next week.³

Harold Brown

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Agency File, Box 6, Defense Department: 5-7/79. Carter initialed the memorandum. Brzezinski forwarded the memorandum to Brown under a June 13 covering memorandum. (Ibid.)

² June 7.

³ The week of June 11. In a June 11 letter to colleagues, Hubbard and Bauman discussed their conclusion from the hearings that the Government of Panama had "knowingly and systematically undertaken to authorize and underwrite provocative acts of indirect aggression against the Government of Nicaragua" in violation of international law and the Neutrality Treaty signed between the United States and Panama. Hubbard and Bauman concluded that the evidence presented at the hearings called "into question the political judgment and reliability of the Panamanian Government" and asked members to take this into account. (National Archives, RG 59, Files of Assistant Secretary J. Brian Atwood, Subject Files and Chrons. 1977/78/79/80, Lot 81D115, Box 2, Panama Implementing Legislation)

235. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, June 21, 1979

SUBJECT

Telephone Call to General Torrijos (S)

Cy and I both recommend that you phone General Torrijos and urge him to stop the transfer of arms to the Sandinistas. (Talking Points are at Tab A.)² (S)

We have received word from Somoza that he recognizes that the end is near, and would be prepared to step aside if he can be assured of two things: (1) asylum in the U.S. and a promise that we will not extradite him; and (2) that his departure would not lead to a political vacuum that could be filled by the Sandinistas. He has conveyed the second part of this message to the Andean Pact countries through the Venezuelan Foreign Minister, and their thinking is running parallel to our own. The Andean Pact Foreign Ministers are meeting in Caracas now, and will fly to Washington Thursday³ morning to press for an OAS resolution calling for a ceasefire, a transitional government of national reconciliation, and a Foreign Ministers' mission to Nicaragua to work out the details with Somoza. We expect the resolution will be accepted by the OAS and by Somoza. They are not contemplating a peacekeeping force yet, but Venezuelan President Herrera has indicated to us that he is absolutely opposed to a Sandinistas victory. (S)

It is therefore all the more urgent for Torrijos to turn off the faucet of arms to the Sandinistas. We have reports now that the Panamanians are sending at least one airplane a day to the Sandinistas, and landing it outside of Managua. If we can cut that supply, we may gain sufficient time to insure a democratic transition. (S)

Torrijos is coming from a very different direction than we are. He believes the Sandinistas will win, and he is positioning himself alongside the more moderate faction in order to try to assure some influence over the new government. Torrijos wants you to do something "audacious"—like drop bombs on the Somoza, and he recommends that you

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron., Panama, 1-7/79. Secret. Sent for action. Carter initialed the top-right corner of the memorandum and wrote: "Not done."

² Tab A is not attached. A copy of the June 20 talking points are in the Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 6/79-1/80.

³ June 28.

make a symbolic gesture to put the US in a better position to deal with a future Sandinista government.⁴ (S)

You need to be very blunt and firm with Torrijos. We do not see the Sandinista provisional government as a friendly one; we believe that it will ultimately align with the Cubans. We do believe there is time—if *Torrijos stops shipping arms to the Sandinistas*—to structure a non-Somoza, democratic solution. (S)

RECOMMENDATION

That you phone General Torrijos. (S)

⁴ In telegram 4585 from Panama City, June 20, Moss reported on his June 20 meeting with Torrijos during which Torrijos requested that Moss deliver a “special message” to Carter containing the “crazy idea” that the U.S. Air Force launch two strikes against Somoza and “drop a few bombs symbolically to rout the Somoza forces.” Torrijos described this idea as a “spectacular humanitarian gesture” that would “salvage the image” of the United States which had suffered from the “wide-spread belief” that it had “shored up Somoza.” If the United States were not willing to take this action, Torrijos suggested that some other Latin American nation do it. Moss said he would relay the message but tried to dissuade Torrijos of the idea. (Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron, Panama, 1-7/79)

236. Telegram From the Department of State to Secretary of State Vance’s Delegation in Japan¹

Washington, June 29, 1979, 0033Z

167433/Tosec 060126. Subject: Torrijos Visit to Washington. Literally Eyes Only for the Sec From Warren Christopher.²

1. After consulting with Ambler Moss, Bill Bowdler and Pete Vaky, I am inclined to recommend against asking Torrijos to meet with the President in Washington early next week.³ Here are my reasons:

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 6/79-1/80. Secret; Cherokee; Niac Immediate; Nodis. Carter initialed the top-right corner of the telegram. From June 25-29, Vance accompanied Carter on a state visit and to the Economic Summit meeting in Tokyo.

² An unknown hand underlined this instruction.

³ Carter met with Torrijos on July 3 to discuss Nicaragua. Brzezinski, Christopher, Vaky, and Pastor also participated in the meeting. The memorandum of conversation is scheduled for publication in *Foreign Relations, 1977-1980*, vol. XV, Central America.

(A) Ambler Moss and others stress that we should not overestimate Torrijos's influence with the FSLN, and for Torrijos to be in Washington working with us on Nicaragua in present circumstances would almost certainly reduce his ability to play the role with the FSLN we have in mind for him. Parenthetically, I don't think any Panama Canal "cover" would hold, or that Torrijos would be comfortable with it.

(B) We need to work with several other Latin American leaders (Canazo, CAP, the Andeans, et al.), and a Torrijos invitation might ruffle the feelings of other potential allies.

(C) A visit to Washington by Torrijos could focus public attention on Panamanian support of the Sandinistas—a politically sensitive issue when the Panama implementing legislation is still being considered. The *Chicago Tribune* has resurrected this issue and is pushing it hard, with the aid of a leaked CIA memo.⁴

(D) A visit by General Torrijos might well produce expectations that the excellent personal relations between the President and the General could cause Torrijos to work effectively for a policy close to our original proposals. Quite frankly, I doubt that Torrijos would have the will to proceed along these lines, and we should not try to get him to support ideas that will no longer work.

(E) Finally, I question recommending a visit by Torrijos at a time when the President is returning early to attend to urgent domestic problems, such as the energy situation and the truckers' strike. An inconclusive meeting with Torrijos would not help either the situation in Nicaragua or the President himself.

2. To be weighed against these negative factors is the great affection and regard that Torrijos has for the President. He would be complimented by a visit and probably inspired to try to be more helpful. I think, however, that we can get most of the advantages of this relationship by a message, without having to absorb what I see as, on balance, greater disadvantages.

⁴ See John Maclean, "Cuba and Panama giving aid to Somoza's foes: U.S. memo: Training, weapons for rebels," *Chicago Tribune*, June 27, 1979, p. 1. The article referred to a Department of State memo, based on U.S. intelligence gathering, that demonstrated the Cuban government had funneled arms to the Sandinistas in Nicaragua aboard Panamanian planes and trained the Sandinistas in Cuba. On June 28, the *Tribune* reported that Hubbard and Murphy expressed disappointment in "what they believed was an attempt by administration to mislead them about the involvement of Cuba and Panama in secretly supplying weapons to leftist rebel forces in Nicaragua." Murphy said "it was only after the House approved enabling legislation for the Panama Canal treaties that administration officials confirmed Cuban and Panamanian involvement." (John Maclean, "2 in House think U.S. lied to push canal bill," p. 2) The *Tribune* published another article on the subject on June 29. ("...keeping the line straight," June 29, 1979, p. D2)

3. We are sending our thoughts on how we might proceed in Nicaragua in a separate message.⁵ My current view is that we can work with Torrijos—as well as other Latin American leaders—to shape events in the days to come, but only if we accept the fact that a provisional government—and not an executive council—is likely to replace Somoza in Managua. We will be sending you our ideas on how we might be able to expand and shape the presently constituted provisional government and perhaps extract conditions from it; but I have come to the conclusion that we must work with others to modify this body if we are to have any impact on the course of events.

Christopher

⁵ The message is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XV, Central America.

**237. Memorandum From the Deputy Secretary of State
(Christopher) to Secretary of State Vance¹**

Washington, July 31, 1979

SUBJECT

Panama Legislation

At breakfast today, Senators Stennis and Levin and I explored the differences between the Senate and House bills and possible areas of compromise.² Stennis is approaching the matter with deliberation,

¹ Source: National Archives, RG 59, Office of the Deputy Secretary, Records of Warren Christopher, 1977–1980, Lot 81D113, Box 21, Memoranda to the Secretary—1979. No classification marking. Copies were sent to Atwood and Popper.

² The House passed the Murphy version of the Panama Canal Treaty Implementing Legislation on June 21 by a vote of 224–202. For the text of Carter’s statement on the passage, see *Public Papers: Carter, 1979*, Book I, p. 1125. Carter expressed appreciation for those who voted for the legislation and stated the administration would be seeking improvements in the bill to ensure the legislation was fully consistent with the treaty. In its statement on the House of Representatives approval of the legislation, sent in telegram 4680 from Panama City, June 22, the Panamanian Government called the bill a “positive step,” expressed its belief that parts of the bill did not adhere to the treaty and were therefore unacceptable, and congratulated Carter on his decision to abide by the treaty. (Department of State, American Embassy Panama, Unclassified Political Subject Files, 1979, Lot 82F94, Box 26, POL 33.3–2, Implementing Legislation, 1979). On July 26, the Senate amended and passed the treaty implementation bill favored by the administration by a vote of 64–30.

reflecting not only his long experience but his sense that there is relatively little room for maneuver. Senator Levin is pushing to try to resolve the matter this week on the theory that Murphy wants a bill this week and will be willing to give up more now than in September. I told Carl that I thought we should not lose sight of the importance of full participation by Senator Stennis and that delay would be justified if necessary to insure his active involvement, both in the conference and in pushing through the Senate the bill ultimately developed in conference.

Senator Stennis is meeting with Murphy at 2:00 p.m. today—just the two of them. Murphy wanted to start the conference today but Stennis told him that he was not prepared to name the Senate conferees until he had a better idea of Murphy's intentions.

Warren Christopher

238. Telegram From the Department of State to the Embassy in Panama¹

Washington, August 4, 1979, 0150Z

202619. Joint State–DOD Message. Subject: Military Assistance to Nicaragua.

1. S–Entire text

2. Ambassador should seek early appointment with Torrijos to make following points: A) Congratulate Panamanians for constructive involvement with GON on military side, including Lt. Col. Paredes's perceptive work, B) The GON has requested U.S. military assistance informally and in general terms, C) U.S. and Panama might coordinate game plan and each provide GON with military advice/training, D) As early step, Torrijos might wish to invite FSLN directorate to visit Panama for a general discussion of the present situation in Nicaragua from a military viewpoint with specific reference to military needs, E) We know Govt of Panama is in good position to assist coordination

¹Source: National Archives, RG 59, Central Foreign Policy File, D790352–0996. Secret; Immediate; Exdis. Sent Immediate for information to Managua; sent Priority for information to Caracas; sent for information to Tegucigalpa, San José, Santo Domingo, and Guatemala. Drafted by Dan Figgins (ARA/CEN); cleared by Grove, Bushnell, Hemenway, Haahr, and in ISA, JCS, S/S-0; and approved by Vaky.

of our combined efforts and to help provide training to new Nicaraguan Army.²

3. Ambassador may also tell Torrijos General McAuliffe and staff are prepared to meet with FLSN directorate to discuss kinds of training available at facilities in Panama and the U.S. We understand that some IMET funds could be made available very quickly and that there are training slots open beginning as early as August and September.

4. You may also tell Torrijos that we are aware that the FSLN directorate is also interested in military equipment. We are prepared to explore these needs with them right away and to follow such discussions with a survey team to help match specific needs to our availabilities.

Vance

² In telegram 6320 from Panama City, August 13, Moss reported that when he and Pezzullo met with Torrijos on August 11 and 12, Torrijos appeared amenable to working with the United States on Nicaragua. (National Archives, RG 59, Central Foreign Policy File, D790367–0894)

239. Memorandum From Secretary of State Vance to Vice President Mondale¹

Washington, August 14, 1979

SUBJECT

Request that You Head the U.S. Delegation to Ceremonies Initiating the Panama Canal Treaty System, October 1, 1979

The Panama Canal Treaty, and the Neutrality Treaty, will come into force on October 1 next. The Panamanian Government is planning a ceremonial entry into the Canal Zone, centering on Ancon Hill and other landmarks to be turned back to Panamanian control.

¹ Source: National Archives, RG 59, Central Foreign Policy File, P790149–0627. Confidential. Drafted by Haahr on August 13. H, L, S/P, and S/PTA concurred.

Panama desires high-level U.S. participation in the October 1 observance. President Royo, by letter of July 31,² invited The President and Mrs. Carter to attend the ceremonies. From our standpoint, high-level participation is important.

—It will demonstrate that what is happening is not a forced U.S. withdrawal, but the beginning of a new partnership in running the Canal.

—It will help to dispel the malaise created by the lengthy process of implementing treaty legislation.

—It will ease the wrenching changes in functions and attitudes required by the Treaty.

—It will serve to reassure American Canal employees that the U.S. is not abandoning them.

—And it will signalize to the entire Hemisphere and the world at large that the United States has faithfully complied with the treaty agreements.

Both the Panamanians and we ourselves have reached the conclusion that it would be appropriate for you to lead the American delegation to the October 1 ceremonies. Your presence and your remarks would give the new Panama Canal Commission, and the Treaty, the kind of send-off they ought to have.

We understand that the Presidents of Colombia, Costa Rica, Mexico and Venezuela will attend the ceremonies, as well as the Prime Ministers of Jamaica and Spain.

Recommendation

That you agree to lead the United States delegation to the ceremonies marking the coming into force of the Panama Treaties of 1977, on Monday, October 1, 1979.³

² Attached but not printed.

³ Mondale did not indicate his approval or disapproval of the recommendation. On an August 16 memorandum from Pastor to Brzezinski, Aaron disapproved of Mondale leading the U.S. delegation to the Panama Canal ceremonies, and wrote: "Cy Vance should do it or maybe the negotiators Bunker + you know who." (Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: President Aristides Royo) Mondale led the U.S. delegation for the ceremonies. See Document 247.

240. Telegram From the Department of State to the Embassy in Panama¹

Washington, August 27, 1979, 2352Z

225519. For Ambassador Moss. Subject: Panama/Belize.

1. (S–Entire text)

2. Reference is made to [*less than 1 line not declassified*]. We note also Gabriel Lewis's conversation with you on Belize (Panama 6493).²

3. As you know Torrijos has long had an interest in the Belize issue,³ and is unsympathetic—even antagonistic—to Guatemala's position. Torrijos could very well be tempted to engage in another adventure in this case. In short, what is worrisome about the [*less than 1 line not declassified*] cited above is that it is not implausible. Any thought by Torrijos—even a gleam in the eye—of getting involved in the Belize issue as he did in Nicaragua should therefore be discouraged promptly; especially so if there is any suggestion of cooperation with Cuba in that regard.

4. The referenced TD alleges that “Panamanian Air Force planes have been recently and regularly flying from Panama to Belize City.” Can the Embassy confirm whether this is correct or not?⁴

5. Even though information is not hard as regards the [*less than 1 line not declassified*], the coincidental interest in Belize described by Gabriel Lewis in Panama 6493 suggests that a “word to the wise” in this regard would not be remiss. Given Lewis's approach to you, he might be the appropriate return channel.

6. We therefore suggest that you take an early appropriate occasion to tell Lewis (and ensure that he tells Torrijos) that:

¹ Source: Department of State, INR/IL Historical Records, Box 15, Panama City. Secret; Roger Channel; Immediate. Drafted by Vaky and approved by McAfee and Grove. All brackets are in the original except those indicating text that remains classified.

² Telegram 6493 from Panama City, August 17, in which Moss reported on his conversation with Lewis about his trip to Belize, is in the National Archives, RG 59, Central Foreign Policy File, D790374–0968.

³ Is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XV, Central America.

⁴ In telegram 6914 from Panama City, August 31, the Embassy reported that it had no confirmation of Panamanian planes being “recently and regularly flown from Panama to Belize City” but that it was attempting to obtain further data. Moss made all the points in telegram 225519 to Lewis on August 30 and particularly stressed the U.S. hope that Torrijos would not see the Belize situation as his “next project.” Lewis “got the point instantly.” (Department of State, INR/IL Historical Records, Box 15, Panama City)

—Recognizing the desirability of a resolution of the Belize issue, we do not think that anything should occur which encourages confrontation as a way to solve it.

—The emphasis should be on encouraging the UK and Guatemala to negotiate it out.

—Above all we would hope that no one would be tempted to supply any kind of material support (or personnel) to the Belizeans; this could only stimulate confrontation and tempt the Belizeans to believe they could meet the issue with force.

—You may mention that there are rumors—and consequent concern—in Guatemala to the effect that the GOP is doing something of this sort. We are sure this is not true.

—Above all Cuba should be discouraged from any role in the Belizean issue; we hope the GOP will do so if there is any indication that Cuba is tempted to involve itself.

—Obviously any kind of external involvement by anyone ala Nicaragua would not be tolerated by the UK, and would require a serious response by us.

