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To the great souls of Panama  
who fought to free the Panama Canal

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B. RAMESH BABU

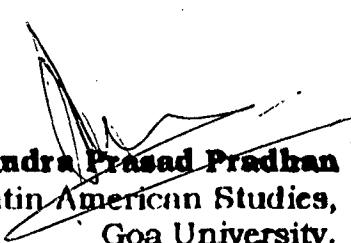
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## **STATEMENT**

I hereby state that the thesis entitled "**THE UNITED STATES FOREIGN POLICY TOWARDS PANAMA: THE PANAMA CANAL PERSPECTIVE**" submitted for the award of Ph.D. degree on Latin American Studies is my original contribution and that the thesis and any part thereof has not been previously submitted for the award of any degree/diploma of any University or Institute. To the best of my knowledge, the present study is the first comprehensive study of its kind in this area. Literature borrowed for the work has been duly acknowledged.



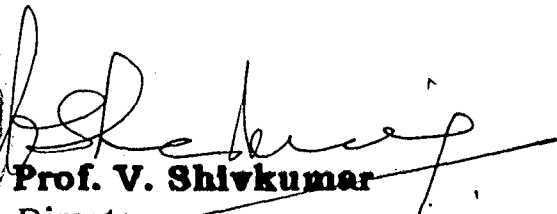
  
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## CERTIFICATE

This is to certify that the thesis entitled "**THE UNITED STATES FOREIGN POLICY TOWARDS PANAMA: THE PANAMA CANAL PERSPECTIVE**" submitted by Mr. Rudra Prasad Pradhan, Ph.D. Scholar, Centre for Latin American Studies, Goa University, Goa for the award of the degree of Doctor of Philosophy is a bonafide record of work done by him. The thesis has not been submitted to get any other Degree or Diploma from any other institution nor has formed the basis for award of any Associateship, Fellowship or other similar title. The work is done by Mr. Rudra Prasad Pradhan under my guidance.



  
**Prof. V. Shivkumar**  
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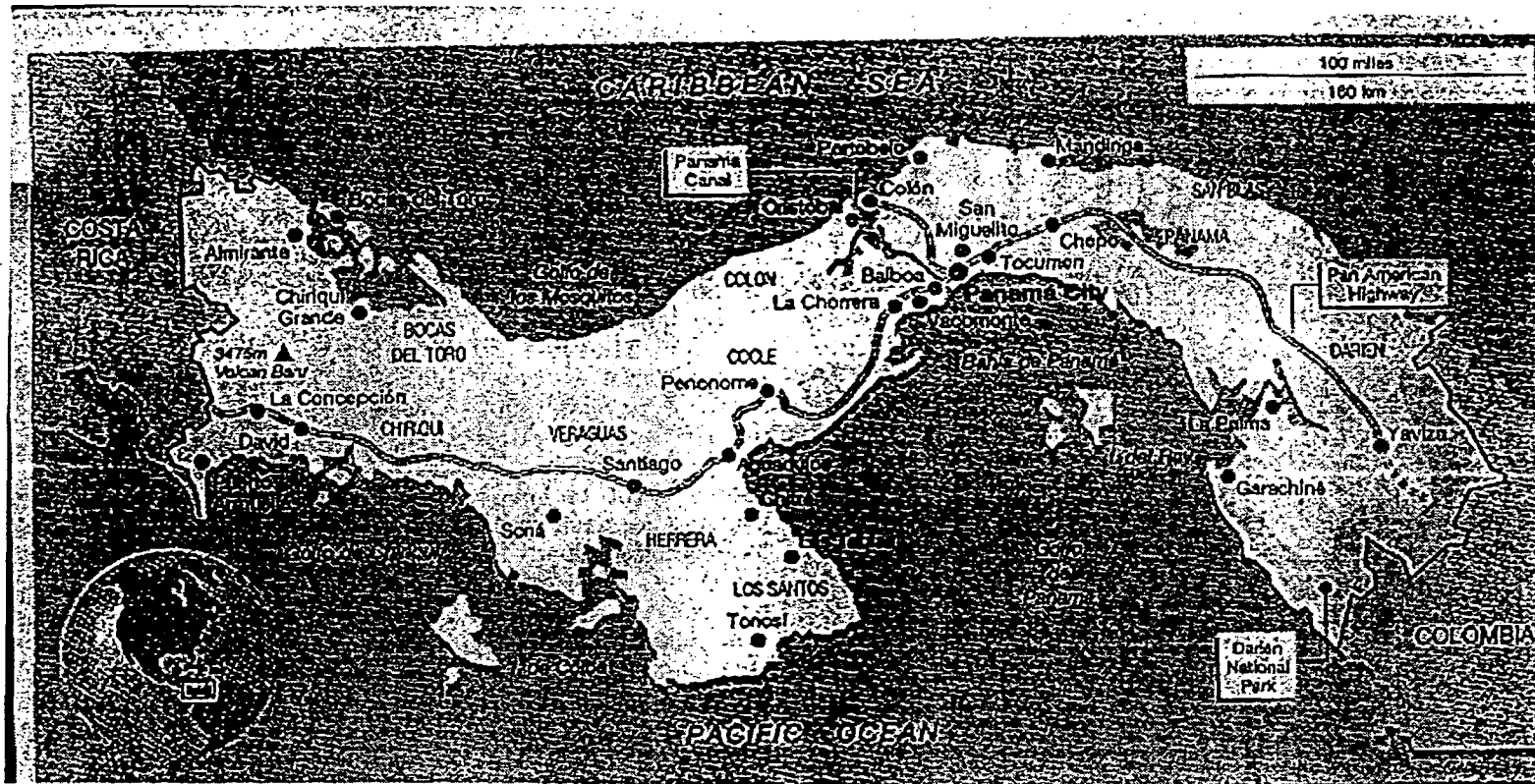
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## P R E F A C E

In the early hours of December 20, 1989 when the world was busy preparing for the Christmas celebration, the United States conducted a massive military action against the republic of Panama. After a week long operation, they arrested General Manuel Antonio Noriega, the then head of state of Panama from the Vatican embassy where Noriega had taken diplomatic asylum. Noriega was air-lifted to Miami for judicial trial in drug related charges pending against him. Since the Vietnam war, this was the largest military intervention of the United States against any individual country in the western hemisphere. More than 24,000 US army, navy and air-force regulars participated in the operation to rectify the wrong Panamanians had done by not keeping their own house in order.

Not long ago in 1977-78, in the process of ironing out their long standing issues and bilateral concerns, the United States and Panama had signed the historic Carter-Torrijos treaty which had explicitly closed the options for military interventions. In order to strengthen the treaty resolve both in letter and in spirit, President Jimmy Carter, in the distinguished presence of twenty six heads of states of the region, declared in the treaty signing ceremony that the Panama canal agreements "mark the commitment of the United States to the belief that fairness, not force, should lie at the heart of our dealings with the nations of the world."

The United States' unilateral military intervention in Panama in December 1989 generated wide spread condemnation. Not only individual countries condemned the US action in the strictest possible language, collectively through the United Nations, O.A.S., NAM and other such organisations, they questioned the propriety of bigger states resorting to military solutions. The United States however, code named the intervention as "Operation Just Cause" and justified the action on the ground of self defence. Apart from Noriega's mismanagement of Panamanian state craft, the United States apparently felt threatened by a Panama's National Assembly resolution which, while taking stock of the growing tension and the American hostility towards Panama had described the situation as "state of war".

Just or unjust, throughout 20<sup>th</sup> century the policy of interventionism has been the main stay of the American policy approach towards Panama. Though the whole of Latin America and Caribbean extensively bear the imprint of the United States interventionist policy approach, yet, no single country in the hemisphere has so overwhelmingly been ruffled off by the series of US interventions than Panama. Small or big, just or unjust, the United States has intervened in Panama as many as nineteen times to effect the United States economic, political and strategic interests in the region.



Needless to mention that the western hemisphere has adequate regional mechanism to deal with regional conflicts. The Inter-American System and the regional institutions like O.A.S. do provide a viable mechanism for conflict resolution and pacific settlement of disputes failing which, even the provision of collective action is available to deal with the situation. Transcending the bilateral concerns and upholding the dynamics of political pluralism, the Inter-American System evolved to look into the hemispheric nations political accommodation, mutual defence, economic development and so on. Unfortunately however, the great weight of the United States political strategic and economic concerns overshadowed the mechanism, and hijacked the instruments of collective approach to safeguard the United States national interests in the region. In the absence of a credible collective resistance, the United States kept the option of intervention open and unconditional and as and when required, assuaged the hurt feelings of her southern neighbours by invoking the rhetoric of 'Good Neighbour Policy', 'Alliance for Progress', 'New Dialogue' and so on.

Political realities for Panama indeed is a classical case study of challenges the Inter-American System confronted throughout 20<sup>th</sup> century. The tiny republic of Panama certainly did not offer any political challenge to the United States nor did it harbour any communist conspiracy of the cold war era to provoke the United States' wrath. However, the American paramount interest in the Panama canal zone became the *raison d'etre* for the growing American influence

in Panama and the source of all troubles for the isthmian country.

Panama's political prospect and economic fortune has been greatly linked to its unique geographic location. Located between the two great oceans of the world, ever since its discovery, the isthmus of Panama has revolutionalised the vision of maritime prospectors of the European powers. Though the United States entered the isthmian politics much later than the European powers, guided by the spirit of Monroe Doctrine, United States re-defined the political prospect of the region so as to suit the United States strategic build up in the region. While the Guantanamo naval base in the Caribbean waters and the Hawaiian naval station in the Pacific provided the United States an advantageous two ocean maritime strength, the 'Southcom' in Panama functioning as a naval choke point, provided an enviable maritime security network to the United States. Panama therefore played a sensitive role during the two great wars as well as during the cold war era. The United States maritime exports and imports and the quick access to the distant markets of the world through the Panama canal added an economic dimension to the importance of the Panama canal.

Emanating from the fact that the Americans made Panama independent, took the leadership in building the inter-oceanic Panama canal and paid for the entire construction of the 83 km. long Panama canal, a large

section of Americans throughout 20<sup>th</sup> century, believed that they are the rightful owners of the Panama canal. Panama canal not only brought the Atlantic and Pacific ocean together, the canal indeed became the link to maritime trading capitals of the world. As of today, approximately 8 lakh ships of varying nationality have transited the water way of Panama transporting millions of tons of cargo across the world. International maritime trade and economic prospect of dozen countries are directly linked to the uninterrupted functioning of the Panama canal water way.

On the other hand, instead of determining economic prosperity of Panama, the canal zone began to manifest as a zone of Panamanian national struggle against the American hegemony. As a result of 1903 Panama Canal Treaty, Panama lost the water way to the United States. From the Pacific end to the Atlantic, spreading over an area of 500 sq. mile or nearly 2% of the land surface of Panama, the canal zone became an American territorial out post at the expense of Panama's territorial integrity and political sovereignty. In the economic front also, Panamanian interests were severely marginalised. While the United States paid a pittance to Panama as her revenue share from the canal enterprise, the import of Caribbean cheap labour deprived Panamanians the opportunity of employment in the canal zone.

The United States further precipitated the isthmian trouble by resorting to unwarranted political interference in Panama. Apart from introducing a legacy of American

interventionism, the United States even went to the extent of forcing Panama to accommodate the American right of intervention through the constitution of Panama. So much so that the United States withdrawal from the canal zone by the stipulated dead line of 31 December 1999, is widely considered in Panama as the occasion of second independence for the isthmian country. The United States handing over of the canal zone to Panama is as important an event as the transfer of Hong Kong to China. However, the evident absence of matching glitter and public ceremony to mark the occasion reflects the continuance of Panamanian apprehension and the shadow of American hegemony in Panama.

The objective of the present study therefore has been to analyse and understand the degree and extent to which Panama canal influenced the United States foreign policy postures towards Panama. The thesis is mainly based on examination and analysis of treaties concluded between the two countries, legal documents, primary government documents including Panama Canal Commission papers and historical as well as contemporary writings on the subject. At various stages of writing this thesis, the numerous discussions the scholar had with diplomats and other government officials of Panama, the United States and other Latin American countries and scholars of Latin American affairs have helped in formulating a perspective and is duly reflected in the work.

The thesis is divided into seven broad chapters. The first and second chapter briefly reflect on the historical setting of Panama as a geographical and geo-political entity and the genesis of the United States interests in Central America and Panama. The third chapter analyses the political, legal and economic implications of the Panama Canal Convention of 1903 to highlight the extent to which Panama's interests were sacrificed. At the same time this chapter also discusses the marginal concessions Panama received in 1930s as a price for cooperation. The next two chapters provide a detailed analysis of the beginning and growth of Panamanian struggle against the United States which primarily emerged as a Panamanian reaction to the United States hegemony.

Chapter Six precisely dwells on the historic Carter-Torrijos treaty and takes stock of the political, economic and strategic gains Panama received as a result of the treaty. In view of the trouble between the United States and Panama involving the Panama canal, seventh chapter provides a political, strategic and economic profile of Panama canal and tries to explain how the canal has been beneficial to the United States. Drawing on Panama canal's continued importance to the United States, this chapter explains how the United States employs last moment bargaining and diplomacy with Panama to retain foot hold in the canal zone beyond the year 2000 A.D.

Finally, the concluding chapter explains the American policy approach towards Panama in a theoretical framework and based on the findings, provides an insight into the future of US-Panama relations.

In conceiving this research project and at various stages of writing this thesis, valuable support and cooperation has been extended by several people and institutions. I take this opportunity to place on record my deep sense of gratitude to all of them for their contribution.

I am specially thankful to Prof. V. Shivkumar, Director, Centre for Latin American Studies (CLAS), Goa University who not only introduced me to the field of Latin American Studies but patiently guided this work till the end. I sincerely record my indebtedness to him for his kind support, guidance and painstaking perusal of the work.

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Institutions and libraries like USIS, New Delhi and Mumbai; JNU Library, New Delhi; IDSA Library, New Delhi; Goa University Library, Goa; Xavier Centre of Historical Research Library, Goa; International Centre, Goa have been very useful for my research work. These institutions are a great source of knowledge and are indeed valuable repositories for research materials.

Finally my sincere thanks to my wife Pratibha for her continuous support and painstaking proof reading of all the chapters. I also thank Mr. Dilip Chari for the fine typing of this thesis.

  
- RUDRA PRASAD PRADHAN.

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**CHAPTER - I**

**PANAMA IN THE HISTORICAL**

**SETTING**

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## **PANAMA IN THE HISTORICAL SETTING**

The name 'Panama' apparently comes from an Indian word meaning 'land of many fish'. There are also equal claims that the name has been derived from the word 'Panaba' or 'Panna mai' which in the colloquial expression of the Cuna Indians meant, 'far way'. It is believed that when the Spanish conquistadors first encountered the Cuna Indians and inquired about the treasures of the New World, the natives, being suspicious of the strangers, in reply, told 'Panna mai' hoping that the conquistadors too would go away.

Panama however was destined to be the centre of the world. The greed for gold caused the discovery of the country but the unique location, from the very beginning, shaped the isthmus of Panama to be the crossroads of the world – a meeting point indeed! It is here the two Americas meet and the two vast oceans of Atlantic and the Pacific, reaching out to five continents of the world, join here and form an interoceanic maritime highway of distinction. Territorially appearing like a recumbent letter 'S', Panama stretches east

and west for four hundred miles connecting Central and South America. While the northern limit of the country extends upto the Caribbean sea, blue waters of the Pacific gracefully wash the Savannas of the 'land of many fish' in the south.

Apart from the two ocean advantage of the country, the land narrowness of the region turned out to be a strategic strength for Panama, which, ever since the regions first encounter with Europe, revolutionalised the imagination of the maritime explorers and laid the foundation of the isthmian country's prospect as the maritime crossroad of the world. Inhabited by traditional Indians like Cunas, the Guaymis or the Chocos, till the land was discovered, the history of the isthmus was the sum total of the history of these Indian tribes. The modern history of Panama however begins with the arrival of the Spaniards who not only colonised most part of the new world but redefined the political prospect of the region in consonance with the Spanish vision of empire building.

## **Panama Encounters the Spaniards**

The meeting of the old world with that of the new was a strange encounter of unknowns. Soon after discovering Hispaniola, the Spaniards, in their predominant pursuit of treasure hunt, continued the odd and difficult sea voyage in the Atlantic and within a few years discovered the whole of the new world. The case Panama, from the point of view of discovery as well as from the point of Spanish territorial organisation, records however, a chain of peculiar events.

In the spring of 1501, Spanish explorer Rodrigo de Bastidas, sailing from Santo Domingo in the course of a usual treasure hunt expedition landed in Panama.<sup>1</sup> Bastidas is the first European to have landed in Panama. After pursuing an intense search of over hundred mile zone in the isthmus, Bastidas had to finally return to Hispaniola without the fortune of the treasure. After a period of nine years, a member of his crew, Vasco Nunez de Bolboa escaped from Hispaniola to Panama as a stowaway. It is this Bolboa in

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<sup>1</sup> Walter LaFeber, The Panama Canal : The Crisis in Historical Perspective (New York: 1978), p.-3.

whose name Panamanian currency is known, who began to redraw the political horoscope of Panama. Unlike Bastidas, Bolboa stayed in the region and for the first time learnt of the existence of Pacific Sea. Finally, on 13 September 1513, Bolboa landed on the shore of the Pacific. Standing on the shore of the Pacific, Bolboa claimed the land as well as the water, whatever he could see to the king of Castile.<sup>2</sup>

### **The Destiny of Political Uncertainty**

From Bolboa onwards began the colonial history of Panama. The unique geographic location of the region however, provided Panama a fluctuating identity and kept the territory under vacillating political prospect.

As far as the political administration over Panama was concerned, for all practical purposes, the final administrative authority rested with the mainland Spanish Crown.

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<sup>2</sup> Bolboa reportedly became bankrupt in Hispaniola and in order to escape the creditors, he escaped to Panama and in the eastern province of Darien he started residing. He however befriended the native Cuna Indians and as a prize for his friendliness, the Cuna Indian Chieftains daughter married Bolboa. His association with the Indians gave him the information that there is another sea towards the South of Panama. Empowered with this information he finally discovered the Pacific ocean which was known as 'South Sea' among the Indians. See Ibid.

However, as far as the execution of political authority was concerned, along with the tune of power rivalry between the Spanish Adelantados, the destiny of the isthmus traversed through an uncertain political course and kept on being shifted from the Hispaniola's administration to Central American and finally South American jurisdiction.

Since the Spanish administration in the new world began from Hispaniola and it is from this place Bolboa escaped and discovered Panama, Hispaniola claimed jurisdiction over the isthmus of Panama in the early days of the discovery. Hispaniola even represented their claim in the Spanish court.<sup>3</sup> However, as the Spanish empire in America was gradually organised, the kingdom of Panama was included in the prestigious Vice-royalty of Peru.<sup>4</sup> In 1538 however, the Audiencia of Panama was erected which included the area of Nicaragua to Cartagena and extended southward to the Strait of Magellan. The prestige of this

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<sup>3</sup> The first Spanish Audiencia in the New world was established in Hispaniola, Santo Domingo. Columbus being the discoverer was appointed the first Adelantados of Hispaniola. After Columbus his son Diego Columbus in 1509 was appointed the Governor of Hispaniola and from that time there was claim of Santo Domingo's jurisdiction over Panama. The island tribunal also claimed authority over Honduras as well as Nicaragua. For details see C.H. Haring, The Spanish Empire in America (New York: 1963), pp.74-6.

<sup>4</sup> Ibid, pp.82-3.

isthmian Audiencia was such that the judicial appeals from the provinces of the Rio de la Plata were also heard in Panama.<sup>5</sup>

The arrangement however survived only for four years and the Audiencia of Panama was abolished in 1542. During the next twenty-five years, the administrative control over the isthmus kept on changing from one authority to the other. The region was twice, for a short time annexed to Central America. In 1567, again it was annexed to the Vice-royalty of Peru but with an Audiencia of its own. This territorial arrangement continued till the middle of the 18<sup>th</sup> Century. In 1751, Panama became a dependency of Santa Fe de Bogota in Colombia.

