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**NATIONAL ARCHIVES AND RECORDS SERVICE
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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	ZB to JC (3 pp.) — opened 1/19/92	7/28/77	A
memo	Cyrus Vance to JC (6 pp.) open 6/27/03	7/28/77	A
memo	Jill Schuker to Hodding Carter (8 pp.)	7/8/77	A
memo	ZB to JC (2 pp.) opened 3/27/90	7/21/77	A
memo	Jill Schuker to Joseph Aragon (8 pp.) 2 copies; opened 1/2/92	6/17/77	A
memo	Rick Inderfurth to HT (7 pp.) opened 3/27/90	6/2/77	A
memo	ZB to JC (24 pp.) — 11 pgs opened 1/19/92	n.d.	A
enclosure	Policy Review Memorandum, Panama (2 pp.) opened 8/12/90	n.d.	A

FILE LOCATION
Chief of Staff (Jordan)/Box 6 of 8/Panama Canal Treaty--June, July 1977

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~~SECRET~~

STEPS TO OBTAIN CONGRESSIONAL AND PUBLIC SUPPORT FOR A TREATY

- a. Hold another Presidential meeting with the Congressional leadership, 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.
- 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.
- c. Issue Presidential instructions 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.
- 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.

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E.O. 12356, Sec. 3.4

PER 7/16/90 NSC HY RE MR-ALL-90-34
BY [Signature] NARS, DATE 8/16/92

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- 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.

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DEPARTMENT OF STATE

Washington, D.C. 20520

MEMORANDUM

June 17, 1977

TO: Joseph Aragon
Special Assistant to the President
The White House

THRU: Hodding Carter, III ^(AC)
Assistant Secretary for Public Affairs
Department of State

FROM: Jill A. Schuker
Special Assistant to Hodding Carter, III

SUBJECT: Working Paper on Panama/Public and Press Outreach
Strategy

The goal of any successful outreach strategy for Panama is to facilitate both Senate passage of the Treaty and the attendant congressional votes necessary to make the Treaty viable. Given this fact, congressional and public outreach strategies must be consistent. Also, they must reflect the political reality that public mood and volubility on issues have a direct effect on votes in Congress. We need to properly prepare the public for a changed policy relationship toward the Canal and at the same time have the public feel actively involved in the policy process. This requires an organized and thoughtful outreach approach.

Public Perception

The general public perception on Panama is that we are giving away the Canal--giving up what is "rightfully ours". This concern results primarily from misperceptions and concern over defense and security. Specific labor groups are concerned over jobs and compensation. The most recent polls we have seen reflect evidence that the prevailing opposition to a new Panama Canal Treaty is susceptible to change. Comparisons between two Roper polls (June 1976 and January 1977) show that in the later poll there was an increase in public preference for the status quo in the absence of counter- vailing arguments. Roper's more recent poll also indicates the relative persuasiveness of arguments for and against a new Treaty. In January, among those people shown sets of arguments opposing and favoring revision of the Treaty, 47% opposed revision and 33% supported a change; of those

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E.O. 11652, Sec. 3.1
PER 8/5/91 Sak Hr RE MR-NLC-90-21
BY Jay MARS, DATE 1/6/92

not shown arguments, 53% opposed revision and 24% supported it. When Roper did the same split-sample polling in June, opposition to a modified Treaty on the part of those who did not see the arguments was 46%. Among those who did see the arguments in June, opposition was 44%--only a 3% change between June and January which is not statistically significant.

In January 1977, arguments for Treaty revision most often considered the most effective by those supporting modification were: it's the fair thing to do; it gives the Panamanians reasons to protect and maintain the Canal; it improves relations with Latin America. In January 1977, the reasons selected were: it's ours because we bought it; the Treaty was supposed to last forever; Panama might some day deny the U.S. access; an outside invader might take over the Canal.

Juxtaposed with the Roper poll, an interesting recent Foreign Policy Association ballot among its members (obviously an aware "constituent" group) shows that a majority favor returning the Canal to Panama after a fixed period so long as the U.S. continues to play a role in the Canal's defense. Approximately one-third of the respondents on this issue acknowledged changing their minds after reading background material on Panama provided by the FPA (this again is consistent with the Roper poll conclusion that the existence of countervailing arguments have an effect on the outcome of the vote).

These results all indicate the need to get responsible information to the public in a timely fashion. Given the possibility of a conceptual agreement soon, we must move quickly with education of the public.

Strategy

PHASE I: Now Until the Conceptual Agreement

The interplay of timing and tactics is critical as we prepare Congress and the public for the changes in the Canal relationship between the U.S. and Panama. Already substantial attention has been given the Congress with briefings of key Committee members and leaders. This same attention has not yet been focused on the public and the press. Some specific suggestions along these lines are:

A. PUBLIC

1. Speaking Opportunities: Ambassadors Linowitz and Bunker to the extent possible during the negotiations need to get

out and speak. Ambassador Linowitz was extremely effective in talking about the Canal and ongoing negotiations at the State Department Conference in May for non-governmental organizations (labor, business, ethnics, foreign policy groups, etc.).

The kinds of speaking opportunities to be pursued are those where lines of communication to Members of Congress can be stimulated positively, where centers of opposition can be temporized, where the heavy flow of organized negative mail can be counteracted, and where elevating the understanding of the issue can lead to a more positive disposition toward the Treaty. This can then be translated to the public at large. State and local leadership must be briefed as well (appropriate conference opportunities are available now for this, and I can discuss these specific fora with you).

Some possible speaking opportunities:

1. Maritime Unions, Shipping Associations, American Export Council, National Foreign Trade Council, Port Authority Groups
2. Council of the Americas, U.S. Chamber of Commerce in Latin America; U.S. Chamber of Commerce
3. Hispanic Fora
4. Religious Organizations: U.S. Catholic Conference, Washington Office on Latin America, B'nai B'rith, Jewish Welfare Fund
5. American Association of University Professors, American Association of University Women, Latin American Studies Association
6. General Federations of Women's Clubs, League of Women Voters, etc.
7. Amvets, Jewish War Vets, G.I. Forum, etc.

Where possible during this pre-conceptual agreement phase, general positive talking points on Panama should be inserted into the speeches of key government officials when relevant. A list of appropriate government officials who will be speaking during the next few months should be put together. State Department officials scheduled to speak have been/will be given a list of generalized talking points. I will forward these to you for your use as well.

Defense Department officials also play a particularly key role in any strategy since one of the primary concerns is with the security and defense (neutrality) of the Canal. Any public strategy must have visible (preferably for some of the more conservative groups), uniformed, military spokesmen in favor of the Treaty. In addition, the Commerce and Labor Departments can play an important role in targeting business and labor groups/leaders.

2. Geography: Target states which have been identified as key areas of opposition (particularly as they relate to influential Senators and their positions on relevant Committees and in leadership) are:

Arkansas	Utah
Alabama	North Carolina
Florida	Mississippi
Georgia	Tennessee
Kentucky	Texas
Louisiana	West Virginia
Kansas	Oklahoma
New Mexico	Nebraska
Arizona	Colorado
Wyoming	New Hampshire
Nevada	Virginia
California	

(FYI, Governor Meldrin Thomson (R-NH) just visited Panama representing the Conservative Caucus and was as usual vocal and vituperative in his comments against the Treaty (There is no way" the Treaty will pass, etc.). His comments received heavy play in the semi-independent La Estrella and Star and Herald, and they were virtually ignored in Government-controlled papers. All La Estrella stories were Panama AP datelines done by a stringer.)

3. Citizens' Committee: Immediate consideration should be given to the formation of a prominent "spontaneous" citizens' committee with some strong conservative/moderate names (we have some specific ideas on this which I can discuss with you). While it will not be possible to counteract in numbers an organized anti-Panama mail campaign, if organized soon enough, it might be possible to cut off some of the opposition before it begins. Again, it is most important to stay on the positive offensive.

B. MEDIA

The role of the media will be key in educating and gaining public support for the Panama Treaty. Ambassador Linowitz can be used particularly effectively with media groups. All

officials when speaking around the country should be scheduled for media appearances. Regional or local media seminars and briefings and seminars with editorial writers and foreign affairs editors and writers should be worked into schedules. Certainly all available media conference opportunities should be pursued in or out of Washington (I've discussed this with Walt Wurfel).

Leaks could be a particularly critical problem in Phase I. Walter Cronkite had a story on Panama a couple of weeks ago. An AP story carried on the front page of the Washington Post on June 2 was for the most part--but not entirely--accurate. Stories such as the Jack Anderson piece on June 16 regarding the Libya-Panama agreement can be very detrimental to any positive public view on Panama and could erode present support (I talked to Joe Aragon and Walt Wurfel about the Anderson piece, and both the Department of State and the White House had information to answer any questions which may have arisen on the story).

Because of the danger of inaccuracies and because of the delicacy of the negotiations with Panama and the attendant official sensitivities, we must be able to respond to leaks as best we can if and when they appear.

The role of the media becomes even more important after the conceptual agreement is signed (Phase II) and a suggested strategy follows. Phase II is the period of time when actual discussion of the anticipated Treaty provisions will take place, when active congressional consideration begins, and eventually culminates in the Treaty vote by the Senate. In the optimum, it is anticipated that Phase I will end within the month, and that Phase II will be completed by the early fall.

PHASE II--This is a suggested media and public strategy beginning immediately after conceptual agreement. Close cooperation among the White House, the Department of State, and the Department of Defense will be particularly crucial at this point.

FIRST DAY

Bunker and Linowitz Announce Treaty Agreement

Bunker and Linowitz announce Treaty agreement to the State Department press corps. This release will correspond with the Panamanian government announcement of the agreement. Ideally this will occur on a Monday or Tuesday and not on a weekend.

The ambassadors will address questions from the press following their statement delivered in the State Department Press Conference Room at the regular briefing time of 12:30 p.m. Bearing in mind the one-hour time difference, this should work well with an announcement in Panama.

SECOND DAY

Statement by the President

President Carter to hold a special press conference (or perhaps part of a regularly scheduled press conference, depending on timing) at the White House to make a personal statement on the Treaty agreement. Question and answer period to follow the statement.

Morning News Show

The day after the announcement by the President, Bunker and Linowitz should appear on a major morning news show. CBS is suggested for its format and because the Ambassadors are already committed to appear on NBC's Meet the Press on June 26. The viewing audience for CBS and NBC are similar in numbers and make-up. If CBS is selected for the first day, appearances on ABC and NBC might be scheduled for the following week.