Christopher

**241. Memorandum From the Department of Defense
Representative for Panama Canal Treaty Affairs (Dolvin) to
the Deputy Secretary of Defense (Clayton)¹**

Washington, September 7, 1979

SUBJECT

Panama Canal Treaty Implementing Legislation

Reports from Senate-House staffers who are working on the main differences between the two bills indicate that staff compromises are being worked out on the major issues. The exception to this encouraging report is the form that the new Panama Canal Commission will take—corporate versus appropriated fund agency. House staffers have apparently been instructed not to compromise on the appropriated fund

¹ Source: Washington National Records Center, OSD Files, FRC: 330–82–0205, Panama (May–Dec 1979). No classification marking. A stamped notation reads: “Sep 13 1979 Dep Sec Has Seen.”

structure. We are concerned that the Senate conferees may acquiesce to this form if pushed to the wall.

I recommend that you talk to Senator Stennis and encourage him to support the Administration position as reflected in the Senate Bill. A talking paper and supporting rationale is attached.² The talker includes several options which we could live with if a compromise is required to obtain timely legislation.

Welborn G. Dolvin

Lieutenant General, USA (Ret)

Department of Defense Representative for Panama Canal Treaty Affairs

² The talking points and supporting rationale are attached but not printed. The Senate bill established the Panama Canal Commission (PCC) as a U.S. Government corporation, continuing the arrangement already in place in Panama and the form of the entity favored by the administration. The House bill established the PCC as an appropriated fund agency, requiring all canal revenues to be paid into a general Treasury fund and permitting expenditures only by separate, annual authorization and appropriations bills.

242. Memorandum From the Special Assistant to the Secretary of State (Tarnoff) to Secretary of State Vance¹

Washington, September 20, 1979

SUBJECT

Your Breakfast with the President Friday, September 21, 1979

[Omitted here is information unrelated to Panama.]

11. *Panama Canal Legislation.* The Conference version of the Panama Canal implementing legislation was defeated in the House because of the absence of supporting, primarily Democratic votes.² The negative

¹ Source: Department of State, Records of Cyrus R. Vance, 1977–1980, Lot 84D241, Box 3, Pres Breakfast 9/1/79 thru 12/31/79. Secret; Nodis. Vance's initials are stamped on the memorandum.

² The House-Senate Conference approved a compromise implementation bill on September 17. On September 20, the White House released a statement by Carter expressing his deep disappointment that the House did not adopt the legislation proposed by the Conference. For the text of the statement, see *Public Papers: Carter, 1979*, Book II, pp. 1698–1699.

vote was within one of the total on the original House bill (203 compared to 202) while the affirmative vote fell from 224 to 192. The House/Senate conference could meet as early as tomorrow³ to prepare a second report and another try in both Houses. We will work out our tactics with our friends before that time.

The political consequences of this setback are obvious. We are urging the Panamanians to react with restraint (a message to this effect is being passed to Torrijos Thursday evening)⁴ pointing out that we expect to have a law before October 1. We will be very active in Congress next week to obtain a better result before the weekend, and to get on track the authorization and appropriations legislation required. These await action on the implementing legislation.

It is of course possible that we may not have implementing legislation by October 1. In this event we have two alternatives. We can either shut down the Canal and keep the pressure on Congress to complete the legislation, or keep the Canal open without it. As to the latter, the most serious problem would be to spend funds for Canal operations and payments to Panama without appropriations. We have been working with Justice on a contingency plan giving us some legal justification to do this on an emergency basis.

The October 1 observance will of course go ahead in any event, since the Treaty comes into effect regardless of Congressional action. Obviously the circumstances would be considerably more difficult in that event.

³ An unknown hand struck the words "will meet on Monday" and wrote in the right margin: "could meet as early as tomorrow."

⁴ September 20. No record of the message has been found.

243. Action Memorandum From the Assistant Secretary of State for Congressional Affairs (Atwood) to Secretary of State Vance¹

Washington, September 22, 1979

SUBJECT

Calls on Panama Implementing Legislation

ISSUE FOR DECISION

Whether to call Republicans to urge their support of the Panama Conference Report.

ESSENTIAL FACTORS

The White House is asking Cabinet Secretaries to call a portion of our target list on the Panama Implementing Legislation. Realizing your schedule, I have kept your list to a bare minimum. If at all possible, I would appreciate your calling the following Republicans who had previously voted for final passage but who switched on the Conference Report: Hamilton Fish, Peggy Heckler, Bob McClory, and Jim Jeffords.²

I would suggest the following talking points:

—We must pass this legislation if we are going to avoid a disastrous situation on October 1. We need your support.

—I expect that some changes will be made in the Conference Report which will go even further in the House's direction than the bill voted on the other day. For example, we understand that the new Conference Report will prevent the U.S. from relinquishing the Canal before the end of the century (a Bauman concern), and will ensure that the U.S. recovers every cost associated with Treaty implementation permitted under the Treaty's terms (another Bauman concern).

—Passage of this Legislation is vital to our national security interests and to our foreign policy in Latin America.

¹ Source: National Archives, RG 59, Central Foreign Policy File, P790151-0819. Unclassified. Drafted by Atwood and cleared by Popper. Vance's initials are stamped on the memorandum.

² Vance underlined "Hamilton Fish," "Bob McClory," and "Jim Jeffords." An unknown hand highlighted this sentence and wrote in the right margin: "CV called" and initialed "R."

RECOMMENDATION

That you call the above mentioned members.³

³ Vance checked the approve option on September 28. An unknown hand wrote underneath the options: "CV called the members whose names are underlined. R."

244. Note From the Secretary of State's Special Representative for Panama Treaty Affairs (Popper) to Acting Secretary of State Christopher¹

Washington, September 24, 1979

SUBJECT

Progress of Implementing Legislation

As a result of lengthy meetings between staffs and principals, the House-Senate Conference on the Panama implementing legislation reached agreement on further changes. The result appears to be satisfactory to all or almost all the conferees. Congressman Bauman opined that the current version represented about all that the House could get. He signed the report but refused to indicate he would vote for the bill in the House, limiting himself to stating that he would inform the membership it was the best possible deal.

The new version will include the following:

1. A provision to prevent the President from transferring the Canal itself and certain associated property to Panama before the year 2000.
2. A provision to ensure that all Treaty implementation costs associated with the operation and maintenance of the Canal are paid before Panama can receive any of its contingent annuity. (It was stated during the colloquy that DOD defense costs are not included.)²
3. Satisfactory language on the wartime control issue, virtually as agreed last week, but with a stipulation in the report that if foreign

¹ Source: National Archives, RG 59, Office of the Deputy Secretary, Records of Warren Christopher, 1977–1980, Lot 81D113, Box 21, Memos to WC From Offices/Bureaus—1979. Limited Official Use. Christopher drew an arrow and wrote at the top of the memorandum: "David Popper."

² Christopher highlighted the first three paragraphs and wrote in the right margin on September 25: "Used in call to John Rhodes today—very helpful."

forces—i.e., Soviet or Cuban—were stationed in Panama, this would be deemed a threat to the security of the Canal and would lead to U.S. military control.

4. A provision that three of the five U.S. Directors must come from private life, and a provision that one member must be drawn from each of three interest groups—ports, shipping and labor. What is new is that either private or public members could serve to represent these interest groups.

5. The previously agreed, redundant provision that the President should not accept the retroactive taxation of U.S. businesses, non-profit organizations and individuals now located in the Canal Zone.

The leadership hopes to get a special rule in the House, waiving the three-day rule for the consideration of the Conference Report. If this is successful, House debate could take place Wednesday³ or even Tuesday;⁴ if not, the earliest date would be Thursday.⁵

We believe the bill preserves all our essential positions.

David H. Popper⁶

Special Representative of the Secretary for Panama Treaty Affairs

³ September 26.

⁴ September 25.

⁵ September 27.

⁶ Popper signed his initials above the typed signature.

245. Letter From President Carter to Panamanian President Royo¹

Washington, September 27, 1979

Dear Mr. President:

I have recently signed the documents proclaiming and making public the Panama Canal Treaty and the Neutrality Treaty, “to the end that they shall be observed and fulfilled with good faith on and after

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President’s Correspondence with Foreign Leaders, Box 15, Panama: President Aristides Royo 1–12/79. No classification marking.

October 1, 1979, by the United States of America and by the citizens of the United States of America and all other persons subject to the jurisdiction thereof.”²

The historic date is upon us. It will be memorable on several counts: for Panama, which achieves long held national aspirations, for the United States, which has dedicated the engineering marvel of the Panama Canal to the service of international commerce among all nations, and for the Canal itself, whose multinational workforce has set extraordinary standards of excellence in the construction, maintenance and operation of the waterway which parts the Hemisphere but unites the world.

Just as the Canal builders faced and overcame seemingly intractable obstacles and discouraging setbacks, Americans and Panamanians have prevailed in constructing a new Canal relationship which serves the national interests of our two countries and the needs of international maritime commerce. The task before us now is to broaden and deepen that relationship and keep it free from obstacles or threats which would block its purpose. The United States is as committed to making these Treaties work as we were to building the Canal itself.

Because of the pride which I have in the achievement of the Canal Treaties and our 75 years of involvement with the Canal, I have asked Vice President Walter Mondale to represent the United States during the ceremonies marking the entry into force of the Canal Treaties. Rosalynn and I regret that we will not be able to join you personally.

With my personal regards to you as an architect of our joint endeavor, I remain

Sincerely,

Jimmy Carter

² On September 27, Carter signed into law the Panama Canal Act of 1979. For the text of his statement, see *Public Papers: Carter, 1979*, Book II, pp. 1776–1777.

246. Action Memorandum From the Secretary of State's Special Representative for Panama Treaty Affairs (Popper) to the Deputy Secretary of State (Christopher)¹

Washington, September 29, 1979

SUBJECT

U.S. Membership on Panama Treaty Committees

You will recall that in my memorandum of September 27 on this subject,² which awaits your action, we sought your authorization:

—to propose to the White House our slates for the Consultative Committee and the Joint Commission on the Environment established by the Panama Canal Treaty;

—to request the White House to include a State Department member on the Panama Canal Commission's Board of Directors;

—and to continue to press for full Embassy participation in the Coordinating Committee and the Joint Committee, locally-appointed liaison bodies dealing with technical matters of Treaty implementation.

We had hoped that our differences with Defense on the latter two subjects would be resolved at the Friday³ morning White House meeting. Unfortunately, the subject was not discussed.

Since the Treaty goes into effect on Monday, October 1, we must proceed urgently to minimize the delay imposed upon us by the absence until Thursday⁴ of implementing legislation, and by State-Defense disagreements. Accordingly, I hope we can now move ahead with the Presidential appointments on which Defense has no objections, and as a separate matter, visibly maintain our position on the issues in dispute, so that they may be resolved quickly.

I therefore recommend that you authorize us to forward to the White House immediately our nominations for the *Consultative Committee* and the *Joint Commission on the Environment*, as described in the memorandum of September 27. While DOD does not favor the nomination of Ambassador Moss to serve on the Consultative Committee, it is informed of our intentions and is not likely to raise an objection, since it considers this committee a diplomatic forum which is principally a

¹ Source: National Archives, RG 59, Records of the Under Secretary of State for Security Assistance, Science and Technology, Security Assistance Country and Subject Files, 1979, Lot 82D44, Box 3, Panama Canal Company (1979) SA. Confidential. Sent through Read. Drafted by Popper and cleared by Vaky.

² Attached but not printed.

³ September 28.

⁴ October 4.

State affair. Our other candidates are General Dolvin (nominated by DOD) and myself. There is no problem with the Environment Commission.⁵

With respect to the *Panama Canal Commission Board of Directors*, and in an attempt to expedite a decision, Ben Read discussed the matter with Assistant Secretary of the Army Blumenfeld on September 28. Blumenfeld had been informed of your telephone conversation with Deputy Defense Secretary Claytor and acknowledged that he owed you a response.⁶ Blumenfeld confirmed DOD's opposition to State representation on the Board. He considered it pointless, since Board Members are obligated to vote at the direction of the Secretary of Defense, and opined that it would result in bickering, appeals to OMB, etc. He suggested DOD might accept having the Ambassador present as an observer during Board meetings.

We continue to feel that State membership is required. The Board's activities will bear directly and importantly on our ongoing relationships with Panama. The Panamanian members are outstanding public figures who have participated in Treaty negotiations. The voting requirement is essentially irrelevant to our position: a State presence on the Board is needed to prevent the American membership bloc, which Congress has structured predominantly to reflect private interests, from precipitating needless and potentially injurious controversies with Panama as a result of Board deliberations. We hope you will maintain this position when Secretary Claytor telephones you, and that you propose that the two Departments submit an options paper for White House decision.⁷

As to the *Coordinating Committee* and the *Joint Committee* our Embassy continues to feel very strongly, and we agree, that it should be represented as a participant⁸ in both. We have received an additional, strongly worded cable from the Embassy which is attached.⁹ We con-

⁵ Christopher checked the approve option on October 3.

⁶ In a September 21 memorandum from Popper to Christopher, Christopher noted that he had called Claytor on September 25 and communicated State's request that a State nominee fill one of the two official U.S. Government positions on the Panama Canal Commission Board of Directors. Christopher wrote on the memorandum "non-committal response." (National Archives, RG 59, Office of the Deputy Secretary, Records of Warren Christopher, 1977–1980, Lot 81D113, Box 21, Memos to WC From Offices/Bureaus—1979)

⁷ Christopher checked the approve option on October 3. In an October 16 memorandum from Popper to Christopher, Christopher noted that he had called Claytor on October 19. (National Archives, RG 59, Central Foreign Policy File, P790163–0080)

⁸ Christopher underlined "participant," placed a question mark in the right margin and wrote: "As a member or as a deputy? Meaning unclear—see underlying memo."

⁹ Telegram 7945 from Panama City, September 28, is attached but not printed.

tinue to believe that the Embassy should have full membership¹⁰ in these committees on terms comparable to those governing the activities of similar groups around the world, while DOD authorities are seeking to preserve the independence of action which has characterized their past operations in Panama. We recommend that you advise Mr. Claytor of our position in support of full Embassy membership in the two committees.¹¹

¹⁰ Christopher underlined “full membership” and placed a question mark in the right margin.

¹¹ Christopher did not indicate his approval or disapproval of the recommendation.

247. Memorandum of Conversation¹

Tocumen Airport, Panama, September 30, 1979, 5:40–6:20 p.m.

SUBJECT

Vice President’s Conversation with President Royo of Panama, September 30, 1979

PARTICIPANTS

The Vice President
President Aristides Royo

SUMMARY

Both President Royo and the Vice President reaffirmed the intention of the two countries to be guided by the Panama Treaties in their action, and both expressed confidence in successful Treaty implementation and the future of the Panamanian-US relationship. The Vice President told Royo that we took very seriously the Soviet combat unit in Cuba and President Carter would address the subject quite directly October 1.² Royo expressed concern regarding the Cuban military

¹ Source: Carter Library, Papers of Walter F. Mondale, Box 34, Vice President’s Visit to Panama, 9/30/79–10/2/79: Bilateral Talks—Meeting with President Royo. Secret. Drafted by Popper and cleared by Pastor. Copies were sent to Clift, Vaky, Pastor, and Haar.

² The full text of Carter’s speech is printed in the *Public Papers: Carter, 1978*, Book II, pp. 1802–1806. For more on the U.S. response to the Soviet military unit in Cuba, see *Foreign Relations, 1977–1980*, vol. VI, Soviet Union, Documents 221–224.

build-up, stating that the Latin American armies considered the Cuban Army aggressive in design. On Nicaragua, Royo urged we provide not only food and economic assistance but also non-lethal military help and technical assistance. At the moment, he said, the moderates were in the stronger position in Nicaragua, but they needed help to withstand radical forces. The Vice President said we understood the need and wanted to work through the OAS and Latin American countries.

After amenities, President Royo explained that his remarks regarding the implementing legislation had been misquoted.³ He did not say that the legislation violated the Treaty. He did say that Panama intended to act in accordance with the Treaty, which was its guiding criterion.

The Vice President said the Treaty was also the foundation of our action. President Royo understood our constitutional processes—no one by now knew them better—and he and other Panamanian leaders had shown remarkable restraint despite severe provocation. Some of the harsh statements had undoubtedly been made to provoke an imprudent reaction. But we expect to continue to make progress. This is a historic moment for both countries. We are proud of our actions and intend to fulfill our commitments.

President Royo said it would be helpful if the Vice President made this point in his speech. The Vice President said he would do so.⁴

President Royo said the Vice President would see tomorrow (October 1) how strong the friendship between our countries is. The people were happy and everything concerned with the event was going well.

The Vice President remarked that the Panamanian Government had taken abuse because of its attitudes. So had our Government. But we know we have done the right thing. We are here in that spirit.

President Royo said that Ambassadors Bunker and Linowitz, whose absence he regretted, had repeatedly warned the Panamanian Treaty negotiators that various points would give them “a hard time on the Hill.” At times his colleagues had thought these references to Congress were a negotiating trick; but it turned out that the Ambassadors were only telling the truth. President Royo hoped the US people would understand the significance of what had been done. Everything would depend on how we managed the new relationship.

The Vice President noted that it was a human relationship. It would be grounded in mutual respect.

³ Not further identified.

⁴ For the text of Mondale’s October 1 remarks in Panama, see the Department of State *Bulletin*, November 1979, pp. 54–55.

President Royo praised Ambassador Moss and General McAuliffe for their contribution to the successful initiation of the Treaty. They were wise men of good will.

Congressman Brademas stated that he and Congressman Hanley were with the US Delegation because what the US had done was the honorable thing to do. We wanted good relations with Panama and with all of Latin America. He regretted that Father Hesburgh, who lived in his district (Notre Dame), had been prevented by bad weather from joining the Delegation in Washington.