Panama became independent from Spain in 1821 and continued as a province of New Granada, which consisted of Ecuador, Colombia, Panama and Venezuela.<sup>6</sup> However, the political uncertainty over Panama continued. It is interesting

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<sup>5</sup> From 1538 -1542 the Audiencia of Panama commanded great political prestige. In 1542 the declaration of the 'New Laws' provided for the erection of the two new audiences in Peru and Guatemala and at the same time the Audiencia of Panama was abolished. See *Ibid.*

<sup>6</sup> After independence, Panama joined the confederation of Gran Colombia the architect of which was Simon Bolivar.

to note here that by 1840, there were three apparent attempts by Panama to secede from the federation of Colombia which subsequently was highlighted by the United States as the chronic 'run away' tendency of the isthmus for an independent political entity. It is however an established fact that Panama since 1821 until its independence in 1903 got totally mired in the political confusion of the Colombian central leadership and languished as a neglected jungle province of Colombia.<sup>7</sup>

The shifting of political authority from Santo Domingo to Lima to Bogota might have served the contemporary

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<sup>7</sup> Panama in the confederation of Gran Colombia remained as a neglected province and the central leadership not only underscored the local leaders but discounted their political prominence. In this case the dismissal of Colonel Tomas Herrera from the military command of Panama in late 1830s is a case in point. Herrera by 1839 was a leading political figure of Panama and upon his dismissal, he made public the dispatches between him and the President Jose Ignacio de Marques. Accompanied by these political developments, the great rebellion of 1839-41 virtually shook the Colombian central government. Panama at this juncture is reported to have seceded from the confederation and reportedly also contacted Costa-Rica and the United States for political recognition. Again there was also the change of flag which strongly indicates the Panamanian run away tendency.

On the other hand, it is interesting to note that it was a change for only thirteen months and more than the desire to secede, it was an attempt on the part of the Panamanians to demand for better centre-state relationship and more particularly it was directed to improve the political and economic fortune of Panama. A very interesting fact to be mentioned here is that, just after thirteen months, Panama rejoined New Granada without any apparent opposition to loss of independence. Otherwise also, Panama prior to this development had displayed the central government's neglect of Panamanian problems but time and again had reposed the Panamanian faith on the Colombian government. Only thing that apparently happened was that, the central government itself remained mired with political problems and inadequate leadership which highlighted the apparent run away tendencies of almost all the provinces of Gran Colombia. A very interesting account of this development is given in J. Ignacio Mendez, "Azul Y. Rojo: Panama's Independence in 1840" Hispanic American Historical Review (Duke Univ. Press: 1980), 20(2), pp.269-93.

political purpose of the Spanish empire in America, however, the continuous shifting terribly diluted the political identity of Panama and rendered the isthmus as no more than a cross road which helped transport the riches of the new world to the power centres of Europe. As a result of this orientation, the socio-political tradition of Panama gradually remained concentrated to the business of transportation and the socio-cultural affairs of the region tended to be influenced more by a very active business class that topped the social hierarchy of the isthmus. Emanating from the business of transportation, Panama therefore historically championed the trait and in course of time, emerged as a vital cross road of global trade and commerce at various points of time.<sup>8</sup>

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<sup>8</sup> Taking advantage of the geographic location and the territorial narrowness of Panama, historically there emerged a class who specialised in the trade of transportation. The merchant class commanded a significant position in the society and their influence was such that the two provincial civic bodies like the 'Sociedad de Amigos del Pais' and the provincial body of 'Camara' was mostly dominated by the merchant class and they greatly influenced policy matters that affected the isthmus. It was difficult in 1850 to find a businessman or an hacendado (the two common occupations in the province) who was not also a merchant or who did not have, at the minimum, ties to a merchant. For details see *Ibid.*



## **The Transit Route of Panama: A Historical Reflection**

Devoid of political attention from the central leadership, Panama however, since the days of its discovery, assumed to be the vital artery to transport the invaluable riches of the Spanish America to Europe. It may be noted here that the 'new world' indeed provided enormous amount of gold, silver, emeralds and many other precious metals to the Spanish Crown. Particularly Peru remained pre-eminent in the minds of the Spaniards due to the profusion of its gold and silver mines. Throughout the length and breadth of the Andes, starting from the northern part of the present republic of Peru down to Chile and again the borders of Argentina, there were abundant deposits of silver. In the process of taking over the Inca empire, the conquistadors are believed to have seized more than two and half million dollars of silver.<sup>9</sup>

The rich mines of silver were also found in the region of Bolivia and in the following century, these mines were known for producing 400 million pesos in silver bullion. In

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<sup>9</sup> C.H. Haring, The Spanish Empire in America, op.cit., pp. 82-5.

terms of quantity, gold was less available. However, starting from the Peruvian region and subsequently from New Granada, enormous amount of gold was mined for the service of the Spanish Crown. New Granada also produced emeralds and continued to be the centre of attraction of the Spanish administration for its wealth.

The fact however remained that, whatever exploits were available from the Vice-royalty of New Spain as well as the Vice-royalty of Peru, the entire wealth were to be collected from the western parts of the Americas and were to be transported to Spain. It is here that the isthmus of Panama kept a high profile. Varying in width from 30 to 120 miles between the seas, the isthmus of Panama indeed provided the most short cuts for the Spanish wealth to be ferried to the Atlantic coast of Nombre de Dios or Portobello in the isthmus of Panama for their onward trans-shipment to Spain. Mule trains brought them from the hinter land and Portbello trans-shipped them to Europe. Spain in return sent commercial goods for sale in the Americas and it is this Portobello which emerged as a great trade fair centre of the Americas. Panama in the process became a very popular

business centre as well as one of the main zone where goods from far and wide were collected and then found their way to their respective destinations.<sup>10</sup>

### **The Spanish Canal Vision**

It is the geography of territorial narrowness of the isthmus of Panama that played a predominant role in defining the socio-economic and the political character of Panama. As discussed earlier, Panama became the conduit for transportation of the Spanish royal wealth from the Americas and that accorded political prestige to Panama as well as promoted the isthmus as a regular transit route for their exploits to reach Spain. In the very early days of the Spanish administration, in the process of developing Panama as a transit route, the Spaniards toyed with the idea of building a canal that can join the two seas and provide a water passage for the Spanish ships.<sup>11</sup>

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<sup>10</sup> Geoffrey J. Walker, Spanish Politics And Imperial Trade: 1700-1789 (London: Macmillan, 1979), pp.34-50.

<sup>11</sup> Thomas D. Anderson, Geopolitics of the Caribbean (New York: Praeger, 1984), p.49.

It is however, essential to note here that, before the Spanish administration took hold in the isthmus, Alvaro de Saavedra, an engineer from Castille was the first ever person to see the dream of an inter-oceanic canal. An explorer in the Bolboa team, Saavedra urged for an search along the isthmus to see if there is any strait that connects the two seas. In the following years, Saavedra undertook a meticulous survey of the entire region from the Gulf of Mexico down to Colombia and since he did not find any natural strait connecting the two vast oceans, he organised an extensive survey to find out the feasibility of any artificial strait in the region. Saavedra's study identified four potential places for such a venture and they are, Tehuantepec in Mexico; sourcing the lake Nicaragua and the San Juan River across Nicaragua; the next was at the centre of isthmus of Panama near the present canal site and the last one was in Darien, the eastern part of Panama.<sup>12</sup>

Sourcing the findings of Saavedra and in recognition of the necessity of smooth transit way across the region, the Spanish administration toyed with the artificial canal

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<sup>12</sup> For the canal initiative of Saavedra, see Denison Kitchel, The Truth-About the Panama Canal (New York: 1978), pp.31-2.

proposal for over fifty years. In 1567 however, the Spanish Crown, by a decree, stalled the Spanish attempt of building any artificial water way any where in the Americas.<sup>13</sup> As a result of this development, the Spaniards for the next two and half century had to make do with the traditional method of carting the mule trains in land to the Atlantic coast.

### **The French Canal Fiasco**

Come the last half of the 19<sup>th</sup> century, the vision for building an artificial water way again surfaced. This time however, away from the religious prescriptions and of course, with the strength of far superior engineering technology that was available by then which the Spaniards lacked three hundred years ago, a French visionary Ferdinand de Lesseps took the historic step towards building a canal in Panama. Ferdinand de Lesseps was no ordinary man. In the

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<sup>13</sup> After conducting proper surveys, finally basing on a strange religious consideration, the canal project was damned by Spain. Considering from the point of view of religion, it was argued that since God has not built any natural canal to join the two seas, it would be His wish not to do so artificially. Any attempt in building an artificial water way would therefore be blasphemous. Religious rigidity of 16<sup>th</sup> century can be understood which finally prevailed to stop any guided canal building in the Americas. Finally in 1567 Phillip II, Spain, decreed that since God had not seen fit to divide the land, for man to do so would be sacrilegious. See Ibid.

contemporary popularity standard he was one of the most popular architect that time had ever produced then. He was the principal architect of the 105 mile long Suez canal that joined the Mediterranean with the Red Sea. Under the leadership of Lesseps when the Suez canal project was completed in 1869, it was indeed an engineering wonder of the time and the accomplishment virtually demified Lesseps and bestowed on him the rare honours and popularity.<sup>14</sup>

Elated by the Suez success, Ferdinand looked towards the Americas for a repeat performance and the most obvious project he identified was the building of Panama canal to join the Atlantic with the Pacific ocean. In an interesting coincidence, in 1870s, when Lesseps was visualising the Panama canal project, a French naval officer Lieutenant Lucien Napoleon Bonaparte Wyse having personally spent two years in the isthmus of Panama, managed to secure a 99 year concession right to construct an inter-oceanic canal from New Granada of which Panama was a province.<sup>15</sup> Lesseps purchased Wyse's canal construction right for US \$

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<sup>14</sup> See inter-oceanic canal history in The New Encyclopaedia Britannica (Chicago: 1995) Vol. 2, 15<sup>th</sup> edition, pp. 789-94.

<sup>15</sup> Denison Kitchel The Truth, op.cit., p.36.

10 million and formed a private canal construction company i.e. "La Compagnie Universelle du Canale Interocéanique de Panama" which was popularly referred to as the French Panama Canal Company.<sup>16</sup>

In the financial front, Lesseps floated public subscription and even before working out a detailed canal project, raised a canal fund of US \$ 100 million. In subsequent canal promotion measures, Lesseps generated a total of US \$ 275 million. All the money came from all over the world and strengthened the Panama canal resolve of Lesseps.

In the engineering front also, Lesseps gave a grand start to the canal project. He started the venture in 1879 and it is said that the engineering equipments he brought in for the mega canal project in Panama were infact far more in number and capacity than what the Americans used subsequently to build the same canal. Along with the machinery, men and material were also brought from far and wide. Hundreds of skilled workers came from France and

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<sup>16</sup> Ibid.

other places. Thousands of labourers mainly drawn from West Indies were assembled for the construction work and the work progressed very fast in the first year.

From the second year onwards the French Canal Company's nightmare in Panama began. It all happened as a result of lack of proper study of the topography of the region and the absence of a well devised master plan. Whatever digging work was undertaken, the torrential rain flooded them away and there was no plan to harness the flooding of the Chagres river in the area which compounded the problem. Secondly, the most profound failure on the part of the planners was that there was no climate and sanitation survey of the area. Workers began to die of malaria and yellow fever so fast that the construction project virtually became their entry into a death pact. As many as 20,000 canal work force died before the project was abandoned.<sup>17</sup>

As the canal work continued, it became more and more evident that it is heading for a disaster. Whatever fund

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<sup>17</sup> See Walter La Feber, op.cit. pp.13-5.



had been raised just got drained out. In spite of the French governments initial refusal to support the project financially, in December 1888 the issue of a lottery bond was finally authorised. However, these proved under-subscribed and the company had no alternative than to sink. In 1889 the project of Lesseps was abandoned and the canal company was declared bankrupt. De Lesseps was subsequently arrested and convicted of financial mismanagement and misappropriation.<sup>18</sup>

With this, ended one chapter of the canal history that had begun from Saavedra. Nevertheless, this was also the beginning of a new chapter where the canal concept was not only taken to its logical end but the course of the canal redefined the political character of the isthmus.

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<sup>18</sup> The developments in Panama took very ugly turns in France and the French Government had to institute an inquiry commission which finally found the Panama canal company's financial management one of the greatest mismanagement of the time and even de Lesseps was awarded a five year imprisonment conviction. However, considering his popularity and his contribution, he was pardoned off the jail term.

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**CHAPTER - II**

**SHAPING OF THE US POLICY  
IN PANAMA**

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## SHAPING OF THE US POLICY IN PANAMA

The United States' political prospect in Latin America was closely linked to the decline of the Spanish American colonial regime. In the early 19<sup>th</sup> century, when the wind of freedom in Latin America began to expose the crumbling Spanish 'manifest destiny' in the Americas, the Western Hemisphere's imminent balance of power crisis became a matter of intense speculation. It was this power vacuum in Latin America that brought opportunity for the United States to think beyond the existing territorial limitations and look towards the south. Taking advantage of the Latin American political uncertainties, when in 1822, the United States recognized the emergence of five new republics in the region, it was the United States first diplomatic step to the sphere of Latin American politics.<sup>1</sup>

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<sup>1</sup> By 1822 continental America from Great lakes to Cape Horn was independent of Spanish occupation and emerged as five new republics i.e. Mexico, Central America, New Granada, Rio de la plata (Argentina) and Chile. USA recognised their independence immediately. See Harold Blakemore Latin America: Essays in Continuity and Change (BBC London: 1974). Pp.46-55.

The historic Monroe Doctrine of 1823 however, laid the foundation of the United States policy visions for Latin America and for the first time unequivocally declared the end of the regions tryst with the colonial masters of Europe. While espousing the geographic contiguity of the Americas, the doctrine also laid the claim of the western hemisphere's political inviolability and in the same token, cautioned the European colonial masters to refrain from further extra territorial designs beyond the Atlantic. It was indeed the United States first serious political step towards the building and institutionalisation of the United States sphere of influence in the Americas – the pan-American notion of the contemporary time.<sup>2</sup>

Ever at the cross road, Panama, more than a political identity of its own, as a result of the geographic location and strategic strength, assumed political and economic prominence. In 1821, Panama declared her independence from Spain. However, for security reasons and also

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<sup>2</sup> Samuel Eliot Morison The Oxford History of American People (New York: 1965), pp.411-15.

influenced by the charismatic Simon Bolivar – the liberator, Panama joined the confederation of Gran Colombia as a province. Destined to be the centre-stage of the American politics, Panama, soon was conceptualised as the capital of the Americas. Simon Boliver's grand political vision of unifying the whole of Latin America through the instrument of Pan-Americanism, projected Panama as the future seat of governance of the region. Had Bolivar's vision materialised, Panamanian political history would have been so different than it is today.<sup>3</sup>

### **The US & The Isthmus**

Along with the political initiative towards Pan-Americanism, the United States also expanded her attention

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<sup>3</sup> Starting from his famous Jamaican letters, Simon Bolivar visualised the Latin American unification without the United States. In the Panama Congress of 15 July 1826 the main item that was attended to was the treaty of Perpetual Union, League and Confederation between the republics of the Americas which crystalised Bolivar's ideas. Bolivar was more oriented towards Europe and was suspicious of the United States. See Inter American Institute of International Legal studies The Inter-American System: Its Development and Strengthening (New York: 1966), pp. Xv-xix.

to the isthmus of Panama. In 1826 when the first Pan-American meet took place in Panama, the United States, more than any thing else, sent two emissaries with the express instruction of discussing the prospect of an inter-oceanic canal in Panama.<sup>4</sup> Prior to the United States canal proposal in the Pan-American meet, very interestingly, a group of New York businessmen, in their private capacity had announced the creation of a canal company to look into the prospect of building a canal in the Central American region. Though there was no definite action to materialize any canal initiative, yet, such proposal in private as well as the United States government circles, kept the canal proposal alive for the next twenty years.<sup>5</sup>

Within the framework of the Monroe Doctrine, the United States' isthmian policy during this period however,

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<sup>4</sup> The US Secretary of State Henry Clay had instructed the two US delegates to encourage the delegates of Panama Congress to discuss the canal subject and had proposed that in the event of the construction of any canal, the benefit should not go to any individual country. See Denison Kitchel, *op.cit.*, pp.32-3.

<sup>5</sup> A group of wealthy businessmen taking advantage of the vacillating political situation in Central America, in their own accord discussed the canal building proposal with Central American governments, particularly with Nicaragua and Honduras. See Walter LaFeber, *Op.cit.*, pp.8-9.

remained more focussed in discouraging external forces to consolidate in the Central American region. In the process, when Panama showed the signs of cession from Gran Colombia, reportedly, the United States without being active, took advantage of the developments. In the direction of canal building, it is important to mention here is that, during the presidency of Andrew Jackson, there was a notable development where the President of New Granada offered contracts for a possible isthmian railroad or a canal for ship passage. Taking advantage of this offer, Jackson sent emissary to New Granada to negotiate. However, he had to call back the negotiator upon learning that the emissary, underscoring the United States interest, pursued for a private concession with the Granadian leadership.<sup>6</sup>

The 1840s and 1850s however, are very important decades for the isthmian politics. Given the British position in Nicaragua, the United States had the daunting task of neutralising British empire building designs in Central

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<sup>6</sup> At the request of the Senate, President Jackson had sent Charles A. Biddle who wanted to negotiate a personal passage concession. See *Ibid.*

America as well as forestalling the British from pursuing any unilateral canal concession in the region. Propitiating the British government towards a course of consolidation in Central America, a group of London businessmen, like the New York business group had done earlier in 1820s, declared their intentions of venturing into the isthmus of Panama. It is understandable that having gone through a difficult political process where provinces threatened of deserting the union government, Colombia did not find the British ascendancy in Panama as a welcome development.<sup>7</sup>

Quite contrary to the declarations of Monroe Doctrine, the British position in Central America was indeed alarming for the United States too.<sup>8</sup> However, capitalising on the Colombian fear of British expansion, the United States in 1846 entered into a tacit understanding with Colombia that while Colombia would retain territorial control over the

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<sup>7</sup> See the previous chapter.

<sup>8</sup> Eversince the United States got Florida and as a result, got opening to the American Gulf, it opened the American door towards Caribbean and Central America. At the same time, Britain also wanted to take advantage of Latin American political situation by consolidating in Central America. It was for this reason, Central America appeared to be the first test ground of the Monroe Doctrine. The businessmen of the United States and Britain pursued their respective countries cause by taking lead in business or investment opportunities in Central America.



isthmus of Panama, the United States would have the right of transit as well as the right of building canal in the area in future. Benjamin Bidlack, the US diplomatic representative in Colombia, in this crucial negotiation with Colombia, got the first ever legal concession over any possible canal course in Panama.<sup>9</sup>

### **Clayton-Bulwer Treaty**

Britain and the United States dominated the isthmian politics of 1840s. Nicaragua and Panama having emerged as the two prospective contestants for the future canal course, the peace and the security of the region now greatly hinged on the two contesting powers convergence of interest as well

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<sup>9</sup> The Bidlack concession in Colombia was crucial from the point of view of checkmating British expansion in the region. It is interesting however to note that the US Congress, till that time had not been convinced of the United States political entanglement with Latin America as the later had displayed no matured political culture. As a result of this Congressional perception, the Bidlack concession was viewed in suspicion in the Congress; and the Senate debated over it for more than a year. On the other hand, the possibility of colliding with formidable Britain, in Central America made the Bidlack concession appear further suspicious. Britain, while pursuing her colonial design in Central America, also searched for a possible canal course through Nicaragua. For details see Walter LaFeber, op.cit., pp.8-11.

as their ability of conflict management. British consolidation in Nicaragua was only encouraging tension in the region and now, the Bidlack concession over Panama, intensified the contest and both the powers headed for an apparent collision course in Central America. Under these circumstances, the Central American republics themselves, based on their assessment of the situation, extended their support or opposition to either Britain or the United States.

