

4/18/78 Briefing Book –Panama Canal

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THE PRESIDENT

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Importance of the Canal

Q. How important is the Canal to U.S. commerce and national security?

A. -- It is very important to both, although its importance has declined in relative terms. Indeed, because we judge that the Canal will remain important for the indefinite future is the reason we have tried so long to negotiate a treaty to better protect our interest.

-- National Security: Even though large aircraft carriers cannot transit the canal it is an asset of continuing military importance. Most of our naval vessels can transit the canal, if not loaded, in ballast. Thus, use of the Canal facilitates quick movement of warships and support vessels from one ocean to the other as required to meet needs of the moment.

-- Commerce: About 12% of the tonnage of U.S. water-borne foreign trade goes through the canal. In FY 1976 67 million tons out of 117 million tons of cargo transiting the canal were either going to or coming from U.S. ports.

- The share of U.S. foreign trade passing through the canal has been slowly declining in recent years, but the canal's importance remains. The total tonnage transiting the canal is and will increase as world trade increases even though the Canal's percentage of world trade may decline as competitive alternate routes develop.
- 25,000 of the approximately 27,000 vessels in the world's merchant fleet can transit the canal.
- Those vessels which cannot transit the canal are mostly supertankers in the petroleum trade. They would not use the Canal in any case, since it does not lie in the routes from sources of production, e.g., in the Persian Gulf, to markets in Europe and the Eastern U.S.
- Ports on the eastern seaboard of the U.S. cannot handle supertankers, so their use for transport of Alaskan oil would be marginal even if they could use the canal.

3.2.

Comparison of 1967 and 1977 Treaties

Q: Would you compare the differences and similarities of the 1967 and 1977 treaties?

A: -- Defense: The 1967 defense treaty and the 1977 Panama Canal Treaty provide that both U. S. and Panamanian forces will have a role and cooperate in the defense of the Canal. In the 1977 Treaty, the U. S. is given "primary responsibility" for canal defense. Under both treaties, each Party has the right to act unilaterally, if necessary, to defend the Canal. The defense arrangements in the 1977 Panama Canal Treaty would terminate along with U. S. operation of the Canal in 1999. The 1967 treaties would have terminated U. S. defense rights in 2004, although this duration could have been extended in the event of sea-level canal construction.

-- Land and Water Areas: Under both the 1967 and 1977 agreements, specified land and water areas needed for canal operation and defense are reserved for those purposes. The 1977 Treaty breaks these areas into more categories (i.e., Canal Operating Areas, Defense Sites, Military Areas of Coordination, Housing Areas, Port Areas) than did the 1967 drafts (which specified a Canal Area and Defense Areas). However, all needed rights with respect to land use are covered in both arrangements.

- Duration for operation: Both the basic 1967 canal treaty and the 1977 Panama Canal Treaty specify December 31, 1999 as the termination date for U. S. operation of the Canal. The 1967 sea-level canal treaty provided for an extension to not later than 2067 if a sea-level canal ultimately was agreed upon and constructed.

- Criminal Jurisdiction over U. S. Military Personnel: Under both agreements the U. S. would retain substantial jurisdiction over military personnel through a Status of Forces Agreement arrangement.

- Neutrality: The 1967 drafts provided that the neutrality of the Canal was to be maintained "in accordance with the principles which have governed since the Canal was opened." The 1977 Treaty spells out a permanent regime of neutrality for the Canal which, while consistent with the existing regime of neutrality established by the 1901 Hay-Pauncefote Treaty, includes a number of specific provisions designed to expressly protect U. S. military and security interests in the use of the Canal.

- The 1977 draft includes a prohibition against foreign operation of the Canal and foreign military presence in Panama after the termination of U. S. operation. No such prohibitions were included in the 1967 drafts.

- Both sets of treaties contain language establishing that U. S. naval vessels may go to the head of the line of vessels awaiting transit in case of need or emergency.
- The 1977 Treaty provides for the permanent maintenance of the regime of neutrality by the United States as well as Panama.

-- Control of Canal Operation/General Criminal Jurisdiction: The 1967 treaties created an "international juridical entity" with a board appointed by the U. S. and Panama to operate the Canal and to administer the Canal area. Although the United States would have had the right to appoint a majority of the governing board of the joint administration, it would have retained no direct legislative authority over the operation of the Canal. Indeed, the rights granted in the treaty with respect to Canal operation were granted to the joint administration and not to the United States. Under the 1977 Treaty, Canal operation and management would remain the responsibility of the United States, and the rights necessary for these purposes are granted directly to the United States. The Treaty specifies that these functions are to be carried out by a United States Government agency created by and subject to United States law. The United States will retain the right to legislate on

all matters concerning Canal operation and management, including the setting of tolls and the conduct of relations with its employees.

- Sea-Level Canal: The 1967 drafts included a separate treaty which would have granted the United States the right to construct a sea-level canal in Panama subject to future agreement between the United States and Panama on important aspects particularly the level of payments to Panama from such a new Canal. The 1977 Panama Canal Treaty provides that the two countries will jointly conduct a study to determine the feasibility of a sea-level canal in Panama, and, if they determine such a waterway is necessary, they shall negotiate terms agreeable to both parties for its construction. Both sets of treaties require that during their duration the parties will deal exclusively with each other with respect to the construction of a sea-level canal in the Western Hemisphere.

- Payments to Panama: Under the 1967 treaty, these were to increase gradually over a five-year period from \$.17 to \$.22 per "long ton." Payments to Panama under the new agreement will be \$.30 per "Panama Canal net ton" (roughly equivalent to a long ton), plus an annuity of \$10 million from canal revenues, and an additional annuity of up to \$10 million contingent on the availability of canal revenues.

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Impact of Treaty Rejection

Q: What would happen if the Senate rejects the treaties?

A: -- Panamanian expectations are high after thirteen years of negotiations, their plebiscite, visits by Senators and the treaty signing ceremony. Rejection now by the Senate would lead to enormous frustrations in Panama.

- Our relations with Panama would deteriorate.
 - Demonstrations against us would be inevitable.
 - The atmosphere in which the Canal is operated would be much less favorable; canal users would be troubled by uncertainty.
 - Some involvement of the Canal Zone police and our military forces in conflict with Panamanians would be a possibility.
- Rejection of the treaties would impair our relations with Latin America.
- Panama would bring the issue before international forums where we would face wide opposition, even from many of our closest allies who have favored the treaties.

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Defense of the Canal--
U.S. Rights and Commitments

Q: What are the defense rights of the U.S. under the two new treaties?