The Vice President recalled that Archbishop McGrath had brought Father Hesburgh to Panama, and the latter had helped persuade President Carter to make the Panama Treaty the first great foreign policy objective of this Administration.

President Royo praised the President and noted that he had made his feelings very clear in his statement at the Non-Aligned Movement Conference in Havana.⁵

The Vice President remarked that this had taken tremendous courage, and we recognized that. At this point, he presented to President Royo a pen President Carter had used to sign the implementing legislation into law; a photograph of Presidents Carter and Royo taken during the latter's visit in Washington; and a bound copy of President Carter's formal Proclamation of September 27 putting the Panama Treaties into effect for the US⁶ as well as a copy of the President's public statement on the occasion.⁷

The Vice President said that on Monday night October 1 the President would be speaking on the problem of Soviet activities in Cuba. Soviet military actions there had serious potentialities not only for the fate of the SALT II Treaty but for future Soviet/US relations generally. In past years we had extracted commitments from the Soviets to limit their offensive potential in Cuba, and not to establish a naval base at Cienfuegos.⁸

Now we see a Soviet combat unit in Cuba, acting not to train Cubans but in its own independent maneuvers. We are not certain how far back its origins go, but we know now that it consists of 2,500 to 3,000 men, and that there are 1,000 to 1,500 other Soviet military

⁵ In telegram 7263 from Panama City, September 11, the Embassy reported that the Panamanians at the NAM were "notably courageous in some of their public utterances," and Royo's plenary statement was "a full endorsement of the treaties, coupled with public praise" of Carter. (National Archives, RG 59, Central Foreign Policy File, D790415-0446)

⁶ Not found.

⁷ See footnote 2, Document 245.

⁸ See *Foreign Relations, 1969–1976*, vol. XII, Soviet Union, January 1969–October 1970, Documents 225 and 226.

personnel in Cuba. Cienfuegos is being modernized. The Soviets are furnishing Cuba modern military equipment in large quantities. President Royo knew how active Cuban forces were as Soviet surrogates in Africa. The USSR subsidized Cuba at a cost of millions of dollars a day. All this was taken very seriously in our country. Without giving any details, the Vice President could say that in President Carter's speech the US would respond in an appropriate way. He hoped Panama would consider carefully what President Carter said, and let us know if it seemed to make good sense. We are rejecting radical schemes, but we would take specific steps designed to restrain the Soviets.

President Royo asked if we thought that if the Russians wanted SALT II they would remove their troops.

The Vice President said, confidentially, that we had no evidence they were prepared to remove the combat troops. The Russians would say they were there only for training purposes. They say the brigade is not a combat unit, but we have too much direct evidence to the contrary to believe that. This development has put a substantial strain on our relationships with the Russians. We do not want to link it with SALT, but we must act.

President Royo said all the Latin American armies would be happy if we acted, including the small Panamanian Army. There was a general concern, not about the Russians in Cuba but about the continued strengthening of the Cuban Army. It was not "correct" to have such a strong military force in this area.

The Vice President said he would report Royo's views to President Carter. The Soviets were steadily building up Cuban strength. He recalled last year's episode over the stationing in Cuba of nuclear-capable MIGs. Reverting to the brigade, he said we did not know how long they had been there, but we did know they maneuvered on their own as a combat unit. The Soviet naval presence had also been increased. If we did nothing to discourage it, this strength would continue to increase, and we could not say where this would lead. The President would, therefore, speak quite directly on Monday night.

President Royo said that in Havana he had found Fidel Castro quite worried about the situation. Fidel had wondered why the US had raised the subject at just the moment of the Non-Aligned Conference. He had pointed out that the Russians had been in Cuba for many years, working as friends. He was concerned at the possibility of a US blockade. But, Royo concluded, the Latin American armies believe the Cuban Army is more aggressive than defensive in its design. He then asked if the situation resembled that in 1962.

The Vice President pointed out that this was a different matter. No nuclear forces were involved in today's problem. The combat troops in themselves constituted no threat. But they enabled Cuba to project

its military power in Africa on Russia's behalf. We had to stand up against all this.

President Royo then said that the US must be more active in Nicaragua or we would lose the country. The Cubans were there as experts, etc. They were influential. The US must step up its assistance, not only with food and equipment but with technical assistance for Nicaragua's armed forces and non-lethal military supplies. We must get involved with the Nicaraguan military; this was very important.

The Vice President said that when the Nicaraguan Junta members and the Foreign Minister were in Washington, we told them we wanted to cooperate.⁹ A military relationship was hard for us. We have encouraged others, including the Andean Pact countries, to become engaged. The Vice President would report Royo's views to President Carter. We would continue to work for moderation in Nicaragua. Did Royo think the moderates were gaining strength?

President Royo said he could not tell. Some of the Sandinistas are close friends of Cuba. Any kind of assistance will help stop radicalism. At the moment, the moderates are ahead. While far from conservative in doctrine, they do not want to socialize the Nicaraguan economy.

The Vice President said we understood the situation. We did not mind taking criticism for our ideas. We will show restraint in Nicaragua, but want to work in the OAS and with other countries to help it. We want to take actions which will strengthen our President's hand—not the kind of thing we did in Chile by covert action.

President Royo remarked that sometimes Latin America leaders must speak as Leftists and then act as Rightists. The Vice President said this was not unknown in the US. At this point the meeting ended.

⁹ Message is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XV, Central America.

248. Memorandum From the Under Secretary of Commerce (Hodges) to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, November 1, 1979

SUBJECT

(U) Report of Commerce-State Investment Mission to Panama

(U) Pursuant to your memorandum of May 15 (NSC 2866),² attached is the report of the Commerce-State Investment Mission to Panama.³

Summary

(C) A Commerce-State Investment Mission visited Panama August 13–17 to examine the investment climate and evaluate prospects for a full-scale business mission at a later date. Although there is substantial investment potential in Panama, the government is currently faced with a number of important obstacles to increased investment. First, there is uncertainty whether the implementation of the new Canal Zone treaties will be efficient and peaceful. Second, the Panamanian Government is poorly organized to promote foreign investment and there is no strong central authority responsible for the facilitation of such investment. These steps are essential to convince investors that Panama is serious about investment. Third, there is a deep sense of disenchantment among the Panamanian business community with government policies and leadership that will seriously undermine the confidence of foreign investors in Panama's market. As a symptom of the problem, there is little evidence of new investment or reinvestment in Panama by Panamanian Business.

(C) For these reasons, the mission members do not believe that this is an opportune time to send a full-scale United States Government-sponsored mission to Panama. The leader of the mission met with the Vice President of Panama at the conclusion of the mission and explained the views of the mission to him in detail. As stated in the report, the Vice President appeared to accept the Mission's findings and recommendations. In the event that there is definite improvement in the business climate and treaty implementation is proceeding smoothly,

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron., Panama, 8–12/79. Confidential.

² See Document 226.

³ Attached but not printed.

the Mission recommends an investment mission to Panama be considered for late 1980 or 1981.

Luther H. Hodges, Jr.
Under Secretary of Commerce

**249. Memorandum From Secretary of State Vance to
President Carter¹**

Washington, November 17, 1979

SUBJECT

State Department Membership on the Panama Canal Commission's Board of Directors

The Panama Canal Treaty provides for a Supervisory Board of Directors for the Panama Canal Commission consisting of five U.S. members and four Panamanians. The Treaty implementing legislation provides that you will appoint the Board members; the U.S. members will require Senate confirmation. Three of them must be drawn from private life, and a fourth, the Chairman, must represent the Secretary of Defense. In a letter to you dated November 3 Graham Claytor has proposed candidates for these positions.² He has further proposed a second Defense Department candidate for the fifth U.S. Board membership.

I believe that the fifth U.S. Director should be a representative of the Department of State, for the following reasons:

—The original Administration bill envisaged State participation on an inter-agency Board pursuant to your decision in 1978.³ Nothing in the implementing legislation as enacted precludes State participation; the legislative history indicates that it was contemplated. It is not in any way inconsistent with the lead role we have envisaged for DOD in Canal management, or affected by bloc U.S. voting at the direction of the Secretary of Defense.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama, 6/79–1/80. Confidential.

² A copy of the letter is in the National Archives, RG 59, Central Foreign Policy File, P800052–1540.

³ See Document 188.

—State representation will ensure effective coordination of the most sensitive policy problems arising under the Treaty.

—The new Board will be a bi-national agency, and the policy issues it will handle will importantly and perhaps critically affect our relations with Panama and our varied interests in the Canal.

—Since 1961, State personnel were consistently included in the Board of the old Panama Canal Company, even though we then exercised exclusive control of the Canal and exclusive jurisdiction in the Canal Zone.

I do not agree with DOD's suggestion that the designation of an Embassy observer to the Board will adequately enable the Department of State to carry out its responsibilities. The Department needs a representative who can participate actively in meetings of the Board and its committees, and in preparation and follow-up activities. This is a separate matter from the agreed requirement that the Panama Canal Commission should keep the Ambassador fully informed regarding its work. Provision for an observer is not a satisfactory alternative to the full membership status enjoyed by Department Board members in the past.

Recommendation

That a State Department representative be appointed as a U.S. Director of the Board.⁴

⁴ Carter did not indicate his approval or disapproval of the recommendation. In a December 6 memorandum to Vance, Tarnoff discussed an agreement made by Vance and Brown to raise with Carter the issue of whether the second official member of the PCC Board of Directors should be drawn from Defense or State. (Department of State, Records of Cyrus R. Vance, 1977–1980, Lot 84D241, Box 3, Pres Breakfast 9/1/79 thru 12/31/79) In a December 20 memorandum to Brown, Alexander, Jones, and McGiffert, Dolvin reported that the White House overrode the proposal of having two Defense nominees and that Carter had approved a list of nominees for the board. The nominees included State representative Bushnell for the second U.S. Government position on the board. (National Archives, RG 218, Records of David C. Jones, Box 47, 820—Panama 3JC/78–26 Nov 80)

250. Memorandum From Acting Secretary of State Christopher to President Carter¹

Washington, December 10, 1979

1. *The Shah*. Ambassador Sole today gave us an unequivocally negative answer to the possibility of the Shah's going to South Africa. Bill Schwartz has given us an equally negative assessment on the Shah's returning to the Bahamas.

I believe we should now move ahead promptly on Panama while that option is open. Unfortunately, only a call from you to Torrijos is likely to be successful, and I recommend it. I am attaching talking points for such a call, and will arrange for a translator if you agree.²

[Omitted here is information unrelated to Panama.]

¹ Source: Carter Library, Papers of Walter F. Mondale, Box 65, Foreign Countries—Panama Canal (1979). Secret. Vance was in London discussing international responses to the Iranian hostage crisis with Thatcher and Carrington. He also met with d'Estaing, Francois-Poncet, and Okita in Paris.

² Attached but not printed. In a December 11 note Clift informed Mondale that Carter preferred not to call Torrijos. (Carter Library, Papers of Walter F. Mondale, Box 65, Foreign Countries—Panama Canal (1979)) In a December 11 note to Torrijos, Carter wrote: "I have asked Hamilton Jordan to convey to you a very important message from me. For humanitarian reasons and for the sake of world peace, I hope that it will receive your favorable consideration." (Carter Library, Plains File, President's Personal Foreign Affairs Files, Box 3, Panama 9/77–9/80) In a December 17 memorandum to Brzezinski, Pastor expressed his belief that dealing with Torrijos and not Royo on the Shah situation undermined the U.S. objective of getting Panama on the "right track" toward a more civilian and democratic government. (Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron, Panama, 8–12/79)

251. Letter From President Carter to President Royo¹

Washington, December 18, 1979

Dear Mr. President:

Your decision to invite the Shah to Panama is a demonstration of the graciousness and the magnanimity of the people of Panama.²

The invitation to the Shah also demonstrates to the world that the relationship which our two countries developed during the negotiations for the Panama Canal Treaties is deep, genuine and mutually respectful. As Negotiator for Panama, you played a major role in forging our new relationship. As President of Panama, you have enriched that relationship greatly; it has become a model for industrialized and developing countries.

The United States has endured a terrible trauma during the last month while friends and colleagues have been held hostage in the United States Embassy in Iran. We hope that the Shah's stay in Panama will facilitate a solution to the crisis.

I have been pleased to note the forthright position on the issue of the hostages taken by your government at the OAS and the UN. I am certain that my gratitude for your generosity and your assistance is shared by all the people of my country.

Sincerely,

Jimmy Carter

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: General Omar Torrijos Herrera, 8/78–12/79. No classification marking. Carter sent a similar letter to Torrijos dated December 18. (Ibid.)

² In telegram 323437 to Bern, December 15, the Department reported: "The Government of Panama announced today that in response to a long-standing invitation, the former shah will establish residence in that country." (Department of State, S/S–1 Executive Secretariat, Information Management Section, David P. Newsom Files, Under Secretary for Political Affairs, 1978–1981, Lot 81D154, Box 7, The Shah December 1979 Volume IV)

252. Telegram From the Embassy in Panama to the Department of State¹

Panama City, December 28, 1979, 2311Z

10540. Subject: Letter to President Carter From President Royo Iran

1. C—Entire text.

2. President Royo has sent a letter to President Carter text of which as follows (original pouched): (Unofficial translation)

Dear Mr. President:

Let me express my gratitude to you for your letter of December 18, concerning the stay of the ex-Shah of Iran in the Republic of Panama.²

I am profoundly pleased to know that the spirit in which our country offered this gesture has been perfectly understood (appreciated) by yourself, even though for the moment it has been the cause of numerous problems for us.

I wish to take this opportunity, Mr. President, to let you know that our government has just received a letter from the Minister of Foreign Relations of Iran, informing us that an official extradition request will be sent shortly.³

In accordance with the provisions contained in law no. 44 of November 22, 1930, our government must consider such request, when the appropriate statutory requirements have been fulfilled.

The Government of the Republic of Panama, faithful to its principles, considers that it has the obligation to respond to the Government of the Republic of Iran⁴ to inform it that it would be incomprehensible if a profoundly moral revolution such as that which our country is experiencing, could not stop the violation of international law.

The Government of the Republic of Iran does not demonstrate its desire to make such law respected by liberating all of those who are

¹ Source: Department of State, S/S-1 Executive Secretariat, Information Management Section, David P. Newsom Files, Under Secretary for Political Affairs, 1978–1981, Lot 81D154, The Shah December 1979 Volume IV. Confidential; Niact Immediate; Nodis. Vargas wrote: "Para 6 is helpful in permitting us to get fix on GOP position. Also useful to keep in mind that Torrijos not Royo calls the shots." An unknown hand wrote: "Complex posturing by Panama."

² See Document 251.

³ In telegram 10253 from Panama City, December 18, Moss reported that Royo had called him that evening to urgently report that he had been approached secretly by the Iranian Prime Minister through an intermediary and that the Prime Minister would be granted full powers to negotiate the extradition of the Shah and was planning to present Panama a formal extradition request. (National Archives, RG 59, Central Foreign Policy File, P840148–2166)

⁴ Vargas underlined "Republic of Panama" and "has the obligation to respond to the government of the Republic of Iran."

held in detention, it places itself in an extremely difficult position to be able to request the above-mentioned extradition.⁵

The Government of the Republic of Panama has confirmed its desire to establish profound and constructive dialogue in the interest of our peoples, with the objective of helping find a solution to an extremely delicate situation.

It appears that our government will be in a real position to fulfill this objective only if the two parties in conflict are disposed to make the necessary efforts to avoid a greater deterioration of the present situation.

The profound personal respect which your honest and determined actions in a search for a solution for the problem of the Panama Canal has inspired in us, combined with the witness of your defense of moral values in the international arena assure us that we will confide in your decided cooperation⁶ in this effort in favor of world peace.

May God enlighten all of us in this very delicate hour.

I take this opportunity to greet you, Mr. President, with my greatest consideration and respect.

Aristides Royo

President, Republic of Panama

December 28, 1979

3. President Royo said that he does not repeat not plan to release the letter. He has asked twice in the last three days, however, how soon he might release President Carter's letter of December 18 to him. He said it would be a great help to him to do so. I have replied that we feel it important that the letter not be released until the hostages are freed, as its publication could interfere in the process.⁷

4. Royo told me by telephone that the message he was trying to convey to the Iranians was that Iran could not expect normal treatment under international law (i.e., consideration of an extradition request while he was flouting international law).⁸

5. I asked Royo if a high-level Iranian delegation had brought the request (as a GOP source had told an EmbOff this morning). He said "only a couple of lawyers came, one of them French" and that he believed that the "more important delegation" we had once talked about "probably would not come."

⁵ Vargas drew a box around this paragraph.

⁶ Vargas underlined "we will confide in your decided cooperation."

⁷ Vargas highlighted this paragraph.

⁸ Vargas highlighted this paragraph.