It is in this background, the United States and Britain on 15 April 1850 signed the famous Clayton-Bulwer treaty which greatly defused the tension and provided that neither the United States nor Great Britain would go for a canal course unilaterally nor would they try to control or fortify any such venture exclusively and if at all any canal course were to be chalked out, both the countries would cooperate with each other in the endeavour.<sup>10</sup>

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<sup>10</sup> Prior to the Clayton-Bulwer treaty the United States and Britain indeed pursued a series of diplomatic exchanges to contain each other and in the process, both the countries tried to have secret understandings with Central American countries to bolster their own position. It is in this background, Clayton-Bulwer treaty helped in defusing the tension between the US and Britain. See William R. Manning Diplomatic Correspondence of the United States: Inter-American Affairs 1831-1860 (Washington D.C. 1936) Vol. VII, DOC 2672-3127, pp.30-84.

## **Californian Gold Rush & The Canal**

While the Clayton-Bulwer treaty resolved the crisis and brought peace to the Central American region, the discovery of Californian gold in 1848 and the consequent gold rush, instantly added a new twist to the canal politics of the region. Tens and thousands of gold prospectors from all over, started their greed march to California to try their luck. The need of the hour therefore was an easy and time saving route to the treasure trove of California. While the United States was yet to develop an east-west rail-line to take the eastern United States gold prospectors quickly to California, it is the isthmus of Panama as well as the Nicaraguan proposed canal route that now provided the answer to this mad gold rush. Coinciding these developments, between 1851-1855, Panama city and the Atlantic coast were joined by a 48 mile railway line - the first ever in the entire isthmus that connected the two oceans. Based on the Colombian concession and undertaken by private New York businessmen, the construction of the railway line brightened the United States political prospect in the region.

The Panamanian railroad was the key to the eldorado. The United States subsidised steamship service highly reduced the gold prospectors problems. Steamship service from New York brought people to the Atlantic coast of Panama and then reaching Panama city through the railroads, they again took steamship service in the Pacific to San Francisco. Reportedly, in the first fourteen years of the opening of the rail road in Panama, six lakhs of travelers used the service and as many as US \$ 750 million in gold bullion was transported from California to the eastern United States along the Panama route.<sup>11</sup>

Nicaragua however, did not lag behind the Panamanian way. Matching to the transit service through Panama, the Nicaraguan route was also being promoted to compete with Panama and to stake claim as the most viable canal course of the future. It was again another American private initiative where the Accessory Transit Company under the auspices of the New York financial expert, Colonel Cornelius Vanderbilt, started plying steamship services

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<sup>11</sup> Walter LaFeber, op.cit., p.12.

between New York and the Atlantic coast of Nicaragua and again in the Pacific, a similar service took the fortune seekers to San Francisco. They came to the Caribbean port of San Juan del Norte (Greytown) and then boarded a river boat for about 122 miles in the San Juan river and then a lake distance of 55 miles through the lake Nicaragua and finally disembarked at the lake side port of La Virgen. From here it was only 15 mile bumpy road to San Juan del Sur on the Pacific coast. In spite of the zig-zags, the prospectors took only three days to cross the Nicaraguan isthmus.<sup>12</sup>

In a comparative performance, both the routes scored equally well and indeed competed with each other till the next half century to prove their respective viability. In 1853, for example, 10,062 prospectors transited through the Nicaraguan way while Panama registered 15,502 travelers. While the Nicaraguan route was far more distance and time saving, the Panamanian route was comparatively inexpensive.<sup>13</sup>

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<sup>12</sup> Gerstle Mach, The Land Divided (New York: 1944), pp.190-1.

<sup>13</sup> *Ibid.*

It is however interesting to note here that, till this time, the United States officially had not evinced any strong desire to build any canal passage. It had only supported the American private initiatives in this direction and wherever necessary had extended helping hand from behind. On the other hand, in the diplomatic front, the United States, through the Bidlack concession and Clayton-Bulwer treaty had only prevented the formidable Britain to further consolidate British influence in the region and as a result, indirectly ensured the American unilateral role in deciding the Central American maritime crossroad of the future. By 1860s, it was evident that the United States remained as the only power of consequence in the western hemisphere and the future initiative to develop an inter-oceanic water passage therefore greatly depended on the willingness and the vision of the country.<sup>14</sup>

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<sup>14</sup> At the time when the Monroe Doctrine was declared, Britain had two bases i.e. Belize and the Bay Islands, Honduras in Central America. Also, Miskito, Nicaragua, was a British protectorate. By 1848 however, the Nicaraguan eastern terminus which Britain perceived as the possible way for a ship canal, had become independent. Clayton-Bulwer treaty further clipped the British wing in Central America. Further, as a consequence to a local brawl in Grey town, involving a Minister from the United States, the town was bombarded by the US marine and the British demand for reparation was ignored. Between 1859-60, the cession of Bay Islands to Honduras and Mousquitia to Nicaragua virtually saw the end of British influence building in Central America. See Samuel Eliot Morison, op.cit., pp.580-82.

## **Bunau-Varilla & The Canal Course**

As much as the French history, Ferdinand de Lesseps Panama canal fiasco speaks of an equally important epoch of Panamanian history -- thousands died, millions of dollars washed away and the dreams did not see the light of day. Panama having traversed through the designs of too many actors and too many visions had virtually become like a hat that had lost its shape as a result of too many wearers. While Panama continued to be the neglected jungle province of Colombia and the Colombian central administration, as a result of its own economic morbidity always looked for the isthmian revenue support; the canal vision of each of the foreign actors left their own important imprint in the regions canal politics and further strengthened the isthmian canal resolve.

Philip Bunau-Varilla however, was the destiny maker of Panama. An young French engineer, Bunau-Varilla single handedly gave a definite shape to the isthmian politics, defined the political future of Panama and more so, chalked

out the canal course putting an end to the centuries old speculations. The history of Panama indeed would be greatly incomplete without the mention of the French engineers role and the rapaciousness in shaping the destiny of Panama. Throughout the 20<sup>th</sup> Century, for the American diplomats engaged in the formulation of isthmian policy, the name Bunau-Varilla was the source of inspiration. On the other hand, for the Panamanians, it is odious to hear the name that within too short a time, decided too much for Panama and became the source of all evil that Panama were to endure in the indefinite future to come.

Philip Bunau-Varilla had the distinction of being the Chief Engineer of Panama canal project at the age of twenty six only. He had joined Lesseps in the Panama canal project in early 1880s but after a small stint, he too became a victim of Caribbean hostile weather conditions and had to return home sick.

In 1892 however, he was back in Panama not with the objective of reviving the Panama canal project, but with the



exclusive mission of salvaging whatever possible from the sunk Panama canal company in Panama – a daunting task in fact. Taking the string of canal politics from here, Bunau-Varilla began to pursue his mission. The Panama canal company's net disposing value was in the neighbourhood of US \$ 109 million and the company was in the lookout for a prospective buyer.

As it appears, in 1890s when the United States was beginning to emerge as a global power, Bunau-Varilla's obvious target should be the United States. However, reportedly, he tried elsewhere in Europe to persuade the British, the Russians and who so ever he found, could possibly be willing to hold the key to one of the important maritime highways of the future.<sup>15</sup> Having failed to generate the European powers interest in the western hemisphere, he finally had to pin his hopes on the Americans.

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<sup>15</sup> Bunau-Varilla tried to convince the European powers about the prospect of holding the key to the Pacific maritime highway. Particularly to the Russians, he reportedly impressed of the future where the Anglo Saxons would control the Suez as well as the Central American water way which would put the Russians under the wishes of the Anglo-Saxons. However, Bunau-Varilla failed in generating European powers interest. Britain was busy in Asia and Africa. Russia failed to appreciate the advantage. See Walter LaFeber, *op.cit.*, pp.20-1.

Very interestingly, the United States was not really interested in Bunau-Varilla's project. When Ferdinand de Lesseps started his canal venture in Panama, it was the United States who perceived the project as a strategic threat and viewing the Clayton-Bulwer treaty of 1850 as an impediment, argued for the United States unilateral claim over any such project in the western hemisphere. So much so that, ignoring the British claim, and at a point of time when de Lesseps was busy building the canal in Panama, the United States signed a treaty in 1884 with Nicaragua which gave the United States the necessary rights to build a canal in Nicaragua.<sup>16</sup>

The United States canal interest in Nicaragua, therefore, rendered Bunau-Varilla's mission doubly difficult. Neither the United States would allow any European power to lead the canal project in Panama, nor the United States herself would take interest in the Panama canal project. Suffice to say therefore that, in order to salvage the value of the French Panama Canal company, Bunau-Varilla had the

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<sup>16</sup> Ibid. p.15.

task to promote the Panama canal route over the Nicaraguan one and make the PCC price reasonable and attractive enough so that the Americans could be persuaded to buy it.

### **Nicaragua Versus Panama: The Canal Route Diplomacy**

It is in the fitness of things to mention here that, in the early 1890s, anybody who had interest in following the canal initiative in the Central American region, had virtually taken to presume that Nicaragua holds the key to the future water way. The impression became further strong when the United States acquired the canal construction right from Nicaragua and the government of Nicaragua too willingly surrendered her natural resources for the purpose. It also so happened that, in 1887, a group of American financiers formed the Maritime Canal Company of Nicaragua and like Lesseps, raised a sum of US \$ 250 million and even started the construction work. The Nicaraguan canal builders sustained

for far less time than the French did in Panama and met the same fate that happened to the Panamanian construction.<sup>17</sup>

It is at this juncture that Bunau-Varilla entered into the scene to dispose off the French canal property. In 1896, a New York lawyer William Nelson Cromwell joined Bunau-Varilla as the Panama Canal Company's agent in New York.

Till the end of the 19<sup>th</sup> century however, the United States canal attention remained more focussed on the Nicaraguan project and Panama continued to trail behind for many reasons. In 1897, President William McKinley instituted a commission known as Walker Commission to go into the canal route question and shortly there after, the commission gave a report favouring the Nicaraguan route.<sup>18</sup> The Walker Commission findings indeed strengthened the Nicaraguan case. The case however was further built up by a

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<sup>17</sup> The builders of Nicaraguan route borrowed instruments from the Panama project which by that time had already headed for the fiasco. In Nicaragua, they built a break water at the mouth of San Juan river, a hospital and finally a 280 ft. wide 17 ft. deep and  $\frac{3}{4}$  of a mile long canal which became the part of the entire Nicaraguan canal vision. See Donald B. Chidsey The Panama Canal - An Informal History (New York: 1972), p.106.

<sup>18</sup> Denison Kitchel, op.cit., p.42.

host of domestic political developments. In the American Congress, Senator John Tyler Morgan, Democrat, Alabama, for the past couple of years was promoting the Nicaraguan canal proposal. Now being the Chairman of the Senate Committee on Inter-oceanic affairs, Morgan indeed was in a position to direct the United States canal vision in Central America. Followed by the Walker Commission's favourable report, Morgan introduced a bill calling for construction, operation and fortification of the Nicaraguan canal by the United States government.<sup>19</sup>

The Spanish-American war of 1898 was a shot in the arm of the all those who were the proponents of the inter-oceanic canal in Central America. Till now, it was all private initiatives supported by various government or private agencies that had kept the canal proposal vibrant. The United States government however, till now had neither declared the intention of building an inter-oceanic canal nor

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<sup>19</sup> Inter-oceanic canal and Nicaraguan canal route were identified as Morgan's obsessions. His involvement in this direction was so much so that his colleague Senator John C. Spooner observed of Morgan that "Upon whatever route an isthmian canal shall be constructed, the Senator from Alabama will forever stand in the memory of the people as the father of the isthmian canal". See Congressional Record, July 18, 1902, p. 6984.

had joined the route war that had been unleashed for over the past half century. Interestingly enough, more to display to the world the necessity of an inter-oceanic canal for the benefit of the global trade and commerce and also to generate favourable Congressional opinion for a canal in Central America, the United States battle ship U.S.S Oregon steamed out of San Francisco harbour to respond to the crisis in Cuba – a distance of thirteen thousand sea miles round the cape of Horn and finally, the battle ship, after a sea voyage of sixty eight days reached the Caribbean waters. The high drama of Oregons voyage however, convinced one and all that there must be an inter-oceanic water passage to cut-short the sea distance. In its own merit, the event therefore became an important mile stone in the course of canal building.<sup>20</sup>

Now, it was the Nicaraguan route which virtually had surged ahead and here came the United States governmental

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<sup>20</sup> The high drama of sea voyage was more to build Congressional consensus in the United States that the govt. of USA should be directly involved in building a canal in Central America. Secondly, it was also to show to the world that, but for the necessity of bridging the sea distance, the United States has no other political motive behind building a canal. See Robert H. Ferrell American Diplomacy: A History (New York: 1975), pp. 395-405.

willingness to lead the future canal project. It was here that Cromwell and Bunau-Varilla introduced a new facet to the canal route politics and rescued the Panama canal proposal almost from a lost ground. First and foremost, the duo prevailed upon the French Canal Company to devalue their assets to US \$ 40 million instead of US \$ 109 million so that the Americans could possibly be interested to buy it. Secondly, working behind the scene, reportedly Cromwell purchased the Republican support for Panama route by contributing for their party fund.<sup>21</sup> These developments built atleast the minimum ground to argue the Panamanian case.

Till 1901 however, Nicaraguan route continued to be the favoured route. Interestingly, those who opposed Morgan and were equally on powerful position to influence the Congressional opinion were also proponents of Nicaraguan route themselves. The case in point was of William P. Hepburn, Iowa, who was the Chairman of the House Committee on Inter-State and Foreign Commerce, and was wanting to lead the Nicaraguan route himself than joining

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<sup>21</sup> Walter LaFeber, op.cit.p.19.

the Morgan bandwagon. Hepburn in fact scored impressively over Morgan by passing a bill in the House of Representatives in favour of the Nicaraguan route by 308-2.

Bunau-Varilla and Cromwell acting from behind, pushed a Republican sponsored amendment to the Hepburn bill. Senator John C. Spooner, Republican, Wisconsin, in his amendment, required President Theodore Roosevelt to purchase the French canal property in Panama for US \$ 40 million and negotiate the canal right from Colombia failing which, the President was required to pursue the Nicaraguan route. The Panama team then kept exploring all possibilities to collect sufficient votes for the Spooner amendment to be passed. Very interestingly, the whole canal route war now took a dramatic turn. In May 1902, at the height of the sensitive canal negotiation, a volcano erupted on the Caribbean island of Martinique flashing a point to the canal builders about the safety of their project. Seizing the opportunity, Bunau-Varilla highlighted the Nicaraguan routes susceptibility to natural disasters like volcanoes and to some extent strengthened the Panamanian case.



Things had indeed changed and along with the Spooner amendment, the prospect of Panama canal route definitely improved. Incidentally, shortly before the introduction of the Spooner amendment, the second Walker Commission, surveying the feasibility prospect of both the routes, finally favoured the Panama canal route on the grounds of economy.<sup>22</sup> Standing at this point of strength, the canal proponents when fired their volcanic apprehensions, Nicaragua appeared to be losing. The government of Nicaragua desperately issued statements saying that Martinique is around thousand miles away and the canal route through their country is absolutely safe. To make their claims convincing, they also claimed that their country has not been the victim of any active volcano for over half a century. In reality however, two years ago, the Nicaraguan government had issued a postage stamp portraying a volcano in full eruption with lake Nicaragua, the principal canal feeder being in the background.<sup>23</sup> Prior to

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<sup>22</sup> The Second Walker Commission even in the preliminary report favoured the Nicaraguan route. However, shortly there after, in a comparative feasibility report, favoured the Panamanian route as, already there had been some work there and the total project was said to be much less expensive in Panama.

<sup>23</sup> Philippe Bunau-Varilla, Panama: The Creation, Destruction and Resurrection (New York: 1914), pp.246-7.

the Senate voting on 16 June, there appeared this magnificent stamp in each Senators table.

The Volcano conscious Senators then did not have difficulty grasping the virtues of the Panamanian canal proposal. On 19 June 1902, the Spooner Amendment was passed authorising the President to pursue the canal negotiation. Nicaragua lost out permanently leading to the beginning of a new chapter in the political history of Panama. President Roosevelt signed the document to law on 28 June and the canal building proposal was finalised.

### **Colombian Reaction**

A fundamental point to be noted here is that, Nicaragua had been ever willing to offer the canal building title. On the other hand, Colombia during 1840s, was apprehensive of the British expansion in Central America and Panama, and being concerned of the territorial security of her isthmian province had offered the United States

transit rights across the isthmus of Panama and in return, the United States had guaranteed Colombian territorial sovereignty over Panama. Now at the end of the century, Colombia no more appeared to be threatened by British colonial aspirations. Rather, the United States itself had emerged as a strong power to influence regional as well as international affairs and the Colombian leadership had reasons to apprehend a deal of trans-oceanic canal with the United States. Apart from the United States strategic strength, Colombia also had at hand, an isthmus of promising economic fortune and Colombia wanted to exploit the opportunity.

Once the canal proposal was finalised in the United States Congress, President Roosevelt and Secretary of State John Hay opened negotiation with Colombia. In January 1903, both the governments arrived at a tentative agreement where the United States got a 99 year lease over a six-mile wide canal zone. The United States in return, were to pay US \$ 10 million and an annual payment of US \$ 250,000 to

Colombia.<sup>24</sup> In August, the Colombian Senate unanimously rejected the lease. Benefiting from the hindsight, it is understood that a combination of greed and apprehension of losing the isthmus to the USA worked negatively and Colombia rejected the proposal throwing the canal as well as the isthmian future to uncertainty.

### **Birth of a Nation**

The canal diplomacy from the beginning of 19<sup>th</sup> century had been full of surprises. Developments after developments kept the observers guessing throughout the century. However, the refusal of Colombia for a canal treaty now introduced the most spectacular period of canal history and indeed became the most eventful period of the isthmian politics.

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<sup>24</sup> Known as the Hay-Herran treaty, the US-Colombian agreement nearly completed all the legal formalities for an inter-oceanic canal. On 17 March 1903, the United States Senate ratified the treaty by 75-4. For details see Gerstle Mach, op.cit., p.443.

Bunau-Varilla and Cromwell who had been consistently pushing the Panama canal proposal at all levels and by any means, now were aghast at the prospect of losing the deal at this juncture. Their canal concession with Colombia was to expire in 1904 and if the proposal does not materialise, the whole property and the effort becomes totally waste. Colombian rejection equally shattered the American zeal and optimism of canal building. Perceivably there remained only two options to come out of this impasse -- one, pursue the Nicaraguan route with all the apprehensions of volcanic eruption. The second, which of course were to involve temporary political embarrassment to the United States, the military seizure of the isthmus of Panama.

The second option gained more prominence but did not take off without proper window dressing.<sup>25</sup> In the initial stage after Colombian rejection, President Roosevelt dispelled the apprehensions of employing underhand means by

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<sup>25</sup> In the United States, most of the leading statesmen and legal experts like John Bassett Moore, Francis B. Loomis, John Hay, Philander C. Knox, President Roosevelt, were of the opinion that the Colombian rejection was a technical hurdle and because of this technical hurdle, a visionary work of inter-oceanic canal need not be stopped. See Walter LaFeber, *op.cit.* pp.22-35.

observing that "I cast aside the proposition made at this time to foment the secession of Panama. Whatever other governments can do, the United States cannot go into the securing by such under hand means, the secession."<sup>26</sup>

Suddenly however, there surfaced a rebellion -- a few Panama's oligarchs led the banner of rebellion, the isthmian chronic runaway tendency was chronologically presented to convince the world how Panama has a history of struggle against the union government of Colombia. The revolutionaries were headed by Dr. Amador Manuel who later became the first President of the republic of Panama, and were ostensibly supported and guided by the high stake holders of Panama canal who even reportedly prepared their national flag.<sup>27</sup> On 3 November 1903, Dr. Amador declared the independence of Panama. Colombia responded with marine dispatches to suppress the belligerents in Panama. In the whole process, only one man died and many of the

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<sup>26</sup> Ibid, p.23.

