

PAD Subject

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ARA/SR - Ambassador Anderson

September 7, 1965

PAN - Mr. Clark

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Treaty Negotiations - Assessment of Situation in Panama.

I. Consequences of Failure to Reach Agreement with Panama on
New Treaty for Panama Canal

The Canal issue in Panama is fraught with nationalism and potentially explosive. Nearly all Panamanians are convinced that the United States has failed to deal fairly with Panama on the Canal question and feel a high sense of frustration with Panama's failure to obtain adjustment in the Canal treaty structure. The causes of Panama's dissatisfaction are many. Panama vehemently objects to the exercise of sovereign powers by the United States in the Canal Zone and considers the present situation an affront to her national dignity. Moreover, Panama views the Canal as an exploitation of her only major national resource, i.e. her geographic position and believes she should obtain greater economic return from the Canal. Possibly the greatest cause of United States-Panamanian conflict is the Canal Zone itself which Panamanians attack as a foreign colony truncating their country.

Panamanian insistence on change in the Canal treaty arrangement has long been a cause of conflict between Panama and the United States. This conflict has intensified since the end of World War II and in 1959 and again in 1964 exploded into mob violence. The present situation is one in which the United States is portrayed as the oppressive bogey-man and is subject to easy exploitation by Castro-Communists, opportunistic politicians and ultra-nationalists.

National opinion on the need for substantial change in the United States-Panamanian Canal relationship is so fierce that no Panamanian Government, regardless of its political make-up, can avoid taking a strongly nationalistic stand on the treaty question. Robles is himself committed to the "complete abrogation" of the 1903 Treaty. Similarly, no Government could accept a treaty which did not make major changes in the present Canal relationship. We have been

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fortunate during the past year that Robles is a man of courage and firm anti-Communist convictions. Hence, he has not hesitated to use force to suppress Communist and ultra-nationalist attempts to mount violence and anti-United States demonstrations.

Should it become apparent that the United States is not willing to make substantial changes in the present treaty relationship, however, Robles would be forced to reassess the moderate approach to Canal matters thus far followed by the Panamanian Government. The Panamanian people, the majority of whom consider the events of January 9-12, 1964 to have been an historic and valient reaffirmation of historic Panamanian aspirations, would be quick to mount new violence in protest over "bad faith" on the part of the United States. Under these circumstances Robles might either be unable to suppress new violence or might even permit it to occur in an effort to turn public anger away from himself and against the United States. Such a situation would, of course, be highly subject to exploitation by Communists and the United States. Panama would almost certainly carry its case to the OAS and the UN charging that the United States had failed to live up to its commitments.

In short, if the United States and Panama are unable to agree to a mutually satisfactory arrangement for the existing Canal it is foreseen that:

- 1) there will be a rapid resurgence of hostility in Panama directed at the United States,
- 2) United States-Panamanian relations will deteriorate rapidly,
- 3) the Robles Government, and any successor Government should the Robles Government be overthrown, will be forced to take an increasingly demanding and radical position respecting the treaty negotiations,
- 4) violence on the order of the 1964 riots will probably ensue making it necessary for the United States, in order to maintain its continued control of the Canal Zone, to do so by the use of military power,
- 5) negotiation

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5) negotiation with Panama of an arrangement such as now contemplated, to include an acceptable formula for the present Canal, a mutually acceptable arrangement for a sea level canal and base rights and status of forces agreements, will no longer be possible.

II. Consequences of GOP failure to make a statement of progress in the negotiations before October 1

President Marco Robles was elected in May 1964, narrowly defeating ex-President Arnulfo Arias. Arias, who had been twice deposed from the Presidency, charged that the election was fraudulent. The fraud charges were never substantiated, but Arias and his Panameñista Party have remained in implacable opposition to the Robles Government. Although Arias and the other opposition groups, including the Communists, have not been able to mount a serious threat to Robles, the Robles Government has failed to inspire any substantial public support and the charismatic Arias remains the only figure in Panama with wide-spread popular appeal. Robles has been aided by his success in maintaining public order and by the initiation of treaty negotiations with the United States.

However, the Robles Government is not operating from a position of great strength. He has a very thin majority in the National Assembly which is based on temporary political alliances with people who would not hesitate to desert him to advance their own interests. The Assembly is scheduled to reconvene on October 1, 1965 and will provide the Panameñistas with a public forum from which to attack the Robles Government on such issues as mounting unemployment, fiscal difficulties, alleged corruption, and, above all, on its handling of the Canal negotiations. During the past several months the Panameñistas have been harassing Robles for his failure to inform the public on the status of the negotiations. The Arias supporters and the Communists contend that the absence of such information is due to the fact that nothing has been accomplished. In this connection, it should be noted that Panama considers that the negotiations were initiated as a result of the April 3, 1964 agreement in which the two countries agreed to renew diplomatic relations and to appoint Special Representatives to discuss all issues of conflict. Therefore Panamanians in

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general expect some evidence of progress after what they believe to be 16 months of negotiations.

Should there be no joint statement of progress prior to October 1, it can be expected that the Panameñistas and the Communists would bitterly attack the GOP for failure in the negotiations. It is possible that rather than submit itself to such attacks the GOP would issue a unilateral statement. Such a statement would have to contain something of a substantive nature if it were to be of assistance to the GOP. The danger would exist that the GOP would announce something which the United States would be forced to deny, with possible serious consequences to the negotiations.

The Robles Government needs to provide the Panamanian public with a statement of progress. It would be encouraged and fortified if such a statement were forthcoming. A statement would assist it to continue its present moderate, practical approach to a viable solution and give it courage and ammunition with which to fight extremism. If, on the other hand, a statement should not be forthcoming the Robles Government would feel let down. It would probably try at first to avoid adopting a harder line toward the United States but the pressures from enemies of the Government would be strong, insistent and soon irresistible. In due course, therefore, the Government would have to charge the United States with bad faith and start down the path of radical and impossible demands.

cc: ARA - Mr. Sayre

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