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SUBJECT: Panama - Canal Treaty Discussions

DRAFTING OFFICER: ARA/PAN - Panama

Discussion:

The Canal Zone remained the outstanding problem in United States - Panamanian relations in 1963 and into 1964. The Panama Canal issue served also as an orientation point for Panamanian politicians in presenting their programs to the electorate in Panama.

As a result of President Chiari's visit to the United States June 11-16, 1962, a high-level commission was established composed of our Ambassador to Panama, the Governor of the Canal Zone and two representatives for Panama. This group met periodically up to July 1963 when it was terminated at the insistence of Panama. Several thorny problems were settled during this period within the context of existing treaties. Agreement was reached on 1) the flying of United States and Panamanian flags together in the Zone, 2) the recognition of Panamanian exequaturs, 3) establishment of a binational labor committee, 4) an offer by the United States to use some Panamanian postage stamps, 5) the possible establishment of a Panamanian corridor on the Pacific side of the Zone, 6) pay raises for Panamanian employees, 7) the collection in the Zone of Panamanian income taxes.

Many other issues were discussed, but not settled because they would involve treaty revisions which the United States was not prepared to undertake, e.g. increased annuity.

The violence of January 9-12, 1964 and subsequent developments are well known. Panama broke diplomatic relations with us; the efforts at a reconciliation through the Inter-American Peace Committee failed; Panama has charged us with aggression before the OAS.

The United States has cooperated fully in the efforts of a second committee appointed by the OAS to investigate the facts in the rioting and to assist the two countries in reaching an accord. From the beginning, the United States has offered Panama a full and frank review of all outstanding problems, but the search for a formula which would bring about a renewal of relations and the initiation of such talks has been frustrated to date by Panama's adamant insistence upon a prior commitment by the United States that it will renegotiate the treaties governing its basic rights in the Canal Zone. The United States Government will continue to seek a solution to this impasse which will safeguard and promote the interests of both countries.

However,

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However, it cannot agree to Panamanian demands which would jeopardize existing treaties, since these treaties contain provisions important to the discharge by the United States Government of its obligations and responsibilities in connection with national and free world security and international commerce.

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