A: -- The Panama Canal Treaty (in effect until year 2000)

recognizes the "primary responsibility of the U.S. for canal defense and gives the U.S. the right to act, unilaterally if necessary, to protect and defend the canal. Further, it provides for the continuation of the U.S. military presence in Panama through a conventional base rights and status of forces agreement."

-- Under the Neutrality Treaty (remains in permanent effect after the year 2000) the U.S. will not station military forces in Panama but will have the right to take action to maintain the regime of neutrality established in the treaty. This means whatever action we deem necessary, including military action, against any aggression or threat directed against the canal or the peaceful transit of vessels through it.

Defense Rights -- Comparison of Rights
and Military Advantages under the
New Treaties and 1903 Treaty

Q: Would we lose any military advantage in giving up rights "as if sovereign" in the Canal Zone? What current military activities would we have to give up?

A: -- The Joint Chiefs of Staff worked closely with the U.S. negotiators. They believe the new treaties safeguard our defense interests better than the old treaty.

-- The rights under the new treaties will be no less valid than the rights we possess today--which are also established by treaty.

-- At present the U.S. has all rights it would possess if it were sovereign in the Canal Zone, and exercises certain of those rights in order to defend the canal. Under the Panama Canal Treaty we will have rights to defend the canal and access to all lands, waters and facilities considered necessary for that purpose.

-- A separate agreement governs military activities unrelated to canal defense which the U.S. may continue to carry out such as tropical testing, telecommunications, meteorological, navigational and oceanographic activities; activities of the Inter-American Geodetic Survey; humanitarian relief operations; and schooling of Latin American military personnel.

Neutrality Treaty -- U.S. Freedom of
Action to Defend Canal

Q: Does the Neutrality Treaty limit U.S. freedom of action to defend the canal under the Neutrality Treaty?

A: -- Under the Neutrality Treaty we have freedom to take any action to protect the canal against any aggression or threat so long as that action is to ensure that the canal will remain open, secure and accessible. Such action would not constitute intervention in Panama's internal affairs--a right we gave up in the 1936 treaty with Panama.

Defense of the Canal -- Meaning
of Territorial Integrity

Q: In the joint statement of understanding concerning the Neutrality Treaty we agree not to violate Panama's "territorial integrity." How then could we send in forces to defend the canal?

A: -- "Territorial integrity" does not have any codified definition in international law. In the direct sense it is commonly understood as the general right of a state not to have territory over which it exercises sovereignty detached or annexed, or have its sovereignty or jurisdiction ousted or diminished, through use of force.

-- Any U.S. action in defense of the canal would not be directed at Panama's territorial integrity but to keep the canal open to the peaceful transit of ships of all nations.

-- For the purposes of the Neutrality Treaty, the U.S. and Panama have agreed that action taken by the U.S. to defend the canal against any threat to the regime of neutrality, and limited to that purpose, would not violate Panama's territorial integrity.

Defense of the Canal -- Comparison of
the Regime of Neutrality and Present Regime

Q: What are the differences between the regime of neutrality under the Neutrality Treaty and the present regime? How does it square with the Hay-Pauncefote treaty?

- A: -- The new treaty carries over the basic principle of neutralization elaborated in the 1901 Hay-Pauncefote Treaty and is consistent with the terms of that treaty which would remain in effect. Her Majesty's Government has confirmed this understanding.
- Most of the textual differences between the two treaties center around the fact that the new treaty includes a series of specific standards not spelled out in the former, concerning such matters as inspection of warships, provision for expeditious transit of naval vessels of the parties charged with maintaining canal neutrality, etc. (See Articles III and VI in particular).
- At the same time, the new treaty does not repeat certain provisions of the 1901 treaty concerning such matters as the treatment of belligerent vessels in accordance with pre-U.N. Charter international law and practice.
- The 1977 treaty makes expressly applicable "both in time of peace and in time of war" the basic 1901 requirement that the canal be "open to the vessels

of commerce and war of all nations..on terms of entire equality..." This reflects the U.S. view that, during wartime, our national security interests can continue to be protected, and our interests in use of the canal better served, by relying on our military to preclude enemy shipping from reaching the canal, rather than by giving the canal operator authority to attempt to exclude it through regulatory action.

-- Article V of the new treaty also contains a concept not found in the 1901 treaty. That article prohibits foreign operation of the canal, the garrisoning of foreign troops, and maintenance of foreign military installations in Panamanian territory after the year 2000. This provision puts others on notice that neither the U.S. nor Panama would tolerate any attempt to establish foreign domination in Panama once that country assumes responsibility for canal operation.

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Canal Defense -- Reorganization
of U.S. Military in Panama

Q: How will the U.S. military be reorganized as a result of the treaties? How will their mission change with regard to Panama?

A: -- Reorganization will depend on the working relationship established with Panama as the treaties are implemented. Some force reductions could take place, but the decisions are the sole prerogative of the U.S.

-- The new responsibilities of the U.S. forces in Panama will be (1) coordination with Panamanian military through the Combined Board; (2) coordination concerning the Status of Forces Agreement through the Joint Committee; and (3) provision of a number of services now provided by the Canal Company.

-- U.S. forces will probably increase their training role with Panamanian National Guard.

Defense Rights -- Role of the Panamanians

Q: How will defense coordination work until the year 2000?
: The Neutrality Treaty provides that the U.S. and Panama "agree to maintain" the neutrality of the Canal. Does that mean both must agree to specific measures?

- A: -- That general formulation in Article IV of the Neutrality Treaty permits the parties to agree on specific measures to maintain the Canal's neutrality. It does not require that they must agree. It permits each party to decide upon and take steps to maintain the Canal open and neutral. The Joint Statement of Understanding interpreting this Article states specifically that "each of the two countries" shall defend the Canal.
- The Panama Canal Treaty in its Article IV, also contains the provision that "each Party" shall protect the Canal.
- The Panama Canal Treaty recognizes the desirability of cooperation in defense of the Canal and calls for (in Article IV paragraph 3) a Combined Board of senior military representatives of the two countries for cooperation in planning, exercises and conduct of operations concerning Canal defense.
- It does not purport to create a unified command or alter internal lines of command within the forces of either country or their relations to their own government.

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Treaty Payments -- Domestic Impact

Q: What will be the domestic impact of these payments?

A: -- A toll increase of roughly 30% is anticipated in the early years to ~~made~~^{make} the payments, with inflation adjustments for later years.

-- The net increases in transportation cost would be less than 1%, with an even smaller percentage increase in final sales price for any commodity. It would vary from commodity to commodity, but would be an extremely small fraction of domestic consumer cost.

