



INTERNATIONAL
SECURITY AFFAIRS

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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

12 SEP 1973

In reply refer to
I-25118/73

040 hrs of Defense

381 Memorandum

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Department of Defense Positions on Panama Canal Treaty
Negotiations (U) - INFORMATION MEMORANDUM

(U) As you are aware, the US is currently negotiating a new treaty relationship with Panama concerning the Panama Canal. Many issues involved are of importance to the Department of Defense. Over the past two years DOD positions on these matters have been established and forwarded to the US Negotiating Team. This memorandum informs you of the current situation and offers you a summary of our existing policies and positions.

Background

(U) The negotiations began in January 1965 as a result of instructions given by President Johnson, following the violent January 1964 riots in Panama related to the issue of sovereignty over the Canal Zone. A set of drafts, which were quite generous to Panama, was agreed upon and initialed by the negotiators in June 1967 and forwarded to the US and Panamanian governments, but they were rejected as unsatisfactory by Panama in August 1970. (It is extremely doubtful that they would have been ratified by the US Senate even if Panama had approved.) Formal negotiations were resumed in June 1971 with the last sessions taking place 4-6 December 1972 in Panama.

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(U) The US Panama Canal Treaty Negotiating Team consists of a Chief US Negotiator (Ambassador Anderson recently resigned and Ambassador Bunker has been nominated for this post) and an assistant (Ambassador Ward who was formerly Deputy Under Secretary of the Army (DUSA)) who routinely handles the negotiations with the Panama delegation. The basic USG policy pertaining to the negotiations is contained in NSDMs 64, 115, and 131 and has provided the basis for our negotiating efforts during the past two years. A summary of Presidential guidance (the NSDMs), the prevailing DOD approved negotiating positions, and the Panamanian negotiating positions on the major issues involved are shown in a side-by-side comparison in Enclosure 1 to this memorandum.

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SUBJECT TO GENERAL DECLASSIFICATION SCHEDULE OF
EXECUTIVE ORDER 12958, APPROXIMATELY DOWNGRADED
AT THE VULNERABILITY OF INFORMATION ON 31 Dec 81

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(C) The Department of Defense routinely relates to the US Panama Canal Treaty Negotiating Team through a DOD coordinating agency established by Secretary Laird, known as the Panama Canal Negotiations Working Group. This group includes representatives of ISA (representing OSD), the J-5 (representing the JCS), and the US Army (representing the Secretary of the Army as representative of the President for the supervision of the Canal Zone government and as sole stockholder for the Panama Canal Company) and other points of contact as required. It is chaired by Mr. Henry L. T. Koren, DUSA, who is responsible through ISA to you for the development and coordination of DOD positions concerning the negotiations.

Current Status

(C) Although the US and Panamanian negotiators have reached general agreement on a number of issues, the views of the two negotiating parties have remained divergent on the major issues. On 4 December 1972, the Panamanians further widened the gap between their positions and those of the US when they tabled a new "hard line" position paper during a negotiating session being held in Panama City. Panama then published both the US and Panamanian positions, thus, greatly limiting their flexibility on the issues and making meaningful negotiations difficult. Although it is somewhat old, a good resume of the current status of negotiations is found in the State Department message at Enclosure 2.

(C) In preparation for the 15-21 March 1973 UN Security Council (UNSC) meetings in Panama, a US response to the Panamanian "hard line" position was sent to Panama's Foreign Minister Tack. The response addressed the major points made by Panama, reiterated the US positions on each point (as shown in Enclosure 1), and called the Panamanians back to the negotiating table for one or two sessions prior to the beginning of the Security Council meetings. These negotiating sessions were never held. Foreign Minister Tack answered Ambassador Anderson with a letter on 7 May 1973, recommending that the US and Panama arrive at an agreement regarding the principles involved in the negotiations through high-level talks so that the actual treaty text may be arrived at by "technicians." A similar letter was given to Secretary of State Rogers at former Argentine President Campora's inauguration in late May 1973.

(C) During his 9-12 February visit to Panama, National Security Council Advisor William Jordan was well received and the visit was billed by Panamanian media as evidence that the US "has turned attention from Vietnam to US-Panamanian relations." Mr. Jordan met extensively with Brigadier General Torrijos, Panamanian head of government, during the visit. The recent publication of Ambassador Bunker's nomination as Ambassador at Large and Chief US Negotiator for the Canal treaty, coupled with Mr. Jordan's earlier visit, have raised Panama's hopes for high-level talks and possible solutions of the Canal treaty problems.

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(C) It is probable that the Department of Defense soon may be required to review its positions concerning Panama, as the situation develops and a new Chief Negotiator is confirmed. Over the past two years, DOD has attempted to influence USG policies and positions associated with the Panama Canal Treaty negotiations by maintaining its position firmly in line with Presidential guidance, as indicated in Enclosure 1. I believe it is important that you be acquainted with these matters so that your guidance may be incorporated early into our ongoing actions.