6. Following FBI's release of Royo's news conference today, we spoke by telephone again. Royo realized that the press had misunderstood his statement that he would "consider" extradition. He said that by "consider" he only meant Panama would receive the request and study it, in the same manner as a complaint is filed in court. He said he would clarify this to the press, as he did not mean to imply that he would consider returning the Shah if the hostages were released.⁹

7. Gabriel Lewis and Col. Manuel Noriega (and reportedly Torrijos) said today they were incensed at stories in *Newsweek* and *Time*, just out here, on Shah's move to Panama,¹⁰ cynical characterizations of Torrijos's motives and exaggerated accounts of opposition and police brutality touched sensitive nerves. It would be extremely helpful if department and white house spokesmen could say some additional kind words about President Royo and Panama to offset what important sectors of Panamanian leadership see as ungrateful attitude of us as expressed in these mass-circulated publications.¹¹

Moss

⁹ Vargas underlined portions of this paragraph.

¹⁰ Presumably a reference to David M. Alpern, "The Shah's New Home," *Newsweek*, December 31, 1979; "Shah's Haven It's Beautiful but Lonely," *Time*, December 31, 1979.

¹¹ Vargas highlighted this paragraph, underlined "could say some additional kind words" and wrote "good suggestion" in the right margin.

253. Telegram From the Department of State to the Embassy in Panama¹

Washington, December 30, 1979, 0159Z

334024. For the Ambassador. Subject: Iranian Request for Extradition.

1. Press reports from Tehran indicate that the militants on the Embassy compound are taking seriously the equivocal Panamanian

¹ Source: Department of State, S/S-1 Executive Secretariat, Information Management Section, David P. Newsom Files, Under Secretary for Political Affairs, 1978–1981, Lot 81D154, The Shah December 1979 Volume IV. Secret; Immediate; Nodis. Sent Immediate for information to the White House and the USUN. Drafted by Precht; cleared by Hurlings and Bowdler; and approved by Newsom.

reaction to their request for the Shah's extradition.² We know from other sources that Iranian authorities seriously believe this initiative may be successful.

2. The positive interpretation being given to Royo's statement³ could severely complicate our efforts to free the hostages. While we are confident that was not his intention, the effect of holding out some hope to the militants and the Iranian regime could substantially delay release of the hostages.

3. Please see Royo urgently to point out these factors to him and to request that he consider a clarifying statement which would disabuse the Iranians of their hope that the Shah may be extradited from Panama.⁴ As long as that hope persists in Iran movement to free the hostages will be complicated.

Christopher

² See Document 252. In telegram 10542 from Panama City, December 29, Moss reported that Royo's press statements and subsequent clarification reflected two currents of thinking which had characterized Royo and Torrijos since the Shah's arrival: 1) a desire to preserve a "neutral" image and "extreme sensitivity" over possibly being seen as a U.S. agent and 2) "an almost uncontrollable desire to leap ahead and become the mediator who freed the hostages." Moss did not think Royo or Torrijos would seriously contemplate handing over the Shah. (Department of State, S/S-1 Executive Secretariat, Information Management Section, David P. Newsom Files, Under Secretary for Political Affairs, 1978-1981, Lot 81D154, The Shah December 1979 Volume IV)

³ A copy of Royo's statement to the Islamic Council of the Revolution, in which he communicated that if the appropriate documents were presented within 60 days, "the extradition demand will be accepted as formal and the executive will proceed to consider it and later decide on it," is in the Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 6/79-1/80.

⁴ In telegram 2 from Panama City, January 2, 1980, Moss reported on his January 1 meeting with Royo during which Moss raised the U.S. Government's concerns. Royo said he had informed the Iranian emissaries that Panama "could not hand over the Shah under any circumstances" but was willing to accept and consider an extradition request as a "face-saving" device, provided the "GOI put itself into conformity with international law by releasing the hostages." Royo also shared plans to send a mission to Tehran to negotiate the release of the hostages and receive the extradition request. Moss reminded Royo that he had agreed to refrain from taking "any action we asked them not to take" and concluded Royo "still wants badly to become the man who freed the hostages, and he will keep trying." (Department of State, S/S-1 Executive Secretariat, Information Management Section, David P. Newsom Files, Under Secretary for Political Affairs, 1978-1981, Lot 81D154, The Shah, Panama—Jan-Mar 1980, Egypt Jan-July 1980)

254. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, January 5, 1980

SUBJECT

Letter to President Royo (U)

The Panamanians are becoming increasingly irritated at the US failure to appoint a nine-man binational Board of Directors of the Panama Canal Commission, as required under the Canal Treaties.² While the delay was caused by requirements imposed at the last minute in the implementing legislation, Panama has, with justification, termed this delay a violation of the Treaty. (C)

I understand that the US members have been approved by the Administration and that on January 7, Jody Powell will announce that the nominations are being sent to the Senate. Nevertheless, I believe it would go far in soothing Panamanian irritations if you were to have Secretary Goldschmidt carry a letter to President Royo when he represents you at the Centennial Celebration of the Panama Canal on January 9. Royo, who is already being criticized by students for receiving the Shah, is under increasing pressure to toughen Panama's stand on US failure to live up to its treaty obligations. He told Ambassador Moss on January 4 that he feels "obliged" to send you an open letter on our non-compliance.³ (C)

RECOMMENDATION

That you sign the letter to Royo at Tab A. (State and the speechwriters have cleared the letter.)⁴

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: President Aristides Royo, 1–11/80. Confidential. Sent for action. Carter initialed the memorandum and wrote: "cc Ham, Zbig, Jack. Why wasn't this done when I approved the names? The Panamanians were already justifiably angry."

² In telegram 10375 from Panama City, December 20, Moss reported Panamanian frustration over the U.S. delay appointing the board. According to Moss, the contrast between Panamanian actions to affirm the country's alliance with the United States by accepting the Shah and the U.S. Government's inaction and apparent disregard for a central, legitimate Panamanian claim under the treaties was noted by Panamanian commentators, resulting in a "highly embarrassing predicament." (Washington National Records Center, OSD Files, FRC: 330–82–0205, Panama (May–Dec 1979))

³ See footnote 2, Document 263.

⁴ Carter checked the approve option and initialed below the recommendation. Tab A, not attached, is printed in Document 255.

255. Letter From President Carter to President Royo¹

Washington, January 7, 1980

Dear Mr. President:

The Panama Canal Treaties have now been in force for three months, since October 1, 1979. As I wrote you a few days before that historic date, my country is as committed to making those Treaties work as it was to building the Canal.²

I have been well pleased these past three months by the manner in which our representatives have addressed the various aspects of our new relationship, and I am confident that we will continue to enjoy the mutual benefits of constructive cooperation.

Like you, I am distressed that it has not yet been possible for the Board of Directors of the Panama/Canal Commission to take up their responsibilities. As you know, our Congress laid down some very specific requirements that must be met in selecting the U.S. members of the board. These requirements, as well as the timing of the enactment of the implementing legislation for the Canal Treaties, have resulted in an unfortunate but unavoidable delay in appointing the U.S. board members. I am happy to inform you, however, that the administrative processes required by our laws are nearing completion and that I am submitting today the names of my nominees for the U.S. positions to our Senate for its advice and consent.³ At that moment I will of course publicly announce the names of the Panamanian candidates for the board.

You may be certain that the American members of the board will be informed, interested and competent, and that they will serve faithfully in pursuit of efficient Canal operations.

As soon as the Senate has acted, I expect that the board will hold its initial meeting and begin the deliberations with which it is entrusted under the Panama Canal Treaty. Meanwhile, I have asked all officials concerned with Canal activities to undertake now whatever preparatory steps may be possible within the limits of the current procedural situation.

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: President Aristides Royo, 1–11/80. No classification marking.

² See Document 245.

³ For the text of Carter's January 7 announcement, see *Public Papers: Carter, 1980–1981*, Book I, pp. 32–34.

You and I and our officials have done much to ensure that the new arrangements for the Panama Canal—under the jurisdiction of your Government—have been put into effect in an atmosphere of trust and businesslike cooperation. I am certain that as we put the final elements of the Treaty structure into place, our two countries can build upon this firm foundation.

Sincerely,

Jimmy Carter

256. Telegram From the Embassy in Panama to the Department of State¹

Panama City, January 14, 1980, 1448Z

352. Please Pass to White House for Hamilton Jordan. Subj: Iran—Panamanian Initiatives. Refs: A) Jordan-Moss Telecon Jan 13;² B) State 10588³

1. (S—Entire text)

2. Torrijos called several times while I was on the phone with Hamilton Jordan and sent an airplane to take me to his mountain retreat at Coclecito. I arrived there at about 3:15 p.m., and our meeting lasted for about 6 hours. Present were Torrijos, Gabriel Lewis, Panama's UN Amb Jorge Illueca, and Marcel Salamin. I translated Pres Carter's message to Pres Royo and Gen Torrijos,⁴ relayed through Hamilton Jordan, and our latest Security Council proposal (Ref B). We discussed each document several times, and Salamin took copious notes.

¹ Source: National Archives, RG 59, Central Foreign Policy File, P870108–1025. Secret; Flash; Nodis.

² Not found.

³ In telegram 10588 to Panama City, January 13, the Department transmitted the text of a document given to Waldheim on December 12. According to the document, the Security Council would 1) adopt a resolution recognizing "the legitimate right of the Government of Iran to seek the extradition of the former Shah and the return of any national assets of Iran improperly removed from Iran" and 2) establish a committee to investigate crimes by the previous Iranian regime that would report its findings to the Secretary General. Simultaneously, the Iranian authorities would release the American hostages in Tehran and ensure their safe departure. The Department directed the Ambassador to use the text, in addition to instructions already provided over secure phone, in a background briefing for the Panamanians. (National Archives, RG 59, Central Foreign Policy File, P870108-1032)

⁴ See Document 255.

3. The first reaction of the Panamanians seemed to be an expression of clear pique over not having been involved in the action. They said essentially that the USG was asking Panama to let us follow our game plan entirely without taking Panama into consideration, making Panama look like a U.S. instrument. My argument that our proposal included their idea was only partially convincing. Torrijos said that we seemed to be saying, in effect: "be good boys, relax and leave things to us."

4. Torrijos said that it was important that Waldheim portray our proposal as having been based upon, or at least strongly affected by, the Panamanian initiatives with Iran. Otherwise, he said, Panama's future bargaining position and credibility would be undermined, making Panama less useful in trying to find a solution.

5. Salamin said that Ghotbzadeh had made it clear during their meetings that he wanted the hostages out of the country prior to the Presidential elections. He also said that Ghotbzadeh did not really want the return of the Shah to Iran but just to use the issue of the Shah.

6. Salamin also described a rather ingenious conspiracy theory advanced by Ghotbzadeh: that the Shah, Nixon, Kissinger, and David Rockefeller had engineered the takeover of the U.S. Embassy by fanatical students to destabilize Iran under Khomeini. The students, said Ghotbzadeh, are right-wing fanatics whose actions were designed to embarrass Khomeini and force him to take an even more radical posture than they. Nevertheless, Khomeini has infiltrated his own students into the leadership and can now control events.

7. After a lengthy discussion on events, Torrijos dictated what he described as a "note verbale to President Carter," which Salamin wrote down. Some of it is couched in Torrijos's biblical style, for which I include authorized interpretations. The others present agreed with it and made some contributions to its composition. *Translation follows:*

A) The concessions were given away through a channel which is not very agreeable to the Iranians. The proposal is a good one; if it had been advanced after the proper groundwork it would be optimum. (*Comment:* the concessions referred to are the recognition of the right to extradition and the appointment of an international commission of inquiry. The Panamanians obviously feel that they would have been a more acceptable channel to use than Waldheim.)

B) The situation is very fluid and the ability to react to it is slow. (*Comment:* The USG is not able to move quickly enough to take advantage of shifting events in Iran.)

C) A vote of confidence does not require giving a blank check; the fate of the prisoner is determined by the jailer; it is unpleasant to us that we have to keep swearing the oath every day. (*Comment:* These

are three somewhat interconnected thoughts. The first is that the Panamanians want to be given a vote of confidence by us to help out with the situation and that we do not run a great risk in giving it to them. The second one is that the Shah is here and they must have some say in determining what is to be done with him. The third expresses irritation that there should be any doubt of Torrijos's word that he will not deliver the Shah to Iran; he says that his word, once given, is kept forever and that he has never let us down and will not do so.)

D) You have not been able to take advantage of carrying out a plan on two levels. We believe that if you give us certain tools, that in a conversation with Ghotbzadeh it is possible that we will be able to program the countdown between now and Jan 25 which will culminate in the freeing of the hostages.

E) Our team will lay low until we are sure that we are not going to do something to make us look ridiculous. As a matter of principle, we do not go to parties when we are not invited. We went to the party in Tehran on account of the insistent invitation of the other side.

F) If there is no coordination, instead of shooting at the target, we are just firing blanks into the air. (*Comment:* This point was originally formulated in a different way, then changed so as not to frighten us or give offense. It originally stated that if there is no coordination, each party will have to be free to decide what to do in its own best interests. Such a thought, obviously, is somewhat inconsistent with the previous point in para E. Throughout the conversation, there was a certain ambivalence in the Panamanian attitude as they said, on the one hand, that the hostages are U.S. citizens and therefore they have to respect our desires in dealing with the situation, and, on the other hand, the strong feeling that they are partners because of having taken in the Shah, that the Shah's presence represents a certain danger to Panama, and that they have the right to a piece of the action whether we give it to them or not.)

G) Any statements on the part of the Shah against Pres Carter will get him a one-way ticket to Tehran. (*Comment:* this is not a threat to return the Shah, but it means that the Panamanians might so threaten the Shah if he ever spoke up and made statements damaging to Pres Carter.)

H) You should not impose time limits on little people because they react with a form of dignity which is unpredictable and irrational. Besides, in the case of the Iranians, when they die they go directly to heaven. Don't corner your adversary without leaving him a way out. (*Comment:* this point is simply a further expression of frustration that the USG passed its proposal through Waldheim without previously having negotiated it with the Iranians.)

I) Up until now, your attitude has been measured and responsible. You must continue in the same way. (*Comment*: this point gives recognition to the tremendous pressure which Pres Carter is subjected to because of the hostages' having remained in captivity for over 70 days.)

J) In order to save their countries and also because of their own electoral objectives, both leaders need each other. (*Comment*: based on the reports by Salamin and Romulo Escobar Bethancourt, Torrijos believes that Ghotbzadeh wants to come to terms with the United States and to end the conflict with us brought on by the hostage situation. He says that Ghotbzadeh feels hard-pressed because of internal and external threats, and sees a satisfactory solution of the difficulties with the United States as indispensable to his own political future.)

8. I met with Pres Royo at 9:00 this morning and reviewed the same ground with him. Royo said that it was important that the United States and Panama coordinate their actions and felt that the same team which went to Florida last weekend (Salamin, Lewis, Illueca) should go to Washington to work out details. In particular, Royo said, Panama was faced with the need to respond to the GOI's demand for the arrest of the Shah and the extradition request. He said that he was convinced that Ghotbzadeh needed a "face-saving device" and wanted the hostages to be freed, and that Panama could help in this effort.

9. *Recommendations*: the Panamanians feel that they have a useful and efficient channel with Iran. They have considered all along that the Shah's presence in their country obliges them, for reasons of self-protection as well as their prestige in the world, to deal with Iran. We were partially successful for a time in getting the Panamanians to stay in the background and let us carry our own initiatives forward. As recent events have shown, however, it is unrealistic to expect the Panamanians to remain inactive. If it is important that Panamanian actions and initiatives be programmed to coordinate with ours, I would recommend inviting Royo and Torrijos to send GOP representatives to Washington immediately, to draw up a detailed plan of action which would give the Panamanians a useful and substantive role. The advantage of such course of action is that it would give us a measure of control over what the Panamanians say and do in response to Iranian demands for the Shah's arrest and extradition.⁵ It will not satisfy the Panamanians simply to tell them that we will keep them closely informed, and then

⁵ In telegram 678 from Panama City, January 23, Moss reported that Royo, with Torrijos's concurrence, planned to send the Government of Iran a cable on January 24 which communicated Panama's agreement to receive a formal extradition request as well as assurances the Shah would not be handed over. (Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 6/79-1/80) No record of a meeting in Washington between Panamanian and U.S. officials on the subject of the Shah has been found.

to inform them of what we have done after the fact, even though this is done quickly.

Moss

257. **Letter From the Ambassador to Panama (Moss) to the Director for Panama, Bureau for Inter-American Affairs, Department of State (Haahr)¹**

Panama City, January 23, 1980

Dear Jim:

I have reviewed the memorandum dated January 4 on "Priorities for the 1980's—Panama", which you sent under cover of your letter of January 8.² While I agree with parts of the memorandum and in particular the steps to achieve our objectives in Panama, I would have stated our priority foreign policy objective as the obverse of the first sentence of the memorandum, in the following manner: "Our priority foreign policy objective over the long range is the promotion in Panama of conditions for economic growth and political stability which will assure a setting for the continued secure and efficient operation of the Panama Canal and trouble-free implementation of the Panama Canal Treaties."³

As my formulation indicates, it seems to me that we have so concentrated over the past years on obtainment of a new relationship with Panama pertaining to the Canal and on implementation of the Panama Canal Treaties that we have lost sight of the fact that our primary interest is in a Panama that is democratic and developing, and a reliable free-world partner. It is, in my view, time for us to start putting the treaties behind us and time to get on to the more fundamental matters in our relationship with Panama.

It follows from my reordering of our primary foreign policy objective in Panama that I would have restated the problem to highlight the

¹ Source: Department of State, ARA/USOAS, Administration and People Files of Dr. Einaudi, 1974–1989, Lot 91D372, Box 3, Priorities for the 80s. Confidential; Official; Informal.