-- Alaska oil going to the Eastern Seaboard would increase by 0.15 cent per gallon.

-- For exports the increase in costs would be a fraction of one percent. Our price advantages ^{many} on/exports transiting the Canal is greater than this increase, so it could be passed on to buyers. The average transportation cost of a bushel of Iowa corn going to Japan is \$0.66/bushel. This would be increased by less than half a cent.

-- For those few exports which may be diverted to other ocean routes, the cargo would still be handled through U.S. ports with no overall loss of revenue or jobs.

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Economic Cooperation Package

Q: What are the economic cooperation arrangements with Panama? Why are they not a part of the treaty?

A: -- Outside the treaty, Secretary Vance sent a note to the Panamanian Ambassador on September 7 that the United States was prepared to develop an economic program of loans, guarantees and credits of up to \$295 million dollars over a five year period. This pledge is subject to limitations of U. S. laws.

-- It is for

- up to \$200 million in Export-Import Bank credits.
- up to \$75 million in AID housing investment guarantees.
- up to \$20 million in loan guarantees to the National Finance Corporation of Panama.

-- In addition, the United States agreed to establish a military sales credit program of up to \$50 over a ten-year period to improve the capability of Panama's National Guard to participate in defense of the Canal.

-- The economic package is not a part of the treaties and will be implemented on their own merits in accord with established program criteria. The program has no bearing on the binding effect of the treaties which would stand on their own.

- The U.S. did not wish to make the effectiveness of the treaties contingent on the status of the contemplated programs. This is why they are not addressed in the treaty.
- The Congress was kept fully informed.
- Since the economic package is for loans, guarantees, and credits, no appropriated funds, i.e., tax dollars, would be required. (For military assistance programs about \$500,000 a year in appropriate funds would be needed for a reserve account in the Treasury Department not to be transferred to Panama.)
- The above programs would become effective only upon the conclusion of an agreement to that effect between the two countries.

Comparison with Base Payments

Q: Can you compare the value of the treaty annuity payments to military base payments elsewhere?

A: -- The Canal treaty annuities will provide Panama initially with \$50-60 million per year at no cost to the U.S. taxpayer.

-- The five-year base arrangement with Spain will cost the U.S. taxpayer \$170 million; over a four-year period our proposed base arrangement with Turkey will cost the taxpayer \$200 million.

-- The package of credits and loan guarantees to be provided to Panama outside the Treaty totals \$345 million. Credits and loan guarantees to be made available under base arrangements for Spain and Turkey amount to \$600 million and \$800 million, respectively.

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Implementing Legislation -- Transfer
of U.S. Property

Q: Won't legislation be required to transfer U.S. property since Article IV of the Constitution gives Congress exclusive responsibility for disposition of U.S. property?

A: -- The treaty was written to be self-executing on the transfer of U.S. property.

-- When ratified by the President with the advise and consent of the Senate its provisions covering the transfer of U.S. property will take effect as the supreme law of the land under Article VI of the Constitution.

-- It is well established that the treaty power extends to all areas within the legislative authority of Congress that are not expressly reserved by the Constitution to the exclusive jurisdiction of Congress.

-- That U.S. property can be transferred by treaty alone is plain in the drafting history of the Constitution and supported by the opinion of the Attorney General on this aspect of the canal treaties.

-- It was done in, among others, treaties with Mexico of 1963 concerning the Chamizal in Texas and 1970 settling the boundry marked by the Rio Grande and Colorado Rivers, with Honduras in 1971, on the Swan Islands and with Britain in 1846 on the Oregon boundaries.

New Canal Commission

Q: How will the new Panama Canal Commission be organized? Who will run it? What kind of borrowing authority will it have?

A: -- The treaty provides that until the year 2000 the U.S. will have the right to manage, operate and maintain the Canal and that it will exercise these rights through a U.S. Government agency to be called the Panama Canal Commission, replacing ~~but similar to~~ the Panama Canal Company.

- The treaty leaves it up to the U.S. to determine the form of the Commission. The Executive Branch intends to recommend to the Congress that:
 - Like the Panama Canal Company, it should be a corporate agency of the U.S. Government.
 - It should be a self-sustaining agency with revenues produced by operations to cover expenditures.
 - As a matter of prudent management it should have contingent authority to borrow from the Treasury or seek appropriations to cover any operating deficit, like the authority of the present Canal Company.

- Unlike the present Canal Company the new Commission would have increasing Panamanian participation in its management looking towards the assumption by Panama of operation of the canal in the year 2000.
- With respect to management, the treaty provides that:
 - The Board of Directors will have five American members and four Panamanians during the life of the treaty. A quorum requires ^amajority of Americans.
 - Until the year 1990 the chief executive officer (Administrator) will be an American and his deputy a Panamanian. After 1990, the Administrator will be a Panamanian and his deputy an American.
 - The Panamanian Administrator, or deputy Administrator, as well as all other Panamanian employees, will be U.S. employees subject to our law, direction, and removal.
 - Panamanian members of the Board, always a minority, may only be removed with agreement of Panama.

Canal Zone Employees

Q: What are the salient points concerning Canal Zone employees in the new treaty?

A: -- The treaty requires a 20% reduction within the first five years of those U.S. citizen employees of the Panama Canal Company who were employed immediately prior to the entry into force of the treaty.

To the maximum extent possible, U.S. citizens who work for the Canal enterprise will be retained in their existing jobs.

-- In general, the same terms and conditions of employment that are in force immediately prior to the start of the Treaty will apply.

-- Any employee whose job is adversely affected or who chooses not to continue with the new Commission will receive job placement assistance for other federal openings. All employees will be accorded a liberalized optional early retirement program.

-- Most new U.S. citizen employees will be rotated every 5 years, although those employees who possess non-recruitable or non-transferable skills might stay longer. Hiring policy will provide preference for Panamanian applicants.

- U.S. employees will retain Company housing at a reasonable cost under the new Commission. The Canal Commission will not have authority to operate special stores for Canal employees, but U.S. employees will have commissary privileges for 5 years after the treaty enters into force.
- U.S. citizen employees and their dependents to be tried for crimes by Panama will be entitled to procedural guarantees spelled out in the agreement and will be permitted to serve any sentences in the U.S. in accordance with a reciprocal agreement to be negotiated.
- For 30 months the U.S. will retain criminal jurisdiction over its nationals for crimes committed prior to the entry into force of the treaty. Thereafter Panama will have criminal jurisdiction, but has agreed that, as a matter of general policy, it will waive jurisdiction in favor of the U.S., at U.S. request.