Nationwide Direct-Line Interviews--Television

The Department of State will arrange for both Bunker and Linowitz to do direct-line interviews. This would be a two-hour session in the State Department studio where reporters from around the country (from as many of the major media markets as possible) would be scheduled to call in and ask questions. Each reporter is allotted ten minutes. This would provide optimum and accurate coverage.

There are a few Spanish networks around the country, and it is suggested that if possible some of the interviews be done in Spanish.

Nationwide Direct-Line Interviews--Radio

Direct-line interviews with major-market radio stations will be provided as well. These interviews might be given by either Bunker or Linowitz or someone else from the negotiating team.

Individual Interviews with Network Correspondents

Network correspondents will probably seek individual interviews with Bunker and Linowitz. It would be appropriate to encourage this and set aside some time for this purpose.

THIRD DAY

Defense Department Press Briefing

Joint Chiefs of Staff should be scheduled to brief the Defense Department press corps with General Dolvin present.

The week after the announcement the following areas will need attention:

Television:

News Programs--In addition to the joint Bunker/Linowitz appearances on Meet the Press June 26, and the morning network news programs, arrangements should be made with McNeil/Lehrer Report, Agronsky-at-Large, Face the Nation, Issues and Answers, and 60 Minutes.

Documentary Features--Arrangements might also be made with producers at the major networks and PBS to inspire the development of special reports on Panama. These might most beneficially surface in July and August.

Print--White House and Department of State media conferences in June and July should have the participation of the Ambassadors.

Special Features/Cover Stories--Op. ed. pieces should be organized. Also, Linowitz and Bunker should be available to reporters who are interested in on-the-record interviews for special features or cover stories. In addition to Time, Newsweek, U.S. News and World Report, an interview with Parade or another mass magazine is recommended.

If useful, we might arrange a meeting here or in New York with executives from Time, Newsweek, U.S. News and World Report, vice presidents of news and documentary features from CBS, NBC, and PBS, etc.

Meeting with Columnists--Special attention should be given to foreign affairs columnists such as Georgia Anne Geyer, Joe Kraft, James Reston, etc.

Bunker and Linowitz might brief a Godfrey Sperling breakfast and/or a Foreign Policy Magazine breakfast and/or set-up

luncheons/briefings with some of these foreign affairs columnists and reporters.

Public Affairs Speaking Engagements

The importance of reaching influential, geographically, and substantially relevant grassroots audiences cannot be stressed enough. Media exposure and meetings with local leadership would supplement these engagements. In addition, the idea of a press conference where local media would have an opportunity to question the speaker before an audience is highly recommended, both in terms of clarification and exposure.

Defense Department--Public Affairs

The Defense Department is a critical player in any public strategy regarding Panama. Defense officials will be of great importance to sensitizing the public on the new agreement and Treaty.

PA:JSchuker:mdr 6/17/77
JCaplan-ARA/PPC

Cleared in Draft:
S/AB:RBarkley
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DANIEL K. HOVEY, HAWAII
ERNEST F. HOLLINGS, S.C.
BROOK BAYNE, IND.
THOMAS F. EAGLETON, MO.
LAWTON CHILES, FLA.
J. BENNETT JOHNSTON, LA.
WALTER D. HUDDLESTON, KY.
QUENTIN N. BURDICK, N. DAK.
PATRICK J. LEAHY, VT.
JAMES R. BASSETT, TENN.
DENNIS DECONCINI, ARIZ.

MILTON R. YOUNG, N. DAK.
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MARK O. HATFIELD, OREG.
TED STEVENS, ALASKA
CHARLES MCC. MATHIAS, JR., MD.
RICHARD S. SCHWEIKER, PA.
HENRY BELLMON, OKLA.
LOWELL P. WEICKER, JR., CONN.

United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

June 15, 1977

JAMES R. CALLOWAY
CHIEF COUNSEL AND STAFF DIRECTOR

THE PRESIDENT HAS SEEN.

The President
The White House
Washington D. C.

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.

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
Strom Thurmond USS

Jesse Helms
Jesse Helms USS

John L. McClellan
John L. McClellan USS

Harry F. Byrd, Jr.
Harry F. Byrd, Jr. USS

To Islam - Prepare
To 3615 - Prepare
Congressional answers.
These papers are the
arguments we must
prepare to answer -
J.C.

June 8, 1977

The President
The White House
Washington, D. C.

Dear Mr. President:

As former Chiefs of Naval Operations, fleet commanders and Naval Advisers to previous Presidents, we believe we have an obligation to you and the nation to offer our combined judgment on the strategic value of the Panama Canal to the United States.

Contrary to what we read about the declining strategic and economic value of the Canal, the truth is that this inter-oceanic waterway is as important, if not more so, to the United States than ever. The Panama Canal enables the United States to transfer its naval forces and commercial units from ocean to ocean as the need arises. This capability is increasingly important now in view of the reduced size of the U.S. Atlantic and Pacific fleets.

We recognize that the Navy's largest aircraft carriers and some of the world's super-tankers are too wide to transit the Canal as it exists today. The super-tankers represent but a small percentage of the world's commercial fleets. From a strategic viewpoint, the Navy's largest carriers can be wisely positioned as pressures and tensions build in any kind of short-range, limited situation. Meanwhile, the hundreds of combatants, from submarines to cruisers, can be funneled through the transit as can the vital fleet train needed to sustain the combatants. In the years ahead as carriers become smaller or as the Canal is modernized, this problem will no longer exist.

Our experience has been that as each crisis developed during our active service--World War II, Korea, Vietnam and the Cuban missile crisis--the value of the Canal was forcefully emphasized by emergency transits of our naval units and massive logistic support for the Armed Forces. The Canal provided operational flexibility and rapid mobility. In addition, there are the psychological advantages of this power potential. As Commander-in-Chief, you will find the ownership and sovereign control of the Canal indispensable during periods of tension and conflict.

As long as most of the world's combatant and commercial tonnage can transit through the Canal, it offers inestimable strategic advantages to the United States, giving us maximum strength at minimum cost. Moreover, sovereignty and jurisdiction over the Canal Zone and Canal offer the opportunity to use the waterway or to deny its use to others in wartime. This authority was especially helpful during World War II and also Vietnam. Under the control of a potential adversary, the Panama Canal would become an immediate crucial problem and prove a serious weakness in the over-all U.S. defense capability, with enormous potential consequences for evil.

Mr. President, you have become our leader at a time when the adequacy of our naval capabilities is being seriously challenged. The existing maritime threat to us is compounded by the possibility that the Canal under Panamanian sovereignty could be neutralized or lost, depending on that government's relationship with other nations. We note that the present Panamanian government has close ties with the present Cuban government which in turn is closely tied to the Soviet Union. Loss of the Panama Canal, which would be a serious set-back in war, would contribute to the encirclement of the U. S. by hostile naval forces, and threaten our ability to survive.

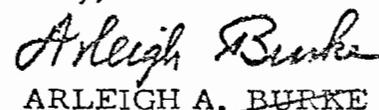
For meeting the current situation, you have the well-known precedent of former distinguished Secretary of State (later Chief Justice) Charles Evans Hughes, who, when faced with a comparable situation in 1923, declared to the Panamanian government that it was an "absolute futility" for it "to expect an American administration, no matter what it was, any President or any Secretary of State, ever to surrender any part of (the) rights which the United States had acquired under the Treaty of 1903," (Ho. Doc. No. 474, 89th Congress, p. 154).

We recognize that a certain amount of social unrest is generated by the contrast in living standards between Zonians and Panamanians living nearby. Bilateral programs are recommended to upgrade Panamanian boundary areas. Canal modernization, once U. S. sovereignty is guaranteed, might benefit the entire Panamanian economy, and especially those areas near the U. S. Zone.

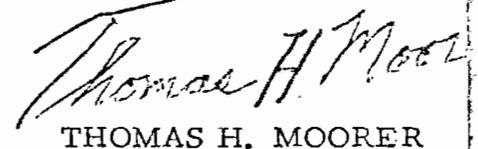
The Panama Canal represents a vital portion of our U. S. naval and maritime assets, all of which are absolutely essential for free world security. It is our considered individual and combined judgment that you should instruct our negotiators to retain full sovereign control for the United States over both the Panama Canal and its protective frame, the U. S. Canal Zone as provided in the existing treaty.

Very respectfully,


ROBERT B. CARNEY


ARLEIGH A. BURKE


GEORGE W. ANDERSON


THOMAS H. MOORER

1. This plan provides for completing the major modernization of the Panama Canal authorized in 1939 and suspended in 1942 under the Terminal Lake - Third Locks Plan, which was developed in the Panama Canal organization as the result of experience in World War II and won approval by the President as a post-war project.

2. Briefly stated, this plan calls for the consolidation of all Pacific Locks in three lifts near Agua Dulce to match the layout and capacity of the Atlantic Locks, creation of a summit level terminal lake at the Pacific end of the Canal, and raising the maximum summit level from 87 feet to its optimum height.

3. One set of the new Pacific Locks would be the same size as the new set at Gatun. (1200' x 140' x 45' deep--present locks are 1000' x 110' x 40')

4. More than \$76,000,000 was expended on the Third Locks Project, including huge lock site excavations at Gatun and Miraflores and other works, most of which are useful. In addition, some \$95,000,000 was expended on enlargement of Gaillard Cut completed on August 15, 1970, making a total of more than \$171,000,000 already expended toward the Canal's major modernization.

5. In addition, the Terminal Lake Plan enables the maximum utilization of all work so far accomplished and can be constructed under existing treaty provisions, a paramount consideration.

6. Informal estimates for the Terminal Lake Plan are:

Cost	\$1.5 billion
Preparation	2 years
Construction	5 years (1200 working days)

7. The plan preserves the fresh water barrier between the oceans, protects marine life in the two oceans, has the support of major environmental groups, and safeguards the economy of Panama.

8. The Sea Level proposal, initially estimated in 1970 at \$2.88 billion, would require a new treaty with Panama, involving a huge indemnity and the cost of a right of way, both of which would have to be added to initial estimate, probably totalling \$6 billion to \$10 billion and requiring 14 years to construct.

9. The sea level proposal by requiring construction of a salt water channel between the ocean would enable the migration of alien predators and destructive species between the oceans, is ecologically dangerous, is strongly opposed by most biological groups at home and abroad, and would dislocate the economy of Panama.