² Haahr underlined "Priorities for the 1980's—Panama." The January 4 memorandum and the January 8 letter are in the Department of State, American Embassy Panama, Classified and Unclassified Political Subject Files, 1979–1980, Lot 83F67, Box 34, Correspondence, 1980, Classified, Am Moss Jr.

³ Haahr highlighted this sentence and wrote in the left margin: "I agree with restatement of primary policy obj. in Panama."

necessity of evolution in the democratic process and steady economic growth. Moreover, I would have incorporated in the Strategy and Steps sections of the memorandum proposals to encourage direct foreign investment and diversification of the Panamanian economy.

We shall be incorporating these thoughts in our telegram policy statement which is due in Washington on January 31.⁴

All best wishes.

Sincerely,

Ambler H. Moss, Jr.⁵
Ambassador

⁴ The policy statement, sent in telegram 1007 from Panama City, January 31, is in the National Archives, RG 59, Central Foreign Policy File, D800055–0381.

⁵ Moss signed “Ambler” above his typed signature.

258. Telegram From the Embassy in Panama to the Department of State¹

Panama City, February 14, 1980, 1343Z

1451. Department please pass to OSD/ISA. Subj: Secdef Claytor Call on President Royo—Feb 13. Ref: State 36613.²

1. (C—Entire text)

¹ Source: National Archives, RG 59, Central Foreign Policy File, D800079–0768. Confidential; Immediate. Sent for information to San Salvador, Bogotá, Caracas, Managua, and the U.S. interests section in Havana.

² In telegram 36613 to Caracas, Bogotá, Lima, Panama City, and Quito, February 10, the Department transmitted Carter’s message of concern over the explosive situation and threat of civil war that had emerged in El Salvador. Carter encouraged working with the revolutionary Junta government and showing support. For Panama specifically, Carter requested the following message be delivered to Royo and Torrijos: “You have been a bridge between the parties in El Salvador, maintaining contact with them and counseling them toward moderation. To the extent that your efforts help the new government gain the support it needs to implement its reforms, we believe you are contributing to the peace of the region.” (National Archives, RG 59, Central Foreign Policy File, P870058–0107)

2. Deputy Secretary of Defense Claytor, accompanied by Lt. Gen. Welborn Dolvin and Ambassador, called on President Royo and Vice President de la Espriella in Presidential palace at 1100 Feb 13.³ Meeting lasted approximately one half hour, was friendly and business-like.

3. Royo began by discussing the claims being brought by Nicaragua against Colombia on certain Caribbean islands. He said that his personal view, reinforced during his trip to Colombia last weekend was that the Cubans were behind Nicaraguan claims and that Cuba's strategy was eventually to end up in control of these islands. Royo suggested that the United States ratify as quickly as possible the treaty signed several years ago with the United States recognizing Colombian rights to Roncador, Quita Sueno and others.⁴ He said that such move should be considered a "security measure" and should be pushed by Pres Carter as being beneficial to the U.S. security position in the Caribbean. Sec Claytor and Amb said that they would consult with the Dept of State on this matter, and acknowledged that the treaty had been before the Senate for several years without Senate action.

4. Amb took the occasion to deliver to Pres Royo the message from Pres Carter on the situation in El Salvador per Reftel. Sec Claytor underscored the importance of supporting the Salvadorean Govt and expressed appreciation for Panamanian cooperation in working toward a resolution of serious situation there. Royo said that it was extremely important to help in every way possible and mentioned that he had telephoned FonMin Chavez, who was presently in Lima, on Feb 12 and had stressed Panama's desire to cooperate. Royo then advanced the view that it was tactically preferable at this point not to make too much public mention of Cuban interference in the Salvador situation, since at this stage it was important to try to maintain a dialogue between the gov't and the Left, and "too much finger-pointing and talk about Cubans," even if true, might tend to polarize the delicate situation. He said there was no doubt, however, about where Panama stood and offered his country's cooperation. (*Note: Gen Torrijos has been away from Panama City since last Saturday; consequently, on Feb 12, Amb gave Torrijos's copy of Pres Carter's letter to Torrijos's close advisor Marcel Salamin, who was travelling to the interior to meet with the General.*)

³ Claytor visited Panama from February 11–14. In addition to meeting with Royo, Claytor visited USSOUTHCOM Army, Navy, and Air Force units, the Panama Canal Commission facilities, and the Panama Railroad. The memorandum for the record of Claytor's trip prepared by Dolvin, February 15, is in the National Archives, RG 218, Records of David C. Jones, Box 47, 820—Panama 3JC/78—26 Nov 80.

⁴ Treaty is scheduled for publication in *Foreign Relations, 1977–1980*, vol. XXIV, South America; Latin America Regional, 1977–1980.

5. Pres Royo stressed that, since the entry into force of the treaties, there was a new sense of friendship between the two countries. Sec Claytor responded that the Dept of Defense supported this friendship strongly, and that Sec Brown and himself, as well as the members of the JCS, had worked hard for ratification of the treaties and had a deep commitment to their success. He told Pres Royo that a close friendship for Panama was even more important than the canal itself.

6. Pres Royo made a brief reference to “treaty violations,” mentioning specifically the long delay in the USG board nominations. Sec Claytor responded that he hoped that within a short time-frame, possibly two to three weeks, the problem would be completely resolved and that our board members would be confirmed and in place.

7. Pres Royo asked Sec Claytor to give special attention to the need for a feasibility study for a new sea-level canal. He said that what was required of the United States was only an expression of support, rather than a commitment of funds, so that the Japanese would be encouraged to go forward with a sea-level canal study. He said that the Japanese Govt was waiting for a positive signal from the United States, and that was all that was needed. Sec Claytor expressed an interest and said that he would look into the matter on his return to Washington.

Moss

259. Telegram From the Department of State to the Embassy in Panama¹

Washington, February 16, 1980, 1551Z

42827. For Ambassador Moss. Subject: Torrijos’s Initiative Regarding Salvador.

1. (S—Entire text)

2. We believe that Torrijos’s suggestion concerning a meeting with Salvador and leftist group leaders is something worth exploring, if what he has in mind does not involve undermining the present junta

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor Country, Panama, 3–12/80. Secret; Niact Immediate; Nodis. Sent Immediate for information to the White House.

or the armed forces. You are requested to see Torrijos as soon as possible and make following points:²

—We are interested in exploring with him his ideas of what might be accomplished by a meeting with the leaders of the Salvadoran leftist groups.

—In order to exchange views with him Bowdler and Pastor are prepared to go to Panama when he gives the signal.

—In order to have a clear understanding of our purpose we believe it would be advisable to work out with him a “master plan” based on both countries’ common objectives with a rather specific outline of tasks each might perform. The mechanics of the meeting with Salvadoran leaders including the groups to be represented, the persons who will attend, the venue, and the ground rules.

—We recognize that he is very well informed about the internal situation and has excellent contact with the Left and with the military. We have good contacts with the center groups and with the Right. Both of us could use our influence in bringing about a peaceful climate where Salvadorans could work out meaningful reforms in a democratic framework.

Vance

² In telegram 1546 from Panama City, February 16, Moss reported that he met with Torrijos on February 16 and made all the points contained in telegram 42827. Torrijos was pleased with the response and open to a visit by Pastor and Bowdler. (Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 3–12/80) They met with Torrijos February 23–24. See Document 260.

260. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, February 21, 1980

SUBJECT

A Strategy for the Torrijos Meeting—February 23, 1980 (S)

I start with the following assumptions: Torrijos is interested in playing an important role in the future of Central America, and he is interested in trying to steer El Salvador towards a reformist, socially more responsive regime. Torrijos also has enormous respect for Jimmy Carter, and would not mind being used as Carter's chosen instrument in Central America. Torrijos is also fascinated by Castro, although he harbors certain lingering concerns that he was used by Castro in Nicaragua. (S)

I would suggest we begin the discussion with a nostalgic walk back to Nicaragua and that we try to get him to see that Castro used him² as the vehicle to legitimize Castro's involvement with the Sandinistas. It is clear that Torrijos now resents the way he has been squeezed out of Nicaragua by Cuba, and we need to play on that, and hope he will draw our lessons from the Nicaragua experience. (S)

Our objectives in the meeting should be the following:

(1) *To get Torrijos to identify the leftist groups and help us to sort through the leftist leaders*, placing leaders in the following categories: (1) hardline intransigents; (2) hardcore Communists (who may be quite pragmatic, like Borge in Nicaragua), (3) pragmatic Marxists (non-Party; more academic), and (4) reasonable moderate-leftists. We are extremely weak in this area, and I'm sure Torrijos could help. He could also help us to identify the best source of foreign influence over each of the groups. (S)

(2) *To get Torrijos to help us to divide and neutralize the left*. The first step here is to begin a dialogue with each group, but one at a time or perhaps several if they fall into the same categories. Our task is twofold: (1) to try to pull the pragmatic Marxists and the reasonable, moderate left back into a position where they can support the reform process

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 2-4/80. Secret. Sent for action. Denend wrote: "*Urgent*. Bob departs tomorrow morning Saturday 2/23." An unknown hand wrote: "See DA note p. 3."

² Brzezinski underlined "him to see that Castro used him," highlighted this sentence, and wrote in the left margin: "But be careful not to put him off."

undertaken by the junta, and (2) to try to get the hardliners to suspend their fighting for the moment. (S)

(3) *To try to get Torrijos to keep talking with the Cubans but to stop working with them.* This means Torrijos has to stop giving passports to revolutionaries travelling between Salvador and Cuba and not let the Cubans send any arms or aid through Panama.³ (S)

(4) *To try to get Torrijos to keep talking with the Nicaraguans but try to restrain them.* My guess is that Torrijos has limited leverage over them; ironically, perhaps his greatest influence is in warning the Nicaraguans that he will tell the Americans if he finds out they are helping the Salvadorean guerrillas, and frankly, the Nicaraguans don't want to lose U.S. aid.

(5) *To mobilize Torrijos to do three tasks:* (1) try to restrain the extreme left; (2) try to persuade the moderate left to support the junta; and (3) to use whatever influence he has in the Army to keep them from starting a coup. (S)

(6) *To try to get Torrijos to deprive the extreme left of its most effective instrument, seizing embassies and buildings.* Torrijos is quite proud of his success in dislodging the leftists from the Panamanian Embassy in Salvador by seizing leftists in Panama. We should encourage him to repeat this or seek other ways to get the extremists to stop blackmailing the Junta. (S)

Torrijos probably shares the objectives of the Archbishop and the moderate left: to try to split the moderate military off to support the "popular forces." He may see his first step as trying to shift U.S. support from the Junta to the "popular forces." He probably thinks such an action would encourage the moderate military to shift their allegiances and for the oligarchy to cut and run for Miami. (S)

We will need to persuade Torrijos that the Junta is a winner, and we intend to throw our full support behind it. Our objective is to help this Junta carry out its reforms. We are prepared to discuss ways the U.S. and Panama can do it, and how the government might have to modify its policies or itself to attract more support, but we are not prepared to negotiate a new Junta.⁴ (S)

Torrijos is desperately afraid that the right will launch a coup, and the country will be plummeted into a ghastly civil war. In reiterating our desire for peaceful reforms, we should suggest that we would be prepared to do everything we can to restrain the right from a coup if he will restrain the left from violent acts.

³ Brzezinski highlighted this paragraph and wrote in the right margin: "v. important."

⁴ Brzezinski highlighted this paragraph and wrote in the left margin: "Probably need to be more specific."

A deal. And we will help each other. *Our objective, in short, is to get Torrijos to help the Junta gain time to implement real reforms.* (S)

RECOMMENDATION:

That you approve this general approach.⁵ (U)

⁵ Brzezinski checked the approve option. Aaron wrote beneath the recommendation: "ZB—Looks ok but not very realistic. What is in it for Torrijos? Let's not permit this to deflect us from action in El Salvador. Also shouldn't the new ambassador who will have to deal with these groups be plugged into the loop. You can be sure the groups will know Torrijos met with Pastor." In telegram 1719 from Panama City, February 24, the Embassy reported on the February 23 meeting, stating that Bowdler, Pastor, Moss, and Torrijos and his aides agreed on "the need to strengthen the junta in El Salvador and to promote a dialogue which would include all groups from the extreme left to the armed forces and the private sector." Bowdler and Pastor proposed they accompany Torrijos's aide Salamin to El Salvador to discuss the plan with the junta and other groups. (Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 3-12/80)

261. Memorandum From the Special Assistant to the Secretary of State (Raphel) to Secretary of State Vance and the Deputy Secretary of State (Christopher)¹

Washington, February 29, 1980

SUBJECT

The Shah and Panama

This afternoon from 3:00 to 4:45, Hamilton Jordan, Lloyd Cutler and I met with Armao and Bill Jackson to discuss the Shah and Panama. Armao had requested the meeting and began with the usual list of complaints about the Panamanian treatment of Armao, his associates and the Shah's party. Armao offered considerable detail about what he purported to be pay-offs made to Panamanians, and various exam-

¹ Source: Department of State, Personal Files of Secretary of State Cyrus R. Vance, 1977–1980, Lot 80D135, February Chron. 1980. Secret; Sensitive; Eyes Only.

ples of how the Shah's stay was made exceedingly uncomfortable.² He and Jackson also highlighted what they saw as the Shah's real fears of extradition to Iran. His presentation ended with the statement that the Shah, his family and he have decided the Shah has to leave Panama immediately and what would we do to assist.

In response to the question whether the Shah had other possible havens, Jackson replied that none seemed available. During the past three weeks, Jackson has tried Austria and Switzerland, both of which replied not now, and South Africa which said no. Armao asked what would happen if, hypothetically, some country offered the Shah asylum and he left Panama on his own before the hostages were released. We noted that the decision would obviously be his, but that any travel by the Shah before the hostages are released could considerably complicate our attempts to achieve their freedom.

After further discussion, it was agreed that we faced two immediate problems—discomfort at the hands of the Panamanians and the Shah's concerns about extradition. On extradition, we noted that we fully believed the Panamanian statements that he would not be extradited and we had no reason to think otherwise. On Panamanian actions inimical to the Shah's party, we offered to raise this issue in an appropriate way with the GOP, if the Shah so wished.

Hamilton then made the following offer: He would be ready to travel to Panama secretly next week to meet Torrijos.³ He is prepared to discuss two issues. 1—He will ask Torrijos again for reassurances the Shah will not be extradited. Hamilton noted this is likely to disturb Torrijos, but he would do it if it would make the Shah more comfortable. 2—If the Shah wants, Bill Jackson should send Hamilton a letter giving specific examples of cases of extortion, bribery and other kinds of mistreatment of the Shah's party. Hamilton will, without giving the letter to Torrijos, discuss the Shah's specific concerns with the General.

At the conclusion of the meeting, it was understood that Jackson or Armao will be in touch with Hamilton on whether a trip to Panama was desirable. If so, Hamilton will go and raise the extradition issue

² In telegram 185 from Panama City, January 7, Moss reported on the Shah's difficulties in Panama, including expenses being charged the Shah, tension and hostility between the Panamanian security guards and the Shah's staff, mail being opened by the Panamanians and phone lines being monitored. (Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 6/79-1/80) In telegram 1068 from Panama City, February 3, the Embassy reported on a meeting during which the Shah expressed numerous concerns with his stay in Panama, including his fear that he could not trust Royo and Torrijos's assurances they would not extradite him. (Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama: 2-4/80)

³ Jordan met with Torrijos in Panama on March 22. See Document 265.

and, if the Shah wishes, also the question of alleged Panamanian mistreatment of the party.

At the beginning of the conversation, Armao repeated his threat to go public and criticize Panama and Torrijos. By the conclusion of the meeting, he had backed off and seemed willing to let the hostage scenario play itself out for several more weeks before saying anything publicly. Hamilton's offer to meet with Torrijos also helped mollify Armao.

262. Telegram From the Department of State to the Embassy in Panama¹

Washington, March 1, 1980, 1821Z

56104. For Ambassador Moss. Subject: ACAN–FFE Newspaper Story.

1. (S—Entire text)

2. Request you raise with Torrijos, at an appropriate opportunity, our surprise and deep concern over ACAN–EFE story on the visit by Bowdler and Pastor.² We leave to your judgment best way to approach this issue to ensure Torrijos fully and completely understands depth of our concern, and displeasure. You may wish, however, to draw on the following thoughts.

3. You could begin by reviewing our conversations with Salamin, Blandon and Delgado on Saturday and Sunday³ evening. You should specifically mention that Salamin had said on Sunday that General Torrijos had been pleased with the outcome of our meeting on Saturday in which truce/dialogue plan discussed.⁴ You should also mention

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 3–12/80. Secret; Immediate; Nodis. Sent Immediate for information to the White House.

² On February 24, the Panamanian news service, ACAN–EFE, carried an article that stated the Bowdler and Pastor mission to Panama of February 23–24 had ended in “profound disagreement” between Panama and the United States, producing “the Panamanian conviction that the United States is promoting a rightist coup in El Salvador.” A copy of the article is in the Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 10/79–2/80.