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Human Rights

Q: How would you describe the human rights situation in Panama? What has the U. S. done to improve it? Should we sign treaties with this government when we cut off aid to other Latin American countries that violate human rights?

- A: -- Violations of human rights have been episodic and observance of human rights has been improving.
- Panama has recently received a visit by the Inter-American Human Rights Commission to inspect the situation.
- Amnesty International has reported that the most serious violations occurred before 1970. Its reports for 1975-76 and 1977 did not contain a section on Panama.
- There is no evidence that the government makes a practice of arbitrary imprisonment, torture, or murder for political purposes.
- We have discussed the administration's policies on human rights with the Government of Panama, particularly with regard to the exile of 14 Panamanians in January 1976. The Government of Panama realizes the importance of a good human rights record in its relations with the U. S. In recent months, many exiles have been permitted to return.

- Since there is no consistent pattern of gross violation of human rights now, we would not cut off aid to Panama as we have to countries where there is such a pattern of violation.
- In any case, the question of human rights should not be linked to the treaties which were negotiated to protect U.S. interests in the Canal.
- Freedom House, a private U.S. foundation that has been critical of Panama's human rights record, has supported ratification of the treaties.
- A spokesman for the Panamanian Committee for Human Rights, a group of exiled opponents of the Torrijos government, has testified before separate congressional committees that the issue of human rights in Panama should not be linked to the treaties.
- Conclusion of a treaty with a foreign government does not mean we approve of that government.

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Panama's Economy

Q: What is Panama's economic situation? Will it be strong enough for Panama to assume control of the canal in 2000? Will the treaties help the economy?

A: -- Panama's economy had an exceptionally high rate of growth in the 1960's, one probably not sustainable over the long term. Growth started to fall off in the early 1970s and the rise in oil prices and the world recession accelerated that trend.

-- To keep demand and employment at an acceptable level, the government has carried out a large public investment program. To finance the program, Panama became a heavy borrower in the international market. This brought a major increase in debt service requirements from \$138 million in 1975 to \$253 million in 1977, 32 per cent of central government revenues. The dis- bursed external public debt stood at \$1.1 billion dollars at the end of 1976, (it excludes maturities of less than one year). Panama has not defaulted on loan repayments.

-- The new Panama Canal treaty will help but not cure the country's fiscal and economic problems. By resolving a longstanding dispute with the U. S. over the 1903 treaty, the new treaties will remove an element of uncertainty in the investment climate that also helps improve the economic situation. In addition, Panama over the long term will be able to

exploit land and water areas not needed to operate the canal.

- We believe the economy will be strong enough in the year 2000 for Panama to take control of the canal. Panama's current GNP is \$2 billion, giving a per capita figure of \$1,200. It has a strong free enterprise economy, though with some weaknesses. The treaties would allow Panama to go ahead with plans to enlarge its role as a service center for shipping and regional trade activities.
- The treaties also provide for training the Panamanian work force to take over the canal.

Bail-Out for American Banks

Q: Were the treaties and economic package really a bail-out for U. S. banks?

A: -- No. The position of American banks in Panama was never a consideration in the negotiations.

-- Panama's initial negotiating demands for payments far exceeded what could have been paid out of the most optimistic estimates of canal revenues. We insisted payments must be made solely from canal revenues and our position was accepted.

-- The economic package negotiated separately from the treaty was to strengthen Panama's economy and development with no consideration of the interests of American banks.

-- The Government of Panama had borrowed from U. S. banks only \$350 million at the end of 1976. A Federal Reserve figure of \$2.9 billion for claims by U. S. banks against Panama in June, 1977, represents largely banking transactions passing through international branch banks in Panama (a large offshore banking center) and regional offices of multi-national corporations. It has almost no bearing on the credit position of the Panamanian government or the country's economy. All Panama's public debt service payments are being made.

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Reaction of Our Allies and Latin Neighbors

Q: By phasing out U. S. control of the canal, will our allies perceive a weakening of U. S. resolve to protect its interests and those of the free world? How do our allies and Latin American neighbors, many of them principal users of the canal, react to prospects for substantial toll increases?

A: -- Our principal allies--West Germany, France, Great Britain, and Japan--support the new treaties.

-- They see the treaties as evidence of a maturing U. S. foreign policy, of the U. S. identifying its long-term interests and moving to protect them through negotiations to establish a durable agreement.

-- They have not objected to the prospect of toll increases. Rather, they see the agreements as assuring the continued availability of the canal to their commerce on equal terms.

-- Twenty-five Latin American countries and Canada showed their support by participating in the treaty signing ceremony in Washington on September 7 and by signing the Declaration of Washington expressing "profound satisfaction at the signature" of the new treaties.

-- The Latin American countries neighboring Panama whose trade is heavily dependent on the Canal--Colombia, Costa Rica, and Venezuela--were the most active in

support of the negotiations that led to the new treaties.

- No nation has objected to the prospect of toll increases to cover payments to Panama. The treaties require the canal operator, the U. S. until the year 2000 and Panama thereafter, to charge reasonable tolls. A reasonable return to Panama is consistent with that obligation. The current toll rates, barely above those of 1914, are in effect a subsidy to users that we have no obligation to maintain.

Communist Influence--Soviet
And Cuban Ties to Panama

Q: How are Panama's relations with the USSR? With Cuba? Is Cuba providing any military assistance to Panama?

A: -- Panama does not have diplomatic or trade relations with the USSR. In July, 1977, five Soviet trade specialists visited Panama and discussed possibilities for a factory to repair heavy-duty equipment; a Soviet contract to build a hydroelectric plant, a Soviet bank; the purchase of Panamanian sugar; and Soviet commerce in the Colon Free Zone. No formal agreements were reached. We do not know of any follow-up discussions. We attach little significance to the visit. Many Latin American countries have trade relations with the USSR.

-- Cuba and Panama established diplomatic relations in 1974. The total Cuban embassy staff is between 25 and 30, down from 40 to 50 in 1975. Relations are correct but not particularly cordial. Trade, about \$10 million a year, consists mostly of Cuban purchases of non-Panamanian products through the Colon Free Zone.

-- We are not aware of any Cuban military assistance to Panama. Panama's closest military ties are to the U. S.

-- General Torrijos visited Cuba in January 1976. He expressed admiration for Cuba's material accomplishments, but said in Cuba: "Cuba has found its road to socialism, but that road is not Panama's." He has expressed appreciation for Cuba's support on the canal issue.

Possible Soviet/Cuban Military
Presence Under the New Treaties

Q: Under the new treaties, could Panama invite Russian or Cuban forces to assist it in maintaining the neutrality of the Canal? What about military advisors?