10. When the canal problem is evaluated from all its angles, the Terminal Lake proposal offers the best, the most economical and sensible solution.

1. The outlook in the Senate for any Panama Treaty that abrogates U.S. sovereignty rights in the Canal Zone is poor. Not only are the votes lacking, but also the Senate calendar is too crowded to permit a measure so controversial to receive proper hearings and debate in the short confines of the September session.
2. The outlook in the House is equally bleak, even though a simple majority is all that is necessary. The House has, on numerous occasions, produced majorities opposed to the surrender of sovereignty. Article IV, Paragraph 3 of the Constitution gives "Congress"--i.e., both Houses--authority to dispose of U.S. territory and property. Sovereignty is a property right. Note: The House must vote before a treaty is ratified.
3. The most recent poll by Opinion Research, Inc., Princeton, N.J., shows 78% of the American people opposed to the surrender of ownership and control of the Panama Canal. This is the third year the question has been asked and shows a continuously rising sentiment (66% in 1975).
4. Torrijos has not been making the approval of a treaty any easier. His close relationship with Fidel Castro, and especially with Qaddafi of Libya--bankroller and protector of the anti-Zionist terrorists--will produce acrimonious debates that will divide the nation.
5. The negotiation of the treaty by Sol Linowitz, an international banker with emotional commitments to the Latin American Marxists--such as the late Salvador Allende--will make the product of the negotiations suspect, as not objectively protecting traditional United States interests and goals.
6. The exorbitant monetary demands of the Panamanians will make it even more difficult to sell the treaty to Americans, even if concessions are made, in our present state of fiscal crisis.
7. The solution is a basic compromise on the fundamental terms of the treaty: If the U.S. retains its sovereign rights, then we will make a binding commitment to initiate a major modernization of the Panama Canal according to the so-called "Terminal Lake-Third Locks Plan." (see attached memo. This would cost about \$1.5 billion (as opposed to \$6-10 billion for a sea-level canal). If the plan were properly implemented it would:
 - a) provide for maximum Panamanian participation in the Plan
 - b) upgrade technical skills and experience throughout all levels of Panamanian society
 - c) reconstitute social and urban planning and development in Panama
 - d) create the economic and social infrastructure that would allow Panama to continue development after construction of TLTL.
 - e) become a real partnership into which Panamanians could divert nationalist energy and pride.

If the President proposes this plan, the U.S. will retain sovereignty, Torrijos and the Panamanian people will receive real economic and social benefits, and the President will have a proposal that will sail through Congress with the full support and cooperation of conservatives and liberals alike.

For the President, the impasse over the Canal will be broken with a constructive compromise proposal.

PANAMA CANAL NEGOTIATIONS

There are three fundamental questions involved in the Panama Canal negotiations.

1. Justice: Do we hold the Canal Zone by right? The answer is yes.
2. Practicality: Will a treaty abrogating sovereignty enable us to maintain the neutrality of the Canal for all nations? The answer is no.
3. Policy: Is it good policy to stay in the Isthmus in the face of Panamanian discontent and agitation? The answer is that it is the only viable choice we have and one that can form the basis for a fruitful, creative relationship with the whole of Latin America.

* * *

1. The question of justice.

- a) We hold our sovereign rights in the Canal Zone by both grant and purchase; we hold deed and title to property purchased from private owners.
- b) The original bargain with Panama was a just bargain which guaranteed Panama's independence and economic self-sufficiency.
- c) Contrary to the myth of guilt, we did not obtain our rights by shameful maneuvers.
- d) We have practiced strict neutrality towards Panama's affairs.
- e) Our benefits towards Panama have constantly increased both in our treatment of Panamanian employees, indirect benefits to the Panamanian economy, and direct military and economic assistance.
- f) We have constantly adjusted differences in our relations amicably and generously in subsequent treaties, always retaining our own sovereign rights and respecting the sovereign rights of Panama.
- g) We have fulfilled our international treaty obligations well, and have operated the Canal for the benefit of all nations.

2. The question of practicality: alternative scenarios.

Scenario I: If a treaty is denied

- a) riots
- b) strikes
- c) sabotage
- d) closure or failure of Canal operations
- e) economic collapse in Panama
- f) radicalization of Panamanian politics
- g) exit of U.S.

Scenario II: If a treaty abrogating sovereignty is signed and ratified

- a) attempts by Panama to assert its sovereignty and independence
- b) magnification of operating frictions and disagreements
- c) harassment of U.S. employees
- d) exit of most U.S. employees, ending practical control by U.S.
- e) rivalry of Panamanian politicians to control Canal operations, payrolls, and revenues
- f) radicalization of Panamanian politics to seek popular support for control of Canal
- g) demands for speed-up of timetable for U.S. withdrawal
- h) increasing influence of socialist bloc "technicians and advisors" to replace vanishing U.S. personnel
- i) coups by local colonels seeking to reform corruption and to establish their own Swiss bank accounts
- j) rise of terrorist guerrilla "liberation" movement, eventually supported by Cuban troops.
- k) coup by Marxist guerilla leader
- l) Treaty of Friendship and Cooperation with the Soviet Union
- m) Soviet naval bases in Colon and Balboa, on Atlantic and Pacific

3. The question of policy: a constructive alternative

- a) Retain U.S. sovereignty in the Canal Zone
- b) Demonstrate firm leadership to Panama and Latin America by retaining our presence and stability in the Isthmus
- c) Proffer the hand of friendship to Panama by making firm commitments (which we always eluded in the past) to
 - major modernization of the Canal, structured to spread social and economic benefits throughout all Panamanian social classes
 - assistance in broad development even after modernization is complete
 - re-establishment of prudent democratic institutions in Panama
- d) Place Panama in the framework of free enterprise and progress by setting up an anti-Marxist entente in the Western Hemisphere
- e) Give economic and moral support to those governments of Latin American which have thrown off Marxism and are seeking to eliminate the terrorism which destroys the human rights of their citizens.

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

June 2, 1977

MEMORANDUM FOR: HAMILTON JORDAN
FROM: RICK INDERFURTH *RI*
SUBJECT: National Committee for a Canal Treaty

Attached is a series of correspondence between Congressman Solarz and Dr. Brzezinski. As you will see in the correspondence, Solarz has suggested that a National Committee be established for the purpose of seeing the new Panama Canal Treaty through the Senate. As you will also see, Dr. Brzezinski has encouraged this idea. Copies of the correspondence have been sent to the negotiators -- Bunker and Linowitz -- and Zbig intends to raise this matter with Secretaries Brown and Vance at the earliest opportunity.

The Committee has yet to get off the ground. Given the optimism that now prevails about the signing of a treaty in the near future, I think it would be a good idea if you, Zbig, and Frank Moore (possibly others) get together to discuss this as soon as possible.

cc: Landon Butler
cc: Landon Butler

~~CONFIDENTIAL~~

Jug 1/25/90

"DETERMINED TO BE AN ADMINISTRATIVE MARKING
CANCELLED PER E.O. 12958, SEC. 1.3 AND
ARCHIVIST'S MEMO OF MARCH 16, 1983"

THE WHITE HOUSE
WASHINGTON~~CONFIDENTIAL~~

June 2, 1977

MEMORANDUM FOR: HAMILTON JORDAN

FROM: RICK INDERFURTH

SUBJECT: National Committee for a Canal Treaty

Attached is a series of correspondence between Congressman Solarz and Dr. Brzezinski. As you will see in the correspondence, Solarz has suggested that a National Committee be established for the purpose of seeing the new Panama Canal Treaty through the Senate. As you will also see, Dr. Brzezinski has encouraged this idea. Copies of the correspondence have been sent to the negotiators -- Bunker and Linowitz -- and Zbig intends to raise this matter with Secretaries Brown and Vance at the earliest opportunity.

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✓ cc: Landon Butler

"DETERMINED TO BE AN ADMINISTRATIVE MARKING
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ARCHIVIST'S MEMO OF MARCH 16, 1983"

~~CONFIDENTIAL~~

Jay 1/25/90

Congress of the United States

House of Representatives

Washington, D.C. 20515

POST OFFICE AND
CIVIL SERVICE

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ADMINISTRATIVE ASSISTANT

LONGWORTH HOUSE OFFICE BUILDING
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KENNETH LOWERY
DISTRICT REPRESENTATIVE

1628 KINGS HIGHWAY
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117 BRIGHTON BEACH AVENUE
BROOKLYN, NEW YORK 11225
(212) 955-3123

March 30, 1977

The Honorable Zbigniew Brzezinski
The White House
Washington, D.C.

Dear Zbig:

I recently returned, as I told you last week, from a trip to Panama with seven other Members of the House.

As we left, after two days of intensive discussions with our own people and Panamanian officials alike, I conducted a private poll to determine how the members would vote if a new treaty providing for Panamanian sovereignty over the Canal by the year 2000 were brought up for consideration in the relatively near future.

The results were two in favor, five against, and one abstention. In view of the fact that the members of the delegation had an opportunity to see for themselves both the inherent indefensibility of the Canal from either internal insurrection or external attack, as well as the extent to which our refusal to turn the Canal over to the Panamanians by the end of the century would create an explosive political situation in Panama -- thereby endangering our capacity to keep the Canal open for American shipping in the first place -- it illustrates the seriousness of the problem those of us committed to a new treaty will have in convincing the Congress to approve it.

The one encouraging aspect of the poll was that the abstention, as well as two of the five negatives, were privately convinced of the need for a new treaty but were unwilling, given the widespread opposition to one in their districts, to pay the political price which support for a new treaty would entail.

I mention all this only because I think it dramatically emphasizes the need for a much more effective effort to educate the American people about the realities of the situation and how our national interest will best be served by an adjustment of our relationship with Panama, rather than by a perpetuation of the status quo. Right now, the antis have the field to themselves. Congressional mail is running overwhelmingly against a new treaty. And if the trend isn't reversed soon, it may doom our efforts to secure the support of Congress for a new arrangement with respect to the Canal. Frankly, to wait until a new treaty is negotiated before launching a concerted campaign on its behalf, may result in a situation where the fight is lost before it begins.

It seems to me that it would, therefore, make a good deal of sense if the White House quietly used its influence to organize a prestigious national committee for a new treaty, which could be chaired by one or two people with impressive national security credentials, who would immediately undertake the task of legitimizing the kind of arrangements which we will have to make if, in fact, there is to be a new treaty.

I've only sketched the barest outlines of such a proposal but I would, if you thought it useful, be more than happy to talk with you further concerning what needs to be done both in the Congress and the country to create the kind of climate which will politically facilitate the approval of a new treaty.