<sup>27</sup> Dr. Manuel Amador was the official physician of the Panama Railroad. Along with him, joined Jose Agustin Arango who was the Attorney of the Railways and James R. Shaler, the Superintendent of the Railway. In reality, Phillip Bunau-Varilla and Cromwell spotted the revolution in Panama and coordinated the entire revolution till independence.

Colombian naval personnel were reportedly kept silent for a price or were arrested.<sup>28</sup>

In the entire development, it is however interesting to know what role the United States played in making the small isthmian country independent. At the time when the wind of freedom was sweeping the isthmus of Panama and Bunau-Varilla was busy spotting the revolutionaries, President Roosevelt, shortly after a meeting with Bunau-Varilla wrote to a friend saying "of course, I have no idea what Bunau-Varilla advised the revolutionists... but I do know ... that he had no assurance in any way, either from Hay or myself or from anyone authorised to speak for us. He is a very able fellow, and it was his business to find out what he thought our Government would do. I have no doubt he was able to make a very accurate guess, and to advise his people accordingly."<sup>29</sup>

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<sup>28</sup> Joseph L. Arbena "Colombian Reactions to the Independence of Panama, 1903-1904", The Americans (Washington D.C.: July 1978) vol. Xxxiii, No.1, pp. 130-148.

<sup>29</sup> Walter LaFeber, *op.cit*, p.23.

Rightly so, Bunau-Varilla and Cromwell guessed accurately what the United States role would be and accordingly organised the Panamanian hand picked revolutionaries to declare independence. When Dr. Amador declared the Panamanian independence, the United States warship U.S.S. Nashville and U.S.S. Dixie anchoring off the coast of Colon, Panama, ensured that the occasion go without any trouble. Next day, the US marine went ashore to protect the American railroad in Panama. On 6 November, the United States recognised the independence of Panama.

### **US- Panama Sign the Canal Treaty**

Times have changed but Panama has traditionally functioned as a cross road. Transporting the economic and political fortunes to nations and regions of the world, Panama truly has served to be the link road to prosperity. The isthmian country's own political and economic fortune however, greatly hinged on the development of the proposed maritime highway in Panama. Now that the United States guaranteed Panamanian independence and emerged as the



future builder of the inter-oceanic canal, the political and economic prospect of Panama virtually rested on the United States canal interests.

Along with the United States recognition of Panamanian independence, both the nations embarked on a future relationship that neither the Panamanians ever liked nor could they ever define. It was the formative years of the building of the United States sphere of influence and expansion towards south. Viewing from the Atlantic as well as from the Pacific, Panamanian strategic location perfectly matched the United States political and strategic ambitions for the future. As a result of these considerations, in the process of building the inter-oceanic Panama canal, the United States virtually carved a nation within the nation state of Panama.

The tragedy began along with the independence of Panama. Phillip Bunau-Varilla being the fore runner of Panamanian independence, as a matter of gratitude was immediately appointed as the new republics first Minister

Plenipotentiary to the United States. Needless to say, the French Panama Canal Company's agent Bunau-Varilla neither was a Panamanian nor had the inkling in sharing the ethos of Panama. He had the ultimate interest of disposing off the canal property in Panama. Upon being appointed as the Panamanian diplomat in Washington D.C., he took extra-ordinary advantage of the diplomatic position. The Panama canal treaty was to be signed forth with.

On 15 November, John Hay presented to Bunau-Varilla the United States' official Panama Canal treaty draft. Hay's draft was more or less on the line of the United States earlier negotiation with Colombia. It may be noted here that, after the declaration of independence in Panama, Bunau-Varilla had been telegraphed in the United States to negotiate the canal treaty with the United States. However, he had further been notified that the front ranking leaders of Panama were heading towards the United States and Bunau-Varilla may negotiate a canal treaty on behalf of Panama but not sign any treaty as the Panamanian leaders are reaching there to conduct the official formalities.

On 17 November when Dr. Amador had already reached New York, he was deliberately detained in New York under some pretext and meanwhile, Bunau-Varilla presented his own draft treaty to John Hay and also wanted to sign the treaty on behalf of Panama. Strange however it may sound, reportedly John Hay himself was puzzled and bewildered to see the draft treaty Bunau-Varilla had prepared. Next day John Hay and Bunau-Varilla signed the historic Panama Canal Treaty of 1903 which tied the destiny of Panama with the whims and fancies of the United States in perpetuity.<sup>30</sup>

Precisely saying, Bunau-Varilla acting as the Panamanian Minister, granted all such rights and privileges that the United States had neither asked for, nor ever imagined of getting. On the other hand, viewing from Panamanian point of view, Bunau-Varilla granted all that

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<sup>30</sup> The 1903 canal treaty as a result of Bunau-Varilla's haste and desire of serving the French Panama Canal Company's interest, highly compromised the interest of Panama. In the first three articles of the treaty, Bunau-Varilla surrendered extra-ordinary privileges in Panama to the United States. Being a legal document, the treaty became the source of the American hegemony over Panama. Panamanians in a documentary prepared on this subject, subsequently referred the 1903 canal treaty as a treaty that no Panamanians ever signed. Reportedly, Dr. Amador was deliberately delayed in New York so that the canal treaty can be signed in Washington D.C. Next day when Amador reached Washington D.C, Secretary of State, Hay and Bunau-Varilla had come to receive him on the railway station. He was presented the treaty at the station itself and the shocked Panamanian leader allegedly fainted after seeing the treaty provisions.

rights to the United States that virtually disrobed Panama of her territorial integrity and amounted to depriving Panama of her sovereign status as a country.

Viewed from legal and technical point of view, since the canal treaty was signed between two sovereign nations through their designated and competent authorities, it became a legal document and became the *fait accompli* for Panama. Nearly a century has elapsed since the signing of the 1903 Panama Canal Treaty. However, it is undoubtedly rare in history where the fate of a sovereign nation has been decided in so bizarre a fashion.

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**CHAPTER - III**

**FOUNDING THE US HEGEMONY**

**IN PANAMA**

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## **FOUNDING THE US HEGEMONY IN PANAMA**

The signing of the 1903 Panama Canal Treaty was an astounding diplomatic victory not only for Philip Bunau-Varilla but for France too. The French Panama Canal Company's property which had virtually become a bad investment, as a result of this treaty, found its lost value. For Bunau-Varilla, it was a personal triumph. Though the young engineer could not materialise his dream engineering project of building the Panama canal, very successfully he accomplished his second mission of salvaging whatever he could from the sinking Panama Canal Company. His diplomatic ability, sense of exploiting the right situation for the cause of his business interest; and above all, his clarity of purpose led him to fulfill the mission that he was entrusted with. This however, was a turning point for the young nation of Panama. Bunau-Varilla's act of signing the 1903 canal treaty, in the final run, initiated the newly independent Panama into an unending unholy alliance with the United States which neither the Panamanians liked nor could they ever define.

The irony of the whole episode was that, the way the independence of Panama was stage managed, it neither called for growing patriotism on the part of Panamanians nor did it ever reflect any ideological motivation towards the cause of freedom. Specific interest of winning over the canal deal being the single motivation, only a small group of people, mostly handpicked by Bunau-Varilla were at the forefront of the so called secession drama. Sadly enough, the front ranking Panamanians were only a small group of oligarchs who were evidently more protective of their own interests than motivated towards the concept of nation building. Otherwise also, as a result of the historical process through which the isthmus had traversed and the socio-economic and political neglect the province of Panama had been subjected to, had greatly restricted the isthmian vision to economic activities alone than political activism and statesmanship. In a scenario such as this, the leadership in Panama while taking the Panamanian vulnerability into consideration, concentrated more on the political and economic privileges in the ensuing political setup.<sup>1</sup> Bunau-Varilla, on the other hand, was neither a Panamanian nor

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<sup>1</sup> Discussed in the earlier chapter.

had the inkling to share the Panamanian ethos. It is indeed rare in history, where a bilateral agreement of such magnitude like the Panama canal was to be decided in such a bizarre fashion! In the history of inter-oceanic canals, the Suez canal and the Kiel canal had equally been subjected to intense diplomatic maneuvering. Yet, the events leading to the 1903 Panama canal treaty remain unparalleled.<sup>2</sup>

It may perhaps be in the fitness of things to mention that, out of the two most vital and decisive treaties that the isthmian nation has ever signed, the 1903 canal treaty is one, and 75 years later, the country again signed the later, the historic Carter-Torrijos treaty of 1977 to abrogate the earlier one. Though the 1903 treaty was superceded by the Carter-Torrijos treaty of 1977, the degree of distortion it

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<sup>2</sup> The Kiel canal was built between 1887-95 and operated by the German government (FRG) and the functioning of the canal was done by the local authority. However, the functioning of Kiel canal had bearing with the treaty of Versailles which required vide article 386 that there be a Kiel local authority to deal with the disputes emanating in the Kiel canal operation or functioning. During the post war settlement, there was an attempt to bring Kiel canal administration under international control vide the League of Nations. Even President F.D. Roosevelt in the early days of UN talks had proposed to put the Kiel canal administration under the United Nations. As far as the case of Suez canal is concerned, the effort to nationalise the Suez canal took to a military solution along with a series of diplomatic initiatives to defuse the crisis. The Egyptian declaration of 24 April 1957 which together with the convention of Constantinople of 1888, forms the basic law for the canal and provides that the Suez canal will be operated and managed by the autonomous 'Suez Canal Authority' established by the government of Egypt on 26 July 1956. For details see R.R. Baxter & Jan F. Triska "Operation of Interoceanic Canals by The Territorial Sovereign: The Kiel and Suez Canals" The Law of International Waterways: with Particular Regard to Interoceanic Canals (Harvard: 1964) pp.71-89.



caused to the nation state of Panama and the indelible mark it left on the political and economic profile of the country that, even well after annulling the same treaty, the impact of it remained prominently visible across the country. Before the republic of Panama could wake up to the realities of statehood, the decisive Hay-Bunau Varilla treaty of 1903 very explicitly sealed the political and socio-economic future of Panama, and determined the isthmian country's course of foreign relations which were to be viewed inconsonance with the United States interests in the region. For the next seventy-five years, the 1903 canal treaty became the fait accompli for Panama and while taking advantage of the Panamanian vulnerability, the United States exploited the vast resources of Panama in a near colonial tone and tenor.

### **The Panama Canal Convention**

Hay-Banau-Varilla Treaty of 1903 was the first bilateral treaty between the United States and the sovereign republic of Panama. The treaty enabled the United States to dig the 83 kms. long and 16 kms. wide Panama canal

joining the Atlantic and the Pacific, to the creation of an artificially made water way that evolved to become a major trade and transit route of international maritime trade and commerce. The Panama Canal Convention was concluded on 18 November 1903 between Panama and the United States. The former being the Lessor and the later being the Lessee, envisaged the construction of a ship-canal across Panama.<sup>3</sup> The said convention was represented and negotiated by the United States Secretary of State, John Hay and Philippe Bunau-Varilla, the temporarily appointed Envoy Extra-Ordinary and Minister Plenipotentiary of the republic of Panama. After the due process of ratification, the Panama canal treaty of 1903 was proclaimed to order on 16 February 1904.<sup>4</sup>

Empowered by the 1903 treaty document, the United States started acquiring the necessary land and land under water and the additional canal properties and the equipment for the construction of the said canal. In the initial stage, the French Panama Canal Company assets were transferred to

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<sup>3</sup> Inter-American Relations: A Collection of Documents, Legislations, Material Pertaining to Inter-American Affairs, (Washington, Nov. 1975)pp.606-14.

<sup>4</sup> Ibid.

the United States.

**Implication of 1903 Canal Treaty:**

The Hay-Bunau-Varilla treaty of 1903 touched upon the legal, political and economic activities of the newly independent country of Panama. Given the background of the 1903 canal treaty, the modus operandi of the treaty drafting and the great political haste to push the treaty through, it is highly probable to doubt the impartiality of the treaty. The treaty running into twenty six articles altogether, either spoke directly or infringed indirectly in almost all items of business that the republic of Panama was to conduct in pursuance of her state craft. Precisely, the 1903 treaty had been drafted with the inclusion of such dubious clauses that it accorded the United States all the power and vast concessions it had never demanded and on the other hand, deprived Panama of almost everything that it primarily wanted to retain so as to conduct the affairs of the state freely and in the manner of a sovereign country. Close on the heels of the independence of Cuba, the United States had

successfully demonstrated her emerging military influence in the Caribbean waters. Now, the 1903 canal treaty by awarding a virtual take over of the canal zone, further enhanced the American sphere of influence.

The most contentious provisions of the 1903 treaty that amounted to infringing on the sovereign character of the republic of Panama and the unlimited nature of the American powers were provided in article I, II and III. Article II of the treaty stated that Panama "grants to the United States in perpetuity the use, occupation and control of a zone of land and land under water for the construction, maintenance, operation, sanitation, and protection of said canal...."<sup>5</sup> Corroborating the grant mentioned in Article II, the next article further granted the United States the power and authority to use and exercise the aforementioned grants in the manner "as if it were the sovereign of the territory within which said lands and waters are located ...."<sup>6</sup>

Article II, read along with article III provided the United States with sweeping powers over the canal zone. Prima

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<sup>5</sup> See the article in the 1903 treaty in the Appendix A.

<sup>6</sup> See article III in Appendix A.

facie it appears that, both the high contracting parties, willingly and with reasonable care, chose to contract away all the rights and privileges that were listed out in the treaty. Also great emphasis was put in the treaty to indicate the manner in which the treaty grants and concessions were to be used. The treaty as a legal document kept the political compulsions underneath and highlighted the areas of grants supported by the legal provisions of the treaty. The drafting of the treaty had been done with such acumen that the contracting parties could, at all times, interpret the clauses to prove their point of view, as a result, equally strong arguments and interpretations were possible to justify two differing stand points.

As a result of the scope for suitable interpretation, two sharply contradicting schools of argument always emerged to justify and counter justify the claims that time and again emerged out of the operation and allied activities done in the canal zone and the manner in which the United States functioned in the area to exercise the legal rights conferred on her. The United States while stretching the legal

provisions, also very effectively pursued her political and economic interests that were beyond the scope of the treaty.

### **Contention Over Sovereignty**

Great controversy shrouded the provision of perpetuity grant and the dilution of territorial sovereignty of Panama over the canal zone. Article II explicitly granted "the United States, 'in perpetuity'; the use, occupation and control of a zone of land and land under water...." Panama further granted to the United States, 'in perpetuity'; the use, occupation and control of any other lands and waters outside of the zone above described which may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said canal or of any auxiliary canal.... Again Panama granted in like manner to the United States, in perpetuity, all islands within the limits of the zone above described and in addition thereto the group of small islands in the Bay of Panama, named Perico, Naos, Culebra and Flamenco.<sup>7</sup>

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<sup>7</sup> See Appendix A.

The above mentioned grants and concessions, as further provided in article II of the treaty, were to be used and exercised by the United States "as if it were the sovereign of the territory within which said lands and waters are located to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power or authority".<sup>8</sup>

Panamanians saw and interpreted the above two articles to mean that the grants above cited amount to carving a nation within the territory of Panama or holding of colonial rights by the United States within the country of Panama. The first trouble began in 1904 when Panama strongly protested against the United States using their ports as though it belonged to the United States.<sup>9</sup>

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<sup>8</sup> Ibid.

<sup>9</sup> Panamanians from the beginning itself resented the sweeping power that was granted to the U.S. by the 1903 treaty. Within the United States government itself, the functioning between the State Department, the War Department and the military officials operating in the canal zone of Panama visibly carried the impression that sovereignty over Panama canal rests purely on the definition they themselves would provide. In the case of using the ports of Panama, the U.S. Minister John Barrett handled the issue without any regard to Panamanian feelings. Admiral J.G. Walker who also came to Panama, equally gave the impression that he views Panama as a North American military base than a sovereign country. When the Panamanian Foreign Minister invited both Walker and Barrett to discuss the use of Panama's ports by the Americans, Walker bluntly told Barrett not to come along. Walker wanted to handle the talk alone. He did, and despite the Panamanian Minister's warnings, Walker insisted on undiplomatic language and demanded that Panama totally yield on the port issue. Panamanian Minister was enraged. Forced to clean up after Walker's indiscretions, Barrett then again started the talk from the scratch. Walter LaFeber, The Panama Canal: The Crisis in Historical Perspective, (New York, 1978), pp.46-7.

In return of the vast power, the United States guaranteed the "independence of the Republic of Panama".<sup>10</sup> At the time of declaring Panama's independence, all the front ranking leaders of Panama were eager to insulate the country's independence from the possible Colombian retaliation. In that context, the United States guarantee of Panamanian independence was more than a favour that the United States could do for the friends in Panama. However, the American growing demand in Panama made Panama more vulnerable than ever before. In addition to the handling of the port issue, the Panamanian resentment against the extensive and ever growing presence of the United States became further evident when the Americans, in no uncertain terms demanded that Panama must acknowledge in her constitution the United States' right to intervene in parts of Panama to maintain public order and tranquility.<sup>11</sup>

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<sup>10</sup> Panama anticipated military retaliation from Colombia, as a result, they desperately looked to the United States to guarantee their independence. The US while taking away vast concessions, guaranteed Panamanian independence vide article I of the 1903 canal treaty. See Appendix A.

<sup>11</sup> Article XXIII of 1903 treaty empowered the United States to unilaterally intervene militarily in any part of Panama. Secondly article VII empowered the US to intervene in Panama city and Colon to bring compliance to sanitary laws etc. Yet, in 1904 the State Department demanded that Panama acknowledge the right of intervention of the United States in any parts of Panama in her constitution. The Americans could apparently and unilaterally determine when public order was jeopardized and accordingly invoked the American right of intervention in Panama by adopting the provision in article 136 of the Constitution of Panama. Ibid. pp.42-3.



In the face of inherent weakness on the part of Panama to effectively address to these vulnerabilities and the United States growing insensitivity to the Panamanian aspirations, there emerged a considerable legal rumbling to define each others positions. This is the time when John Hay coined the popular phrase "titular sovereignty" to describe Panama's right in the canal zone.<sup>12</sup> Though in the official dealings or while responding to any political developments in Panama, the United States, all along maintained a strong and decisive stand, yet, in the matters of defining the vexed question of

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<sup>12</sup> Very interestingly, the Panamanian sovereignty over the canal zone was interpreted depending on the suitability of the occasion. As far as the Panamanian sovereignty is concerned, from a legal point of view, it was argued by a school that since absolute sovereignty could be acquired only by conquest or cession of the territory, which did not happen between the United States and Panama, so Panama holds the sovereign right over the canal zone. Again, since sovereignty can not be contracted away fully or partially, the sovereign power therefore remained with Panama.