A: -- Article V of the Neutrality Treaty prohibits Panama authorizing a foreign nation to garrison forces or maintain military bases. A violation of this Article would give us the right under Article IV to take any appropriate action.

-- The 1903 treaty does not contain this prohibition.

-- The treaties would not bar Panama from inviting military advisors. But if the number became great enough, in our judgment, to pose a threat to the neutrality of the Canal, we could take appropriate action under Article IV of the Neutrality Treaty.

Sea-Level Canal

Q: What does the Sea Level Article (Art. XII) really mean?

A: -- In Art. XII, the U.S. and Panama agree to undertake a joint feasibility study for a sea-level canal and, if they agree such a canal should be built, they will agree upon the terms and conditions for its construction.

-- In 1970, the Atlantic-Pacific Interoceanic Canal Study Commission, a U.S. agency established by act of Congress, completed a six-year study of possible alternative routes for a sea-level canal ^{and} concluded that from an engineering standpoint the two preferable routes for such a canal were in Panama. The conclusions of that study were reaffirmed by the Department of Transportation after reviewing the study in 1977.

-- Panama agrees not to permit construction of a new canal in its territory during the life of the treaty without U.S. agreement.

-- In exchange for this important right to control construction on the most likely, inexpensive and feasible route for a sea-level canal, the U.S. agreed not to negotiate with any other country for a right to construct a sea-level canal through any other Western Hemisphere nation. Our negotiators judged that we got the best of the bargain.

-- In addition, the U.S. will have the right throughout the term of the basic treaty to add a third lane of locks to increase the present canal's capacity.

COMMON MISCONCEPTIONS1. We are paying Panama to take the Canal.

Most opponents agree that Panama which contributes its location (its principal resource) deserves a larger return for the use of its territory. Payments to Panama, which end in 1999, will come exclusively from Canal users through tolls--not from tax dollars. We built the Canal to use; the new treaties protect our continued use of it forever.

2. We will lose our ability to protect the Canal.

The treaties give us permanent authority to take any action to protect the Canal against any threat. The Joint Chiefs of Staff worked closely with our negotiators; they believe the new treaties will safeguard our defense interests for the future far better than the old treaty would.

3. The treaties are a sellout of our global responsibilities.

No. They show a world leader recognizing changing times and moving to better secure its interests for the future. Our principal allies--West Germany, France, Great Britain, and Japan --support the treaties.

4. We have sovereignty now.

No. We have never claimed sovereignty. For example, we have always treated the Zone as foreign territory for purposes of customs and mail, and children born there of non-US citizens are not US citizens. The 1903 treaty gives us rights "as if it were sovereign." We give up only the "trappings of sovereignty"

which we no longer need.

5. We own the Canal Zone.

Under the 1903 treaty we ^{obtained treaty} bought rights, ~~not land~~, and we continue to make annual payments for these rights. ^{(Although we} ~~The titles~~ ~~own substantial properties in the Canal Zone, we do not have title to a~~ ~~we have to a part of the Zone we got subsequent to the treaty~~ ~~great deal of it. More importantly, we did not purchase sovereignty over~~ ~~from private holders, not Panama.~~

~~the Zone.) Just because we own property there does not make us sovereign~~ ~~any more than our ownership of bridges in London does not make us sovereign~~ ~~over the city.~~

6. The treaties will lead to Cuban/Soviet presence.

An unlikely possibility since we'll remain there until the year 2000; we'll continue to have a permanent right to protect the Canal from all threats; and Panama has agreed that no foreign troops will ever be stationed there after 1999. Communism is unlikely to flourish among Panamanians unless we push them toward it.

7. Panama is unreliable and unfriendly.

We have close relations with Panama. For 75 years Panama has honored a treaty it has long resented as depriving it of national dignity and a fair return on its principal resource, the isthmus. Surely it is reasonable to expect that future governments will honor treaties that give Panama partnership in the enterprise and restore its dignity.

8. Torrijos is disreputable and unreliable.

Torrijos is controversial, but signing a treaty with him does not mean that we endorse him personally. In any case, we will operate and defend the Canal for 22 more years and it is unlikely that Torrijos will be in power then.

pay for
We bought
rights, not
Sovereignty.

9. The Torrijos government violates human rights.

Panama is aware of our concern about some of its practices and has acted to modify some of its objectionable laws. In any event, we should treat human rights and the Canal issue separately, as does Freedom House which criticizes Panama's human rights record, but supports the treaties.

10. The Torrijos government is anti-Semitic.

Panama's Jewish community leaders have categorically denied the charge. There is no basis to it.

11. Panama and Libya have agreed to make Panama a base for Arab terrorist activities in this hemisphere.

Not so. Their agreements were routine and reflect no special relationship between the two countries. Indeed, Torrijos' recent visit to Israel has strained relations with Libya.

12. We should not sign any treaty with a dictatorship like the Torrijos government.

The feeling by Panamanians of all political persuasions that the present arrangement is unfair and unjust is quite independent of the current leadership in either Washington or Panama. Panama's plebiscite shows strong public support for a treaty.

13. We need perpetuity.

In 1903 a permanent U. S. presence ~~seem~~^{ed} necessary to eradicate disease, construct and operate the canal. (The canal area

was disease-ridden and still a jungle frontier.) But by 1965 this presence no longer seemed necessary in perpetuity and under the new treaties, this presence would end in the year 2000. What we still need permanently is access to the canal, and this the new treaties establish.

14. We negotiated under duress.

While the United States is a super power, Panama is a very small country. As President Carter has said, we consider the canal to be important, and we will take whatever action is necessary to protect it. Panama understands.

15. Panama lacks the technical capacity to operate the canal.

Seventy-five percent of present canal employees are Panamanians. In the 22 years before Panama takes over operation, Panamanians will receive the training and experience to operate the canal efficiently. Self-interest will give Panama the incentive to develop the needed skills.

16. Tolls will rise precipitiously.

Experts estimate only about 30 percent. This will mean an immediate increase of about \$60 million in payments by users for goods that gross about \$40 billion in annual sales. Thus, the increase in delivered cost for most commodities would be less than one percent. The U.S. will set the tolls until 2000.

and thereafter Panama's self interest in keeping traffic up will restrain any impulse to raise tolls unrealistically.

Tolls will rise even without a Treaty because of inflation.

17. The treaties are a bail-out of the New York bankers.

Not so. Panama is a flourishing regional banking center (71 banks with \$9.7 billion in assets for customers public and private, in and out of Panama). At the start of 1977, Panama's government had a disbursed external debt of \$1.1 billion of which \$356 million was owed to U. S. banks. But Panama has never defaulted on a bank loan and there is, therefore, no reason for a "bail-out."