Keep up the good work.

Cordially,



STEPHEN J. SOLARZ

SJS:cid

THE WHITE HOUSE
WASHINGTON

April 22, 1977

Dear Stephen:

Thank you for your letter of March 30, 1977. Other than the fact I have been very busy, the reason I have not responded sooner is that I have been seriously thinking about your idea of setting up a prestigious National Committee to begin building public support for a new treaty. I think it is a good idea, and the main question I have is one of timing.

I would therefore appreciate your sketching out your proposal in more detail and include a comment as to the best timing for setting up such a group.

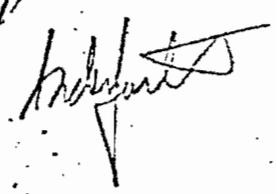
Thanks for sharing your thoughts as well as the results of your private poll.

Sincerely,



Zbigniew Brzezinski

The Honorable
Stephen J. Solarz
U.S. House of Representatives
Washington, D. C. 20515

F07
F08
F031
Conrad Citizens Committee


INTERNATIONAL RELATIONS
POST OFFICE AND
CIVIL SERVICE
WASHINGTON OFFICE
MICHAEL LEWAN
ADMINISTRATIVE ASSISTANT
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Congress of the United States
House of Representatives
Washington, D.C. 20515

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117 DRICHTON BEACH AVENUE
BROOKLYN, NEW YORK 11233
(212) 955-3105

May 13, 1977

The Honorable Zbigniew Brzezinski
The White House
Washington, D.C. 20500

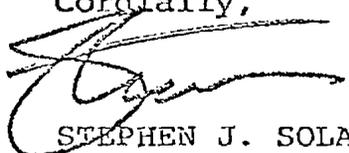
Dear Zbig:

Thank you for your letter concerning my idea for a National Committee for a new treaty with Panama.

My own very strong feeling is that the sooner you can get such an effort going the better. There's an enormous educational job to be done and the longer it takes to get it underway, the lesser the chances will be for getting the treaty approved if and when it's ever submitted to the Congress.

I should think the best person to head the Committee would be someone with impeccable national security credentials whose support for a new treaty would be interpreted as a symbolic manifestation of the fact that our ultimate surrender of "sovereignty" over the Canal need not necessarily impair our ability to protect our most vital national interests.

Cordially,


STEPHEN J. SOLARZ

SJS:cid

THE WHITE HOUSE
WASHINGTON

May 31

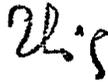
Dear Stephen:

Thank you for your letter of May 13. Since then, negotiations have been moving quite quickly, and the chances that we will have a Canal Treaty worthy of an educational effort on the scale you envisage have improved markedly.

Your idea that the chairman of such committee should be a person of impeccable national security credentials is a good one.

Please keep me up-to-date on the Congressional sentiment on this issue.

Sincerely,



Zbigniew Brzezinski

The Honorable
Stephen J. Solarz
House of Representatives
Washington, D. C. 20515

B/B

EXECUTIVE
FD3-1/Panama Canal
FO9
C012.1
FB35

THE WHITE HOUSE
WASHINGTON

July 20, 1977

To Senator Harry Byrd

Thank you for your letter of June 15. 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. 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.

Thurmond, Strom Sincerely,
Helms, Jesse
McCallan, John L. Jimmy Carter

The Honorable Harry F. Byrd, Jr.
United States Senate
Washington, D.C. 20510

boc new treaty with Panama Canal

JUL 21 1977
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THE WHITE HOUSE

WASHINGTON

July 20, 1977

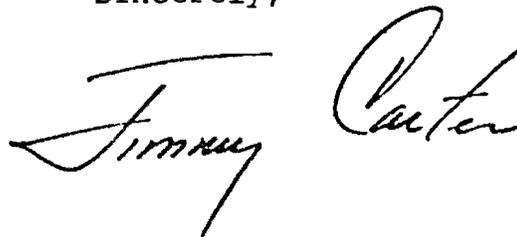
To Senator Strom Thurmond

Thank you for your letter of June 15. 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. 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.

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Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

The Honorable Strom Thurmond
United States Senate
Washington, D.C. 20510

JUL 25 1977
CENTRAL FILES

THE WHITE HOUSE

WASHINGTON

July 20, 1977

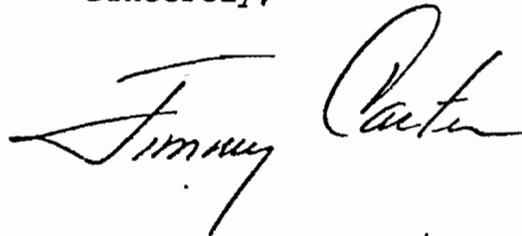
To Senator Jesse Helms

Thank you for your letter of June 15. 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. 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.

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Sincerely,

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The Honorable Jesse Helms
United States Senate
Washington, D.C. 20510

JUL 21 1977
CENTRAL FILES

THE WHITE HOUSE

WASHINGTON

July 20, 1977

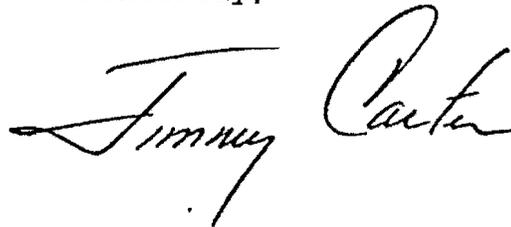
To Senator John McClellan

Thank you for your letter of June 15. 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. 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.

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Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

The Honorable John L. McClellan
United States Senate
Washington, D.C. 20510

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THE PRESIDENT HAS SEEN.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

4314

ACTION

July 20, 1977

*Suppl
revised
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J*

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *B,*
SUBJECT: Reply to Letter from Four Senators
on the Panama Canal Treaty

Attached at Tab A are identical letters to Senators McClellan, Thurmond, Helms and Byrd, replying to a letter signed by them on the Panama Canal treaty (Tab B). In addition, State is preparing a more detailed and specific set of counterarguments to specific points raised in the letter to you. State believes, and Hamilton Jordan and I concur, that it would not be in your interest to send such a detailed response, though we think that it will be very useful for our overall efforts with Congress and the public.

As you will note, the letter from the four senators is dated June 15. It was delivered to you by Senator Helms on June 30. We received a copy of the letter, with your handwritten note, on July 1. We asked State for a proposed response on July 5. That response was received on July 8 and was sent to Jim Fallows for editing on July 11. On July 12, Jim forwarded the letter to my staff and it was sent to me. I returned it for revision on July 15. The final version, coordinated with Hamilton Jordan, was returned to my office on July 18.

RECOMMENDATION

That you sign the letters attached at Tab A. *H.J.* Hamilton Jordan concurs.

APPROVE _____ DISAPPROVE _____

FOUR SIGNATURES REQUESTED

London Butter

MEMORANDUM

June 17, 1977

TO: Joseph Aragon
Special Assistant to the President
The White House

THRU: Hodding Carter, III
Assistant Secretary for Public Affairs
Department of State

FROM: Jill A. Schuker
Special Assistant to Hodding Carter, III

SUBJECT: Working Paper on Panama/Public and Press Outreach
Strategy

The goal of any successful outreach strategy for Panama is to facilitate both Senate passage of the Treaty and the attendant congressional votes necessary to make the Treaty viable. Given this fact, congressional and public outreach strategies must be consistent. Also, they must reflect the political reality that public mood and volubility on issues have a direct effect on votes in Congress. We need to properly prepare the public for a changed policy relationship toward the Canal and at the same time have the public feel actively involved in the policy process. This requires an organized and thoughtful outreach approach.

Public Perception

The general public perception on Panama is that we are giving away the Canal--giving up what is "rightfully ours". This concern results primarily from misperceptions and concern over defense and security. Specific labor groups are concerned over jobs and compensation. The most recent polls we have seen reflect evidence that the prevailing opposition to a new Panama Canal Treaty is susceptible to change. Comparisons between two Roper polls (June 1976 and January 1977) show that in the later poll there was an increase in public preference for the status quo in the absence of counter-vailing arguments. Roper's more recent poll also indicates the relative persuasiveness of arguments for and against a new Treaty. In January, among those people shown sets of arguments opposing and favoring revision of the Treaty, 47% opposed revision and 33% supported a change; of those

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BY [Signature] NARS. DATE 1/16/92

not shown arguments, 53% opposed revision and 24% supported it. When Roper did the same split-sample polling in June, opposition to a modified Treaty on the part of those who did not see the arguments was 46%. Among those who did see the arguments in June, opposition was 44%--only a 3% change between June and January which is not statistically significant.

In January 1977, arguments for Treaty revision most often considered the most effective by those supporting modification were: it's the fair thing to do; it gives the Panamanians reasons to protect and maintain the Canal; it improves relations with Latin America. In January 1977, the reasons selected were: it's ours because we bought it; the Treaty was supposed to last forever; Panama might some day deny the U.S. access; an outside invader might take over the Canal.

Juxtaposed with the Roper poll, an interesting recent Foreign Policy Association ballot among its members (obviously an aware "constituent" group) shows that a majority favor returning the Canal to Panama after a fixed period so long as the U.S. continues to play a role in the Canal's defense. Approximately one-third of the respondents on this issue acknowledged changing their minds after reading background material on Panama provided by the FPA (this again is consistent with the Roper poll conclusion that the existence of countervailing arguments have an effect on the outcome of the vote).

These results all indicate the need to get responsible information to the public in a timely fashion. Given the possibility of a conceptual agreement soon, we must move quickly with education of the public.

Strategy

Public and Press Outreach Plan

PHASE I: Now Until the Conceptual Agreement

The interplay of timing and tactics is critical as we prepare Congress and the public for the changes in the Canal relationship between the U.S. and Panama. Already substantial attention has been given the Congress with briefings of key Committee members and leaders. This same attention has not yet been focused on the public and the press. Some specific suggestions along these lines are:

A. PUBLIC

1. Speaking Opportunities: Ambassadors Linowitz and Bunker to the extent possible during the negotiations need to get

out and speak. Ambassador Linowitz was extremely effective in talking about the Canal and ongoing negotiations at the State Department Conference in May for non-governmental organizations (labor, business, ethnics, foreign policy groups, etc.).

