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~~SECRET~~~~NODIS/STADIS~~

To: The Secretary  
 Through: The Deputy Secretary  
 From: ~~\_\_\_\_\_~~  
 ARA - Jack B. Kubisch

"Managing" the Panama Problem

unique, present  
 Panama presents a ~~major~~/risk in terms of domestic as well as foreign policy. There could be a recurrence of armed conflict between American soldiers and the soldiers and citizens of a friendly Latin American state. Public opinion in this country would be sharply divided, and the world community nearly unanimous in condemning us.

~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~

Ambassador Bunker and I

emerging

~~\_\_\_\_\_~~ would welcome ~~the~~ guidance/~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~ from a Staff Meeting discussion of how to manage that risk, and need your ~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~ decisions on the ~~\_\_\_\_\_~~ recommendations ~~\_\_\_\_\_~~  
 contained in this paper.

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In the ten years since

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~~TOP SECRET~~  
~~TO: The Secretary~~  
~~Through: The Deputy Secretary~~  
~~From: ADA Jack P. Kubiach~~

"Managing" the Panama Problem

~~Panama presents a unique risk in terms of domestic as well as foreign policy. There could be a recurrence of armed conflict between American soldiers and the soldiers and citizens of a friendly American state, with public opinion in this country deeply divided and with the world community nearly unanimous in condemning.~~

~~In the ten years since~~ spontaneous riots against the U.S. presence in the Canal Zone occasioned American and Panamanian fatalities, our effort to elimin<sup>ate</sup> ~~the~~ <sup>this</sup> risk by negotiating a modernized treaty relationship has failed.

On the Panamanians' side, since Torrijos

~~/C~~ ~~seized power five years ago~~ ~~he~~ has turned mild ~~Panamanian~~ nationalism into full-fledged irredentism. First he rejected the treaties initialed in 1967 which had taken three years to negotiate. ~~Then, when we presented a new treaty package, he refused to negotiate it. He then presented a new treaty package in December of 1971.~~ Then, after we had agreed to ~~reopen~~ resume negotiations and spent six months working out ~~with him a negotiation~~ ~~what we and the Panamanian negotiators believed to be an~~ acceptable treaty package, he ignored it from December of 1971 until December of 1972. When negotiations resumed again at that time he confronted us with demands for virtual elimination ~~of~~ of the



U.S. ~~presence~~ <sup>took</sup> presence in the Zone by the century's end. Thereafter he ~~began taking~~ <sup>notably</sup> Panama's cause to the world, ~~as~~ at the Security Council meeting last March.

On the ~~U.S. side~~ <sup>U.S. side</sup> conservative ~~American~~ opinion against any concessions to Panama has hardened, ~~particularly~~ <sup>particularly</sup> in the Congress and the Defense Department. Partly that is because Panama dragged us into the international dock at the Council meeting, but more importantly because those who are troubled at the erosion of American power positions abroad hold that the Canal is one position we have the force, the legal right, the patriotic obligation and the security requirement to preserve. This hardening has, of course, constrained our negotiators' flexibility.

~~\_\_\_\_\_~~

To complicate matters, international attention has now ~~been~~ focused on the fact that the U.S. presence in Panama apparently constitutes the sole remaining instance in the world of one nation ~~exercising~~ legal extraterritoriality -- in perpetuity, and backed by large military force -- in the territory of another. Our friends are disturbed at, and our adversaries exploiting, what they regard as evidence that the U.S. is not ~~so~~ sensitive to modern international realities nor to legitimate nationalist aspirations. The Latins view it as evidence that we ~~talk~~ talk "partnership" but do not practice it when our basic interests are in play.

It is possible that the times are simply not right for reaching a settlement with Panama. Ambassador Bunker's expertise in applying the ~~same old~~ "fresh look" which the President called for in his 1973 foreign-policy statement will test whether that is so. But the testing ~~will take time~~ may be a fairly long-run process.

There is a short-run problem to be managed now: Torrijos is

sweet

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simultaneously showing an unprecedented ~~amount~~/reasonableness and threatening us with violence.

~~Since August Torrijos has been~~ <sup>he</sup> tempering his stridently confrontational tactics. He sent Foreign Minister Tack to Buenos Aires to urge Secretary Rogers to resume negotiations, and proposed eight "principles" as a basis. He refrained from his usual assault on the U.S. in his speech on the anniversary of his coup. He sent <sup>New York to</sup> Tack to/tell you that Panama would welcome Ambassador Bunker with "open arms", and <sup>instructed</sup> ~~instructed~~ Tack <sup>the</sup> not to seek ~~the~~/anti-U.S. Resolution in the General Assembly which <sup>been</sup> had/contemplated.

Yet since August Torrijos has repeatedly had his Ambassador at Washington convey a message. It is that, having been unable to show his people any concessionary U.S. movement since he came to power, <sup>he</sup> ~~Torrijos~~/must have some movement, in the negotiations or otherwise, by next January 9 -- the tenth anniversary of the riots -- or he cannot guarantee to continue keeping things peaceful vis-a-vis the U.S. presence in the Zone. There is some bluff in that message but not much: Torrijos is in a domestic political bind.

~~Ambassador Bunker~~ <sup>WE</sup> I ~~believe~~ believe ~~the U.S.~~ <sup>^</sup> should try to provide <sup>him</sup> ~~Torrijos~~ with some "movement" to show his people, although not of a major concessionary kind, so as to lessen the risks inherent <sup>possibility</sup> in the ~~possibility~~/of a ~~resurgence~~ resurgence of armed conflict, ~~in~~ ~~Panama~~.