18. We have abandoned the Canal work force.

The treaty states that the Canal work force will enjoy, in general, the same terms and conditions in effect immediately prior to the treaty. In some cases, workers will have more rights than now. Employees adversely affected by the treaty will be eligible for priority job placement assistance and liberalized early retirement.

19. We risk having access to the Canal denied to us in wartime or other national emergency.

Not so. Panama knows that we have the right to take whatever action we deem necessary to maintain our access to the Canal. Furthermore, in emergency situations, we have the right to go to the head of the line. Panama would not want to challenge these rights, since the political and economic risks of doing so would be huge.

20. Latin American support for Panama's control of the Canal is more appearance than substance.

Not so. 26 Latin American countries signed the Declaration of Washington supporting the treaties. Leaders are watching our debate over the treaties very closely. The region's leading democracies who are the countries most directly concerned are Panama's strongest supporters for the treaties.

21. Carter has broken his campaign promise never to give up the Canal.

The President promised not to give up "effective control." Under the treaties we will operate the Canal in this century and will have the permanent right to keep it open in accordance with the terms of the neutrality treaty.

22. The Senate should not ratify a treaty opposed by the American people.

Many people who oppose the treaties simply do not understand them. Polls indicate this. Our job is to present a full explanation so that a reasoned and informed judgment can be made of whether the treaties are in our national interest.

23. We cannot protect the canal without retaining our full rights in the Zone.

Not so. Defense of the status quo would lead almost certainly to significant problems. On the other hand, relinquishing what we do not need reduces the likelihood of the need for force, gains Panama's cooperation in canal defense,

provides us all the facilities we need until the year 2000, and, finally, gives us the right to defend the canal's neutrality permanently.

24. The new treaty with Panama will not last.

Panama has a good record of abiding by its treaty obligations, including those under the present treaty. I would rather take my chances with a treaty supported by two out of three Panamanians in 1977 than a treaty signed more than 70 years ago by a Frenchman which is now and has been universally opposed by Panamanians.

25. The treaty goes too far in trying to satisfy Panama.

Perpetuity and U. S. jurisdiction over the Canal Zone are the key objections by Panama and other nations to the existing relationship. No new treaty would be possible without elimination of these aspects of the existing relationship. In a tough negotiation, neither side gets all it might like, but these treaties contain every element needed to obtain our objective of permanent access to an efficiently operated and secure Canal.

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ATTACHMENT I

2/6/78

Panama Canal Treaty Implementation

- I Panamanian Relations and Security Matters
- II Panama Canal Commission
- III Employees and Postal Matters
- IV Courts and Related Functions

NOTE:

Senators Byrd and Baker were informed that this represents preliminary State Department recommendations which have not been cleared by OMB or the President.

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Per: Rac Project

ESDN: M.C. 126-12-4-1-8

BY 125 NARA DATE 4/16/13

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I. PANAMANIAN RELATIONS AND SECURITY MATTERS

Membership on Environmental Commission,
Consultative Committee, and Sea-Level
Canal Study Committee

Under Article VI of the Treaty a joint U.S.-Panamanian Commission on the Environment will be established. Article III provides for the establishment of a joint Consultative Committee while under Article XII a joint committee to study the feasibility of a sea-level canal may be established. A procedure for appointing the U.S. members of these bodies must be established.

Sea-Level Canal Study

With respect to any sea-level canal study, the Administration intends to recommend that any such study be forwarded to Congress and that the construction of a sea-level canal be made subject to express Congressional authorization.

II. PANAMA CANAL COMMISSION

Organization, Structure and Responsibilities

Article III(3) of the basic treaty provides that the United States shall exercise its rights and responsibilities under the treaty through a United States Government Agency called the Panama Canal Commission. The treaty specifies that the Commission shall be supervised by a Board composed of five U.S. nationals and four Panamanians and that the Administrator shall be a national of the U.S. and the Deputy Administrator a national of Panama until 1990. Thereafter the Administrator will be a Panamanian national and the Deputy Administrator a U.S. national.

Aside from these provisions, all other aspects of the Commission's organization structure, and responsibilities are to be determined in accordance with U.S. law. The Board members and officers would be appointed by the President. A quorum of the Board should consist of a majority of the Directors, of which a majority of those present are U.S. citizens. The Commission could be constituted as a

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new federal agency, as a component of an existing agency, or as a corporate successor to the present Panama Canal Company. The latter option appears to be the most desirable in view of the success of the existing corporate entity.

Borrowing Authority

At present, the Panama Canal Company has stand-by authority to borrow funds from the Treasury. The Administration intends to recommend that this borrowing authority be continued.

Interest Payment

The existing Panama Canal Company makes payments to the Treasury designated as "interest" on the "net direct investment of the U.S." in the Canal. Although the 1977 treaties do not preclude the continuation of this practice, these payments would place a significant burden on the tolls structure during the period of U.S. operation of the Canal. Thus, the Administration intends to propose to Congress that the Commission not be required to continue these payments.

Inter-agency Transfers

In order to facilitate efficient utilization of U.S. resources in Panama, inter-agency transfers and cross-servicing agreements should be authorized. In addition, the Department of Defense should be authorized to operate schools and hospitals presently operated by the Canal Zone Government on a reimbursable basis.

Payments to Panama

Article XIII(4) of the Treaty provides that Panama shall receive from operating revenues of the Commission (1) \$.30 per net Panama Canal ton of vessels transiting the Canal and (2) a fixed annual payment of \$10 million. Article III(5) of the Treaty obligates the Commission to reimburse Panama \$10 million annually for the cost of providing certain public services. This amount (which was based on

our best estimates of the cost to Panama) is to be readjusted every three years based on a demonstration of their actual costs. The present payments to Panama of \$2.3 million are made through a special State Department appropriation. It is contemplated that the present appropriation would be discontinued and that the Commission would be authorized to make these payments from operating revenues.

The Commission would also be authorized to make the contingent payment pursuant to Article XII(4)(c). Accounting rules should be established to determine the availability of funds to make the latter payments. These should provide that, prior to any contingent payment, there shall be subtracted from operating revenues all expenditures including fixed payments to Panama, operating expenses, prior deficits, anticipated capital requirements, and amounts payable into accounts established to provide for the impact of inflation during the effective period of a given toll rate.

Authority to Establish Tolls

Article XII(2)(d) grants to the U.S. full authority to establish and modify tolls although it is expected that the U.S. will consult with Panama.