The kinds of speaking opportunities to be pursued are those where lines of communication to Members of Congress can be stimulated positively, where centers of opposition can be temporized, where the heavy flow of organized negative mail can be counteracted, and where elevating the understanding of the issue can lead to a more positive disposition toward the Treaty. This can then be translated to the public at large. State and local leadership must be briefed as well. Appropriate conference opportunities are available now for this, and I can discuss these specific fora with you.

Some possible speaking opportunities:

1. Maritime Unions, Shipping Associations, American Export Council, National Foreign Trade Council, Port Authority Groups
2. Council of the Americas, U.S. Chamber of Commerce in Latin America; U.S. Chamber of Commerce
3. Hispanic ~~Fora~~ Groups, LULAC, MAPA, GI FORUM, LA RAZA Council, MALDEF
4. Religious Organizations: U.S. Catholic Conference, Washington Office on Latin America, B'nai B'rith, Jewish Welfare Fund
5. American Association of University Professors, American Association of University Women, Latin American Studies Association
6. General Federations of Women's Clubs, League of Women Voters, etc.
7. Amvets, Jewish War Vets, G.I. Forum, etc.

Where possible during this pre-conceptual agreement phase, general positive talking points on Panama should be inserted into the speeches of key government officials when relevant. A list of appropriate government officials who will be speaking during the next few months should be put together. State Department officials scheduled to speak have been/will be given a list of generalized talking points. ~~I will forward these to you for your use as well.~~

Defense Department officials also play a particularly key role in any strategy since one of the primary concerns is with the security and defense (neutrality) of the Canal. Any public strategy must have visible (preferably for some of the more conservative groups), uniformed, military spokesmen in favor of the Treaty. In addition, the Commerce and Labor Departments can play an important role in targeting business and labor groups/leaders.

2. Geography: Target states which have been identified as key areas of opposition (particularly as they relate to influential Senators and their positions on relevant Committees and in leadership) are:

- | | |
|------------|----------------|
| Arkansas | Utah |
| Alabama | North Carolina |
| Florida | Mississippi |
| Georgia | Tennessee |
| Kentucky | Texas |
| Louisiana | West Virginia |
| Kansas | Oklahoma |
| New Mexico | Nebraska |
| Arizona | Colorado |
| Wyoming | New Hampshire |
| Nevada | Virginia |
| California | |

(FYI, Governor Meldrin Thomson (R-NH) just visited Panama representing the Conservative Caucus and was as usual vocal and vituperative in his comments against the Treaty (There is no way" the Treaty will pass, etc.). His comments received heavy play in the semi-independent La Estrella and Star and Herald, and they were virtually ignored in Government-controlled papers. All La Estrella stories were Panama AP datelines done by a stringer.)

3. Citizens' Committee: Immediate consideration should be given to the formation of a prominent "spontaneous" citizens' committee with some strong conservative/moderate names (we have some specific ideas on this which I can discuss with you). While it will not be possible to counteract in numbers an organized anti-Panama mail campaign, if organized soon enough, it might be possible to cut off some of the opposition before it begins. Again, it is most important to stay on the positive offensive.

B. MEDIA

The role of the media will be key in educating and gaining public support for the Panama Treaty. Ambassador Linowitz can be used particularly effectively with media groups. All

officials when speaking around the country should be scheduled for media appearances. Regional or local media seminars and briefings and seminars with editorial writers and foreign affairs editors and writers should be worked into schedules. Certainly all available media conference opportunities should be pursued in or out of Washington (~~I've discussed this with Walt Wurfel~~).

Leaks could be a particularly critical problem in Phase I. Walter Cronkite had a story on Panama a couple of weeks ago. An AP story carried on the front page of the Washington Post on June 2 was for the most part--but not entirely--accurate. Stories such as the Jack Anderson piece on June 16 regarding the Libya-Panama agreement can be very detrimental to any positive public view on Panama and could erode present support. (~~I talked to Joe Aragon and Walt Wurfel about the Anderson piece, and both the Department of State and the White House had information to answer any questions which may have arisen on the story~~).

Because of the danger of inaccuracies and because of the delicacy of the negotiations with Panama and the attendant official sensitivities, we must be able to respond to leaks as best we can if and when they appear.

The role of the media becomes even more important after the conceptual agreement is signed (Phase II) and a suggested strategy follows. Phase II is the period of time when actual discussion of the anticipated Treaty provisions will take place, when active congressional consideration begins, and eventually culminates in the Treaty vote by the Senate. In the optimum, it is anticipated that Phase I will end within the month, and that Phase II will be completed by the early fall.

PHASE II--This is a suggested media and public strategy beginning immediately after conceptual agreement. Close cooperation among the White House, the Department of State, and the Department of Defense will be particularly crucial at this point.

FIRST DAY

Bunker and Linowitz Announce Treaty Agreement (modified by Aragon memo)

Bunker and Linowitz announce Treaty agreement to the State Department press corps. This release will correspond with the Panamanian government announcement of the agreement. Ideally this will occur on a Monday or Tuesday and not on a weekend.

The ambassadors will address questions from the press following their statement delivered in the State Department Press Conference Room at the regular briefing time of 12:30 p.m. Bearing in mind the one-hour time difference, this should work well with an announcement in Panama.

SECOND DAY

Statement by the President (modified by Aragon Memo)

President Carter to hold a special press conference (or perhaps part of a regularly scheduled press conference, depending on timing) at the White House to make a personal statement on the Treaty agreement. Question and answer period to follow the statement.

Morning News Show

The day after the announcement by the President, Bunker and Linowitz should appear on a major morning news show. CBS is suggested for its format and because the Ambassadors are already committed to appear on NBC's Meet the Press on June 26. The viewing audience for CBS and NBC are similar in numbers and make-up. If CBS is selected for the first day, appearances on ABC and NBC might be scheduled for the following week.

Nationwide Direct-Line Interviews--Television

The Department of State will arrange for both Bunker and Linowitz to do direct-line interviews. This would be a two-hour session in the State Department studio where reporters from around the country (from as many of the major media markets as possible) would be scheduled to call in and ask questions. Each reporter is allotted ten minutes. This would provide optimum and accurate coverage.

There are a few Spanish networks around the country, and it is suggested that if possible some of the interviews be done in Spanish.

Nationwide Direct-Line Interviews--Radio

Direct-line interviews with major-market radio stations will be provided as well. These interviews might be given by either Bunker or Linowitz or someone else from the negotiating team.

Individual Interviews with Network Correspondents

Network correspondents will probably seek individual interviews with Bunker and Linowitz. It would be appropriate to encourage this and set aside some time for this purpose.

THIRD DAY

Defense Department Press Briefing

Joint Chiefs of Staff should be scheduled to brief the Defense Department press corps with General Dolvin present.

The week after the announcement the following areas will need attention:

Television:

News Programs--In addition to the joint Bunker/Linowitz appearances on Meet the Press June 26, and the morning network news programs, arrangements should be made with McNeil/Lehrer Report, Agronsky-at-Large, Face the Nation, Issues and Answers, and 60 Minutes.

Documentary Features--Arrangements might also be made with producers at the major networks and PBS to inspire the development of special reports on Panama. These might most beneficially surface in July and August.

Print--White House and Department of State media conferences in June and July should have the participation of the Ambassadors.

Special Features/Cover Stories--Op. ed. pieces should be organized. Also, Linowitz and Bunker should be available to reporters who are interested in on-the-record interviews for special features or cover stories. In addition to Time, Newsweek, U.S. News and World Report, an interview with Parade or another mass magazine is recommended.

If useful, we might arrange a meeting here or in New York with executives from Time, Newsweek, U.S. News and World Report, vice presidents of news and documentary features from CBS, NBC, and PBS, etc.

Meeting with Columnists--Special attention should be given to foreign affairs columnists such as Georgia Anne Geyer, Joe Kraft, James Reston, etc.

Bunker and Linowitz might brief a Godfrey Sperling breakfast and/or a Foreign Policy Magazine breakfast and/or set-up

luncheons/briefings with some of these foreign affairs columnists and reporters.

Public Affairs Speaking Engagements

The importance of reaching influential, geographically, and substantially relevant grassroots audiences cannot be stressed enough. Media exposure and meetings with local leadership would supplement these engagements. In addition, the idea of a press conference where local media would have an opportunity to question the speaker before an audience is highly recommended, both in terms of clarification and exposure.

Defense Department--Public Affairs

The Defense Department is a critical player in any public strategy regarding Panama. Defense officials will be of great importance to sensitizing the public on the new agreement and Treaty.

PA:JSchuker:mdr 6/17/77
JCaplan-ARA/PPC

Cleared in Draft:
S/AB:RBarkly
S/AB ANoss
ARA/PPC:PJohnson

MEMORANDUM

~~SECRET~~

4772

THE WHITE HOUSE
WASHINGTON

~~SECRET~~ - GDS

July 21, 1977

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB.*
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.

~~SECRET~~ - GDS

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).
- 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. *Or a P.R.C. under Vance*

N. S. C. Approve _____ Disapprove _____

P.R.C.
under Vance _____

JOHN C. STENNIS, MISS.
ROBERT C. BYRD, W. VA.
WILLIAM PROXMIRE, WIS.
DANIEL K. INOUE, HAWAII
ERNEST F. HOLLINGS, S.C.
BIRCH BAYH, IN.
THOMAS F. EAGLETON, MO.
LAWTON CHILES, FLA.
J. BENNETT JOHNSTON, LA.
WALTER D. HUDDLESTON, KY.
QUENTIN N. BURDICK, N. DAK.
PATRICK J. LEAHY, VT.
JAMES R. SASSER, TENN.
DENNIS DE CONCHINI, ARIZ.

CLIFFORD P. CASE, N.J.
EDWARD W. BROOKE, MASS.
MARK O. HATFIELD, OREG.
TED STEVENS, ALASKA
CHARLES MCC. MATHIAS, JR., MD.
RICHARD S. SCHWEIKER, PA.
HENRY BELLMON, OKLA.
LOWELL P. WEICKER, JR., CONN.

United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

JAMES R. CALLOWAY
CHIEF COUNSEL AND STAFF DIRECTOR

June 15, 1977

THE PRESIDENT HAS SEEN.

The President
The White House
Washington D. C.

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.

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
Strom Thurmond USS

Jesse Helms
Jesse Helms USS

John L. McClellan
John L. McClellan USS

Harry F. Byrd, Jr.
Harry F. Byrd, Jr. USS

To Ham -
To 3big - Prepare
Consistent answers.
These papers are the
arguments we must
prepare to answer -
J.C.

