

Secretary's Appearance  
Before  
Senate Foreign Relations Committee

January 21, 1960

(Talking Paper)

PANAMA

1. Basic Problem in Relations with Panama

Despite the clear language in the 1903 Convention, Panama has sought over the years to obtain more and more concessions from the United States. These demands fall into two classes, the emotional and the economic, and on the former there is a question that we might have been remiss in allowing it to persist over the years.

a. The emotional issue involves the desire, fostered by the growth of nationalism in all less developed countries, to see Panama's flag fly beside that of the United States in the Canal Zone. It has always been recognized in the Executive branch that Panama held titular sovereignty over the Zone, i.e., that the territory would revert to Panama once the United States voluntarily abandoned the operation, maintenance, sanitation, and protection of the Panama Canal. However, the United States reaffirmed this policy only in November, 1959. As a logical follow-up, Panama formally requested that its flag be permitted to fly in the Zone. This request is under study in the Executive branch [and when put before me I will make a recommendation to be forwarded to the President.]

b. The economic demands have persisted since the 1903 Convention was signed and we have adjusted them by various treaty negotiations. The 1942 Agreement provision for a bridge over the Canal in Panama City was only resolved in 1958. A few provisions of the 1955 Treaty have resulted in differences of interpretation [most of which have been] resolved at the highest levels in the Executive branch.

There is no assurance whatsoever that settlement of outstanding problems of the 1955 Treaty will end the demands. Under Secretary Marchant was informed during his visit to Panama in November that the two latest aspirations of that country are an increase in the present annuity of \$1,930,000 and a revision of the 1903 Convention to substitute the words "in perpetuity" as relates to the time limit of our jurisdiction of the Canal Zone to a stated number of years. There will be many more demands.

2. Our

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**2. Our Future Policy Toward Panama**

a. The United States has always been hopeful that as the Panamanian economy improves the feeling will wane that the Panama Canal is the Republic's principal "meal ticket" and should be exploited accordingly. We spend more than a million dollars a year on technical cooperation and we are contributing two-thirds of the cost of building the Inter-American Highway. These two contributions are greatly assisting in opening up new areas to development in the western part of the country. Panama has access to United States loan agencies for development projects although the IBRD is the principal source of loans at this time. We maintain a good USIA program and a bi-national center, inaugurated about a year ago, is an outstanding success.

b. With regard to the Canal Zone, the Department is of the opinion that the United States must clear the decks of outstanding problems and then protect the basic rights that are so clearly stated in our treaties. In order to do this the United States must exhaust every effort to improve the relations between the Panamanian people and those of the United States. This naturally involves day-to-day relations between Panamanians and personnel of the Canal Zone Government, the Panama Canal Company and the military under CINCARIB. This can be assisted by the concerted effort of the Canal Zone civilian and military leaders and the United States Embassy, with one voice representing the United States before the Panamanian Government.

I repeat that our treaty rights are clearly set forth and I feel strongly that we should make no concessions which would affect such rights. This may be difficult to do but the chances of maintaining normal, friendly relations with Panama will be considerably enhanced if we canttakehsteps to calm emotions and limit any differences to those of interpretation of treaties where the United States position is strong.

ARA:OAP:CASTewart:mjf  
1/19/60

**Clearances:**

ARA - Mr. Rubottom

M - Mr. Merchant  
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L/ARA - Miss Whiteman

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