Toll Rate Bases

In order to insure that tolls will be established at a level which will enable the Commission to operate on a self-sustaining basis, a tolls formula should be utilized which takes into account the following elements:

1. Anticipated costs of maintaining and operating the Canal,
2. Fixed payments to Panama under the Treaty,
3. Any operating deficits from prior years,
4. Anticipated capital requirements, and
5. The impact of inflation over the projected period of a given toll rate.

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The formula would not include the contingent payment under paragraph 4(c) of Article XIII.

Notice Period for Tolls Increase

Congress may wish to shorten the present notice and comment period of six months prior to a tolls increase. A shorter period would enable the Commission to respond more rapidly to changing economic conditions which necessitate adjustment of toll rates. It may also be necessary to provide for an abbreviated notice and comment period so that toll rates in effect when the Treaty enters into force will accurately reflect anticipated revenue needs at that time.

Special Tolls Arrangements

It is anticipated that special arrangements concerning the payment of tolls by military vessels of Colombia will be continued. Regarding the payment of tolls by U.S. Government vessels, the present system of indirect payment through an offset against interest payments should be converted into a direct payment if interest payments are discontinued.

III. EMPLOYEES AND POSTAL MATTERS

Employee Benefits under the Treaty

Article X of the Treaty provides that the U.S. shall establish employment and labor regulations for all categories of Canal Commission Employees. These regulations will implement specific guarantees contained in Article X for the benefit of both U.S. and Panamanian employees. In addition to the placement and early retirement benefits discussed below, Article X contains such basic guarantees as the right to bargain collectively, the continuation of terms of employment no less favorable than those in effect prior to the Treaty, and the principle of non-discrimination.

Additional Employee Benefits

In addition to the benefits provided by Article X, the Administration has under consideration additional provisions for the benefit of U.S. employees.

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These include educational travel benefits, adjustment of compensation to reflect any cost of living increase resulting from the withdrawal of post exchange, commissary, and postal privileges five years after the effective date of the Treaty, and authorization for the continuation of overseas recruitment and retention remuneration for current employees and future employees recruited in the U.S.

Early Retirement and Placement Assistance

Article X of the Treaty requires the U.S. to provide an appropriate early retirement program for all Panama Canal Company and Canal Zone Government employees, and, to the maximum extent feasible, to place any such employees whose jobs are discontinued in other U.S. Government jobs.

The Administration is in the process of formulating proposals to implement these commitments. The Administration intends to propose that placement assistance be extended to all U.S. Government employees in the Canal Zone or in Panama, although the Treaty only requires that Canal Company and Canal Zone Government employees be afforded assistance.

With respect to early retirement, the Administration's proposal will offer some benefits to employees of other agencies in Panama as well as to the Canal Company and Canal Zone Government employees. The early retirement program will not require employees to exercise the early retirement option immediately. This will reduce the cost of the program and encourage skilled and experienced workers to stay with the Commission.

Postal Matters

Provision should also be made to discontinue the Canal Zone Postal Service and to honor outstanding postal savings certificates and money orders.

IV. COURTS AND RELATED FUNCTIONS

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Modification of Existing Law to Reflect the
Termination of U.S. Jurisdiction over the
Canal Zone

U.S. jurisdiction over the Canal Zone will terminate when the Treaty comes into force. Changes in the numerous statutes which refer to the Canal Zone may be effected by a generic amendment. It will be necessary to repeal provisions of existing law which establish the Canal Zone and its Government, as well as other provisions which would no longer be appropriate under the new Treaties.

Judiciary and Law Enforcement during the
Transition Period

It will be necessary to conform present U.S. judicial and law enforcement functions to the provisions of Article XI, which establishes a thirty-month transition period during which the U.S. will continue to exercise enforcement and judicial functions.

Immigration

In connection with the termination of the Canal Zone, the Administration is considering a proposal which would liberalize immigration requirements for certain non-citizen U.S. employees.

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ATTACHMENT II

DEPARTMENT OF STATE
WASHINGTON

FEB 10 1970

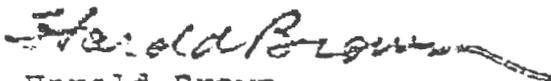
Dear Senator:

As debate begins on the Canal Treaties, questions have arisen about the financial viability of the Canal under the new arrangements and also about financial obligations the United States will incur as a result of the new Treaties. Enclosed are answers to some of the principal questions which have been raised.

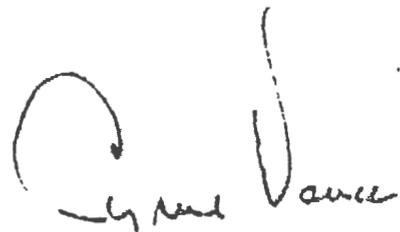
In the last analysis, the U.S. security and commercial interests these new Treaties are designed to serve cannot be measured in dollars. Under the past arrangements, the benefits that we have received from the Canal have far outweighed the costs of construction, security and the nominal annuity paid to Panama. We feel the costs associated with U.S. operation of the Canal between now and the year 2000 will be more than offset by the benefits derived from our continued use of the Canal during an orderly and efficient transition to Panamanian management, and from the continued maintenance of U.S. troops and facilities in Panama for the next 22 years.

With best wishes.

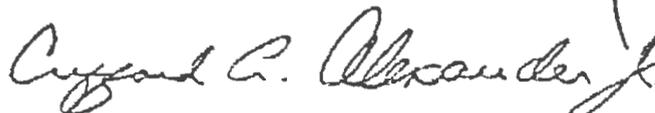
Sincerely,



Harold Brown
Secretary of Defense



Cyrus Vance
Secretary of State



Clifford L. Alexander, Jr.
Secretary of the Army

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Per: Rac Project
ESDN: NLC-RG-12-9-1-8
BY: KS NARA DATE 4/16/82

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1. Q: Can the Canal really meet its costs on the basis of tolls alone?

A: All the studies relating to the costs of operating the Panama Canal, and to the possibility of increasing Canal tolls, indicate that revenues will meet expenditures, including the payments to be made to Panama under the new Treaties.

Since 1915 toll revenues have risen from \$4 million to \$165 million in FY 1977. Traffic is projected to increase at an average annual rate of 2.2 percent until the end of the century. The best available studies project revenues as follows:

<u>Toll Increase</u>	<u>Canal Revenue</u>	
	<u>1980</u> (\$ Millions)	<u>1983</u> (\$ Millions)
0%	197	205
25%	243	248
30%	250	254

Various estimates have been made of the Panama Canal Commission's operating costs. An exhaustive study on Panama Canal Commission cost projections has just been prepared by Arthur Anderson and Company for the 1979-1983 period. These projections conclude that Canal costs, including payments to Panama and taking into account inflation, will range between \$238 million to \$247 million in 1980 and between \$237 million and \$262 million in 1983.