(S) Among the issues involved in the treaty negotiations, the presence of the US Southern Command in Panama merits particular attention, since it is such a controversial issue. The views of the Departments of State and Defense on this subject vary greatly and much time and effort has been expended on it. USSOUTHCOM, currently commanded by General W. B. Rosson, has been a unified command since 1963 when it was established in the Canal Zone from remnants of lesser commands which had existed in the Caribbean for fifty years. Almost since its inception, the command has come under attack from various elements, principally the Department of State, which would prefer that it not exist at all, and especially in Panama. The last completed review of its status terminated in 1971 when the President personally decided against disestablishment of USSOUTHCOM.

(S) Since the President's 1971 decision, the Department of State has made numerous attempts to resurface the issue of USSOUTHCOM by injecting the subject into any action where it might possibly be pertinent, principally into papers being addressed by the Inter Departmental Group (IG) for Latin America. Recently, an attempt was made to have the transfer of the command from Panama included in an Under Secretaries Committee (USC) Report to the President on the status of Panama Canal treaty negotiations. That report to the President recommends a dual-track negotiating strategy which would have the US making noncritical unilateral concessions to Panama outside of negotiations while, at the same time, continuing to negotiate formally for a new treaty. Inclusion of the USSOUTHCOM issue in that report would have categorized the transfer of a major US command as a minor, noncritical US unilateral concession. It was only through the expenditure of considerable time and effort that the issue was removed from that paper, but is still the subject of a related study. The Department of State is now intent on introducing the subject into a new DOD-recommended USC study addressing the US military, economic, and foreign policy interests in the Panama Canal during the period 1974-79. Our position regarding this move is that it is not pertinent to the study and would only serve to cloud the central issues and detract from the intended objectives of the study.

(S) In responding to a January 1973 request by Senator Fulbright for DOD comments on the Foreign Relations Committee staff memorandum on 'Panama, the Canal and the Canal Zone' which recommended the transfer of

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USSOUTHCOM from Panama, Secretary Richardson, shortly after his assumption of office, reviewed the DOD position regarding the command and reconfirmed its validity. That DOD position concludes that, while some of the military activities currently conducted in the Canal Zone obviously could be accomplished elsewhere, the current combination of forces and facilities is an efficient and economic arrangement that could not be established elsewhere without increased costs and decreased effectiveness. In any event, most of the military personnel who operate the various activities other than defense in the Canal Zone have defense-related association missions in an emergency; their withdrawal would, therefore, require an undesirable increase in combat troop presence. The current DOD position holds that the location of USSOUTHCOM's headquarters should not be considered outside of the context of the current treaty negotiations. To support its recommendations that USSOUTHCOM be transferred from Panama, the Department of State leans heavily on recent Panamanian statements to the effect that the command should not be located in the Canal Zone. Our DOD intelligence sources maintain, however, that much of the concern voiced by the Panamanians on this issue is actually related to their attempts to achieve a new treaty that not only requires the US to compensate them for the Canal rights involved but also for the base rights required to defend the Canal. For a more thorough discussion of this issue, see Enclosure 3.

(U) If you desire more information or greater detail on any of these matters, we are prepared to either brief you or provide a detailed memorandum tailored to your needs.

Enclosures

1. Issues of PanCanal Treaty Negotiations
2. State Dept Msg 028843
3. Study Relocation of USSOUTHCOM



Acting Assistant Secretary

Briefing desired _____

Prepare memorandum _____

Other _____

No further action required marked 15 SEP 1973

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PRECIS of the Memorandum for the Secretary of Defense Concerning DOD positions on Panama Canal Treaty Negotiations

(5) The attached memorandum with its enclosures address the currently important problem of Panama Canal Treaty negotiations. We have had problems with Panama over the current treaty since its ratification in 1903. Due to the violence of the riots in 1964 surrounding the 1903 Treaty arrangements, President Johnson directed that a new treaty be negotiated with Panama for the operation and defense of the existing canal and the construction of a new sea-level canal. President Nixon has also directed that these negotiations be pursued.

(6) Formal negotiations have been at a standstill since December 1972. However, with the nomination of Ambassador Bunker to assume the post of Chief US Negotiator, it is expected that action in the negotiations will soon pick up. While negotiating sessions are on-going, DOD is routinely required to respond on very short notice (as little as an hour) to the negotiators with DOD positions on the various issues involved.

(7) The need for such rapid response caused Secretary Laird to form a Panama Canal Negotiations Working Group which was directed to anticipate the needs of the negotiators and formulate DOD positions in order to provide timely response to them. DOD positions have been established regarding all of the foreseeable issues involved in the negotiations based on Presidential Guidance (see Enclosure 1 to the memorandum). It is important that your views concerning the validity of these positions be known so that any changes which you desire to effect in them may be implemented.

(8) There are other current related actions which require DOD input such as the Under Secretaries Committee (USC) Report to the President on the status of the negotiations and the studies of the feasibility and desirability of the transfer of USSOUTHCOM from Panama and the civilianization of the position of the Canal Zone Governor. The USC report and the DOD position on USSOUTHCOM are discussed on page 3 of the attached memorandum and in its enclosure 3.

(U) It is recommended that you read the memorandum and Enclosure 1 in order to become acquainted with the status of the treaty negotiations and the currently established DOD positions regarding those negotiations.

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Classified by *[initials]* Director IA (ISA)
Declassify on: *[initials]*
Date: 12/31/8.

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