On the other hand the other school argued that it is indeed hypocritical to say that Panama did not give any power to the United States over the canal zone. The fact that the grant was in perpetuity and was required to be maintained by the United States as though it were the sovereign over the said area. The U.S. Supreme Court in the case of *Wilson vs. Shaw* stated "it was hypocritical to contend that the title of the United States is imperfect, and that the territory described does not belong to this nation". Whereas President Theodore Roosevelt in various occasions, stated that the United States does not intend to exercise sovereign rights over the canal zone. For all practical purposes, the United States however exercised a virtual sovereign right over the zone in deciding the matters. The then US Secretary of war, William Taft who had also served as Secretary of State, described the Panamanian rights as follows "... the text of article II and III ... gives rise to the curious implication that a mere titular sovereignty is reserved to the Panamanian Government. Now I agree that to the Anglo-Saxon mind a titular sovereignty is like what Governor Allen, of Ohio, once characterised as a 'barren ideality', but to the Spanish or Latin mind, poetic and sentimental, enjoying the intellectual refinements and dwelling much on names and forms, it is, by no means unimportant." For sovereignty, titular or absolute see Hans Smit "The Panama Canal: A National or International Water way?" *Columbia Law Review* (New York, Oct. 1976) vol. 76, No.6, pp. 965-88. Also see investigation of Panama Canal Matters, Hearings of the Senate Committee on Interoceanic Canals, 59<sup>th</sup> Cong., 1<sup>st</sup> Session, p.2527, 1906.

sovereignty in the canal zone, the American official position was somewhat diluting. President Roosevelt in 1904 in a letter to Secretary of War, William Howard Taft described the American position as "we have not the slightest intention of establishing an independent colony in the middle of Panama or exercising any greater governmental functions than are necessary to enable us conveniently and safely to construct, maintain and operate the canal, under the rights given us by the treaty. Least of all do we desire to interfere with the business and prosperity of the people of Panama.... In asserting the equivalent of sovereignty over the canal strip, it is our full intention that the rights which we exercise shall be exercised with all proper care for the honour and interests of the people of Panama."<sup>13</sup>

President Roosevelt placed great limitations by his term "the equivalent of sovereignty". In all fairness, what the President perhaps meant was, the American right over the canal zone fell short of total sovereignty. Further standardizing the American position over the canal zone, Secretary Taft in his report to President Roosevelt on 19 Dec.

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<sup>13</sup> Walter LaFeber, pp.43-4.

1904 said, "The truth is that while we have all the attributes of sovereignty necessary in the construction, maintenance and protection of the canal, the very form in which these attributes are conferred in the Treaty seems to preserve the titular sovereignty over the canal zone in the Republic of Panama and as we have conceded to us complete judicial and police power and control of two ports at the end of the canal, I can see no reason for creating a resentment on the part of the people of the isthmus by quarreling over that which is dear to them but which to us is of no real moment whatever."<sup>14</sup>

Secretary Taft thus admitted that the United States does not possess full sovereignty over the canal zone though it is in a position to exercise complete judicial and police power and control at all vital points of the said zone.

Moving to the other side of the argument however, makes you feel that not only the Americans claimed to have full sovereignty over the canal zone, they were not apologetic about exercising it to the fullest possible extent either.

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<sup>14</sup> Ibid.

Diplomat and former ambassador to several Latin American countries Spruille Braden, observed that "the strict terms of the 1903 Hay-Bunau-Varilla treaty gives the U.S. sovereignty in perpetuity over the canal zone".<sup>15</sup> Again Senator Strom Thurmond, South Carolina, described the American position saying, "The legal position of the United States as sovereign of the canal zone is as unassailable as it is in Alaska and Louisiana purchase".<sup>16</sup> Dr. James Lucier, Chief Legislative Assistant to Senator Jesse Helms, North Carolina, stated that "There is no more reason to give this territory to Panama than to give the Louisiana purchase back to France, or Alaska back to the Soviet Union."<sup>17</sup>

It is interesting however, to link Panama canal episode with the purchase of Louisiana or Alaska from their respective possessors. In article-I of the 1803 Louisiana Purchase Treaty with France it is stated that "the first Consul of the French Republic... doth hereby cede to the United States... forever and in full sovereignty the said

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<sup>15</sup> Spruille Braden, Panama and the U.S.A.: The Real Story (California: American Educational League, Freedom Centre). Reproduced in Congressional Digest, June 17, 1976, pp. 124, 126.

<sup>16</sup> Congressional Record, June 17, 1976, P.S. 9765.

<sup>17</sup> James Lucier, "Panama Canal: Focus of Power Politics", Strategic Review, Spring, 1974, pp.34, 37.

territory with all its rights and appurtenances....<sup>18</sup> By the Terms of the 1867 Alaskan Purchase Treaty with Russia, the emperor agreed "to cede to the United States.... All the territory and dominion [dominion means sovereignty] now possessed by his Majesty on the continent of America" and declared the "cession of territory and dominion herein made... to be free of any reservations."<sup>19</sup>

In both the treaty agreements, it was provided that the inhabitants of the ceded territories not withstanding any other position, should have the U.S. citizenship bestowed on them. In contrast, in the case of Panama canal zone, nothing is ever mentioned in 1903 treaty regarding the automatic citizenship of people working in the zone. Further, the use of the term 'cede' to express the nature of transfer of authority in the case of Louisiana or Alaska, makes it amply clear within the scope of international law that the transfer also conveys the transfer of sovereignty. Whereas, in the case of Panama canal, the sovereignty could be used by the United States for the purpose of canal's construction, maintenance, operation etc. Otherwise also, the United

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<sup>18</sup> Denison Kitchel, The Truth, op.cit, p. 70-1.

<sup>19</sup> Ibid.

States was expected to use the grants of 1903 treaty as if it was the sovereign of the said land and land under water. It was claimed in this context that, had the treaty makers intended to accord full sovereignty to the United States over the canal zone, they could have done so without any ambiguity of language and could have clearly mentioned so. In this regard, Bunau-Varilla later clarified his intentions regarding the question of sovereignty that "the United States without becoming the sovereign received the exclusive use of the rights of sovereignty, while respecting the sovereignty itself of the Panama Republic."<sup>20</sup>

### **The Regional Police**

The question of sovereignty and the clause of perpetuity remained as a bone of contention in the bilateral relations of both the countries till both the terms were deleted seventy-five years later in the new treaty of 1977. However, during most part of the present century, the United States, inspite of taking a softer position officially on the

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<sup>20</sup> Denison Kitchel, op.cit,p.72.

sovereignty question, for all practical purposes, conducted her mission in Panama as though they have the sovereign mandate over the zone. The United States also militarily intervened in Panama as and when they felt necessary and without scant regard to public opinion in Panama.<sup>21</sup> It should however, be stressed that the United States policy towards Panama in the early years were more focussed in the context of the Caribbean which was forming to be the focus region in the United States strategic planning. Since the 18<sup>th</sup> century, the United States had been moving southward, first to conquer and consolidate in the home continent, then, after the civil war, to seize economic and strategic bases around. It's financial and military power increasingly penetrated the Caribbean region after 1870s. Victory in the war of 1898 brought Puerto Rico and the Cuban naval base of Guantanamo. The Caribbean was perfectly becoming the American immediate sphere of influence. The inclusion of Panama canal into the expansionist schemes of the United States was a strategic victory and was a very favourable development for the United States.

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<sup>21</sup> United States intervened in Panama a number of times and the US military intervention virtually became a policy posture. Walter LaFeber, op.cit., p.59.

Within a year after construction of Panama canal began, President Roosevelt, ever enthusiastic to lead the Latin Americans into the strong hold of the United States, declared in his annual message to the Congress his famous "Roosevelt Corollary" the most suitable equivalent to "Monroe Doctrine" of 1823. The President hoped that Latin American nations would be happy and prosperous, but he believed they could not share such joys "unless they maintain order within their boundaries and behave with a just regard for their obligations towards outsiders." To help them, the United States took upon to be the self appointed policeman of the region. The policeman, the President understood and proclaimed, would ensure that the countries met their "obligations", so the "outsiders" would have no excuse to intervene.

The Roosevelt Corollary triggered an ignoble chapter in the United States - Latin American relations. Roosevelt believed that a civilized nation as the United States possessed the right to stop chronic wrong doing. North Americans sent troops into half a dozen Caribbean nations during the next couple of years and within two decades



perfectly dominated at least fourteen of the twenty Latin American countries through either financial controls or military power or both wherever it was necessary. Panama with its canal as a prize colonial possession, perfectly matched to the United States policy and continued all along to be in the forefront of American policing.

### **Additional Treaty Concessions**

In addition to prominent concessions to the United States through article II and III of the 1903 canal treaty, many more important but comparatively less controversial concessions were also granted to the United States by the 1903 canal treaty. Panama granted to the United States in perpetuity "the right to use the rivers, streams, lakes and other bodies of water within its limits for navigation, the supply of water or water-power or other purposes... may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said canal."<sup>22</sup> This was again corroborated with the grant of monopoly

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<sup>22</sup> Article IV of the 1903 treaty see appendix A.

system of communication by the United States between the two ends i.e. Pacific and Atlantic side of Panama.<sup>23</sup>

Very interestingly, Panama also granted the United States, within the limits of the cities of Panama and Colon and their adjacent harbours and within the territory adjacent thereto, the right to acquire by purchase or by the exercise of the right of eminent domain, any lands, buildings, water rights or other properties necessary and convenient for the construction, operation and protection of the canal.<sup>24</sup> With due bearing on this grant, the second part of the same grant further provided that the Panama City and Colon would in perpetuity be within the sanitary ordinances of the United States and the United States can even enforce its compliance.

Article VII clearly provided the United States the right to purchase and acquire more lands outside the canal zone

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<sup>23</sup> Article V, appendix A.

<sup>24</sup> Article VII very effectively brought the two cities within the United States day to day administrative control. The United States were to maintain the sanitary operations, water supply etc. The United States used the provision to bring civil order in both the cities too. More importantly however, in the third part of article VII, it was provided that in the cities of Panama and Colon and the territories and harbours adjacent thereto, the United States, as part of the sanitary compliance would maintain public order if, the government of Panama fails to do so. It will be the sole judgement of the United States to say whether Panama has failed or not.

and enforce by any means, compliance to the United States sanitary laws within Panama City and Colon. Further, in the judgement of the United States, if Panama failed to maintain public order in the said two cities, the United States were to do so in the manner as necessary. These provisions were grossly used by the United States in the subsequent years to pursue their economic and political interests and any hindrance in their policy was met with active or indirect interventionist approaches.<sup>25</sup>

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<sup>25</sup> In addition to 1903 canal treaty, article 136 of the constitution of Panama also empowered the United States to intervene in Panama as and when they wanted. In 1904, the Panamanian military was disbanded. The United States regularly influenced the election process of Panama though, the US should have been concerned only on the uninterrupted canal operation. In 1918, the US also moved troops to Panama city and Colon to quell the public disorder during a local election. Prior to that, in 1912, the U.S. demanded after a riot in Cocoa Grove area broke out that killed one American, that govt. of Panama should explain their lapse. Again in 1915 riot in the same place, the State Department demanded that Panamanian police surrender their high powered rifles which the State Department claimed, threatened unarmed north Americans. Panama angrily protested that they will appeal to the Latin American countries to mediate. President Wilson did not push the matter further. However, the State Department then sharply defined Panama's rights i.e. any proposal to have Latin American interference in the United States - Panamanian relations was "unworthy of serious consideration". The Panamanian police were left with pistols and the rifles were taken to the United States for sale. The US troops intervened in Panama periodically and the intervention exemplified as a larger policy approach to the region as a whole. For details see Walter LaFeber, op.cit., pp.67-93. For the official exchanges between the American legion in Panama and the State Department highlighting how the Cocoa Grove incident had greatly disturbed the Americans and in the exchange of letter how the Americans were vehemently insisting on early arrest of the culprits and the subsequent inability of Panamanian courts to find suitable evidence to punish, see "Assault on American Citizens in Panama" Papers relating to the Foreign Relations of the United States: With the address of the President to Congress, December 8, 1914 [Washington Govt. Printing Office, 1922], pp. 985-99. These documents include official dispatches, telegrams and also cover the official reply the Govt. of Panama has given to the US in response to the US demand.

In another area, Panama also granted to the United States all the authority, power and right over the Panama Canal Company and Panama Railroad Company properties that Panama received from Colombia as a result of her independence.<sup>26</sup> The United States also got the right to import at any time and anything to the canal zone without any extra duty.<sup>27</sup>

Article XVIII which subsequently gained prominence, provided that "the canal, when constructed and the entrances thereto shall be neutral in perpetuity...."<sup>28</sup> The regime of perpetual neutrality of the canal became a very favourable pretext for the United States to intervene in Panama. Mere apprehension of any disorder could also provoke armed aggression to pre-empt such imaginary threat on the pretext of breach of neutrality of the canal zone. Again to supplement and strengthen this provision, it was also provided that "if it should become necessary any time to

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<sup>26</sup> See article VIII, appendix-A.

<sup>27</sup> Article XIII granting the United States the import right greatly infringed on the prosperity of the local economy. As a matter of fact, since the US imports did not attract customs duty, the US imported almost all requirements from different countries. Even though the supplies were locally available the Panamanian businessmen could not compete with the United States duty free import as a result of which, Panama suffered economic losses. Panama protested over this economic discrimination and got little reprieve in 1936 treaty.

<sup>28</sup> Ibid. article XVIII.

employ armed forces for the safety or protection of the canal, or of the ships that make use of the same, or the railways and auxiliary works; the United States shall have the right, at all times and in its discretion, to use its police and its land and naval forces or to establish fortifications for these purposes".<sup>29</sup> Both these provisions exemplifying the sweeping and arbitrary powers, provided the United States all the legal power to deal with the Panama canal issue in all eventuality.

### **Returning the Favour**

In return of the vast power and privileges granted by Panama, the United States agreed to guarantee the independence of Panama.<sup>30</sup> Secondly, to compensate Panama economically against the lease of the vast canal enterprise and the sweeping powers, the United States agreed to pay to the republic of Panama a sum of US \$ 10 million in gold coin of the United States upon the ratification of the 1903 canal convention. Again, the US was to pay an

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<sup>29</sup> Ibid. article XXIII.

<sup>30</sup> See Article I, Appendix A.

annual payment during the life of this convention, a sum of US \$ 250000 in like gold coin, beginning nine years after the date of the ratification.<sup>31</sup>

The article I was the requirement of time alone. In 1903 when the Panamanian independence was declared, Panama as a new and sovereign nation had hardly any defense mechanism of her own. Colombian retaliation was a high probability.<sup>32</sup> Panama did not have any other option than to stay protected within the politico-military umbrella of the United States.

In the economic front, Panama did not get a better deal either. Bunau-Varilla, in an effort to make the canal deal profitable to the United States, stuck to the bargaining position that had been offered to Colombia. As a result, though more sweeping powers and privileges were granted to

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<sup>31</sup> Article XIV. Appendix A.

<sup>32</sup> The internal political situation of Colombia was quite chaotic at the time Panama declared independence. The war of Thousand Days (1899-1902) found Colombia in a continuing state of domestic crisis. Yet! There was hue and cry in Colombia over the development of Panama. Colombia also lobbied in the US to preserve the status quo and the question of canal deal was offered to be negotiated. They also lobbied in France with the French Panama Canal Company to persuade them not to sell the canal assets to the United States. Finally they also sent marine to Panama to deal with the crisis. None of these initiatives helped. For a good account of Colombian reaction to Panamanian independence see Joseph L. Arbena, "Colombian Reaction to the Independence of Panama", *The Americas*, (Washington, DC, published by Academy of American Franciscan History), Vol. XXXIII, No.1, July 1976, pp.130-48.

the United States, the treaty financially also remained highly favourable to the United States.

### Commissioning of Panama Canal

In 1914 when the world was busy preparing to confront the first world war, Panama notwithstanding the war ability, became the prominent headline of major world news papers. In the month of August, 1914 when tension was brewing up in Europe over the political assassination of the Austrian heir prince, Panama canal was commissioned to the world of inter-oceanic shipping -- no more to circumvent the tip of South America, a great reduction in the shipping distance and a fine transit route for the movement of world's goods and commodities. For the United States, the opening of the canal was a great prospect in reaching to the future markets of the world and also monitoring the strategic requirements of both the oceans towards building a perfect sphere of military influence. On the other hand, standing on the legal foundation of the 1903 canal treaty, the edifice of the American hegemony took to an institutional approach

and the US-Panama bilateral relation continued to be plagued by the United States political and economic rough rides in Panama. In the face of the growing American hegemony, Panamanian resentment towards the United States also increased and the canal that symbolised the global maritime highway of 20<sup>th</sup> century, soon became the anti-American rallying point for the Panamanians.

Apart from fighting for Panamanian sovereign status in the canal zone, ever since the functioning of the canal started, a whole lot of economic issues also became the source of friction. In June 1904, the United States introduced a new customs law to be made applicable in the canal zone. The new law meant that all the goods that were to come to canal zone from the United States were to be treated free of duty. On the other hand, goods and items coming from foreign countries to the zone were levied high duty including the goods and items that came from Panama. The dual tax policy helped the American businessmen to effectively eliminate the Panamanian businessmen to compete with them in the market.



Secondly, around the same time, the dual postal rates policy created considerable problem for Panama. Since the canal zone was administered by the US government, the pricing of postal service was much less than the Panamanian postal service outside the zone. As a result of this price difference, people outside the canal zone used the service provided inside the zone and the Panamanian postal service suffered financial loss.<sup>33</sup> Again, once the construction work in the canal zone started, soon there emerged the requirement of a whole lot of services for the ballooning work force that came from far and wide. Panama evidently failed to provide a matching and efficient support service to the work force as a result of which, the United States started entering into retail business in the zone and soon, the US started selling almost everything and Panamanian businessmen after failing to compete with their American counterparts, suffered financial losses.<sup>34</sup>

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<sup>33</sup> While it cost five cents to send a letter from any where in Panama to the United States, the same could be sent from inside the zone by paying only two cents. See Denison Kitchel, *op.cit.*, p.76.

<sup>34</sup> Along with the growing work force in the canal zone, there also emerged the requirement of more food stuff, supply of essential consumer goods and services and the like. Panama was not prepared for this growing demand. When the United States entered into the supply of these essentials, they started supplying many more items and they made it available to everybody. As a result of the one sided customs law, they had the price advantage over others and sold the items cheaper than even Panamanian traders. Secondly, starting from these essential items, they started supplying many other items which again cut into the Panamanian business. *Ibid.*

The canal construction activities was another area where serious problems cropped up. For the construction and related menial work, the United States imported work force from many places. However, the actual digging work or such other rudimentary work was mainly done by the Caribbean blacks who did it even for a pittance. The United States therefore, very conveniently started a dual wage policy, where the American and few Panamanian work force were paid their salaries in high value gold coins whereas the blacks and many Panamanians received salary in cheap silver coins. Again, once the construction was over, many people in Panama presumed that now the canal jobs will be available to them. However, since Caribbean workers were available cheaply and also spoke English, they were retained and even more of them were imported to augment the requirement which shattered the Panamanian job prospect.<sup>35</sup>

Many such economic grievances of Panama, as a result of growing Panamanian protest were favourably considered and policies like different customs laws and postal tariff

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<sup>35</sup> The discrimination in the canal work not only fuelled anti-American resentment in Panama but also directed the Panamanian anger against the Caribbean blacks and created racial tension in Panama. See Walter LaFeber, *op.cit.*, pp.62-79.

equalization were sorted out to smoothen the bilateral relation. However, many other Panamanian demands were rejected outright. When the canal construction was completed and the canal work boiled down to routine manning and management of the water way, many such problems continued to irritate the bilateral relation and many new ones also surfaced like regulation of movement of contrabands in the zone, job opportunities, business prospect for the Panamanians and the like.

The stream of demands when met with frustration, a gradual psychological barrier between the two countries emerged to further afflict the already strained bilateral relation. The United States' ever expanding presence in Panama and in the canal zone thus stimulated a nationalist feeling among the Panamanians which gradually took the political centre-stage of Panama to fight against this gross arbitrariness.

### Waking up to Nationalism

Till the isthmus came into the active political vision of the United States, it was only a neglected province of Colombia. There are claims that Panama had shown the sign of run away tendency against the Colombian habitual neglect. However, it was too localised and was bereft of political action. When Panama was given independence in 1903, it was also again a case of planting of nationalism in the barely awake isthmian sense of freedom. The early days of nationhood in Panama witnessed only a growing Panamanian helplessness against the formidable United States consolidation in Panama. During this period the political fortune of Panama was confined to the minority oligarchs who were fluctuating between their own and their class's economic interests and the United States support for the oligarchy's leadership in Panama.