³ February 23 and February 24

⁴ In a February 26 memorandum to Brzezinski, Pastor wrote that he, Bowdler and Moss were “completely startled,” “flabbergasted,” and “puzzled” by the ACAN–EFE report, declaring that “virtually everything in that report was false or a gross distortion.” (Carter Library, National Security Affairs, Staff Material, Office, Box 84, Sensitive XX, 2/80)

that we had reached agreement Sunday evening that Bowdler and Pastor would meet with Cheek in Salvador and Guatemala on Monday,⁵ and at that point, decide whether an immediate U.S./Panama visit to Salvador would be useful. Then, we had promised to ale[rt?] Salamin and Torrijos immediately through you of our decision your reviewing in some detail our discussions with his “Central American team” should make it easier for you to communicate to Torrijos the extent which we felt betrayed by him. In presenting the foregoing you should stress in particular our role in blocking the rightist coup last weekend—a fact which is well known and publicly commented.

4. You could go on to point out that his suggestion that Panamanian officials only accepted the American team because Hamilton Jordan had asked that they do that is also inaccurate, and Jordan is disturbed that the Panamanian official source has said that. You should not hesitate to run down the specific details in that article and seek his explanation for them.

5. In conclusion you can make clear to Torrijos that unless the GOP makes an explicit and total denial of the ACAN–EFE story, it is difficult to see how we can collaborate with him on Central American issues as we would like.

6. Torrijos told Lewis that he intended to keep Cuba out of the picture. You will recall that Salamin informed us on Sunday he was going on a special mission on Tuesday⁶ and would not be available to go to El Salvador on that day. We have subsequently learned that Salamin travelled to Cuba on Tuesday. We leave it to you whether to raise this apparent contradiction with Torrijos. We would like Torrijos to know that we are aware of Panamanian contacts with the Cubans following our talks and hope that the purpose was not to concert strategy on support of elements which oppose the JRG. Were this the purpose we would be extremely concerned.

⁵ March 3.

⁶ March 4.

7. After your conversation with him, we would like your views on how to proceed with our contacts with him.⁷

Vance

⁷ In telegram 1987 from Panama City, March 3, Moss relayed to Lewis and de la Espriella the astonishment and deep concern he and others shared over the story, noting that it had done damage to Panama's image within the U.S. Government. The Panamanians felt the story was largely due to distorted reporting to Torrijos, though they felt that did not explain fully what could have provoked Torrijos's behavior. (Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama, 2–4/80). In telegram 2249 from Panama City, March 10, Moss relayed his unsuccessful attempts to meet with Torrijos and stated he would keep trying but did not "want to give the impression that we are too anxious, lest he think that we are playing up to him." (Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 3–12/80) In telegram 65132 to Panama City, March 12, Bowdler reported that he and Pastor agreed that Moss had gone about as far "as advisable" in pressing Torrijos for a meeting, and that Torrijos's avoidance of Moss suggested Torrijos had perceived the U.S. displeasure and preferred "not to be confronted with it." (Ibid.)

263. Letter From President Carter to President Royo¹

Washington, March 3, 1980

Dear Mr. President:

Thank you for your letter of January 9.² Your comments and observations on various aspects of the Panama Canal Treaties of 1977 and the related implementing legislation were interesting and useful. We are giving them the most careful consideration.³

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: President Aristides Royo, 1–11/80. No classification marking. In telegram 2200 from Panama City, March 7, Moss reported that the letter was delivered that morning and that Royo was pleased with it. (Department of State, American Embassy Panama, Classified and Unclassified Political Subject Files, 1979–1980, Lot 83F67, Correspondence, 1980, Classified, Am Moss Jr.)

² A copy of the letter, which presented Royo's objections on behalf of the Panamanian people and government to the implementing legislation, is in the Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: President Aristides Royo, 1–12/79.

³ In a May 27 letter to Correa, the Department provided a more in depth response to the charges in Royo's January 9 letter. (National Archives, RG 59, Central Foreign Policy File, P800075–1413)

I share your views on the importance of monitoring the initial stages of treaty implementation. As you know, the Panama Canal Act of 1979 requires me to make recommendations to the Congress by October 1, 1981, regarding necessary or desirable modifications in the implementing legislation. In preparation for this task, it is important that we identify any specific problems that can be attributed to the legislation itself.

Many of the problems that have arisen so far, however, do not appear to be the result of legislative requirements. And so we need not wait for legislative action to address them. In such cases, I believe problems might usefully be referred for study and recommendation to one or more of the committees established by the Treaties. The Consultative Committee, with its collaborative and independent views, could be especially helpful.

I am pleased, as I am sure you are, that the spirit of cooperation built up during the negotiation of our new Treaty relationship has carried over into the initial period of implementation. Because of the intrinsic technical and political problems, differences of opinion will undoubtedly arise from time to time. But I am confident that we will be able to resolve such differences satisfactorily by building on the firm and successful foundation we have already put in place.

In closing, I want to assure you once again that the United States is as deeply committed to making these Treaties work as it was to building the Canal. I look forward to continued cooperation and correspondence on whatever difficulties may arise.

Sincerely,

Jimmy Carter

264. Memorandum From Robert Pastor of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)¹

Washington, March 12, 1980

SUBJECT

Sea-Level Canal Study (U)

When Gabriel Lewis was here, he met with the President and gave him a message from President Royo.² At your request, Les conveyed a message from the Friday breakfast about the Sea-Level Canal issue which was quite different from what Lewis said. We have since clarified the problem within the Executive Branch and I recommend that you send the memorandum at Tab I³ to the President which nails down our understanding of this issue. Simply put, we are asking the President to approve our informing the Panamanians and Japanese that he is favorably disposed to undertaking a tripartite feasibility study for a sea-level canal.⁴ (C)

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron., Panama, 1980. Confidential. Sent for action. An unknown hand wrote: "thru: Madeleine Albright." Aaron initialed the memorandum. A copy was sent to Owen.

² Lewis delivered Royo's message to Carter on February 22. In telegram 54083 to Panama City, February 29, the Department reported that Lewis had communicated Panama's hope that the United States would participate in a sea-level canal feasibility study and wrote: "Ambassador requested determine from Lewis with more precision Panamanian views on study to include concept and timing." (National Archives, RG 59, Central Foreign Policy File, D800104-0669) In telegram 1986 from Panama City, March 3, Moss reported that the Panamanian proposal "envisaged a trilateral study, Panama-US-Japan," and that Royo had requested the United States indicate it would favor Japanese participation in the study. (Carter Library, National Security Affairs, Staff Material, North/South, Box 43, Pastor, Country, Panama, Sea Level Canal, 7/77-10/80) In a March 11 memorandum to Brzezinski, Tarnoff noted that on February 22 Carter indicated "a willingness to respond favorably" to Royo's request, provided that such action was consistent with the Panama Canal Treaties. (Carter Library, National Security Affairs, Brzezinski Material, Brzezinski Office File, Box 38, Brzezinski Office File Country Chron., Panama, 1980)

³ Not attached.

⁴ An unknown hand highlighted this sentence, placed an arrow in the left margin, and underlined "approve our informing the Panamanians and Japanese that he is favorably disposed to undertaking a tripartite feasibility study for a sea-level canal." Denend drew a line from this sentence and wrote at the end of the memorandum: "3/19 Ok approved per ZB". In telegram 73383 to Panama City and Tokyo, March 20, the Department instructed the Embassy to communicate orally to Lewis that Carter was "favorably disposed" to participation in a sea-level canal feasibility study with Panama and Japan and that Panama and the United States should begin bilateral discussions on how to implement Article 12 of the Panama Canal Treaty. (Carter Library, National Security Affairs, Staff Material, North/South, Box 43, Pastor, Country, Panama, Sea Level Canal, 7/77-10/80)

Since Gravel, who is the main catalyst behind this effort, might do an end-run to the President on this issue, we are giving him a little bit more information. Stu Eizenstat and Frank Moore will be sending a separate memo on a political deal that they want to work out with Gravel on this and other matters. (C)

RECOMMENDATION: That you sign the memo at Tab I and forward it to the President. (You do not need to send State's memo at Tab A.)⁵ (U)

⁵ Brzezinski did not indicate his approval or disapproval of the recommendation.

265. Memorandum From the Under Secretary of State for Political Affairs (Newsom) for the File¹

Washington, March 22, 1980

SUBJECT

Movement of the Shah

During the morning I had successive phone calls relating to the possible departure of the Shah of Iran from Panama.

Mel Blake, the DCM in Panama, called to relay a message from Arnie Raphael stating that any blocks on the movement of the Egyptian plane to Panama should be removed.² At my request Mel went back to Arnie to clarify his message and it was agreed that I would inform Ambassador Ghorbal that the U.S. had no objection to the plane coming and that the timing and need for the plane obviously depended on the Shah.

In a conversation with Ambassador Ghorbal he said the Egyptians were waiting for word from Torrijos. The Egyptian Ambassador had

¹ Source: Department of State, Executive Secretariat, Information Management Section, Files of David P. Newsom, Under Secretary for Political Affairs, 1978–1981, Lot 81D154, The Shah, Panama—Jan–Mar 1980, Egypt Jan–July 1980. Confidential. Drafted by Newsom. A copy was sent to Saunders.

² In telegram 2489 from Panama City, March 19, Moss reported on a meeting with Armao and Morse, during which Moss was informed of Sadat's repeated offers to take in the Shah, permit the Shah's surgery to be performed in Egypt, and give him asylum thereafter. Sadat also reportedly offered to send his private aircraft to pick up the Shah and his family. (Ibid.)

approached Torrijos' staff last night but Torrijos has not yet given a response. Ghorbal's instructions to Cairo were that the plane should not depart until it had formal clearance from Panama.

At 11:15 a.m. Hamilton Jordan called me to say that he had just come from a conversation with Torrijos. It was clear that if the Shah were to leave Panama he should leave before Monday³ when the request for extradition would be filed by the Iranian lawyers. Jordan then asked me to ask Ambassador Ghorbal to request Cairo to let the plane proceed toward Panama. Torrijos said that the final approval for the landing in Panama would be given within two to three hours.

I called Ghorbal at 11:40 and he said he would ask the plane to proceed toward Panama.⁴

David D. Newsom

³ March 24.

⁴ The Shah departed Panama for Egypt on March 23.

266. Memorandum of Conversation¹

Washington, May 1, 1980, noon–2 p.m.

SUBJECT

Summary of the President's Meeting with Prime Minister Ohira of Japan

PARTICIPANTS

President Jimmy Carter
Vice President Walter Mondale
Acting Secretary, Warren Christopher
Secretary of Defense, Harold Brown
Secretary of Treasury, William Miller
Secretary of Energy, Charles Duncan
Assistant to the President for National Security Affairs, Zbigniew Brzezinski
Special Trade Representative, Reubin Askew
Ambassador Mike Mansfield, Ambassador to Japan

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Subject File, Box 38, Memcons, President, 5/80. Secret. The meeting took place in the Cabinet Room at the White House.

Ambassador Henry Owen, Ambassador at Large
 Assistant Secretary of State for East Asian and Pacific Affairs, Richard
 Holbrooke
 NSC Staff Member, Donald Gregg (Notetaker)
 Deputy Assistant Secretary of State for East Asian and Pacific Affairs, Michael
 Armacost
 Deputy Assistant Secretary of Defense, Nicholas Platt
 Japan Desk Officer, Alan Romberg
 United States Interpreter, Cornelius Iida
 Prime Minister Masayoshi Ohira of Japan
 Foreign Minister, Saburo Okita
 Ambassador Yoshio Okawara, Ambassador to The United States
 Deputy Chief Cabinet Secretary, Koichi Kato
 Deputy Minister for Foreign Affairs, Yasue Katori
 Minister Kiyoshi Sumiya
 Director-General, North American Affairs Bureau, Shinichiro Asao
 Director-General, Economic Affairs Bureau, Reishi Teshima
 Director of the First North American Division, Hiroshi Fukuda
 Executive Assistant to the Prime Minister, Yoshiyasu Sato
 Counselor, Embassy of Japan, Koichiro Matsuura
 First Secretary, Yutaka Kawashima
 Chief of Second North American Bureau, Kazuo Ogura
 Japanese Interpreter, Sadaaki Numata

[Omitted here is information unrelated to Panama.]

The President noted that Panama is now talking to Japan (and the US) about building a new sea-level canal in Panama. *The President* said that the US is interested in this project, and welcomes Japan's participation in a feasibility study.² (C)

The President noted that when President Johnson was in office, a feasibility study for sea-level canal was made. He offered to give that study to the Japanese.³ (C)

Ohira said that when President Royo came to Tokyo, he told the Japanese that they account for one-third of all current traffic through the canal. *Ohira* said that he would be happy to join with the US and Panama in looking at the feasibility of a sea level canal. *Ohira* noted that Royo had suggested setting up a three-man committee to study plans for a new canal. *Ohira* said that he was not certain of the advisability of the suggested committee, and that he would like to consult with the US on that issue. (C)

Acting Secretary Christopher said that the US would welcome Japanese participation in a feasibility study, and that we will be in touch to arrange matters. (C)

² See Document 264.

³ See footnote 4, Document 76.

The President jocularly suggested that the US provide the engineering and the equipment, and that Japan provide the money for a new canal. (Laughter). *Ohira* responded jovially that he would have to “study very carefully” any such proposal. (U)

The President said that a new canal did present some environmental problems, but that they did not seem to be insurmountable. He said that he would provide the Japanese with the earlier feasibility study without further ado.⁴ (C)

[Omitted here is information unrelated to Panama.]

⁴ Muskie sent the 1970 Sea-Level Canal Feasibility Study with a June 5 letter to Okita. In the letter, Muskie reiterated Carter and Vance’s welcoming of the opportunity to participate with Japan and Panama in a new study on the feasibility of a sea-level canal in Panama. (Carter Library, National Security Affairs, Staff Material, North/South, Box 43, Pastor, Country, Panama, Sea Level Canal, 7/77–10/80)

267. Telegram From the Department of State to the Embassy in Panama¹

Washington, June 24, 1980, 1730Z

166729. For Ambassador Moss From Assistant Secretary Bowdler
Subject: Arms Shipments to El Salvador. Ref: San Salvador 4156.²

1. (S—Entire text)
2. Circumstances surrounding the crash of the Panamanian aircraft with a load of arms in El Salvador June 15 suggest that if high level

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama, 5/80–1/81. Secret; Immediate; Nodis. Sent for information Priority to Guatemala City, Managua, San Jose, San Salvador, and Tegucigalpa.

² In telegram 4156 from San Salvador, June 16, the Embassy reported that on June 15 a Panamanian aircraft containing weapons and ammunition crashed in El Salvador. White commented that Salvadoran authorities would conclude that the governments of Panama and Nicaragua were cooperating to assist the Salvadoran guerillas. (National Archives, RG 59, Central Foreign Policy File, D800292–1051) According to CIA intelligence information cable [*text not declassified*], June 18, [*text not declassified*] reported that the JRG had information determining Noriega was responsible for sending the aircraft and that four aircraft were involved in the incident. The JRG was uncertain whether or not Torrijos was aware of the air shipments, but was concerned about the amount of anti-JRG activity Torrijos was permitting in Panama. (Central Intelligence Agency, Office of Support Services (DI), Job 97S00360R: Intelligence Document Collection, Box 90 (3151160080–3151319980))

GOP officials are not supporting the arming of leftist guerrillas in El Salvador they are at least tolerant of such activities. We think something should be said to Torrijos about Panamanian involvement and our deep concern that this type of activity only complicates and retards solutions toward which all of us should be working.

3. Request your thoughts on advisability and manner of approach to Torrijos.³

Christopher

³ In telegram 5374 from Panama City, June 25, Moss reported that while the Panamanian pilot in question had at times acted as a personal pilot for Noriega, no hard evidence existed demonstrating that Torrijos or Noriega knew the details of the operation before the crash, that Torrijos had not heard of the crash on the afternoon of June 15 and that Torrijos's policy toward El Salvador had not changed: he continued to support the Junta. Moss recommended that the United States not make a strong representation to Torrijos "as if he were engaged in a pattern of providing arms to the Salvadoran left, which does not appear to be the case for now" but instead express hope that the matter not cause any difficulty in Torrijos's efforts to search for a peaceful outcome in the Salvadoran situation. (Carter Library, National Security Affairs, Brzezinski Material, Country File, Box 60, Panama, 5/80-1/81)

268. Telegram From the Department of State to the Embassy in Panama¹

Washington, July 1, 1980, 2251Z

174116. For Ambassador Moss from Assistant Secretary Bowdler. Subject: Air Crash in El Salvador; Dealing With Torrijos. Ref: Panama 5374.²

1. (S-entire text)

2. While we agree with Ref. assessment that we do not have, nor are we likely to obtain, substantial evidence directly linking Torrijos with arms traffic to leftist insurgents in El Salvador, we nevertheless suspect that he was at least aware of such activities and implicitly

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 3-12/80. Secret; Immediate; Nodis. Sent Immediate for information to the White House.

² See footnote 3, Document 267.

condoned them. Moreover, we recognize that his strong ties and influential position with the Salvadoran Left probably involve more than political and moral support.

3. We do not yet have the evidence to support a strong representation to Torrijos. We are reluctant, however, to accept as a substitute the type of indirect and very subtle approach to Torrijos recommend para 7 Ref. By winking at Torrijos over this incident we risk deceiving him as to our actual suspicions of his involvement and the seriousness with which we view it.