THE WHITE HOUSE
WASHINGTON

*ham
J*

July 1, 1977

Hamilton Jordan
Z. Brzezinski

Re: The Panama Canal

The attached was returned in the President's
outbox and is forwarded to you for your
information.

Rick Hutcheson

cc: Frank Moore

ELECTROSTATIC REPRODUCTION FOR
PRESERVATION PURPOSES

June 8, 1977

The President
The White House
Washington, D. C.

Dear Mr. President:

As former Chiefs of Naval Operations, fleet commanders and Naval Advisers to previous Presidents, we believe we have an obligation to you and the nation to offer our combined judgment on the strategic value of the Panama Canal to the United States.

Contrary to what we read about the declining strategic and economic value of the Canal, the truth is that this inter-oceanic waterway is as important, if not more so, to the United States than ever. The Panama Canal enables the United States to transfer its naval forces and commercial units from ocean to ocean as the need arises. This capability is increasingly important now in view of the reduced size of the U. S. Atlantic and Pacific fleets.

We recognize that the Navy's largest aircraft carriers and some of the world's super-tankers are too wide to transit the Canal as it exists today. The super-tankers represent but a small percentage of the world's commercial fleets. From a strategic viewpoint, the Navy's largest carriers can be wisely positioned as pressures and tensions build in any kind of a short - range, limited situation. Meanwhile, the hundreds of combatants, from submarines to cruisers, can be funneled through the transit as can the vital fleet train needed to sustain the combatants. In the years ahead as carriers become smaller or as the Canal is modernized, this problem will no longer exist.

Our experience has been that as each crisis developed during our active service--World War II, Korea, Vietnam and the Cuban missile crisis--the value of the Canal was forcefully emphasized by emergency transits of our naval units and massive logistic support for the Armed Forces. The Canal provided operational flexibility and rapid mobility. In addition, there are the psychological advantages of this power potential. As Commander-in-Chief, you will find the ownership and sovereign control of the Canal indispensable during periods of tension and conflict.

As long as most of the world's combatant and commercial tonnage can transit through the Canal, it offers inestimable strategic advantages to the United States, giving us maximum strength at minimum cost. Moreover, sovereignty and jurisdiction over the Canal Zone and Canal offer the opportunity to use the waterway or to deny its use to others in wartime. This authority was especially helpful during World War II and also Vietnam. Under the control of a potential adversary, the Panama Canal would become an immediate crucial problem and prove a serious weakness in the over-all U. S. defense capability, with enormous potential consequences for evil.

Mr. President, you have become our leader at a time when the adequacy of our naval capabilities is being seriously challenged. The existing maritime threat to us is compounded by the possibility that the Canal under Panamanian sovereignty could be neutralized or lost, depending on that government's relationship with other nations. We note that the present Panamanian government has close ties with the present Cuban government which in turn is closely tied to the Soviet Union. Loss of the Panama Canal, which would be a serious set-back in war, would contribute to the encirclement of the U. S. by hostile naval forces, and threaten our ability to survive.

For meeting the current situation, you have the well-known precedent of former distinguished Secretary of State (later Chief Justice) Charles Evans Hughes, who, when faced with a comparable situation in 1923, declared to the Panamanian government that it was an "absolute futility" for it "to expect an American administration, no matter what it was, any President or any Secretary of State, ever to surrender any part of (the) rights which the United States had acquired under the Treaty of 1903," (Ho. Doc. No. 474, 89th Congress, p. 154).

We recognize that a certain amount of social unrest is generated by the contrast in living standards between Zonians and Panamanians living nearby. Bilateral programs are recommended to upgrade Panamanian boundary areas. Canal modernization, once U. S. sovereignty is guaranteed, might benefit the entire Panamanian economy, and especially those areas near the U. S. Zone.

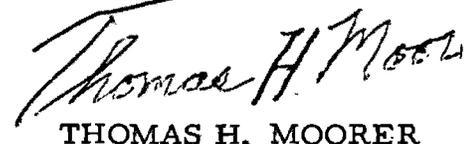
The Panama Canal represents a vital portion of our U. S. naval and maritime assets, all of which are absolutely essential for free world security. It is our considered individual and combined judgment that you should instruct our negotiators to retain full sovereign control for the United States over both the Panama Canal and its protective frame, the U. S. Canal Zone as provided in the existing treaty.

Very respectfully,


ROBERT B. CARNEY


ARLEIGH A. BURKE


GEORGE ANDERSON


THOMAS H. MOORER

TERMINAL LAKE-THIRD LOCKS PLAN FOR PANAMA CANAL

1. This plan provides for completing the major modernization of the Panama Canal authorized in 1939 and suspended in 1942 under the Terminal Lake - Third Locks Plan, which was developed in the Panama Canal organization as the result of experience in World War II and won approval by the President as a post-war project.

2. Briefly stated, this plan calls for the consolidation of all Pacific Locks in three lifts near Agua Dulce to match the layout and capacity of the Atlantic Locks, creation of a summit level terminal lake at the Pacific end of the Canal, and raising the maximum summit level from 87 feet to its optimum height.

3. One set of the new Pacific Locks would be the same size as the new set at Gatun. (1200' x 140' x 45' deep--present locks are 1000' x 110' x 40')

4. More than \$76,000,000 was expended on the Third Locks Project, including huge lock site excavations at Gatun and Miraflores and other works, most of which are useful. In addition, some \$95,000,000 was expended on enlargement of Gaillard Cut completed on August 15, 1970, making a total of more than \$171,000,000 already expended toward the Canal's major modernization.

5. In addition, the Terminal Lake Plan enables the maximum utilization of all work so far accomplished and can be constructed under existing treaty provisions, a paramount consideration.

6. Informal estimates for the Terminal Lake Plan are:

Cost	\$1.5 billion
Preparation	2 years
Construction	5 years (1200 working days)

7. The plan preserves the fresh water barrier between the oceans, protects marine life in the two oceans, has the support of major environmental groups, and safeguards the economy of Panama.

8. The Sea Level proposal, initially estimated in 1970 at \$2.88 billion, would require a new treaty with Panama, involving a huge indemnity and the cost of a right of way, both of which would have to be added to initial estimate, probably totalling \$6 billion to \$10 billion and requiring 14 years to construct.

9. The sea level proposal by requiring construction of a salt water channel between the ocean would enable the migration of alien predators and destructive species between the oceans, is ecologically dangerous, is strongly opposed by most biological groups at home and abroad, and would dislocate the economy of Panama.

10. When the canal problem is evaluated from all its angles, the Terminal Lake proposal offers the best, the most economical and sensible solution.

1. The outlook in the Senate for any Panama Treaty that abrogates U.S. sovereignty rights in the Canal Zone is poor. Not only are the votes lacking, but also the Senate calendar is too crowded to permit a measure so controversial to receive proper hearings and debate in the short confines of the September session.

2. The outlook in the House is equally bleak, even though a simple majority is all that is necessary. The House has, on numerous occasions, produced majorities opposed to the surrender of sovereignty. Article IV, Paragraph 3 of the Constitution gives "Congress"--i.e., both Houses--authority to dispose of U.S. territory and property. Sovereignty is a property right. Note: The House must vote before a treaty is ratified.

3. The most recent poll by Opinion Research, Inc., Princeton, N.J., shows 78% of the American people opposed to the surrender of ownership and control of the Panama Canal. This is the third year the question has been asked and shows a continuously rising sentiment (66% in 1975).

4. Torrijos has not been making the approval of a treaty any easier. His close relationship with Fidel Castro, and especially with Qaddafi of Libya--bankroller and protector of the anti-Zionist terrorists--will produce acrimonious debates that will divide the nation.

5. The negotiation of the treaty by Sol Linowitz, an international banker with emotional commitments to the Latin American Marxists--such as the late Salvador Allende--will make the product of the negotiations suspect, as not objectively protecting traditional United States interests and goals.

6. The exorbitant monetary demands of the Panamanians will make it even more difficult to sell the treaty to Americans, even if concessions are made, in our present state of fiscal crisis.

7. The solution is a basic compromise on the fundamental terms of the treaty: If the U.S. retains its sovereign rights, then we will make a binding commitment to initiate a major modernization of the Panama Canal according to the so-called "Terminal Lake-Third Locks Plan." (see attached memo) This would cost about \$1.5 billion (as opposed to \$6-10 billion for a sea-level canal). If the plan were properly implemented it would:

- a) provide for maximum Panamanian participation in the Plan
- b) upgrade technical skills and experience throughout all levels of Panamanian society
- c) reconstitute social and urban planning and development in Panama
- d) create the economic and social infrastructure that would allow Panama to continue development after construction of TLTL.
- e) become a real partnership into which Panamanians could divert nationalist energy and pride.

If the President proposes this plan, the U.S. will retain sovereignty, Torrijos and the Panamanian people will receive real economic and social benefits, and the President will have a proposal that will sail through Congress with the full support and cooperation of conservatives and liberals alike.

For the President, the impasse over the Canal will be broken with a constructive compromise proposal.

PANAMA CANAL NEGOTIATIONS

There are three fundamental questions involved in the Panama Canal negotiatio

1. Justice: Do we hold the Canal Zone by right? The answer is yes.
2. Practicality: Will a treaty abrogating sovereignty enable us to maintain the neutrality of the Canal for all nations? The answer is no.
3. Policy: Is it good policy to stay in the Isthmus in the face of Panamanian discontent and agitation? The answer is that it is the only viable choice we have and one that can form the basis for a fruitful, creative relationship with the whole of Latin America.

* * *

1. The question of justice.

- a) We hold our sovereign rights in the Canal Zone by both grant and purchase; we hold deed and title to property purchased from private owners.
- b) The original bargain with Panama was a just bargain which guaranteed Panama's independence and economic self-sufficiency.
- c) Contrary to the myth of guilt, we did not obtain our rights by shameful maneuvers.
- d) We have practiced strict neutrality towards Panama's affairs.
- e) Our benefits towards Panama have constantly increased both in our treatment of Panamanian employees, indirect benefits to the Panamanian economy, and direct military and economic assistance.
- f) We have constantly adjusted differences in our relations amicably and generously in subsequent treaties, always retaining our own sovereign rights and respecting the sovereign rights of Panama.
- g) We have fulfilled our international treaty obligations well, and have operated the Canal for the benefit of all nations.

2. The question of practicality: alternative scenarios.

Scenario I: If a treaty is denied

- a) riots
- b) strikes
- c) sabotage
- d) closure or failure of Canal operations
- e) economic collapse in Panama
- f) radicalization of Panamanian politics
- g) exit of U.S.