Gradually however, along with the Panama canal becoming a political rallying point, the political arena of Panama started slipping into the hands of the mestizos with a population well over 2 lakhs who also actively entered into

the political arena. The oligarchs represented a conservative force who would agree to the United States or at least, would not fight against them. Whereas, constituting the other racial forces, the political spectrum of Panama, now opened to the other sectors of Panamanian social hierarchy who found the vexed canal issue as an effective rallying point and an active political instrument of mass mobilization. Anti-American slogan and loss of Panama's national identity in the canal zone suitably aroused a political sentiment.

Beginning as an anti-American sentiment and coupled with the growing political and economic deprivation, the mestizos thus began to experience a sense of nationalism and a demand for a better canal deal surfaced as a manifestation of the Panamanian nationalism. In mid 1920s, the Panamanian sense of nationalism took the institutional shape and looked forward for political action. Around the same time, a reasonably well shaped Panamanian nationalism surfaced to voice mainly the anti-American position, and also to oppose the US and oligarchy

combination that had dominated the decision making process of Panama.<sup>36</sup>

### **Good Neighbouring the Panamanians**

It is remarkable that inspite of myriad difficulties, the voice of nationalism emerged in Panama. The nationalists also reached to the extent of forcefully demanding the revision of the 1903 canal treaty. The first successful run to treaty revision took place when in 1926, a formal negotiation began to review the bilateral positions.<sup>37</sup> However, since the negotiation failed short of expectations, the Panamanian National Assembly rejected the proposals. The United States also deliberately buried the proposal to dampen the Panamanian enthusiasm. It was however the beginning of a policy departure for the United States as they moved away from the high tides of interventionism to agree to negotiate with Panama.

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<sup>36</sup> Walter LaFeber, op.ct.,pp.62-79.

<sup>37</sup> The U.S. Department of State, Foreign Relations of the U.S. 1926 (Washington D.C.; Government Printing Office, 1941), Vol. 11, pp.833-49.

The shift of the United States policy approaches to Panama had a regional perspective. Since the beginning of 20<sup>th</sup> century, the series of interventions the United States had conducted to give a shape to the American sphere of influence in the southern region had effectively eroded the United States image among the neighbours. By the end of the 1920s, there was a distinct environment of mutual suspicion and the Latin American disillusionment over the United States leadership had been replaced by facts of the time. To compound the problem, along with the suspicion and the mutual mistrust, also came the great economic depression followed by rearmamentation in Europe which again signalled the war bugle and called for political and strategic alignments.

It was in this scenario that the United States 'big stick' approach was mellowed down and a more sober policy initiative was adopted to assuage the feelings of the Latin Americans. It was F.D. Roosevelt who provided a policy framework to this by declaring his famous 'Good Neighbour Policy' which sought to make the Latin Americans, the good neighbours of the United States. Given the political and

strategic importance of Panama and the economic imperatives of the canal zone to the United States, Panama became one of the first country to receive the benefits of the good neighbour policy. In a rare combination of events, the emerging nationalists of Panama around this time bargained for a better canal deal as a result of which the 1926 canal negotiation took a formal approach. That was however the beginning, and Panama while capitalizing on the emerging political trend continued to demand the redressal of their canal grievances. Thanks to the approaching war in Europe, Panama and the United States, in 1936 agreed on a new treaty that without going into rectifying the fundamental wrongs of 1903 treaty, addressed certain of the frictional issues to improve the US-Panama bilateral relation.

### **Hull-Alfaro Treaty -- 1936**

Within the framework of the Good Neighbour policy, President Roosevelt extended a friendly gesture to Panama as a result of which on 2<sup>nd</sup> March 1936, both the countries signed the "General Treaty of Friendship and Cooperation



Between the United States of America and Panama, 1936".<sup>38</sup>

Otherwise known as Hull-Alfaro Treaty of 1936, the treaty primarily provided certain economic privileges to Panama and also removed certain legal technicalities from the 1903 canal treaty which politically provided a sense of fulfillment to the Panamanians. Following are the highlights of 1936 treaty:

- First, article I of the 1903 canal treaty guaranting the Panamanian independence was deleted. Panama no more was to be a defense protectorate of the United States.
- Secondly, the United States' right to intervene unilaterally was abolished giving at least a relief to the Panamanians that the legacy of American interventionism is over.<sup>39</sup>
- Both the countries now were to be jointly responsible for the defense of the canal as well as the maintenance of the permanent neutrality of the canal.
- Consequent upon the abolition of unilateral intervention by the United States, now the maintenance of law and order outside the canal zone became the sole responsibility of Panama.

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<sup>38</sup> See Appendix B.

<sup>39</sup> See article VI read along with article VII of 1903 treaty.

- The US also relinquished the unilateral right of acquiring additional lands and land under water for the purpose of canal construction, maintenance and operation.
- In the economic front, the annual fee to Panama was raised from US\$ 250,000 to US\$ 430,000.
- The commercial commissary system was restricted to certain category of people, primarily to the employees of the US and their families.
- The United States sale of imported goods to individuals were to be limited again to certain category of people.
- The Panamanian merchants were to be allowed to sell goods and supplies to ships arriving in the canal zone ports of Bolboa and Cristobal.

The 1936 treaty was a requirement of the time and as a whole was aimed at smoothening the ruffled surface of US-Panama bilateral relation. However, the prominent lapse in the treaty was that, it did not take into consideration the fundamental provisions of the 1903 canal treaty as a result of which the arbitrary and controversial provisions of 1903 treaty continued to prevent the US-Panama bilateral relation to improve. More significantly, the promises of 1936 quite

often also turned out to be mere theoretical promises and in the absence of the United States willingness to adhere to them, it served little purpose for Panama. Particularly, the abolition of unilateral intervention was never respected nor the United States stopped acquiring additional land employing various pretexts. Again, the increased annual canal fee was a mere eye wash and taking inflation into consideration, it did not provide any increase in real economic terms. The hegemony, the United States established in Panama since 1903 continued unabated and Panama only remained at the receiving end of the United States' carrot and stick policy.

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**CHAPTER - IV**

**PANAMENISMO:**

**THE POLITICS OF DISCONTENT**

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## **PANAMENISMO: THE POLITICS OF DISCONTENT**

The Good Neighbour Policy was a political initiative of the United States that aimed at mitigating the generic suspicion of Latin American countries towards the North American leadership. The United States' Latin American policy, in the first quarter of the twentieth century was characterised by active military interventionism, subversion of political institutions of Latin America and denigration of territorial integrity so as to keep the region within the effective sphere of American influence. The Latin American countries, on the other hand, inspite of being resentful of the American way of handling Latin American policy, were never collective in their approach nor they ever seriously attempted counter initiative to the United States hegemonistic approach.

In the 1930s however, the war preparation in Europe changed the political realities and encouraged a new dynamics of alliances and counter alliances as a result of

which the United States started perceiving the southern neighbours as essential allies. Uniting the western hemisphere to expel the war designs of the axis, and if needed, using the resources and infrastructure of the region, to mount offensives, was the need of the time. In this context, F.D. Roosevelt's Good Neighbour Policy was a broader policy frame work to the whole of Latin America and Caribbean which also incorporated specific policy changes and modified approaches suitable to individual countries of the region. Along with President Roosevelt's political friendship, the United States' Secretary of State Cordell Hull worked towards integrating Latin America through creating populist economic policies and drawing up military agreements so that the whole region will collectively respond to external exigencies.

Latin American raw materials received favoured position in the United States. The United States manufactured products and some farm exports benefited from preferred treatment in the southern markets. The United States occupation troops began leaving Central America. It was a major policy reversal of the United States

towards Latin America.<sup>1</sup> Along with internal improvements, the initiative for collective security received added attention from the United States. President Roosevelt, while drawing attention of the western hemispheric countries to the ominous developments taking place elsewhere, like rearmamentation of Germany and the Japanese aggression of Manchuria, wrote personal letters to all the heads of states of Latin American countries urging them to take stock of the implications of the emerging situation which might endanger the security and stability of the region and proposed that an inter-American conference be held "to determine how the maintenance of peace among the American Republics may best be safeguarded". It was in this atmosphere, the Inter-American Conference for Maintenance of Peace was held at

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<sup>1</sup> It is of interest to note that, followed by the economic depression, the war preparation in Europe necessitated the United States policy changes. In the 1930s, the Inter-American conferences were dominated by preparing Latin America to have collective security agreements. Also, the Latin Americans found the situation suitable to press for legal initiative to curb the United States' military interventions in the region. In this context it is of special interest to note the developments of the 7<sup>th</sup> International Conference of American States, held on 3<sup>rd</sup> December 1933, Montevideo, Uruguay, where, excepting Costa Rica, all the twenty American Republics participated. Problem of intervention was one of the main agenda. Here the General Convention of Inter-American Conciliation of 1929 was adopted. Again, the Convention on Rights and Duties of states was of special significance because, it was the first inter-American legal instrument to establish the principle of non-intervention. Article 8 of the convention read that "No State has the right to intervene in the internal or external affairs of another." Latin American countries found the situation suitable to bargain with the United States for a more honourable and responsible policy. For details see *The Inter-American Relations: A collection of Documents*, op.cit., p.41. Also see, *Inter-American Institute of International Legal Studies, The Inter-American System: Its Development and Strengthening*, (New York: Oceana Inc., Dabbs Ferry), 1966, pp.xxvi-xxvii.

Buenos Aires, Argentina, between 1-23 December 1936, and the Conference adopted the Convention of Non-Intervention of the Montevideo conference and established the first step towards a collective security system which subsequently was perfected at Rio Treaty of 1947.<sup>2</sup> The United States' desire to take along the western hemisphere nations in its effort to combat the emerging threat of war, finally came to a reasonable shape during the first of the regional Foreign Ministers Consultative Meeting. Panama being in the centre stage of the United States collective security paradigm was projected as the strategic pulse of the region and accordingly needed stepped up security cover to protect the waterway from the enemies war designs. Added to this, certain developments in the canal zone like the projected axis initiative to build secret airstrips close to the Panama canal was viewed with added concern. These developments led to

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<sup>2</sup> 1936 Buenos Aires Conference in addition to the Convention for the Maintenance, Preservation and Re-establishment of Peace, adopted a Declaration of Principles of Inter-American Solidarity and Cooperation which stated that every act susceptible of disturbing the peace of America, affects each and every country and justifies the initiation of the procedure of consultation. Two years later, the Lima Conference held during 9-27, December 1938 adopted the 'Declaration of the Principles of the Solidarity of Americas'. Popularly known as the "Declaration of Lima", the document is said to be one of the most important statements in the history of Inter-American relations. While the inter-American initiatives addressed to the security mechanism of the western hemisphere, the Latin American countries took the opportunity to bargain with the United States for a motion of non-intervention, as a result of which, the US motion was amended to incorporate condemnation of intervention by either a continental or extra-continental power. For details see Inter-American System, op.cit, pp. xxvi-iii.



the organising of the Foreign Ministers Consultative Committee to meet at Panama City on 23 September 1939.<sup>3</sup>

### **Panama and Good Neighbour Policy**

The Good Neighbour Policy was a policy of convenience adopted by the United States to balcanise the western hemisphere against the impending threats of European conflicts. Given the strategic location, Panama remained in the forefront of the United States attention mainly for two reasons, one, the Panama canal that was vital in the context of the war. The second reason was rather embedded in history and was of emotional nature for President F. D. Roosevelt .His great uncle William H. Aspinwall had built the Panama Rail Road in 1850s which became the first milestone towards the canal venture. Again, his cousin T.R. Roosevelt took the historic step of building necessary political conditions for the building of the inter-oceanic canal in Panama which became the cross roads of the Americas. As a

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<sup>3</sup> During the war, the American States held three regional consultative meetings, the one in Panama was first. The meeting in Panama was dominated by judicial , political and military problems including the subversive activities by the Axis agents in the region. For details see Ibid.

result of his historic family bond with Panama, he believed that the United States should act as "a trustee for all the world" in maintaining the canal. <sup>4</sup>

President Roosevelt had taken personal interest in Latin American affairs in general and evidently Panama was his special focus. Along with the war cloud becoming thicker in Europe, the canal zone as a zone of strategic importance received growing attention from the United States. The zone, along with the Guantanamo naval base in Cuba and the Hawaii naval base provided a two ocean naval corridor to the United States to monitor sea movements of war from both the directions. While Guantanamo naval base in the Caribbean, provided necessary facilities to monitor the European naval movements, the Panama canal was a pacific choke point that allowed the United States the leverage to patrol the naval corridors of Pacific while supplementing the requirements to the Guantanamo base. The inter-American legal mechanism provided the United States with sufficient teeth to cordon off the western hemisphere from the effects

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<sup>4</sup> Walter LaFeber, op.cit., p.85.

of the war and extended adequate military preparedness in the region.

The Panama canal was vulnerable to air attack. The locks of the canal that helped elevating or lowering the ships, are vital in the functioning of the canal and any damage caused to the lock system are to render the canal dysfunctional. In addition to this strategic deficiency of the canal, efforts on the part of the Axis power to interpolate in the region under varying pretexts with a view to gain foothold in the strategic locations, apparently developed a complex security scenario for the region. This made Panama the focal point of the western hemisphere policy of the United States. As a result of this, Panama got a preferred attention by the US prior to the World War II. The Hull-Alfaro Treaty of 1936 which is discussed at length earlier, became a necessity of the time for the United States.

### **The Panamenismo**

Since the beginning of 1903, the people in Panama started resenting the United States presence in Panama

irrespective of the fact that the United States made them independent and provided them a semblance of economic prospect by building the inter-oceanic canal in their country. First of all, the resentment was rooted in the political and economic areas where the country began to experience the overriding presence of the United States. More than the political and economic reasons, there was also a psychological discontent among the Panamanians as the country, even after becoming independent, virtually became a protectorate of the United States. The agonising presence of the United States in Panama gradually assumed a nationalist posture. The United States' continuous denial of the legitimate nationalist aspirations of the Panamanian people further consolidated and intensified the anti-American sentiment in Panama and germinated the seeds of Panamanian nationalism.

It is interesting to analyse the growth of Panamanian nationalism in the context of the country's social structure which had certain distinct and different features than the neighbouring Central American countries. The canal enterprise, to a large extent directed the orientation of the

country's economy and accordingly influenced the nature of the class structure in Panama. At the top of the social hierarchy remained the creamy layer of 'rabiblancos -- the white-tails' who expanded their traditional dominance from the agrarian sector of Panama to the newly emerged commercial opportunities in the canal zone. They were the oligarchs who effectively controlled the political power of Panama and shared their economic and political vision with the United States.

Along with the growth of activities in the canal zone there also emerged a trading class who were not so fortunate like the minority oligarchs but were ambitious to prosper both economically and politically. Another class that grew in the process was the class of service providers. As the activities in the zone progressed, a whole range of new facilities like educational facilities, public transport, radio network services, maintenance work, public health etc. emerged and as a result, built a sizable service workforce. This class was mainly drawn from the interior provinces who migrated to Panama City and Colon in search of better economic opportunities. It is the combination of this trading

and service class, that was essentially tied to the canal zone, and constituted a potential political constituency of urban middle class. Along with extended activities in the zone, there also emerged a kind of growing consciousness and understanding of the gamut of political and economic scenario of Panama which hitherto had never happened. The anomalies of the existing social stratification in the country and the growing United States monopoly over the resources of Panama became more and more clear. Now, it is this middle class which nourished the Panamanian nationalism and gave a political shape and expression to it in mid 1920s.

While the United States' questionable influence in the zone provided the primary reason for the growth of Panamanian nationalism, it is the oligarchs exclusiveness, that strengthened their resolve towards political action. It is in this background, the political party of Accion Communal was formed in 1926. Since it was also opposed to the oligarchs, Accion Communal appealed to the vast middle class. The party had no racial inhibition as a result of which large mestizos provided the party with mass base.

In this context , the emergence of Arias brothers in the political squabble of Panama is phenomenal. Mestizos by birth, both the brothers , Harmodio Arias and Arnulfo Arias emerged with large political following in the provinces. As early as 1911, Harmodio the elder Arias, in a book, very strongly criticised the Monroe Doctrine. The other brother was equally vocal and critical of the oligarchs in the country. By 1920s, both the brothers were waging a dual fight, one against the United States and the other equally important against the oligarchy of Panama who naturally viewed the emergence of the Arias brothers as a threat to their political survival. With this committed and two pronged objectives, the Arias brothers took upon themselves to provide an acceptable form of government and became a natural choice for the leadership of the Accion Communal.

On 2 January 1931, the Accion Communal mounted a coup against the President Florencio H. Arosemena. The United States played a mediatory role and without resorting to intervention, allowed the elder Arias to take over the Presidency. It was a great victory for a political wing of Panama that brought into fore the nationalist sentiments

that was growing around. President Arias welcomed a talk with President Roosevelt to lay a basis for easing the crisis. It is in this back ground that the 1936 Hull-Alfaro treaty was piloted where the United States accorded some political and economic concessions to Panama so as to contain the growing Panamanian nationalism.

Now that the war approached, bilateral cooperation between the United States and Panama received growing importance. Since Panama had barely come out of the economic depression, the country needed more and more of the United States initiative directed to revive the economy so that the growing Panamanian anti-pathy towards the US can be contained. The war helped the United States to address to this Panamanian trouble. The United States war preparation in Panama needed immediate upgradation of all facilities, improvement of communication network, expansion of bases to oversea security, fortifications and all that were required to face the approaching war. It was an expanded mobilisation of men and material to Panama that automatically injected vitality to the Panamanian economy. In the other side of the activities however, the United States



demanded more of land outside the canal zone so that military bases and other war related facilities can be built in the area.

Panama, it appears, cooperated with the United States on many matters of war and peace. However, further allotting of land for the military purposes turned out to be an irritation to the Panamanian nationalists. In 1939, the US War Department took a large area from the private citizens for building the Rio Hato air base. Again, they asked for ten of one acre base site land for air-tracking facility. The United States demanded that the base of such area should run into a lease of 999 years. 1940 being the year of Presidential election for Panama, the additional war base demand turned out to be a sensitive issue. The United States however, in utter disregard to Panamanian unwillingness to lease further land, simply occupied those areas and then asked the newly elected government to legalise the takeover. Though it was not in accord with the 1936 treaty, since the war was on, the United States took decisions on her own and even asked for more lands for military purposes.

In spite of the political hype over the good neighbour policy, as seen in the case of Panama, it only remained as a political instrument to unify the region under the leadership of the United States. However, as the collective security mechanisms were drawn up and the necessary war preparedness was available, the United States quickly reverted to the policies of force and intimidation to protect her interests in the region. Panama remained in the forefront of benefits through the good neighbour policy and now as the good neighbourliness began to fade, the isthmian country again became the casualty of the United States high handedness.

Harmodio Arias became the officiating President of Panama after the 1931 coup. He however, won the Presidency next year and led the country to the 1936 treaty. Now in the early 1940s when the United States exercised the highhandedness and occupied the bases in total disregard to the understandings of the 1936 treaty, it apparently became the time for the nationalists to take up the Panamanian cause.

This time it was the younger Arias who had emerged as the leader. Arnulfo Arias not only had a mass base but had emerged as the effective radical voice in Panama against the twin targets of growing monopolistic power of the United States and the oligarchs. Better known in the streets of Panama as "El-Hombre -The Man", Arnulfo Arias had a better political vision for Panama than his predecessors. Breaking with the oligarchic tradition, he advocated the ideological programme called the *Panamenismo - the Government by Panamanians for the happiness of the Panamanian people*. The newly elected Arias, along with his other programmes, gave a direction and shape to the bubbling Panamanian nationalism through the concept of Panamenismo -- a programme of radical social change. Arias planned a social security system, and introduced agricultural reforms. Spanish became the official language to discourage the migrants from the English speaking Caribbean which was a vexed issue that was bothering the radical political

force.<sup>5</sup> Again, reportedly, the Germans and Italians obtained quick citizenship right in Panama through easy provisional naturalisation.<sup>6</sup>

As far as the United States relation with the new Panamanian government was concerned, the new President wanted bilateral friendly relationship but demanded several of the Panamanian grievances to be redressed. Among the demands were US\$25 million economic aid to Panama, building a bridge over the canal to connect eastern and western Panama, the return of the west Indies blacks to their islands, reverting the Panama City and Colon's water and sewerage system to Panama were prominent.

