

DEPARTMENT OF STATE
ASSISTANT SECRETARY

~~SECRET~~~~Cabinet Paper - Privileged~~

May 11, 1960

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STAFF STUDY

TO : Acting
The/Secretary

THROUGH ; M - Mr. Merchant
S/S

This document consists of 3 pages.

Number 1 of 12 copies, Series A

FROM : ARA - Mr. Rubottom

SUBJECT : Diplomatic Considerations Involved in Negotiating a Route for an
Isthmian Canal. (CP-60-108)

Discussion:

At the Cabinet meeting of April 29, which considered the Panama Canal Company's Report entitled "Isthmian Canal Plans - 1960", the President requested the Department to advise him as to 1) the diplomatic considerations involved in negotiating a route for the sea level canal constructed by nuclear techniques, as recommended in the Report, and 2) the release of the text of the Report and/or a related interim statement in the very near future (Tab B).

On May 2 ARA submitted a Memorandum for the President for Acting Secretary Dillon's signature, recommending an embargo be placed on release of the Report until a long-range Isthmian Canal policy has been formulated in the National Security Council for the President's review and approval (Tab C). (ARA has drafted a study based on S/P's long range policy paper with which you are familiar, for introduction into the NSC structure in the immediate future). A memorandum from Mr. Robert Gray, Secretary to the Cabinet, dated May 6, stated that the President has determined that there will be no release of the Report's contents (Tab D).

During the discussion at the Cabinet meeting of April 29, the President indicated his favorable inclination to the Recommendations of CP-60-108, with the proviso that the nuclear excavation of the Tehuantepec route be included as one of the likely alternatives, especially in view of the friendliness of the Mexican Government.

The three countries which the President mentioned as possible locations of the sea level Isthmian Canal, successor to the present Panama Canal, were Mexico, Colombia and Panama. ARA has added Nicaragua to the discussion of the diplomatic considerations set forth below:

1) Mexico:

Though Mexico is already investigating the technical aspects of building a canal across the Isthmus of Tehuantepec for vessels of up to 30,000 tons, it has made known that the following conditions would apply to the project: 1. The canal would be wholly controlled by Mexico and completely free from any foreign influence whatsoever. 2. It would be financed with Mexican capital supplemented by whatever foreign loans Mexico is able to obtain for the project.

It should be noted that though Mexico is presently friendly to the United States, this policy is relatively recent and not necessarily permanent. Any plans for the future defense of a Tehuantepec canal would have to take fully into account Mexico's extreme reluctance to cooperate with the United States in common defense matters.

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If the United States is prepared to finance a Mexican canal that is owned and controlled exclusively by Mexico, the Tehuantepec project is feasible. If any degree of control or supervision must be exercised by the United States or any of its agencies, Mexico would be virtually certain to refuse our participation in any way, even our financing the project.

2) Colombia:

Assuming that when negotiations are undertaken Colombia would have a secure government basically friendly to the United States, it is believed that it would want: (a) to retain sovereignty over the canal; (b) primary defense responsibility for the canal to lie with the United States, with Colombian participation; (c) a share of the profits from the Canal and (d) a strong voice in its operation, particularly with regard to the employment of Colombian nationals. Last year the Colombian legislature passed a law requiring that at least 55 percent of the shares of any Atrato Canal Corporation which might be established would have to be held by the Colombian Government. The Atrato River is one of the locations which the Panama Canal Company's Report considers feasible for a sea level canal.

3) Panama:

Successful negotiations with the Government of Panama for the right-of-way would in large part depend upon the manner in which we conduct our Panamanian relations over the course of the next few years. It is clearly evident that we will never be able to receive the same concession of broad rights, power and authority such as we now have in the Canal Zone under our present treaty structure. While difficult to predict at this distance, it would appear that we would only at best be able to obtain a 50-50 share of control over the new Canal area. However, territorial control seems less important when one considers that the sea level canal, as envisaged, would be a man-made strait rather than a lock canal and its operation would require approximately 350 persons rather than the some 15,000 needed for the present Panama Canal. Another factor in the negotiations with Panama, and one which will be equally difficult to deal with, is the problem of obtaining abrogation of the treaty structure governing our presence in the Canal Zone, which would require the mutual consent of both governments. It is conceivable that Panamanian consent thereto might be obtained by the quid pro quo of relinquishing all our rights in the Zone, turning over the Zone's installations, save a small military base, to Panama, and promising a broad economic assistance program designed to replace, at least in part, the approximately \$65 million per annum in direct or indirect benefits which Panama now receives from the operation of the present Canal and the existence of the population of the Zone.

4) Nicaragua:

Although the United States holds rights under the Bryan-Chamorro Treaty to construct an inter-oceanic canal across Nicaragua, the United States Senate in approving that treaty appended the proviso that the rights of Costa Rica, El Salvador and Honduras should remain unaffected by the Treaty. It seems clear that before any canal could be constructed through Nicaragua, negotiations would be required with all four countries mentioned above, in order that such rights as they may have in areas of the projected route may be legally acquired or disposed of.

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Aside from the problems which would confront us in negotiating with any one of the four countries for the route of the sea level canal, there is the question, common to all, of their reaction to the employment of nuclear explosives in the excavation period. The problem of the psychological impact on local populations, governments and press as well as the requirement for an exhaustive research, development and testing program in connection with the potential use of nuclear explosives would have to be faced prior to undertaking negotiations with any country. Tests proving the safety of nuclear excavation techniques would have to be carried out in the United States before we could hope to negotiate successfully. In addition, our commitments under any future international nuclear control agreement would have to be taken into account before negotiations could be undertaken for a canal to be constructed by nuclear excavation techniques.

Since the National Security Council is now seized of the Isthmian Canal problem in its entirety, I recommend that the question of the location of a sea level canal be deferred until a decision in principle in favor of a sea level canal is made and programs to establish favorable preconditions to negotiating a new canal site are considered by the National Security Council. Obviously what we are prepared to do vis-a-vis Panama or Colombia will have an important bearing on our ultimate negotiating posture. In short, it would be premature to select a location in the near future.

ARA has prepared for your approval and signature a Memorandum for the President reviewing some diplomatic considerations involved in negotiating a new canal route, expressing the view that it is premature to select a location for a new canal, and stating the belief that there are advantages to the President's deciding in favor of a sea level canal, should the NSC so recommend.

Recommendation:

That you sign the attached Memorandum for the President expressing the view that while there are advantages to a decision in principle in favor of a sea level canal, the selection of a location is premature.

Concurrences:

S/P-Mr. Smith (in substance) *AS*
S/AE - Mr. Farley per messrs. Spiers and Manfull (in draft) *AS*
L - Miss Whiteman (in draft) *AS*

Attachments:

1. Memorandum for the President (Tab A)
2. Mr. Montgomery's Memorandum to Mr. Rubottom, May 9, 1960 (Tab B)
3. Staff Study, Mr. Rubottom to the Acting Secretary, May 2, 1960 (Tab C)
4. Mr. Gray's Memorandum, May 6, 1960 (Tab D)
5. CP-60-108, "Isthmian Canal Plans - 1960" (Tab E)

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