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U.S. OBJECTIVES IN PANAMA

A. U.S. Principal Objective

To maintain for an extended but fixed period of time our essential rights to operate, maintain and defend the Panama Canal. Our Canal rights currently are embodied in the 1903 treaty, but it is anachronistic and has been denounced with increasing vehemence by Panama. In recent years most Latin American countries and many nations of the world have joined Panama in criticizing the 1903 treaty and the "colonialist" character of the relationship which it symbolizes. The recent appointment of Ambassador Ellsworth Bunker as Chief U.S. negotiator is indicative of the importance we attach to managing and/or eventually resolving the Canal problem.

The United States' present strategy is to negotiate a new canal treaty which will permit a stable and more harmonious relationship with Panama while safeguarding our essential defense and economic interests in the Canal. Related to negotiations for a new treaty, we are considering changes in the substance and style of our Canal Zone operations which would make our position more defensible internationally and help remove the overlay of U.S.-Panamanian bitterness about non-essentials in order to reveal the common U.S.-Panamanian interest in a secure, efficient and available canal.

Proper management of the Canal problem is essential to prevent the government from becoming increasingly frustrated and hostile. Failure to adjust relations promptly could lead to a violent confrontation with Panamanians which, while manageable militarily, would send political/psychological shock waves around the world and conceivably place the President in the difficult position of dispatching U.S. forces to defend the canal against an otherwise friendly country. Should Panamanian dissatisfaction evolve into open and deliberate hostility toward the U.S. and its presence in the Zone, our efficient operation of the canal could become extremely difficult.

B. Other U.S. Objectives

In addition to and/or in support of our principal canal objective, the U.S. has several secondary objectives:

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1. Despite growing friction over the canal issue, we seek to maintain friendly relations with the Torrijos regime by a sizeable AID program which supports the government's economic development efforts.
2. We seek to maintain and expand U.S. economic ties with Panama through trade promotion efforts and by encouraging sound U.S. investment in Panama.
3. We are endeavoring to enlist Panamanian cooperation in preventing its use as a center for narcotics trafficking.

C. Problem Areas

The Department of State and Defense have differing views regarding the best means of dealing with the canal issue (See Under Secretaries Committee documents).

Another problem derives from the unique division of U.S. governmental authority in Panama. Our Mission believes that it has neither the authority nor the resources to coordinate and influence the management of U.S. Canal Zone activities which affect, sometimes significantly, our relations with Panama (See CASP and 1972 Inspection Report).

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