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<sup>5</sup> Since the beginning of the canal construction, scores of West Indian blacks were brought to the canal site for construction activities. Over a period of time however, these English speaking blacks accounted for a sizable population that were ready to work for lower wages and were sharing away jobs that were otherwise available to native workers. Also, the racial composition of Panama with the growing black population, threatened to make Panama appear as a country of blacks. It was therefore a growing political demand of the Panamanians that the United States stop importing black work force from West Indies. In 1939 while planning began for the construction of new third-lock system, the United States brought more Jamaican blacks. For details see A.R. Wright, "Defense Sites Negotiations Between the United States and Panama, 1936-1948" - Department of State Bulletin, XXVII (Aug. 11, 1952), p.217.

<sup>6</sup> "The Man" of the street was mistakenly accepted by the United States at the initial stage as a friend. As Arias moved ahead, his own brother Hormodio also complained to the US Embassy that Arnulfo is using racketeering methods to gain control for totalitarian purposes. In 1940 the US Intelligence reported that Arnulfo had remained friendly with America till he became the Minister to Italy in 1934 where he served intermittently till 1938. Some observers linked his change to an audience with Hitler in 1937. The US Intelligence further reported that he had reached some understanding with Berlin and Rome Chancelleries. For details see Walter LaFeber, op.cit, pp.92-7.

To the proposal of officially legalising the United States occupation of new bases outside the canal zone, Arias strongly demanded that the 999 year lease be dropped; the annual rent of Rio Hato air base be increased to US\$30 million instead of a meagre amount of US\$2400.<sup>7</sup> Though the United States had not expected Arias to be belligerent to the US interests, it became more and more apparent that he was fast moving away from the United States expectations. President Roosevelt, rejected Arias' demands and instead threatened to occupy the bases. As a result of this duress, Arias grudgingly approved leasing of a small site. However, in August 1941, when Winston Churchill and F.D. Roosevelt announced the Atlantic Charter's promise of freedom and self-determination, the Panamanian leader was quick to interpret that finally President Roosevelt, recognised "the right of all people to adopt that government which is most in accord with their idiosyncrasies and their needs, and with the desire of their own people."<sup>8</sup> Arias was distinctively in a rebellious course.

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<sup>7</sup> Ibid, p.96.

<sup>8</sup> Donald Marquand Dozer, Are We Good Neighbours? (Gainesville, Fla:1959), pp.102-3.

President Arias with all his differences with the United States, his departure from the oligarchy of Panama and with his radical political initiatives, certainly distanced himself from the traditional power base and pressure groups of Panama. With the United States standing neutral, Arias on 9<sup>th</sup> October 1941 was deposed from his Presidency when he was away in Havana. The Supreme Court of Panama subsequently interpreted the change of power by saying that 'President Arias is reported to have deserted the Presidency'.

Arias was the logical product of the decades old anti-American sentiment in the isthmus. Though he commanded popular support in Panama, holding on to the power had however, different arithmetic to follow. Popular support could be one power base but, the oligarchs, the military and finally the United States had their respective share to the ultimate power in Panama and all the forces were actively employing their own mechanism to stay put to the reigns of power. In the process of the political melo-drama, though Arias was deposed, as a result of his mass base, he again resurfaced in the political frontlines and as a matter of fact, institutionalised the concept of 'Panamenismo' by provoking

the Panamanian nationalism and directing it against the United States. As a result of this, the Panamanian national self identity was more sharpened and shaped and virtually forced the United States time and again to have dialogue with Panama. The United States and Panama on 18 May 1942 finally signed the 'Defense Sites Agreement' which stipulated that the US would return the bases to Panama one year after the war ended. The 1942 agreement also agreed for economic compensation.<sup>9</sup> One may note here that the incumbent President Guardia, as a gesture of his obligation to the United States for standing friendly during the military coup, granted all the 134 base sites to the United States. As a matter of fact, protest against the United States came not from the government but from the people whom Arnulfo Arias was leading or the people who were genuinely motivated to the cause of Panamanian national interest and were driven to establish what was termed the 'Panamenismo'.

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<sup>9</sup> Denison Kitchel, op.cit,pp.83-4.

### The Struggle Intensifies

By 1940s it was clear that Panama would never come to terms with the monopolistic presence of the United States in Panama. Panama canal had become a symbol of national identity and fighting to gain more and more control over the zone had not only become a major political target for the Panamanians, it had also grown to be the national obsession. The 1942 agreement did not satisfy the Panamanian demands. Looking at the events, it appears that the United States was never concerned to address to the real issues but was busy stoking at the surface troubles or on little trivials and handled the isthmian affairs with utter disregard, neglect and arrogance.

The presence of Jamaican blacks had already become a sensitive political issue. The United States however, continued to neglect and even worked towards further fomenting the issue. Again, though the United States, as per the 1942 agreement was supposed to wind up troops from all the bases that it acquired on the pretext of war, never bothered to do so as the treaty stipulated. Some of the



bases, the United States evacuated, whereas many she continued to occupy leading to a major political crisis in Panama.<sup>10</sup> Panama thereafter never retracted from demanding what apparently appeared to be theirs. Till now there were only concessions and their demands had not been met. Now the nationalist tone that had gradually appeared and strengthened, found the new lease of strength and for the first time demanded the revision of the 1903 canal treaty. In other words, the momentum towards freeing the canal zone from the United States' near colonial possession began to manifest in greater vigor and intensity.

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<sup>10</sup> As per the 1942 Treaty, the US was supposed to evacuate the bases in Panama by 1<sup>st</sup> September 1946 one year after Japan surrendered unconditionally. The United States however, dragged along and instead asked Panama to renew the leases. President Enrique A. Jimenez flatly refused. The United States returned over 100 bases but asked to continue in Rio Hato air base and 13 of the one acre sites. In fact, the war Department wanted that those bases be given for 30 years or more lease without any joint control with Panama. The United States virtually agreed to President Jimenez's demand of economic aid but linked it to the lease. Finally in December 1947 President Jimenez struck a deal that Rio Hato lease would run for 10 years with an option for another 10 years and other leases would run for 5 years and the US only will have full control over the bases. The deal was sent to a specially convened session of National Assembly. But before it could get through, it got leaked to public and a nation wide protest began which is said to be a massive and direct affront with the United States when Panamanian nationalism forced the United States to agree with Panama's terms. Students started rioting and one got killed in the fight with National Guard. On 16 December, 10,000 women and children demonstrated outside National Assembly and it spread around. In Colon, one American soldier was stabbed and situation soon became a national crisis. Finally, the National Assembly on 22 December rejected the treaty by 51-0, though the United States meanwhile had proposed to discuss specific economic issues. On Christmas day, the American troops began withdrawing and in the next three months they evacuated all the sites occupied after 1940. For details see *Ibid.* pp.82-4. Also for a better account see Walter LaFeber, *op.cit.* pp.98-101.

## **Panama Canal in the Post War Period**

By the time the war ended, the strength and weakness of the inter-oceanic Panama canal had already been tested for over three decades and two potential wars that necessitated rapid movement of men and material across the canal had already demonstrated the high utility of the isthmian passage. In the peace time, the canal reduced distance and travel time for the international sea borne trade movements. In the war time, and in the 1930s when the war tension was building up in Europe, the canal not only was a sensitive war monitoring zone, it was, for the United States, a military out post of high value that augmented to the naval base of Guantanamo and provided for a corridor of sea patrolling to ward off war offensives both from the Caribbean waters and from the Pacific front. The extensive military net work in the Panama canal zone, along with the inter-American collective security mechanism that developed as a response to war, also overlooked the possible war design that were to emanate in the South American continent.

As a result of this strategic advantages, the Panama canal was considered to be vital for the United States. The culmination of war however, introduced new dynamics to the field of international relations. The active war of the early 1940s was substituted with the cold war syndrome that were to influence the course of international politics for the next four decades. As a result of the new developments, a complex global security dynamics emerged, wherein every move of the United States was matched to the strategic game plan of the Soviet block. At times, the US even responded to perceived threats by preemptive measures. In this development, the United States priority to Latin America also shifted. The good neighbours of the pre war period gradually became neighbours only, with goodness of the United States shifting to support those regimes in Latin America who were supportive of the US policy postures and were ready and willing to collaborate with the United States in expelling the so called export of revolution.

The United States in the post war period, began to redefine the policy approach towards Latin America. Franklin Adams Truslow, in a Council of Foreign Relations meeting in

1949, not only outlined a shift but provided an insight to the official shape of such posture. An investment banker and the Chairman of the Foreign Relations Council, Truslow explained as to how and what will guide the US policy assumptions towards Latin America, i.e. "A distinction should be made between totalitarianism and dictatorship. A dictatorship involves autocratic rule. But totalitarianism is autocratic rule plus total, absolute control of economic life, as for example, communism.... Totalitarianism we refuse to cooperate with ...with dictatorship we will."<sup>11</sup>

Communism henceforth became the first enemy and the Soviet Union heralding the ideology of total control over the wealth of the nation and dictatorship of the proletariates, became the potential target. Latin America as a whole, responded with suspicion to the United States so called slogan against the communists. The real problem for Latin America was not communism nor the export of revolution; as rarely marxism posed a threat for them. On the other hand, the ideology appeared to be a radical reorientation of the resources of the state and promised better life and

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<sup>11</sup> Walter LaFeber, op.cit., pp.104-105.

economic prosperity which was so rare in Latin America. Marxism appealed to the larger masses of Latin America and appeared to be a viable alternative to them. As far as the governments of Latin America were concerned, including the reigning dictators, the United States' new policy approach did not bring any immediate threat to them as long as they were reluctant to cross swords with the United States. For the others, it was a signal of alarm. As a whole however, the United States proclaimed war against communism, provided the US an opportunity to identify selectively the growth of communism in Latin America and initiate necessary measures to topple such regimes and bring to power such political elements who would be favourable to the United States economic and political interests in the region. Apparently for this reason, when the Korean war started and the United States asked for help, there was no favourable response from even the dictators of Latin America.<sup>12</sup> In another front, Latin America was also beginning to grasp the merits of the third force, the non-aligned group which was emerging to provide a way out from the pressures of cold war politics. One of the Panamanian news paper summed up the

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<sup>12</sup> Ibid.

new scenario suggesting that "North Americans should not expect help against communism from those [in Latin America] who have not yet learned the exact significance of the benefits of liberty and democracy which involve their very existence."<sup>13</sup>

Within the broad political scenario of Latin America, Panama stood a unique position. For Panama, the war in Europe brought economic prosperity as a result of more and more war preparation of the United States in the canal zone. The canal zone started buzzing with activities like opening new bases and the required construction activities, improvement and upgradation of old ones, creating better security arrangements etc. All these activities employed people and needed more and more dollar investments. Also, the induction of more troops to the zone generated employment in the form of services like the supply of food items and other supplies. As a whole, war encouraged lot of activities resulting in a sudden growth of Panama's economy. And all these activities that contributed to economic growth, began at a point of time when not only Panama but the

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<sup>13</sup> Ibid.

whole of Latin America was reeling under the pressures of great economic depression. For this reason, the economic growth registered in Panama appeared spectacular. As a whole, starting from the pre-war time, till the end of the war, the Panamanian economy was injected with the massive war investments of the United States.

However, as the war ended, many war time investments automatically stopped flowing leading to the beginning of another phase of economic recession which also similarly plagued war ravaged Europe. Secondly, as discussed earlier, given the refusal of the government of Panama to renew many of the bases, proliferation of bases not only halted but many such bases faced closure leading to further withdrawal of economic activities. Further more, as the war ended and the good neighbours began to desert the neighbourhood, the United States economic aid package was hard to come to inject vitality to the depressed economy of Panama. The war led economic bubble had already burst.

In this situation of economic down trend, when there was nothing that appeared to be providing the rigour that

Panama needed, nor was there any 'Marshall Plan' extended to Latin America or Panama, the Panamanian economy was left with no option than to look upto the canal zone as a matter of last hope.

It was the economic prosperity of the pre-war and the bargaining opportunity of the war period that had generated anti-American sentiment and now, the economic depression again revived what is called the ever sensitive issue of the United States control of the Panama canal which otherwise used to be believed as a potential economic life line for Panama. The United States presence in Panama, it was felt, was the main reason for the Panamanian economic ruin and the most effective anti-American sentiment now emerged not only from the middle class but also from those who took early advantage of the educational facilities that slowly emerged along with the activities in the canal zone. While President Harmodio Arias should be credited for establishing the National University in Panama in 1935, more credit goes to him that he not only established an institution but built an academic centre that became the most suitable centre for congregation of the students who mostly hailed from the



middle class and were quick to respond to anti-American slogans. Students being a resourceful media to carry forward the anti-American propaganda, the university virtually became the most effective institution or apparatus to represent the Panamanian national aspiration. That is where it was left to the students to carry forward the flag of Panamanian nationalism in the next two decades.

It is crucial to take note here that when the Panamanian nationalism was getting more and more intensified against the United States, the political scenario at this juncture ran into confusion and also a long spell of uncertainty and manipulation. Thanks to the National Guard and its top brass, the entire constitutional process of Panama was virtually hijacked and was opened to the pick and choose of the military.<sup>14</sup> The political melodrama that

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<sup>14</sup> In 1948, Panama faced the Presidential election. Arnulfo Arias the 'Man' after being deposed from Presidency now resurfaced again as the Presidential candidate against the ruling party candidate Domingo Diaz. Arias, riding on the Panamenismo wave apparently won the election by 1500 votes. At this point however, the supporters of the official candidate attacked the election board and there was political violence between the contesting groups. At this juncture, the chief of National Guard Jose Chichi Remon, popularly known as Chichi Remon, took the matter into hand and suddenly many of Arias votes disappeared from ballot box and Domingo Diaz was declared elected. The supporters of Arias, upon demonstration were beaten off to silence. Remon was a political phenomenon at that time and in course of time, he graduated himself to be the head of the state of Panama. However, it was the same Remon whom in the process of down sizing the National Guard's growing influence, Arias, in 1941 had expelled from the country. Now at the helm of National Guard, Remon not only decided as to who should be president but put Arias also behind bars. For details see Walter LaFeber, op.cit, pp. 106-07.

unfolded after 1948 however continued for quite sometime. Various factors and forces, as has been discussed earlier, played their own political game in Panama. All of them in their respective ways also utilised the institutions of the country for their own political and economic interests. It was now the turn of the military. Domingo Diaz, after winning the election through the fraudulent support of Remon, as a matter of obligation, opened lucrative commercial opportunities for his own family and also for the king maker Remon. Unfortunately however, in August 1949 Diaz suddenly died and the first Vice-President Daniel Chanis assumed power. Chanis even before being settled as President was shunted out of power by the National Guard.<sup>15</sup>

In the whole episode, the United States played virtually

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<sup>15</sup> The Supreme Court of Panama declared unconstitutional the business (cattle slaughter monopoly) that Diaz had given to his own son and Remon. Now, when Chanis wanted to uphold the Supreme Court ruling, he was surrounded by the National Guard in the Presidential Palace and he resigned. It is believed that National Guard had apparently informed the US Embassy in Panama before staging the palace coup against Chanis. President Chanis was succeeded by Vice-President Roberto Chiari who also was the cousin of Remon. It seems that Chiari could not withstand the opposition to his presidency and was about to give in to the pressure of Chanis. He was asked by Remon to quit. It could not be more interesting to note that the pace in which Presidents were brought in and thrown out, merely indicated the collapse of constitutional process. It was only National Guard with Remon as its chief that decided what is good for Panama and the nationalist band was suppressed. Remon in the ensuing political succession, finally astonished every body by again bringing back Arnulfo Arias, the arch rival as the President. It was a marriage of convenience for the nationalist and the military supremo. For details see *Ibid*, pp. 106-13.

no role except in remaining informed of the volatile political developments. However, when Arias was brought back to power, the Americans were alarmed and were quick to take all possible steps to assess the nationalist leaders' moves. For the United States, it was the totalitarianism in Latin America that was of concern but not the other forms of government. So the change of Presidents to the tune of three Presidents in one week was not a matter of concern for the United States. However, when suddenly Arias was again catapulted to power, the United States did not approve of the move and also did not recognize Arias government. Remon, however, in order to nullify the non-recognition, again called for election board of 1948 which initially had declared Arias as the winner and this time suddenly the board again found sufficient votes that helped Arias to be officially declared to be elected.

The non-recognition policy of the United States was merely a plea to discourage Arias and his nationalist elements to come to power. Had the situation been that unfavourable, the State Department would have certainly advised for US marines to land to set the political order in

Panama and would have found the ongoing political confusion as attempts to subvert the due constitutional process of the country. <sup>16</sup> This time however, the United States was saved of this unpleasant military action as their embassy, after careful observation noted that, given the kind of political compromise Arias has agreed to, he no more represents that old ideological configuration and with the time and again failures, he has mellowed down to acceptable level.

The political process of the post war period if observed carefully, represented a distinct competition among the three political forces that were vying to make head way by suitable means. The first was that of the oligarchs who were wanting their legacy to continue so that the interest of the class and their economic prosperity would be safeguarded. The second power group was the military which acted as an institution that represented political power and sharing the dividend from the control of economic resources of the

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<sup>16</sup> The US embassy although this political developments was only officially declaring that, the democratic process of Panama be encouraged. However, when finally Arias became President, being ever suspicious of Arias' political moves, the US ambassador in Panama suddenly declared the situation as " ... a complete challenge of democracy and represent extra-ordinary double-crossing in every respect" and he called it "a misuse of force which should be challenged." For details see Ibid.pp.109-10.

country. The military junta represented no political ideology. The third force which was no where when the country seceded from Colombia and emerged as a product of the time was the nationalists. Nationalism had become a popular political platform that enlisted everybody except the minority oligarchs and the military. The nationalists of Panama represented a radical political approach that bordered the communist ideology. However, there was a distinct ideological dichotomy that divided the two: the nationalism was a populist approach whereas the later was a philosophy. The Panamanian nationalism headed by Arias, in the contemporary political spectrum, could best be compared with the Peronismo of Argentina that quite effectively guided the Argentine political course in the 1940s.

In Panama, though the nationalist elements were active, Panama being a small country with numerous other difficulties, the forces could not assert themselves as effectively as it happened in Argentina. On the other hand, the nationalist platform was time and again manipulated by both the oligarchy as well as the military to either catapult themselves to power or to take away the leadership of the

nationalist platform to themselves. As a whole however the nationalism factor played a crucial role in the Panamanian politics.

When President Arias for the second time became President in 1949, it was apparently his political strategy to further consolidate his position and build up a strong political base for himself so that he can effectively curb the wings of the National Guard. The building of a political empire however met with resistance. Arias suspended Panamanian constitution that had been adopted in 1946 and wanted to destroy the National Assembly and the Supreme Court which had provided legal blessings to his opponents in 1941 to depose him from Presidency. The moves however, back fired and Arias was out again from the Presidency for the second time.<sup>17</sup>

The 'Panamenismo' however continued. After Arias was deposed, finally Jose Remon himself became the President of Panama. Remon this time, not only relied on his military friends support, in order to build a support base and

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<sup>17</sup> Ibid.

popular political career, he initiated mass oriented popular programmes. The mass appeal that Peronismo had achieved in Argentina, appears to be the guiding factor for him to chalk out his political strategy in Panama where, he not only activated agricultural and economic developments, but also embarked on tax reforms and similar other programmes. Apart from the popular programmes, he also launched his wife Cecilia Remon for socio-political activities in the interior provinces of Panama so that he can effectively get into the political nerve of the people.<sup>18</sup>

The post war Panama, apart from going through political uncertainty, as discussed earlier, also represented Panama's near economic bankruptcy. To initiate reform programmes and developmental activities, the ambitious military turned politician needed financial backup without which neither reform programmes were viable nor could there be opportunity for Remon to build a lasting political base.