We request therefore that you take advantage of a suitable opportunity to again raise this subject with Torrijos. A call to discuss Torrijos's recent meeting with Colonel Majano³ and the Panamanian apology to El Salvador might be opportune for this purpose. In discussing the air crash incident you should press Torrijos as to the extent of his knowledge of the arms traffic to El Salvador and seek to elicit a clear statement as to his involvement with it.⁴ You should leave Torrijos the impression that we suspect he was in some way implicated and that we consider his support for the Salvadoran Left to be a dangerous game.

Muskie

³ In telegram 4385 from San Salvador, June 25, the Embassy reported that Majano planned to go to Panama to meet with Torrijos on June 28. (National Archives, RG 59, Central Foreign Policy File, D800307-0326)

⁴ In telegram 5734 from Panama City, July 9, Moss reported on his July 9 meeting with Torrijos, who professed non-involvement with the air crash and said the Salvadorans were satisfied with his explanations. (Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 3-12/80)

269. Telegram From the White House to the Embassy in Panama¹

Washington, July 30, 1980, 2314Z

5857. Subject: Presidential Message. For: Ambassador Moss. Please deliver the following message from President Carter to President Royo. No hard copy will follow.

Begin text

Dear Mr. President:

Thank you for your warm and gracious letter of June 13 regarding the new spirit of cooperation between the United States and Panama.²

I share your appreciation of the splendid way in which the citizens of our two countries have adjusted to new conditions created by the Panama Canal Treaties of 1977. The implementation of the treaties has not been without its problems, but I am pleased to see that we are addressing our difficulties in a spirit of cooperation and mutual respect. One of the most encouraging aspects of our new treaty relationship is the promptness and cordiality of the manner in which the bilateral bodies established by the treaty have been functioning.

Your assurance of Panama's commitment to meet fully its responsibilities under the treaties is most welcome. The United States, you may be sure, will do the same. The spirit of these agreements will provide a lasting foundation for cooperation between our countries in the years to come.

Sincerely,

Jimmy Carter

His Excellency
Aristides Royo
President of the Republic of Panama
Panama
End text

¹ Source: Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: President Aristides Royo, 1-11/80. Confidential. Sent for information to the Secretary.

² A copy of the June 13 letter is in the Carter Library, National Security Affairs, Brzezinski Material, President's Correspondence with Foreign Leaders, Box 15, Panama: President Aristides Royo, 1-11/80.

270. Memorandum of Conversation¹

Washington, September 28, 1980, 7:10–7:55 p.m.

SUBJECT

US-Panamanian Relations on the Canal; Panamanian Relations with the USSR and the Peoples Republic of China; and El Salvador (S)

PARTICIPANTS

President Jimmy Carter
Frank Moore, Special Assistant to the President for Congressional Relations
Robert Pastor, National Security Council Staff Member

Romulo Escobar Betancourt, Special Adviser to General Omar Torrijos
Gabriel Lewis, Former Panamanian Ambassador to the United States

Lewis began by saying that he was called by General Torrijos on Thursday, September 25, 1980, and asked to escort Escobar to New York. He did not learn of the mission until he was on the plane. They have just returned from New York where they met with Hwang Hwa, Foreign Minister of the Peoples Republic of China (PRC). (S)

Escobar said that he wanted to thank the President for giving time to meet with them, and to express General Torrijos' own pleasure with the results of the Canal Treaties. The Treaties have succeeded in releasing tensions, which could have been destructive, within Panama. General Torrijos' strategy has always been to try to provide something for both the left and the right. The right is pleased because business has improved since the Canal Treaties. Now the General was thinking of establishing relations with the Soviet Union and the Peoples Republic of China. The principal reason is to improve capabilities to resist terrorism in Central America and in order to try to quiet leftist groups in Panama. The General thinks that a step like this will show greater independence of Panama in the international sphere without making any basic changes in the structure in Panama. In short, such an act will both reflect and increase the tranquility and peace in the country. They have had a similar experience in establishing relations with Cuba; something that other countries in the area did not do. Panama has found that the establishment of relations with Cuba has helped them to stop internal disorder, and it allows them to handle revolutionary groups in their country much easier. (S)

¹ Source: Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 3–12/80. Secret. The meeting took place in the Cabinet Room at the White House.

In this context, Lewis and Escobar met with Huang Hua in New York on Saturday for the purpose of studying the possibility of reestablishing relations with China. But General Torrijos wanted the President's opinion on whether Panama should take this step at this time since the General is concerned about its possible impact on the election in the US, and he wanted the President to know that he supports the President in his re-election. The reestablishment of relations with the Soviet Union and with the PRC is currently set for October 11, which is the anniversary of the Torrijos regime. But Torrijos is worried because of the close association that now exists between the US and Panama, and especially between Torrijos and Carter, that such a step could possibly be used against the President in the campaign. Escobar repeated that they wanted the President's evaluation first, and want him to know that if the President thinks it could be used against him in the electoral campaign, General Torrijos will not think twice about postponing it. (S)

Escobar said that a second reason that General Torrijos wanted him to come to Washington was to talk about El Salvador. Since the coup in El Salvador, the Panamanians have had much contact both with the Junta and the revolutionary groups. Perhaps Panama is the only country that has met with the leaders of both the Junta and the revolutionary groups. At the beginning, it was thought that the Junta would take some action which would bring real reforms to El Salvador. But the Junta did not take advantage of the initial truce after the coup on October 15, 1979, so the violence started again. (S)

Panama's position has been to support the consolidation of a moderate government in El Salvador. We told the Junta they had to rapidly dissolve groups like the Treasury Police, the National Guard, and Orden, which have committed terrible repression. These groups worked with the approval of the government and some sectors of the military, but neither the Army nor the Junta dissolved these groups. What they did do was increase the killing. Panama next tried to consolidate the position of Colonel Majano, and tried to put him into contact with the revolutionary groups, who often met in Panama. First, we tried to help Majano take control of the Junta because we knew that the revolutionary groups would be able to play ball if Majano could take control of the Junta. On this point, the groups are divided. One of the revolutionary groups would like to have the Junta consolidated under Gutierrez, as this would signify a sharp shift to the right, and give the left an excuse to continue the war. Another group would like to see Majano's influence strengthened so that they could begin communicating with him. (S)

Escobar said that the Panamanians have had sessions with both the revolutionary groups and the Junta, and their conclusion is that El Salvador is living in complete anarchy today. The leaders of the revolutionary groups said they could not stop the war against the Junta. Colonel Majano has weakened himself, and Col Gutierrez has become much stronger with the help of the United States. Also, Orden is getting much stronger as is the Treasury Police and the National Guard, and all are taking advantage of the US political campaign and hoping that Ronald Reagan will be elected. If this happens, the repression will worsen dramatically. (S)

Escobar said that the Panamanians have tried to keep the Sandinistas out of El Salvador as much as possible, and they have definitely pulled out somewhat from Salvador. But the Sandinistas are afraid that El Salvador is moving toward fascism, and the Sandinistas are nervous because Guatemala is so close to the war there. Panama has tried to encourage the Sandinistas to understand that US strategy is not necessarily to surround their revolution. But the Panamanians feel that the reports that reach Washington are not accurate because the United States does not have access to the revolutionary groups, and therefore the United States is not in a position to analyze what they are thinking. One thing that *Escobar* is certain of is that the right feels that they have the support of the United States again, and if they intensify the repression, they believe they can destroy the revolutionary groups. And the revolutionary groups are happy that the right takes this attitude, because the ultra-leftists feel that in the end, they will destroy the right. At this time, however, both sides cannot destroy the other, but they are destroying Salvador. (S)

Escobar said that General Torrijos believes that the situation could very well spill over to other countries. He feels that it has not been possible to undertake the social reforms and to pursue the democratic path as the violence worsens. He thinks that as the situation in El Salvador intensifies, world opinion might put the blame on the United States, and that is against the image that President Carter has built for the US in the world. Torrijos considers that when the situation gets critical, there will be groups in the United States who will request military intervention by the United States. General Torrijos does not give any importance to this view, because he knows that that is not the President's policy. (S)

President Carter interrupted to say that he had to go soon. He said that it is true that it is not our policy, but he would like to know what General Torrijos wants him to do. (S)

Escobar said that when intervention has to be taken, it should be by the United Nations, not by the United States or by the OAS, but by the Security Council of the United Nations. (S)

President Carter asked whether Torrijos will take it to the OAS or to the United Nations to begin to prepare for that possibility. (S)

Escobar said that he wouldn't. Torrijos just wanted the President to know all of the problems at this time. (S)

President Carter said that first the United States has no intention to intervene in El Salvador. Secondly, the United States would be pleased to see the UN or the OAS take action if necessary on this problem, but he asked who would take the initiative in the UN. Will Torrijos do that? (S)

Escobar said that he was sure that Torrijos would say that if it has to be taken, he would do it. (S)

President Carter asked if he had any idea when this would be necessary. (S)

Escobar said that there will be a crisis between Majano and Gutierrez in one month, perhaps after the election. (S)

President Carter asked if the Panamanians wanted us to be closer to Gutierrez. (S)

Escobar said no. They wanted the US to be closer and more supportive of Majano. (S)

Bob Pastor said that we are already supporting Majano, that is part of our policy. (S)

The President said that he understood that to be the case. He asked *Escobar* if the influence of Majano is declining. (S)

Escobar said that it was. (S)

President Carter asked whether Majano could re-establish his leadership. (S)

Escobar said that if Majano has the support of the moderate forces, he will. (S)

President Carter said that we have supported Majano, and we would like to help him to stay in the Junta. (S)

Escobar said that as far as he knows he will stay in the Junta for the time being. (S)

President Carter asked *Bob Pastor* whether we should send someone down to meet with General Torrijos, and *Bob Pastor* responded that we could do that. (S)

President Carter asked *Frank Moore* about the issue of Panama establishing relations with the Soviet Union and the Peoples Republic of China. (S)

Frank Moore said that it would be very harmful to the President if Panama did this now, and that it would definitely affect the elections. (S)

Ambassador Lewis said that he had the same feeling. He said that he thought that the situation came up because President Royo gave a very high profile to the visit of the Premier of Taiwan to Panama recently. Instead of a low profile, Royo bent over backward to give him a lot of publicity, and so Lewis thought that General Torrijos figured that this would be a good time to establish relations with the Peoples Republic of China. He thought that October 11, the Anniversary of the Revolution, would be such a time. (S)

President Carter said that he hasn't thought this issue through, but if Frank believes that this would be very damaging, then he would encourage that Panama reconsider it at this time. (S)

Frank Moore said that this still is very much an issue in the south and in the southwest, and even in Pennsylvania where he spoke, it remained a political issue, and an action like that would definitely inflame public opinion. (S)

Ambassador Lewis said that such a step would help with the left in Panama. (S)

President Carter said that if Torrijos could wait one more month, that would be very beneficial. (S)

Frank Moore said that even the fact that Panama was considering it would not be helpful. (S)

Escobar said that was the reason he came to Washington for consultations. Because Torrijos feels it is important for him to do this to maintain peace in Panama. (S)

President Carter said that if Reagan is elected, then it will be even more difficult for Torrijos to maintain peace in Panama. (S)

President Carter said that first, he appreciates Escobar and Ambassador Lewis, his good friend, coming to see him. He said that if consideration of establishing relations could be delayed until after the election, that would be better. Secondly, he said that he does not intend to intervene in El Salvador and he very much appreciates Escobar's assessment of the situation there. He said that we also want to support in Salvador a moderate government committed to important changes there. We do not want to intervene. We will continue to support Majano and try to keep the Junta in a moderate direction. If there is a need in the UN for a peace-keeping force, we will work with Panama to that end. He then asked Escobar to stay and to talk with Bob Pastor about El Salvador tonight, and if necessary tomorrow.² And he said in addition he would be glad to send someone to speak directly with General Torrijos on his behalf if that is necessary. (S)

² See Document 272.

On the way out, Gabriel Lewis said that although Pamanianians cannot vote in the Presidential election, they are all praying for the President's re-election. (S)

The President thanked him. (U)

271. Telegram From the Department of State to the Embassy in Panama¹

Washington, September 29, 1980, 2049Z

260727. Subject: Secretary's Conversation with Foreign Minister Ozores, Panama, September 22, 1980.

1. C—Entire text.

2. Memorandum of Conversation:

Place: United Nations, Date: September 22, 1980.

Time: 4:00–4:30 p.m.; Participants: Secretary of State, Edmund Muskie; Foreign Minister of Panama, Carlos Ozores; Assistant Secretary of State for Inter-American Affairs, William G. Bowdler; Panamanian Ambassador to the UN, Jorge Illueca; Acting Director for Panama Affairs, Richard R. Wyrrough.

3. After amenities, the Secretary inquired whether there were any difficulties attendant to implementation of the Panama treaties and asked whether all was working to the satisfaction of the Foreign Minister.

4. Ozores responded that the situation to date has been favorable. He commented particularly on the good working relationship and high personal esteem between Administrator McAuliffe and Deputy Administrator Manfredo. He said that a visible amount of good will is being displayed by most parties although there continues to be a lack of acceptance by some individuals that the Canal Zone no longer exists. He commented that this mentality is understandable, but expressed the hope that it will change over time. Ozores also noted the important role which has been played in the past year by Ambassador Moss and his Embassy team. Ozores said that Moss was effective not only in working on treaty problems and other domestic matters of

¹ Source: National Archives, RG 59, Subject Files of Edmund S. Muskie, 1963–1981, Lot 83D066, Box 2, Memoranda 1980–1981. Confidential; Priority. Drafted by Wyrrough, cleared by Bremer, and approved by Bowdler.

concern to Panama but also in dealing with shared concerns regarding Central America.

5. The Foreign Minister commented favorably on the Secretary's morning speech² and inquired whether he omitted references to Latin America for a specific purpose.

6. The Secretary stressed that the level of U.S. interest and purpose was very high toward Latin America. He observed that the Caribbean and Central America qualified for coverage as areas in crisis, but he choose instead to concentrate on those areas which are of greater domestic concern. He remarked that he adopted this approach because he wanted to avoid what might appear simply as a catalogue of problems. He asked that the Foreign Minister note seriously that two of the three bilaterals that had been scheduled during his first day at the UNGA session were with countries of Latin America. He observed that besides his meeting with Ozores he was also scheduled to meet with the Foreign Minister of Mexico. He observed that this schedule is evidence of the concern with which the U.S. views events in the Caribbean area.

7. The Secretary commented that he had been an early supporter of the Panama treaties because of the equities involved in the issue and because the treaties represented an opportunity to convey to the peoples of Latin America the concerns of the U.S. that we approach other nations with an attitude of mutual equality and respect. With every day, the Secretary observed, he is convinced that this was the correct course of action.

8. The Secretary said that he also wished to meet with the Foreign Minister so that he might inquire how we can work together to improve the situation in the Caribbean region. He referred again to his planned meeting with the Mexican Foreign Minister by noting his intention to address the energy concerns of the region. He observed in this regard that Mexico is an emerging force whose views must be taken into account. He remarked again that although his speech did not mention Latin America his first day's schedule is heavily concerned with Latin American problems.

9. The Foreign Minister asked that the discussion turn to a consideration of the human rights policy pursued by President Carter. Ozores praised the policy and the U.S. motives in pursuing it. He noted that Panama is especially concerned about the human rights situation in El Salvador, Guatemala and Nicaragua. He expressed understanding of

² For the text of Muskie's address before the 35th session of the U.N. General Assembly on September 22, see the Department of State *Bulletin*, November 1980, pp. 57–60.

the difficulties that we have experienced in pursuing the policy and, in this regard, referred to a statement issued earlier this year during a meeting in Ecuador by the Presidents of Costa Rica, Colombia, Panama and Venezuela and the Vice President of Peru to the effect that criticism of human rights conditions in a country should not be considered as intervention in another's affairs.³ Ozores said that his government shares the human rights policy of the U.S. and that this support which is deep-seated in Panama derives from the days of Panama's founding fathers. In this regard, Ozores recalled a remark by President Royo to the National Security Adviser for Latin America to the effect that Panama understands the human rights policy of the United States because Panama has espoused similar ideals since the days of its founding fathers. He observed that Panama holds in particularly high regard the decisive manner in which President Carter has pursued this policy.

10. Ozores referred to the high degree of cooperation between the Panamanian National Guard and the United States military forces in Panama that has developed since treaty entered into force. He stated that the recent training at Fort Bragg involving Panamanian and United States military forces should be viewed in this light and understood by everyone as being pursued within the spirit of the treaty, and in recognition of the fact that both countries are responsible jointly for the defense and protection of the Canal. He observed that some nations do not fully understand this shared purpose and indicated that it is important for Panama to explain its purpose. He said that it was necessary, for example, to refute the suggestion that these exercises are being held as part of an American effort to train Panamanian military forces for intervention in El Salvador or somewhere else.

11. Ozores likened the problem of explaining the purposes of military training with those related to our human rights policy. He said that they are problems simply because some people choose to associate or attach the wrong motive for a particular action of policy.