In a review of the Panama problem <sup>now before</sup> ~~pending~~/the Under Secretaries Committee there ~~are~~ are proposals for a variety of unilateral U.S. actions, some cosmetic and others ~~more~~ substantive, some requiring congressional approval and some not, which ~~would constitute~~ could constitute what Torrijos Torrijos needs. But the Committee has decided that these actions could so intimately



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affect the long-run course of negotiations, and are so much in dispute between the Departments of State and Defense, that it should await Ambassador Bunker's personal, first-hand judgments ~~of~~ <sup>the</sup> Panamanian milieu before sending recommendations to the President.

The ~~study~~ review is attached at Tab A for background purposes.

~~Obviously~~ <sup>T</sup> the Ambassador will not ~~be able~~ be able to make such judgments on the basis of his first, "get-acquainted" visit to Panama in ~~early~~ <sup>Soon</sup> late November. ~~Immediately~~ thereafter the Christmas holiday spirit sets in ~~so~~ so firmly in Panama that little if anything could be accomplished by a subsequent visit/ ~~in December~~. Even if it could, ~~as a practical matter~~ as a practical matter we could not reasonably expect to be able to resolve the inter-agency disputes, present recommendations to the President, and receive a presidential decision before the first days of January.

In these circumstances ~~the Ambassador~~ I propose <sup>two mechanisms for</sup> ~~managing this short-run problem~~ <sup>in which Ambassador Bunker concurs.</sup> ~~It happens that if they "work"~~ <sup>might also be considerably helpful in managing the longer-run</sup> ~~negotiation problem~~

~~XXXXXXXXXX~~

### Recommendations

Torrijos has always yearned for a highest-level agreement on "principles", believing incorrectly that all the difficult details could thereafter be negotiated easily. In your October 5 meeting with Tack you confirmed that Ambassador Bunker is prepared to explore the principles he proposed to Secretary Rogers. A version of ~~the~~ principles the U.S. could accept (as approved by Secretary Rogers), contrasted with the version Tack presented, is at Tab B.

<sup>Ambassador Bunker's</sup> Even with ~~consensus~~ negotiating expertise, agreement will be difficult to reach because the two versions reflect sharp conceptual

differences. Yet if <sup>an</sup> agreement could be reached it ~~could~~ could go far  
 toward eliminating the negotiating impasse. Consequently the  
 Ambassador will need broad negotiating flexibility -- and at a time  
 when there are indications of a desire in the Department of Defense to  
 restrain <sup>it.</sup> ~~that flexibility.~~

If with that flexibility the Ambassador could reach some ~~measure~~  
 measure of agreement on principles with the Panamanians soon, we ~~could~~  
 could then ~~suggest to them that the agreement~~ offer to turn ~~the~~ it  
~~agreement~~ into a Joint Declaration of Presidents (which need not  
 entail a personal meeting). There has been no such Declaration  
 since 1965 -- that is, during Torrijos' tenure -- and we believe  
 it would be so appealing to him personally and politically that  
 he would be satisfied with it as a U.S. "movement". Such a  
 Declaration would also lessen international criticism, although it  
~~would not be so appealing to him personally and politically that~~  
 would  
 provoke a ~~fresh~~ outcry of "giveaway" from the hard-core  
 conservative opponents of concessions to Panama.

- (1) That you approve the concept of trying for a Joint Declaration on principles.

Approve \_\_\_\_\_ H Disapprove \_\_\_\_\_

~~(2) That you agree to make an appointment~~  
 As a hedge against the possibility that we cannot  
~~reach any kind of agreement~~  
 offer  
 on principles in time to ~~propose~~ a Joint Declaration ~~before~~ to the  
 Panamanians before January 9, we should be prepared to distract them  
<sup>try to</sup>  
~~occasionally~~ from any urges <sup>along the lines</sup> ~~in the direction~~ of forceful confrontation.  
 A written invitation from you to Tack ih late December to visit  
 Washington in early January for another round of exploratory talks  
 with Ambassador Bunker could provide such ~~a distraction.~~  
~~It would be a good idea to have the first round of talks in~~  
~~Panama.~~



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distraction. Tack -- and Torrijos -- would be flattered, if only transitorially, and could use your letter for domestic political purposes. Moreover, it would confirm to international observers that the U.S. remains in a state of forthcoming bilateral negotiations. Issuance of it would, of course, hinge on the outcome of the November talks in

- (2) That you approve in principle of such a written invitation in the event Ambassador Bunker judges that a Joint Declaration is not realizable.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

To improve Ambassador Bunker's prospects of reaching some agreement on principles which could be turned into a Joint Declaration, he will need not only broad negotiating flexibility. He will also need to carry with him on his first visit to Panama an indication that there is concern at the highest levels of this government for reaching a prompt ~~permanent settlement~~ accord with Panama. You stated as much to Tack on October 5, but the Panamanians are not easily ~~panam~~ persuaded and the message bears repeating.

- (3) That, in company with Ambassador Bunker, you see the President (before November 20), to seek

- a reiteration of presidential authority for broad U.S. negotiating flexibility in the negotiations ~~mmmmmm~~ shortly to be resumed, and
- an expression of the President's concern with this problem, which Ambassador Bunker can then emphasize in Panama.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Drafted: ARA/PAN:SMoreyBell

Concurrences:

ARA - Ambassador Bowdler S/AB - Ambassador Bunker