Scenario II: If a treaty abrogating sovereignty is signed and ratified

- a) attempts by Panama to assert its sovereignty and independence
- b) magnification of operating frictions and disagreements
- c) harassment of U.S. employees
- d) exit of most U.S. employees, ending practical control by U.S.
- e) rivalry of Panamanian politicians to control Canal operations, payrolls, and revenues
- f) radicalization of Panamanian politics to seek popular support for control of Canal
- g) demands for speed-up of timetable for U.S. withdrawal
- h) increasing influence of socialist bloc "technicians and advisors" to replace vanishing U.S. personnel
- i) coups by local colonels seeking to reform corruption and to establish their own Swiss bank accounts
- j) rise of terrorist guerrilla "liberation" movement, eventually supported by Cuban troops.
- k) coup by Marxist guerilla leader
- l) Treaty of Friendship and Cooperation with the Soviet Union
- m) Soviet naval bases in Colon and Balboa, on Atlantic and Pacific

3. The question of policy: a constructive alternative

- a) Retain U.S. sovereignty in the Canal Zone
- b) Demonstrate firm leadership to Panama and Latin America by retaining our presence and stability in the Isthmus
- c) Proffer the hand of friendship to Panama by making firm commitments (which we always eluded in the past) to
 - major modernization of the Canal, structured to spread social and economic benefits throughout all Panamanian social classes
 - assistance in broad development even after modernization is complete
 - re-establishment of prudent democratic institutions in Panama
- d) Place Panama in the framework of free enterprise and progress by setting up an anti-Marxist entente in the Western Hemisphere
- e) Give economic and moral support to those governments of Latin American which have thrown off Marxism and are seeking to eliminate the terrorism which destroys the human rights of their citizens.

~~SECRET~~
 THE WHITE HOUSE
 WASHINGTON

~~SECRET~~ - GDS

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI

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. Our Negotiators recommended that you do that to convey directly to them and indirectly to Torrijes 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.

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 1.

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. The Canal would be jeopardized and relations with Panama and all of Latin America and the developing world would be seriously, perhaps irreparably, harmed.

~~SECRET~~ - GDS

Jay 1/25/90

~~SECRET~~

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.

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).

~~SECRET~~

~~SECRET~~ - GDS

3

I should stress that Bert Lance has not cleared this yet.

State has also prepared Talking Points for you at Tab B. 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.

~~SECRET~~ - GDS

~~SECRET~~

THE SECRETARY OF STATE
WASHINGTON

~~SECRET~~

MEMORANDUM FOR: THE PRESIDENT
FROM: Cyrus R. Vance
Subject: Your Meeting with Panamanian Representatives, July 29 at 9:30 a.m.

PARTICIPANTS:

US

Secretary Vance
Ambassador Bunker
Ambassador Linowitz
Dr. Brzezinski
Robert Pastor
Alfonso Herrera (Delegated)

Panama

Ambassador Lewis
Minister Royo
Ambassador Escobar

I. PURPOSE AND BACKGROUND

In response to my memorandum to you of July 25, you agreed to receive the Panamanian representatives in order to request them to deliver a letter to General Torrijos outlining the approach which the United States will be taking in the negotiations on the issues of economic arrangements and lands and waters. You will want to use this meeting to impress on the Panamanians the seriousness with which the United States side has studied these issues and to emphasize that the offers which our negotiators will table represent the limits of United States flexibility.

The Panamanian representatives expect that you will have a message for them to deliver to General Torrijos. They all enjoy the personal confidence of the General, and are tough negotiators.

~~SECRET~~
XGDS-I

RECORDED
EG 15 JUL 29 1982
PER 8/5/91 G. H. L. MR-NLC-90-21
BY Jay NASS DATE 8/6/92

~~SECRET~~

-2-

II. ISSUES/TALKING POINTS

Courtesy Points

Ambassador Lewis presented his credentials to you May 16. Your conversation with him then was friendly and put the Panamanians in a receptive frame of mind for the negotiations which ensued.

YOUR TALKING POINTS

- Note your pleasure at being able again to meet with Ambassador Lewis.
- Extend best wishes to his son (a Georgetown University student) who will be married later today (July 29) in Panama.
- Welcome Minister Royo and Ambassador Escobar, noting that you have heard about them from Ambassadors Bunker and Linowitz.

Progress of the Negotiations

Despite some difficulties, the negotiations have made considerable progress during the past two months. Only two major issues, economic arrangements and lands and waters, remain unresolved in principle. Treaty drafting has not yet commenced.

YOUR TALKING POINTS

- Express your satisfaction with the major progress that has been achieved.
- Note your strong advocacy of a new and fair treaty and your hope that such a treaty and the sense of partnership which will follow could set an example for the world.
- Express your intention to give the treaty your strongest personal support and to mobilize Congressional and public opinion behind it.

~~SECRET~~

~~SECRET~~

-3-

Letter to Torrijos

In handing over your letter to General Torrijos, you will want to emphasize what the motivating factors have been on the United States side as we have developed our position on the major outstanding issues.

YOUR TALKING POINTS

- State that the United States has made every reasonable effort to deal with the important matter of economic payments generously.
- Mention that there are very powerful restraints under which the whole treaty problem has to be approached in the United States.
- Emphasize that in dealing with both economic arrangements and lands and waters the United States has had to keep in mind that a ratifiable treaty must allow the United States to assure that the Canal will remain open, efficient secure and neutral.

Attachments:

1. Draft letter for Torrijos
2. Biographic sketches

Draft of a suggested message from President Carter to
Panama's Chief of Government General Omar Torrijos Herrera

Dear General Torrijos:

I know you must be as pleased as I am that the negotiations for a new treaty between our countries regarding the Panama Canal have made so much progress over past months and are now moving to the threshold of a conclusion. This treaty will truly be a landmark in history and will serve as an example to the world of the way in which nations can work together for mutual advantage and for the benefit of the world.

If we can complete our task it will represent a new and important page in the history of our time. You will be able to take great satisfaction in knowing that through your personal leadership this new treaty has been achieved. For my part I want you to know that I am dedicated to assuring that a fair and just treaty is agreed upon.

I am aware that the two most important remaining issues in these negotiations are lands and waters and economic arrangements.

With regard to the lands and waters issue, the United States has made a number of major concessions in this

Brigadier General Omar Torrijos Herrera,
Chief of the Government and
Commander of the National Guard,
Panama.

~~SECRET~~

DECLASSIFIED

E.O. 13526, SEC. 1.4

DATE 9/5/91 BY SP-11/10/92
BY Sp-11/10/92 NARS, DATE 1/16/92

important area during the past several months. Any significant further adjustments in the United States position would adversely affect to an unacceptable degree the United States' capability to carry out its primary canal operation and defense responsibility.

In connection with economic arrangements, we are giving this issue a great deal of thought and are taking into account your goals and aspirations. Our Negotiators soon will be discussing with your representatives our very carefully considered proposal on annual payments to Panama under the new treaty. We will arrive at it after intensive analysis and in a determined effort to present a solution which we truly believe to be fair and just. In addition your representatives will be receiving from the Departments of State and Treasury responses to your request for economic help. These will also be the result of very careful and thoughtful analysis.

I can well understand that these proposals will be less than you had expected or wished. I want you to know that they will be in my best judgment generous, fair, and appropriate and, based on our consultation with the Congress, they will represent the most that we could undertake to do.

I also want you to know however that once a treaty has been negotiated we will be looking forward to cooperating with Panama in every way we appropriately can to help in the

improvement of Panama's economic health and economic development. With our two countries working closely together in operating, maintaining, and protecting the canal there will be many ways in which we can cooperate effectively and we fully intend to do so.

I am confident that you understand the problems I face and the difficulties that lie ahead. By the same token be assured that I am fully sensitive to the problems and difficulties that confront you.

With understanding and patience, I believe we can move quickly forward and 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 in which we and our people are working together and cooperating fully, in civilian endeavors and in military affairs.

I look forward with great anticipation to signing with you 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/

THE WHITE HOUSE

WASHINGTON

July 28, 1977

MEMORANDUM FOR: HAMILTON JORDAN/LANDON BUTLER

FROM: JOE ARAGON }A

SUBJECT: PRESIDENT'S MEETING WITH
PANAMANIAN NEGOTIATORS

Before the President meets tomorrow with the Panamanian negotiators, I would just like to make a couple of points which I believe are important to consider.

- (1) If the President adopts the financial package which has been suggested it will be crucial to subsequently make clear to the public (whenever that time comes) that:
 - the aid being given is only a small percentage of the \$5 billion package originally requested by the Panamanians.
 - the aid is not in the form of cash grants but rather in the form of loans (which will be repaid) and guarantees.
 - the loans and guarantees will be used to develop the nation of Panama and help bring its citizens a better standard of life.
- (2) I personally believe that the President must go forward with the Treaty. It is too late to turn back or place in limbo a 14 year process that is nearing its culmination. To do otherwise will invite charges of "bad faith" and increase the likelihood of major incidents in Panama.
- (3) We should get ready for an all-out crash effort on behalf of the Treaty in the event that the Panamanians were to agree quickly. Nothing less than a major political initiative by the White House will save this Treaty. Anything less will assure its defeat.

THE WHITE HOUSE
WASHINGTON

July 28, 1977

The Vice President
Hamilton Jordan
Bert Lance

The attached is for
your information.

Rick Hutcheson

~~TOP SECRET ATTACHMENT~~

~~SECRET~~

THE WHITE HOUSE

WASHINGTON

~~SECRET~~ - GDS

ACTION

July 28, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *ZB.*

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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.

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~~SECRET~~ - GDS*Jay 11/25/00*
~~SECRET~~

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~~SECRET~~

~~SECRET - GDS~~

3

I should stress that Bert Lance has not cleared this yet.

State has also prepared Talking Points for you at Tab B. 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.

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DEPARTMENT OF STATE

Washington, D.C. 20520

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JUL 12 1977

MEMORANDUM

July 11, 1977

TO: Mr. Landon Butler
Deputy Assistant to the President
The White House

FROM: Jill A. Schuker *AS*
Special Assistant to Hodding Carter, III

SUBJECT: Panama Treaty

FYI, thought you might find it useful to have a copy of this Panama memo and draft statement on "Why A Treaty?". Jim Fallows has a copy already. Approximately 30 negative Panama Q&A will be ready this week.