Our negotiators made their calculations on the basis of a toll increase of 30 percent. Our studies indicate that even larger toll increases could be applied if necessary, to produce additional revenues. While the range of uncertainty increases for the later years of the Treaty period, we believe it is reasonable to expect that the Canal enterprise can meet all its operating costs, including payments to Panama required by the Treaty.

2. Q: Won't toll increases mean less traffic and less income?

A: A study of Canal traffic and revenue forecasts recently completed by International Research Associates concludes that substantial increases in tolls will produce a substantial increase in total income despite some drop-off in traffic. A 30% toll increase would generate 27% additional revenue in the first year, dropping to a stable 22% increase after seven years. A toll increase of 75% would increase revenues 58% in the first year, dropping to a maximum attainable stable increase of 40% after 7 years.

3. Q: What about the hidden costs of higher tolls to the American consumers?

A: A toll increase of 20 to 30 percent over existing levels will have a minimum, if not negligible, impact on our trade and economy. A toll increase of about 30 percent will involve a total transportation cost increase for Canal shipments of less than 1 percent. Users of the Canal would pay only about \$50 million more in tolls per year on cargoes that have a value of roughly \$50 billion, or one-tenth of 1 percent. Of the \$50 million, U.S. business and consumers will be the ultimate payers of only about \$15 million. The overall impact will therefore be negligible both in terms of American businesses and the purchasing power of the consumer.

4. Q: How can we be sure the Panamanians will maintain the Canal so it can, in fact, stay open?

A: Under the new Treaties, Panama's self-interest will give that country every incentive to maintain the Canal and operate it as efficiently as possible. Furthermore, over the next 22 years, the United States will be working with Panama toward this end. Pursuant to Treaty provisions, we will establish training programs and provide on-the-job experience at all levels. Under our guidance, Panamanians will increasingly participate in management. Approximately 80 percent of the current work force is Panamanian, and there is every reason to believe that by the year 2000 Panama will be fully capable of operating the Panama Canal.

5. Q: Will the Treaties require any appropriated funds?

A: Payments to Panama under the Panama Canal Treaties will be made from Canal revenues, not tax dollars. Moreover, all operating expenses of the new entity will be paid from Canal revenues.

Administration spokesmen have testified on several occasions before Congressional Committees that the transition from our present role to our proposed role under the new Treaties would entail some costs in the U.S. budget. One major cost would be relocation of Defense installations, estimated at \$43 million for the first three years. Another would be an early retirement program for Canal enterprise and certain other employees. The Canal Treaty provides for an optional early retirement program as an employee security assurance for these employees. The design of the program, however, will be at U.S. discretion. The programs which have been discussed within the Administration range in cost up to \$150 million. There will be additional DoD costs resulting from a merger of the Canal Company and DoD activities, and assumption of any non-reimbursable costs for health, education and other support functions. The total appropriations impact over 21 years based on present information is unlikely to be much more than \$350 million. None of the appropriated funds for these costs would go to Panama.

6. Q: Are there other budgetary implications?

A: Although not required by the Treaty, the Administration will recommend that the Treasury cease collecting annual interests payments from the Canal Company which have been paid since 1951 and which are currently averaging \$18-\$20 million. It will be up to Congress to decide whether to accept the Administration's recommendation. The Administration's recommendation is based on the fact that we have always treated the Canal as a public utility, the use of which benefits the country as a whole in peace and war.

A separate economic and military cooperation package of \$345 million over five years -- all in repayable loans, credits or guarantees - is

planned. This package depends on development of programs to meet existing Congressional established criteria. Only about \$5 million in appropriated funds would be required to support the repayment guarantees for the military credit program as a reserve fund; none would be paid to Panama.

7. Q: What about the contingent \$10 million payment? Will we be obligated to pay off on that in the year 2000? Will it be part of the toll base?

A: The contingent \$10 million annuity is payable only if operating revenues produce a surplus over expenditures, which include among others the variable annuity due Panama of \$.30 per Canal ton and the fixed annuity of \$10 million. The contingent annuity will not be figured in the calculation of the toll base.

If the surplus is insufficient to cover the entire payment of the contingent annuity, the shortfall is carried over to succeeding years. Since payment is contingent on available surpluses, the United States is not obligated to pay off on any accumulated unpaid balance in the year 2000. Panama's negotiators have acknowledged this fact.

8. Q: What is the value of property to be transferred to Panama under the terms of the Panama Canal Treaties?

A: Canal Company and Canal Zone Government property which will be transferred to Panama during the life of the Treaty had a net book value in 1977 of \$96 million. The Canal, its related installations and other facilities which will be transferred upon termination of the basic Treaty are expected to have a net book value in the year 2000 of \$98 million. Thus the monetary grand total of existing Canal Company and Canal Zone Government property to be transferred to Panama by the terms of the Canal Treaty is \$194 million. Panama would also receive capital improvements to the Canal and its facilities made during the Treaty's lifetime which the Canal Company, based on planned capital improvements, currently estimates at \$454 million. The true value of the Canal and its related assets, however, cannot be measured in terms of cash investments. The true value to the United

States is measured in terms of our ability to continue to use the waterway.

The approximate acquisition and improvement costs as of FY 1978 of military facilities to be turned over to Panama:

Treaty starting day	\$, 27.5 million
Other facilities to be turned over sometime during the Treaty term	\$ 33.5 million
On termination of the Treaty	\$291.9 million
Total cost of military facilities	\$352.9 million

9. Q: What will be the military relocation costs to meet the requirements of the Treaties? Why should we bear any costs?

A: Lieutenant General McAuliffe, Commander-in-Chief, United States Southern Command, has made an initial estimate of the costs required for the first three years:

Relocation of Albrook (east of the runway) AFB facilities	\$19.9 million
Relocations from Ft. Amador	17.4 million
Relocation of Curundu Antenna Field	5.3 million
Rehabilitation of postal facilities	.3 million
	<hr/>
	\$42.9 million

These are preliminary figures which have not yet been subjected to any budget review process. Some costs are still under study and not available; e.g., those involving the exchange service warehousing complex, costs associated with surveying boundaries, installation of fencing, lights, etc.

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The Treaty provides that we will maintain a military force in Panama until the end of the century. With or without the Treaty some relocation would be recommended in the interest of efficiency.

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