12. The Secretary noted that he had learned much about the countries of the Caribbean basin in recent months. He pointed out that a consistent theme of United States policy in the area has been support for centrist, moderate forces. These forces offer the best hope for improvement in the political and economic status of the citizens of these

³ In telegram 1538 from Quito, March 5, the Embassy reported that President Roldos's foreign policy advisor had announced on March 4 that the "Roldos Doctrine" proposed by Ecuador at the Santa Cruz meeting of the Andean foreign ministers had been ratified at a human rights meeting in Panama. The doctrine held that the "defense of human rights is an international obligation and that, therefore, any individual or collective action taken by the international community in defense of human rights does not contradict the principles of non-intervention." (National Archives, RG 59, Central Foreign Policy File, D800114-0930)

countries. The Secretary observed that our providing such support is often misinterpreted as intervention, and stressed that the United States has no wish to impose its will on any nation or people. Rather, U.S. policy is directed toward the elimination of political violence, restoring economic productivity and rekindling hope where none existed before. The Secretary conceded that the United States will sometimes make mistakes in pursuit of this policy, but he hoped that our central purpose would, with the help of our friends in the region such as Panama, be better understood.

13. Ozores responded by noting that if one makes no mistakes it is only because nothing has been tried. He assured the Secretary that the United States can be confident of Panama's cooperation in this area since Panama and the United States share the same concerns.

Muskie

272. Memorandum From the President's Assistant for National Security Affairs (Brzezinski) to President Carter¹

Washington, October 1, 1980

SUBJECT

Panama and El Salvador (S)

As per your instruction, after your meeting with Gabriel Lewis and Romulo Escobar on September 28,² Bob Pastor spent two hours discussing the situation in El Salvador with Escobar. Bob clarified US policy as Escobar had misrepresented it in his conversation with you. Although our analyses of the situation differ slightly, Bob was able to gain agreement with Escobar on objectives and a program of action, which include the following:

1. We will use our influence on the Salvadoran Junta to encourage them to reduce human rights violations by offering certain incentives. (In essence, this is our strategy on helicopters although he did not describe it as such.) (S)

¹ Source: Carter Library, National Security Affairs, Staff Material, Office, Box 86, Sensitive XX, 9/80. Secret. Sent for information. Carter initialed the top-right corner of the memorandum.

² See Document 270.

2. Panama will use its influence with the revolutionary groups to get them to reduce the terrorism, and to try to identify those groups who will be more willing to dialogue with the Junta. (S)

3. We will both try to strengthen the Junta, encouraging Majano to remain, and we will especially try to maintain a dialogue with Majano's supporters in the military. (S)

4. We urge the Panamanians to open up a dialogue with the Christian Democratic Party, and although Escobar was not enthusiastic about this idea, he said he would convey it to Torrijos. (S)

5. We will both try to seek a moratorium on violence, perhaps by trying to obtain an agreement on a stand down in certain regions in El Salvador. (S)

6. We will support the electoral process, particularly if the Junta announces such an program, as we expect they will do on October 15. (However, Escobar does not think that an electoral program is practical or meaningful in such a violent revolutionary situation.) (S)

Escobar also said that he is confident that Torrijos will suspend indefinitely any consideration of establishing diplomatic relations with the PRC or the Soviet Union. He expressed great appreciation for the opportunity to dialogue, and said that General Torrijos may very well take up your offer to meet with Bob or another USG official to discuss the Salvadoran issue in greater detail. (S)

273. Letter From the Deputy Secretary of State (Christopher) to the Deputy Secretary of Defense (Clayton)¹

Washington, October 23, 1980

Dear Graham:

While the implementation of the Panama Canal Treaty has generally proceeded well during the first year of the Treaty's operation,² I am concerned that the mechanisms for ensuring coordination among

¹ Source: Washington National Records Center, OSD Files, FRC: 330-82-0217-B, Panama 1980. Confidential. A stamped notation on the memorandum reads: "Nov 10 1980 Dep Sec Has Seen."

² An assessment of the first year of treaty implementation by the Embassy in Panama is in telegram 9188 from Panama City, October 28, in the Department of State, American Embassy Panama, Classified and Unclassified Political Subject Files, 1979-1980, Lot 83F67, POL 33.3.2 Procedural Guarantees, 1980.

our three agencies in Panama are not adequate. My concern derives both from reports from various sources (including the General Accounting Office) and from a number of incidents of poor coordination during the past year. I have attached for your consideration a sampling of such incidents, which illustrates the serious dimensions of the problem.³ Because our total presence in and relationship with Panama are affected, I believe that we should act to remedy this situation as promptly as possible.

Two years ago Charles Duncan, Clifford Alexander and I issued guidance to govern the relationship between the Administrator and the Ambassador.⁴ At about the same time, guidance was worked out between our Departments concerning agency coordination for the activities of the two military committees established by the Treaty.⁵

The guidance, which establishes the concept that effective implementation of the Treaty requires the coordination of the policies and activities of the three agencies, remains sound. But I am concerned that officials of our Departments are apparently at odds over the spirit and application of this guidance. While I had hoped that the means for applying the guidance could be worked out among our representatives in Panama, I now believe it would be useful to provide our representatives with a clear indication that we mean what we say in instructing our agencies to coordinate. What is essential is a clear-cut process whereby United States' positions falling within the purview of the Joint and Coordinating committees are fully cleared within the United States Government at all stages of their development, negotiation, and conclusion, and at all levels of agency consideration, prior to any discussions with Panama. The best means for achieving the needed coordination, in my judgment, would be to provide full Embassy membership on the Coordinating and Joint Committees and to reestablish a committee functioning under the auspices of the Panama Review Committee which would be responsible for establishing and implementing clearance procedures. I would welcome your thoughts.⁶

³ Attached but not printed. The incidents included radio frequencies, Embassy representation on the Joint Committee, the Joint Committee Charter, contractor withholding of income tax from Panamanian employees, convoy movement, telephone service, and building use among others.

⁴ See Document 201.

⁵ Not found.

⁶ In a January 19, 1981, letter to Christopher, Komer explained that he encountered differences of opinion and interpretation by senior officials concerning the various examples of "alleged lack of cooperation" cited by Christopher. Komer stated these officials believe the PRC and its Treaty Implementation Planning Subcommittee remain the keys to effective interagency coordination of U.S. representatives in Panama. They did not find that a subcommittee for clearance procedures under the PRC, as Christopher had suggested, was necessary. Komer closed by assuring Christopher that "all members of the Defense Department are anxious to promote the closest cooperation among all elements of the U.S. official presence in Panama and will continue to work to that end." (Washington National Records Center, OSD Files, FRC: 330-83-0104, Panama (1 Jan-30 Jun) 1981)

Our representatives in Panama who have helped to achieve the successes of the first year under the new Treaty deserve our congratulations. They share with us a common interest in wanting to improve upon the record of the past year. I stand ready to work with you and with them toward that end.

With regards.

Sincerely,

Warren Christopher⁷

⁷ Christopher signed “Chris” above his typed signature.

274. Memorandum From the Assistant Secretary of Defense for International Security Affairs (McGiffert) to Secretary of Defense Brown¹

Washington, October 31, 1980

The recent cables from Embassy Panama concerning Panamanian sensitivity to SOUTHCOM’s regional activities² suggest to me that we should begin thinking seriously about moving the locus of those activities elsewhere, and SOUTHCOM along with it (or eliminate SOUTHCOM). This matter has been broached on and off for the last

¹ Source: Washington National Records Center, OSD Files, FRC: 330–82–0217–B, Panama 1980. Secret; Sensitive. Sent through USD/P. A stamped notation on the memorandum reads: “Sec Def Has Seen 31 Oct 1980.” Brown wrote on the memorandum: “I heartily agree, and have asked ISA to [*illegible*] on joint study of alternatives with Joint Staff.”

² In telegram 9297 from Panama City, October 30, Moss reported that Panamanian criticism of U.S. military assistance to El Salvador from Defense bases in Panama reflected the Panamanian Government’s belief that the 1977 Panama Canal treaties did not authorize such activities, as well as long held opposition to a U.S. defense presence in the area. The Embassy believed it was time to review U.S. military activities in Panama “in light of the new politico/legal environment surrounding our bases” created by the treaties. (National Archives, RG 59, Central Foreign Policy File, D800519–0378) In telegram 9298 from Panama City, October 30, the Embassy called Washington agencies’ attention to the new political and legal environment in Panama and recommended the U.S. Government determine what were the permissible activities of “U.S. forces operating from Panama, given the apparent limitations suggested by the treaty and foreseeable Panamanian sensitivities.” (National Archives, RG 59, Central Foreign Policy File, D800519–0424)

13 years, so we won't lack for alternative ideas. In any event, it seems to me that—regardless how the legal/political/functional analysis of SOUTHCOM's activities advocated (rightly, I think) by Embassy Panama comes out and quite aside from the current flap over SOUTHCOM's command of the joint naval exercise with Honduras (HALCON VISTA)³—it is a virtual certainty that conducting U.S. regional security activities from Panama will become more and more difficult in the years to come and that we would be wise to finesse the issue now to retain our operational flexibility. In the process, we might also be able to do something about the CINCLANT/SOUTHCOM interface which seems to me complicates any U.S. military response to contingencies in Central America.⁴

David E. McGiffert

³ In an October 24 letter to McGiffert, Bowdler suggested that a Halcon Vista joint naval exercise with Honduras was not critical to U.S. objectives in Central America and risked damaging relations with Panama and SOUTHCOM's "freedom of action in other areas of greater importance." Bowdler pointed out that the treaties limited U.S. rights to use Department of Defense sites in Panama for the purpose of canal protection and defense only. (Carter Library, National Security Affairs, Staff Material, North/South, Box 42, Pastor, Country, Panama, 3-12/80)

⁴ Brown wrote at the end of the memorandum: "10/31 RWR/DEM—Should we include this as a topic in forthcoming PRC on Central/South America? I guess not; it makes more sense to look at it separately. HB."

**275. Memorandum From the Department of Defense
Representative for Panama Canal Treaty Affairs (Dolvin) to
Multiple Recipients¹**

Washington, November 21, 1980

SUBJECT

Panama Canal Treaty Implementation Activities—Consultative Committee Meeting

(C) The second meeting of the policy level Consultative Committee was held in Panama on 18–19 November 1980. Participants for Panama were Minister of Finance and Treasury Dr. Ernesto Perez Balladares, Mr. Jose Maria Cabrera, and Dr. Resires Vargas. Participants for the United States were Ambassador Ambler H. Moss, Jr., Ambassador David H. Popper, and Lt. General (retired) Welborn G. Dolvin. Additional attendees included Panamanian Ambassador to the United Nations Illueca, Panama Canal Commission (PCC) Administrator McAuliffe and Deputy Administrator Manfredo. (Illueca's presence and active participation at all sessions would seem to confirm reports that GOP might use its newly-won Security Council seat² to air future grievances concerning Treaty implementation). Agenda discussions covered a wide variety of Panama Canal policy issues.

The primary focus of policy debate centered on Panamanian objections³ to P.L. 96–70. It is clear from our discussions that the GOP is conducting a major campaign against the Panama Canal Act with the objective of either eliminating the law or influencing the Administration to submit widespread changes during the review process currently underway.⁴ Panama accepted a U.S. proposal to form a legal subcommittee to review issues raised regarding the consistency of P.L. 96–70 with the Canal Treaty. We hope to use this mechanism to identify and prioritize the areas of disagreement and recommend procedures or other steps the two governments might take to settle this problem.

¹ Source: Washington National Records Center, OSD Files, FRC: 330–82–0217–B, Panama 1980. Confidential. A stamped notation reads: "Nov 25 1980 Dep Sec Has Seen." A different stamped notation reads: "24 Nov 1980 Office of the Secretary of Defense." Sent to Duncan, Alexander, Jones, and McGiffert.

² Panama was elected to the U.N. Security Council on November 13, 1980.

³ An unknown hand inserted an asterisk here.

⁴ In an October 17 memorandum to Claytor, Alexander, Jones, and McGiffert, Dolvin reported that Royo and the Government of Panama were continuing public criticism of the treaty implementing legislation and that Royo had severely attacked it at his formal address to the opening session of the Panamanian National Assembly on October 11. (National Archives, RG 218, Records of David C. Jones, Box 47, 820—Panama 3JC/78–26 Nov 80)

Although some of Panama's objections are consistent with our original recommendations to the Congress, many key GOP concerns are incompatible with our mandate under the Treaty.

Once again, the GOP representatives were not prepared to discuss updating the 1970 Sea Level Canal Study.⁵ Instead, they concentrated on PCC wage and personnel issues currently being addressed by the PCC Board. We made it clear to the Panamanians that issues being handled by the Board were not the proper responsibility of the⁶ Committee until such issues were raised to the governmental level. The remainder of the agenda topics consisted of a series of information briefings on canal operations and organization.

The next meeting will be held in three or four months.

Welborn G. Dolvin

Lieutenant General, USA (Ret)

Department of Defense Representative for Panama Canal Treaty Affairs

⁵ See footnote 4, Document 76.

⁶ An unknown hand placed an asterisk and wrote under this sentence: "See attached paper (1 Feb 80) on objections." The paper is attached but not printed.

276. Message From the Joint Chiefs of Staff to the SSO Panama¹

Washington, November 26, 1980, 1310Z

2928. Personal for LtG Nutting From Gen Jones, CJCS. Subj: Discussions With BG Torrijos (U). Ref: SSO Panama 172330Z Nov 80²

1. (C) Thank you for bringing me up to speed on the recent meeting between Ambassadors Ortiz and Moss and General Torrijos. Your comments in the Ref indicate a more positive and receptive atmosphere may exist than we had previously thought.³ I assume Ambassador Ortiz is relaying the same information via State channels.

2. (S) DIA is working on the briefing and Gen Tighe's staff will deal directly with yours on the specifics.

3. (S) As you requested I will sign a letter, the text of which follows, for you to give to Gen Torrijos.⁴ I hope that along with a concrete offer of the briefing, it will provide you the necessary opening to further this long-awaited direct dialogue with Torrijos.

4. (U) Please pass the following message to Gen Torrijos:

Dear General Torrijos

The press of events worldwide has kept me out of Washington a good deal of the time during the past weeks and I regret not having been able to correspond personally with you as I intended on the anniversary of the treaties last month. However, I would like at this time to convey to you my recognition of the substantial progress which our respective forces have made in ensuring the successful, initial implementation of the Panama Canal Treaties which entered into effect just over a year ago. The foundation for cooperation which has been laid during this first treaty year should provide us an enduring basis for continuing to build into the future. Your personal assistance, and that of your principal deputies, in resolving problems as they arise will continue to be an essential part of this process. General Nutting will be happy to meet with you or your representatives at any time.

¹ Source: National Archives, RG 218, Records of David C. Jones, Box 47, 820—Panama 3JC/78–26 Nov 80. Secret; Eyes Only. Drafted by R.C. Madonna, Latin America Branch, USMC on November 21.

² Attached but not printed.

³ In PNA 796 from SSO Panama, November 17, Nutting reported on his November 14 meeting with Torrijos during which Torrijos expressed satisfaction with joint military exercises, support of U.S. military engagement in the canal defense mission and, in light of the recent U.S. elections, believed it time for continuity of military institutional relationship. Nutting recommended Jones send Torrijos a letter of support. (National Archives, RG 218, Records of David C. Jones, Box 47, 820-Panama 3JC/78–26 Nov 80)

⁴ The signed letter, dated November 25, is attached but not printed.

(Paragraph) I trust that jointly developed agreements governing details not specifically covered by the treaties (such as the movement SOP currently being developed by the combined board) will be able to eliminate even the minor problems that might arise in the year ahead. *(Paragraph)* I look forward to a second treaty year of even greater mutual cooperation and good will. You may count on our continuing support in the development of the mutual trust and confidence essential to the combined defense responsibilities which we share.

Sincerely, David

David C. Jones
General, USAF
Chairman, Joint Chiefs of Staff

277. Letter From President Carter to General Torrijos¹

Washington, January 13, 1981

Dear General Torrijos:

One of my greatest satisfactions as President has been the successful conclusion of the Panama Canal Treaties and the establishment of a new relationship of friendship and cooperation between our two countries. I know that this new relationship could never have occurred without your personal dedication and untiring efforts to make the Treaties a reality. We can take justifiable pride in having shown how two nations can resolve their differences in a spirit of mutual respect and understanding. We can also be proud of the recent Declaration of Santa Marta,² which describes the Treaties as an example of the capacity of two states to negotiate peaceful solutions to their problems. We join

¹ Source: National Archives, RG 59, Central Foreign Policy File, P810010–1527. Limited Official Use. Carter sent a similar January 13 letter to Royo thanking him for his friendship, cooperation, and support for U.S. positions on major international issues, including Iran and Afghanistan. (National Archives, RG 59, Central Foreign Policy File, P810010–1532)

² In telegram 13385 from Bogotá, December 22, 1980, the Embassy reported on the Santa Marta Summit, which was held December 17–19, 1980, in Santa Marta, Colombia. The presidents of Colombia, Venezuela, Peru, Ecuador, Costa Rica, Panama, El Salvador, the Dominican Republic and the Prime Minister of Spain attended and issued a general “Declaration of Santa Marta” favoring international peace, democratic process, and regional integration. The leaders also issued a declaration “calling upon Panama and the United States to abide by the letter and the spirit of the canal treaties.” (National Archives, RG 59, Central Foreign Policy File, D800606–1134)

you in the hope that this spirit will continue to characterize our nations' efforts to implement the Treaties in the years to come.

I shall always remember your generous hospitality, the spirit of your people, and the beauty of your country, which I so enjoyed during my visit to Panama in 1978.³ Our conversations then, as on your visits to Washington, were frank and helpful.

I wish you all success in your future efforts to improve regional and international cooperation and the peace and security of our hemisphere.

Sincerely,

Jimmy Carter

³ See Document 185.

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