DEPARTMENT OF STATE

Washington, D.C. 20520

MEMORANDUM

July 8, 1977

TO: PA - Hodding Carter, III

FROM: PA - Jill Schuker

SUBJECT: Background Summary and Talking Points on Panama

There is a draft Treaty ready for comment which basically incorporates the following main points: 1) for the duration of the Treaty (until December 31, 1999), the openness (neutrality) of the Canal is guaranteed. The right of action (unilaterally if necessary) extends beyond the duration of the Treaty. The Panamanians have the same right. 2) Panama will assume jurisdiction of the Canal over a phased 3-year period.

Questions still being worked on are: employees' rights, distribution and operation of lands and water in the zone (probably a Joint Port Authority will operate the two ports and railroad); Canal expansion (we want a third lane of locks and/or a sea-level canal); economic compensation (Panama wants \$1 billion down and \$300 million a year thereafter. We think we can use tolls to pay Panama \$35-40 million per year as an annual payment during the term of the Treaty--the total operation now is approximately \$200 million per year). This last point is the major hurdle with Torrijos and the Panamanian negotiators have been holding firm. Torrijos apparently feels very vulnerable on this issue (he intends to submit a Treaty to a plebiscite) and feels he needs to demonstrate to the Panamanians that a Treaty will mean some marked economic improvement for his country in the face of the "great concessions" Panama has made to satisfy U.S. requirements. On this point we are citing the danger (Congressional passage, etc.) of pressing further in the Treaty beyond the already "very generous compensation" we are offering relating to the Canal tolls. We are saying that post-Treaty we will work in any way we can "to assist in the development of an economic program" in Panama both with U.S. support and international lending institutions' support. Venezuelan President Perez will speak with Torrijos on this issue. We should have further word how far apart we still are when the Panamanians return to negotiate next week.

~~CONFIDENTIAL~~

GDS

DECLASSIFIED

E.O. 12958, Sec. 3.4

PER Spika Stable U RE MR-ALC-90-21

BY Jung NARS. DATE 1/16/92

The timetable that is still being most seriously planned for Treaty submission for consideration to the Senate by the end of the month/early August. The numbers are not encouraging: 27 likely support votes in the Senate; 21 inclined to support; 20 undecided; 19 inclined against; and 13 opposed (these are two weeks old). The House is worse with 24 sure votes, 126 leaning positive, 92 undecided, 53 negative, and 138 leaning negative. Other than obvious work needed in Congress, the question is what themes to emphasize and how/when/where/who to approach in the public and media. Bunker has no scheduled speaking engagements; Linowitz speaks to the Foreign Policy Association in New York later this month and to the American Legion Convention in Denver, Colorado, in late August. He and Bunker are now re-scheduled for Meet the Press either July 17 or 31. Linowitz is also talking to the White House media conferences on July 15 and July 29. I mentioned to you the request from the overseas writers who would like to meet with Linowitz and Bunker, and apparently the Today show, etc. would like to use them whenever they are ready to appear. There really are no other major speaking engagements or fora over the summer. We are talking about the possibility of an NGO meeting in September for a briefing on the Treaty, and I have asked Jim Montgomery to explore the possibility of other media and speech ideas. H would also like to use Vance and Christopher if possible for conversations with Senators, etc. (e.g., if Vance was in a position to stop in Florida on the way to Brazil and talk to Stone privately). Also, if the timing is right perhaps he could hold a briefing on Panama or news conference if he stopped over.

We are preparing a brief "Why a New Treaty?" answer. This appears to be the key question which has not been answered satisfactorily so far, and the way it is answered sets the tone for the rest of the debate. We need to be on the positive offensive, stressing certain themes and downplaying others. Basically, we want to stress the moral and pragmatic reasons a Treaty is desirable: we are a great country and the Panamanians need a fair shake; our defense, security, and neutrality are protected as always; it is in our national interest to have a Treaty; times have changed and the old agreements are not reflective of current circumstances; this decision on a new Treaty is right, fair, befitting us, in our interest, and part of a new anti-colonial and partnership tone with Latin America. Polls have shown that the most responsive arguments with the American people are: it's the fair thing to do, it gives the Panamanians reason to protect and maintain the Canal; it improves relations with Latin America. Those arguments considered most effective for the opposition are: it's ours because we bought it; the Treaty was supposed to last

forever; Panama might someday deny U.S. access; an outside invader might take over the Canal.

Answers, to negative questions (Canal will go Communist, Torrijos relationship with Qaddafi, shipping will come to a halt, someone will blow up the Canal, etc.) are being prepared for internal use; Q&A for external use (outside media) is being prepared; an updated GIST is being worked on and Linowitz mentioned his interest in a speech. I have talked to Paul Auerswald about the possibility of having TV do a documentary (perhaps with some encouragement from us).

Also, for your information, there is a letter attached to the President from Thurmond, Helms, McClellan, and Harry Byrd enclosing a letter from four Former Chiefs of Naval Operations Carney, Anderson, Moorer, and Arleigh Burke opposing a new Treaty. The President met with Helms about this. Also, hearings are scheduled on the Hill (House and Senate) in the near future to discuss aspects of the relationship with Panama; they are not necessarily focusing on the Treaty, but it is bound to come up. Dear Colleague letters on the Hill, both House and Senate, are being circulated to get co-sponsors on Canal Zone sovereignty resolutions "opposed to the projected surrender". The most recent one circulated came from Reps. Murphy, Flood, Snyder, and Crane.

DRAFT

WHY WE ARE NEGOTIATING A NEW PANAMA CANAL TREATY

We are negotiating a new treaty because the terms of the 1903 treaty no longer reflect the many changes which have occurred in Panama, the U.S. and the world in the past 74 years. We are negotiating because we want to protect our basic national interest in Panama -- a Canal that is open, efficient, neutral and secure. The Canal is important to the United States -- though less so than in earlier years -- and we believe a new treaty with arrangements more acceptable to Panama will be more protective of the Canal than the present treaty.

Today no nation, including ours, could accept a treaty which permits the extensive extra-territorial rights which we now enjoy in "perpetuity." Panamanians of all persuasions are unhappy with the present treaty. They believe it is unfair and unjust, a holdover from a colonial era. How they feel is important, because the Canal runs right through the middle of their country. The Zone is 10 miles wide, from coast to coast. It dominates their national life and the personal lives of virtually all Panamanians. The Canal affects them far more than it affects us. They want changes. And we are negotiating, therefore, because we believe that the costs of trying to maintain the status quo would be unnecessarily large and likely to lead to confrontation.

As Panama's acceptance of our presence declines, our ability to operate and defend the Canal will grow increasingly difficult. A new, positive treaty relationship based on the concept of partnership would give Panama a tangible stake in the effective operation and defense of the Canal; whereas confrontation would risk losing what both we and the Panamanians want to protect -- a secure and open Canal. Our Joint Chiefs of Staff, who have been represented in all aspects of the negotiations, concur that a new Treaty is in our best interests.

We believe that Latin America's strong support for Panama's aspirations will create a serious problem in our hemispheric relations without a new treaty.

In summary, a treaty which satisfies the legitimate interests of both countries means sound business management, represents realistic foreign and defense policy, and signifies an important step toward constructive relations between the United States and Latin America.

We believe that the current negotiations are the best opportunity to achieve a durable and mutually beneficial partnership for this country and Panama now, and for the generations to come.

DRAFT PANAMA STATEMENT

7/11/77

Do you

This summer, Ambassadors Bunker and Linowitz have been concluding our negotiations on the Panama Canal.

They have been working with representatives from Panama on a replacement for the treaty that was signed in 1903 and has been in force ever since.

We need a different treaty because we live in a different world than the world of 1903.

That treaty was signed in the age of colonialism, when the nations of Europe asserted sovereignty over what are now the independent countries of Africa, Asia, and Latin America.

It was signed in the age before airpower, when our navy was our only means of overseas defense, and when the Canal was an indispensable part of our military mobility.

It was signed in an age when water-borne commerce was even more important than it is today, and when _____ percent of our trade passed through the canal.

The world of 1977 is far different. Colonialism is almost dead. More than a hundred new nations have been born. Both new and old nations believe that the sovereignty of every nation should be protected.

Our modern military relies on airpower, rather than ships, now to move troops and supplies around the world. Only 7 percent of our commerce now goes through the Canal.

Only one thing has not changed since 1903. That is what we need from the Canal.

We do not need to own it--and we never have. The treaty of 1903 did not give us sovereignty over the Canal zone--only the right to operate and use the Canal.

What we do need is the absolute certainty that we can continue to use the Canal--that it will always be open, efficient, neutral, and secure.

The only question that matters now is how we can best achieve those goals through the end of this century and beyond.

We started these negotiations because we believed that a new treaty would be better for the U.S. than the one signed in 1903. I believe that the treaty we are about to conclude is the best way to protect our interests in the Canal.

We could, of course, refuse to consider any new treaty at all. But there would be no greater threat to the security of the Canal than insisting on arrangements the people of Panama despise. The best way to make the Canal secure will be to make Panama our partner in its protection.

With Panama as our enemy, there is no way we can protect the Canal. With Panama as our partner, we will have the best possible guarantee. That is why the Joint Chiefs of Staff, after carefully considering our military requirements, believe that a new treaty will better defend our national interest.

For many years, our interests have really been the same as Panama's. The more satisfied they are, the more secure we can be about continued use of the Canal. Now we can have a treaty that recognizes this fact, and formally expresses our alliance.

We built the Canal in our national interest. We use it in our national interest. And now, in our national interest, we must sign a new Treaty that will protect the Canal, while also signalling our allies in Latin America and the rest of the world that we are willing to negotiate in good faith and treat them fairly.

THE SECRETARY OF STATE
WASHINGTON

July 28, 1977

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MEMORANDUM FOR: THE PRESIDENT
FROM: Cyrus Vance (CV)
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. 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. 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).

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E.O.12958, Sec.3.6
PER 8/28/00 Skk RE NLC-00-124
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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. 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

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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

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- 4 -

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.

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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.

	<u>Approve</u>	<u>Disapprove</u>
A. Variable annuity of 30 cents/ton (\$45-50 million/year)	_____	_____
B. Eximbank pre-commitment of \$200 million	_____	_____

	<u>Approve</u>	<u>Diaspprove</u>
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:		

Either

1. To secure FFB lending (\$200 million)

or

2. To make fixed annuity payments of up to \$20 million per year if Canal revenues permit (up to \$440 million)

Or

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 _____