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<sup>18</sup> Ibid.

The ready weapon available to redress this tricky economic morbidity was to turn to the canal zone, ask the Americans to review the US-Panama relation and finally activate the ever responding 'Panamenismo' which will atleast help enhancing the political fortune of the President by directing the economic frustration towards the North Americans. Around the time Remon became the President, Ernesto Castillero Pimental, the noted Panamanian historian published a historical analysis of Panama-United States relations which not only criticised the 1903 canal treaty and its arbitrariness, but also argued that Panama shift observing its national holiday on November 3 to either November 10 or 18 when the uprising began against Spain.<sup>19</sup>

The Presidency of Remon in that regard, provided an active opportunity to demonstrate the temporarily inactive or passive Panamanian nationalism to take the centre-stage of Panama's politics and gather the nations vitality against the Americans so that the long pending grievances of Panama can be redressed.

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<sup>19</sup> Ibid.



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### Panama on the Way to Treaty Revision

It is in this background, Panama and the United States in early 1950s again came to a stage of taking stock of their respective positions in the canal zone and agreed to discuss the dissenting factors. For the United States, the primary concern was the growing Panamanian hostility. In 1953 both the countries formally started negotiation. The opening of the Panamanian negotiation with the United States was a historic national event. President Remon asked the newly elected President of the United States Dwight D. Eisenhower, to discuss a new treaty concerning the canal zone. It was a matter of coincidence that Eisenhower had spent three years of his military career in the canal zone in the 1920s when the trouble between the two countries were beginning to intensify as a result of the United States numerous interventions against Panama. Having lived in the zone of contention, Eisenhower had a first hand understanding of the functioning of the canal zone. He was apparently sympathetic to the Panamanians from the very beginning. As a matter of his personal good will for Panama, he agreed to Remon, to initiate negotiation so that the hostile

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atmosphere that was building up in the post war period can be eased.

President Eisenhower's familiarity with the canal zone and his sympathy towards the cause of Panama had its own limitation too. The canal zone was not only considered as a prize possession for the Americans, it had, over the period, become a matter of prestige for the United States which prevented the US leadership to give in to the demands of Panama. As the President, Eisenhower had a daunting task of not only protecting the American advantageous position over the canal zone, but also to ensure that the United States is not bullied or embarrassed by the Panamanians. Keeping in mind the political risk involved in being conciliatory to Panama, President Eisenhower agreed to open negotiation with Panama but made it very clear to Remon that the negotiation be not costly to the United States.

The Panamanian leadership apparently agreed to this American condition and President Remon, in reply to President Eisenhower's demand, wrote back saying Panamanians do not intent to "affect fundamental rights of

the United States”, but do hope to bring those rights “into harmony with the rights of Panama”.<sup>20</sup> By bringing the two countries’ rights over the canal zone to a harmonious position, Remon as well as many Panamanians seemed to have demanded for a just and honourable distribution of rights for both the countries in the canal zone. Panama, as President Remon expected at the first instance, should have a larger economic share of the canal enterprise and not a mere economic aid-package to tide over the present financial crisis. As far as the political facets of Panamanian demands were concerned, Panama had already grown intolerant of the United States predominant position over the canal zone which needed to be harmonised by growing Panamanian involvement in the canal affairs.

Negotiations began in 1953. It was an all out effort for the Panamanians to organise a strong political momentum in favour of the Panamanian demands. In the momentum, the most spectacular aspect was the public send off that was given to the negotiating team that left for Washington in August 1953 for canal negotiation. All Panamanians were

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<sup>20</sup> Ibid.

urged to take part in this "appointment with the father land" and responding to the call, thousands of Panamanians poured into the street for the occasion. The gathering also witnessed the participation of the President, six ex-presidents, cabinet ministers, government officials, provincial delegates, students from schools and university with placards that boldly demanded "negotiation without surrender".<sup>21</sup>

Panama presented as many as twentyone demands. Foremost of all, in the economic front, Panama demanded that \$430,000 canal annuity agreed in the 1936 treaty be raised to either 20% of the canal's gross revenue or \$ 5 million whichever is larger. In the political front, Panama demanded that, the Panamanian flag be flown in the canal zone, wherever the American flag was flown. Secondly, Panama's sovereign control over the canal zone be restored which directly hinted at the lessening of the United States' dominant position in the canal zone. Thirdly, the duration of the United States treaty rights over the canal zone be reduced to 99 years. All other demands referred to more and

<sup>21</sup> 95<sup>th</sup> Congress, 1<sup>st</sup> Session, "Committee on Foreign Relations United States Senate", op.cit.,p.6.

more of economic and political leverage to Panama but certainly they were of lesser magnitude in the political bargaining though they had economic and political implications.

The first four demands however, directly reflected at the fundamental character of the 1903 canal treaty and acceptance of it meant the American economic and political defeat against the tiny Central American republic of Panama. Against Panama's demand of 20% of the gross canal revenue, the United States counter offered US \$ 1 million each year for ten years for the housing sector of Panama and other political demands were rejected by the United States.

Remon shot back with his rallying cry "Neither Alms nor Millions, we want justice".<sup>22</sup> The negotiation deadlocked. For the past half a century, Panama had initiated her anti-American struggle and now they had virtually reached to a point of no return. President Remon's canal negotiation in this context was a forceful platform not only to rally the Panamanians around him but to nullify

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<sup>22</sup> Walter LaFeber, op.cit, pp115-20.

opposition to his presidency and direct the country's attention to the canal zone and to the permanent adversaries of Panamanian prosperity – the Americans.

### **Panama in the Context of Regional Politics**

It is a matter of interest to note that, at this juncture when Panama was becoming more and more resentful of the United States near colonial possession in Panama, the United States was worried over the communist penetration in Latin America. The fundamental difference in policy approach was that, Panama looked for a just and amicable solution for her own problems whereas the United States wanted that the Latin American countries should forget their basic problems and their resentment towards the United States and gather under the United States leadership to fight against the growing acceptance of the communist ideology and communist designs.

700 kms. away from Panama canal, Guatemala slipped into the hands of a regime that was not favourable to the

United States. In 1951, Jacobo Arbenz succeeded Jose Arevalo's government and in order to improve the economic lot of Guatemalans, he initiated, among other programmes, a package of agrarian reforms which directly conflicted with the United States' United Fruit Company's economic interests in Guatemala. Initiatives to control foreign direct investment in Guatemala to free the Guatemalan economy from the shackles of foreign dominance invited the United States resentment to the Arbenz government. Immediately the Arbenz government was identified as a communist government and was projected as a threat to the peace and security of the western hemisphere. Eversince the Arbenz's government ventured into the area of United States interests and wanted to redefine the agrarian shape and structure of Guatemala, it came under the classification of totalitarian government. The United States, in order to protect her economic interest in Central America, not only projected the Arbenz government as a threat to Latin America, but also wanted that other Latin American countries should equally condemn the Arbenz government and work towards its

removal. The instrument, the United States chose to give legal sanctity to the anti-Arbenz initiative was the OAS.<sup>23</sup>

Panama however, utilized the OAS Platform at Caracas, Venezuela towards enhancing the Panama's prospect of getting a better deal in the canal negotiation. Panamanian delegation led by Cecilia Remon, the out spoken and politically active wife of President Remon who like most delegates, condemned the United States policy towards her own country and discussed the kind of discrimination the United States had perpetrated in the canal zone. For Cecilia Remon, priority was the canal negotiation and not the spread of communism in Latin America or the growth of revolutionary government in the neighbouring Guatemala which the Americans felt, was a Soviet design to sabotage the canal operation which is only 700 kms. away from Panama. At home, President Remon followed up his wife's attack at

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<sup>23</sup> The United States wanted to convert the OAS into a platform to attack the growth of communism and wanted that all the Latin American countries should multilaterally declare that any such growth in western hemisphere be considered as a threat to the peace and security of the region. Most of the Latin American countries however openly described this as an attempt of the Americans to intervene in the internal affairs of any country that does not confirm to the American expectation. Though the United States' Secretary of State, John Foster Dulles finally managed to way lead the OAS in favour of the US proposal, yet, he also agreed to discuss the economic issues on a special conference. For details see Jerome Slater, The OAS and United States Foreign Policy (Ohio State University Press: USA), 1967, pp.115-33.



Caracas by declaring that, shortsighted United States policies in Latin America allowed communist propaganda to have an "effect it would not have under ordinary circumstances".<sup>24</sup>

### **Chapin-Fabrega Treaty of 1955**

The continuous arm twisting finally resulted in the 1955 treaty agreement which is not very important in terms of what it conceded or what it did not. However, while analysing the Panamanian struggle to gain control over the canal zone, the 1955 treaty appears to be a water mark that symbolised the end of an era of protest and the beginning of an all out war against, what may be called the unjust domination of Panama by a foreign power. After nearly two years of struggle spearheaded by President Remon, the Foreign Relations Minister of Panama, Octavio Fabrega and the US ambassador to Panama Seldon Chapin signed the "Treaty of Mutual Understanding and Cooperation, 1955" on 25 January 1955.<sup>25</sup>

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<sup>24</sup> Walter LaFeber, op.cit, pp.115-20.

<sup>25</sup> Inter American Relations, op.cit., pp.625-37.

As far as the economic demands were concerned, articles of the 1955 treaty instead of awarding millions or alms, settled down to give US \$1,930,000 as the annual canal annuity.<sup>26</sup> Secondly, the government of Panama was given the right to levy taxes to the Panamanians working in the canal zone.<sup>27</sup> Parity of wages between the different grade canal workers was promised to be established by initiating similar basic pay structure. The United States canal employees were agreed to be receiving same basic pay with their Panamanian counter parts along with additional perks as suitable for a foreign posting by the US federal laws and pursuant to this, the Panamanian workers wages were also increased.<sup>28</sup>

In the political side, the United States surrendered its monopoly right over the isthmian rail road enterprise and the high ways network outside the canal zone.<sup>29</sup> Also, the United States gave up its right of sanitary maintenance and regulation in the Panama City and Colon; and also transferred some property in the stated areas to Panama.<sup>30</sup>

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<sup>26</sup> See article I of 1955 treaty in the appendix 'C'.

<sup>27</sup> Ibid. Article II.

<sup>28</sup> Memorandum of Understanding.

<sup>29</sup> 1955 Treaty, article IV & V.

<sup>30</sup> Ibid.

The canal government also promised to make all purchases in Panama itself subject to the discretion of the purchasing authority.<sup>31</sup> The US also agreed to build a bridge across the canal at Balboa.

In return of all the concessions, the United States got a 15 year lease on a military training area in Rio Hato base outside the canal zone admeasuring an area of 19 thousand acres.<sup>32</sup>

President Remon's initiative in the canal negotiation was a bold step towards achieving Panamanian sovereign control over the canal zone. Though it was originally meant to legitimise Remon's political authority in Panama and to accord his regime with popular support, yet, Panama canal being a very effective rallying point to direct the growing Panamanian nationalism, the leadership in Panama very impressively utilised it to a popular political end. Though president Remon was assassinated in the same year, yet, his slogan, "neither millions nor alms" became the future slogan for Panama and the uniformed man behind it became a

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<sup>31</sup> Ibid. Article XI & XII.

<sup>32</sup> Ibid. Article VIII.

legendary nationalist and the source of inspiration to the future negotiators of Panama.

### **Panama Wakes Up to the Suez Crisis**

The 1955 treaty, with what was conceded to Panama reduced the intensity of Panamanian anti-American stance forthwith. However, it was a very temporary cessation of conflict. Elsewhere, the international political atmosphere was boiling up which had direct bearing on the course of Panama canal affairs. In 1956, the Egyptian President Abdul Nasser nationalised the Suez canal much to the chagrin of the United Kingdom and France. Egyptian attempt to nationalising the Suez Canal Company however, had its beginning in the early cold war period when the first serious attempts to win over friends, to strengthen economic and strategic options were put to test in West Asia. The delicate balance of power of the Arab world, in the process of mounting military and politically hostile platform against the Soviet Union and its likely expansionism, laid the basis of

Suez crisis by fomenting a nationalist sentiment among the Egyptians.

The Baghdad Pact of 1954 not only tilted the West Asian balance of power in favour of Iraq by directly offending the Egyptian aspiration in the region, but also sharpened the Soviet Unions interest in the region, and threw the entire West Asia into a theatre of power contest for the decades to follow. The termination of the Anglo-Egyptian treaty of 1954 which saw the British withdrawal of troops from the Suez canal zone, now left Egypt alone to defend the canal zone and protect it primarily from Israeli offensive.

From the beginning of 1950s, the Suez issue which was brewing up with tension, was also a flash point of observation for the Panamanians. The Suez crisis took a serious turn with Nasser nationalising it on 26 July 1956 followed by French-British call for military action to avenge the Egyptian action. It is fascinating to note the United States role as a mediator. Having temporarily defused a similar crisis at home, the United States very strongly advocated for negotiation, conferences of all user countries of

the canal and all means of pacific settlement of dispute. However, the Americans unmistakably declared Nasser's action as "Seizure of the Canal".<sup>33</sup>

Panamanians had many things to learn from the Suez crisis though they had very little scope for enacting a similar nationalisation act against the United States. First and foremost, Panama seems to have carefully watched the unfolding of the Suez crisis to draw precedence. Secondly, Panama very actively scrutinised all the United States official statements, press releases, other discussions or State Department official's off hand remarks pertaining to settlement of the Suez crisis that reflected the possible duality of the American policy postures or provide some basis for future canal bargaining. Above all, Nasser's bold step to nationalise the Suez Canal Company was a challenge to the established imperial order of the 'west' which was encountering more and more confrontation from all over the

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<sup>33</sup> To a large extent, the nationalisation of Suez Canal Company by President Nasser was a reaction to mishandling and neglect of Egyptian feelings by the West. It was further fomented by unfavourable alignments that virtually forced Egypt to this drastic step. For a detail understanding of the politics of Suez crisis see M. Mahmood, Soviet Policy - Towards the Arab-Israeli Conflict 1947-1988 (New Delhi: Gian Publication, 1989), pp.36-56. Also see M.S. Agwani, Contemporary West Asia (New Delhi: Har-Anand Publication, 1995), pp.211-31.

continents.

While mediating the Suez crisis, the Secretary of State, Dulles among his many suggestions, also proposed the option of internationalising the Suez canal. Also a 22 nation canal user conference was convened to settle the Suez crisis.<sup>34</sup> Dulles however, in an attempt to preempt Panama finding a platform, publicly declared that they will represent the Panamanian interest in the 22 nation Suez conference. Panama protested heavily declaring that "the United States did not speak for Panama", and added that "under no circumstances would its canal be placed under international control."<sup>35</sup>

It is interesting however, to note the unprecedented American preparedness to delink the Suez canal issue from the Panama canal affairs. The United States' Department of State, White House, Pentagon and Army worked in perfect coordination to delink the two canal affairs; and extensive diplomatic instructions were also issued to all the US

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<sup>34</sup> The 22 Nation Suez Canal Conference was held in London between 16-23 August 1956.

<sup>35</sup> Walter LaFeber, op.cit. p.122.

diplomatic missions in Latin America so that, policies are put in suitable order.<sup>36</sup>

Prior to the London Conference, at the instruction of the Acting Secretary of State, Hoover, the Bureau of Inter-American Affairs, prepared a 'position paper' on the two canal issues and came out with six fundamental legal differences between the status and functioning of the Suez canal and that of the Panama canal.

First, the Suez Canal Company was holding a private concession and Panama canal zone rested on public treaty. Secondly, the Suez canal was operated by Suez Company registered in Egypt but the Panama canal zone was given as a grant to the United States and was operated by the US governmental agency. Thirdly, Suez canal was an integral part of Egypt whereas Panama had granted exclusive

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<sup>36</sup> After reviewing the situation in Panama, the Acting Secretary of the Army, on a memorandum to the Secretary of Defense, Charles E. Wilson dated 31 July 1956 appraised him of the possible fall out of Suez crisis in Panama and the Panamanian threat of taking the Panama canal issue to the Permanent Court of International Justice and urged that possible repercussions of the Suez development be kept in mind and "... this is important in order that this Government avoid being placed in a position of adopting contrary position with respect to the two areas which might be used as a lever against us at a later date by Panama in contesting our complete unilateral jurisdiction and control of the Panama Canal Zone". For details see "Memorandum From the Acting Secretary of the Army ((Finucome) to the Secretary of Defense(Wilson)". Foreign Relations of the United States 1955-57 (Dept. of State Publication 9513) vol. VII, pp.282-86.



jurisdiction to the US over the canal zone. Fourth, the Suez canal concession was for 99 years expiring in 1968 whereas the sovereign rights, power and authority over the Panama canal was granted to the US in perpetuity. Fifth, the Suez canal status was initiated by a multilateral treaty and Panama canal is governed by a bilateral treaty agreement. Finally, the Suez canal construction, financing and management was international in nature whereas, the Panama canal construction, financing and management is done by the United States.

The above mentioned position paper, along with necessary instructions were sent to all the United States diplomatic missions in Latin America and even the Secretary of State, Dulles in his meeting with his British counterpart before the London Conference, discussed the same position of the United States and reiterated that "they should avoid any precedent or step which might result in demands for the consideration of the internationalization of the Panama canal

in the UN or OAS forums".<sup>37</sup>

President Eisenhower, while further clarifying the official position of the United States, in an interview before the London Conference, declared that "Suez Canal became an international waterway as a result of the treaty of 1888. This was completely unlike the Panama canal which was strictly national undertaking carried out under a bilateral treaty." It seems, the same day the President met Dulles where, in the course of conversation concerning the Suez and Panama canal issue, the following exchange took place "I mentioned to the President that there was some indication that Panama was getting into contact with Egypt. The President indicated considerable annoyance and stated that if we left the Panama canal zone we would take the locks with us. He again reverted to a suggestion that he had made once or twice before that we should consider the desirability

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<sup>37</sup> The position paper was sent to all the Latin American missions of the US, repeated to 33 other posts, pouched to 15 additional posts and also sent for information to Ottawa. See "Circular Telegram from the Secretary of State to certain Diplomatic Missions", *Ibid.* p. 287.

For Dulles meeting with Selroyn Lloyd, Foreign Secretary of Britain held on 1 August 1956, see "Memorandum From the Deputy Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State", *Ibid.* pp. 287-90. This memorandum indicates that a prior meeting of the staff of the State Department had been held earlier on 2 August and the subject had been discussed. The same then was transmitted to 20 Latin American missions vide circular airgram 1281, 9, August.

of building an alternative route in Nicaragua so that we could not be subject to blackmail.<sup>38</sup>

It appears that the repercussion of Suez crisis over the Panama canal issue was greatly minimised by active American lobby, discussion and negotiations at various levels and stages to win over the decision making process in Panama. The local elements in Panama who actively propagated nationalisation, internationalisation or other radical measures, infact substantially influenced the Panamanian government to take suitable course confirming to the nationalists aspirations and demands. Accordingly Panamanian ambassador in Rome who also was accredited to Cairo, had been officially encouraged to stay touched with the Egyptian government for drawing possible mileage out of the issue.<sup>39</sup> Also, the Ambassador of Panama in London was

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<sup>38</sup> The exchanges between Dulles and President Eisenhower is reported in the "Editorial Note", Ibid.p.291. Eisenhower's reference to an alternative canal route in Nicaragua is discussed subsequently.

<sup>39</sup> A meeting took place on 9 August 1956 between the United States Assistant Secretary of State, Henry Holland, the US Ambassador to Panama, Julian Harrington and the President of Panama, Ricardo Arias Espinosa, Acting Foreign Minister of Panama, Molino Harmodio Arias and Dr. Octavio Fabrega where, as per Holland, Molino indicated that he had directed the Panamanian Ambassador in Rome to maintain contact with Egyptian government. See "Memorandum of a Conversation, Panama City, August 9, 1956" Ibid.,pp.292-95.

apparently quite active throughout the crisis to monitor the developments.<sup>40</sup>

Panama in spite of being in a favourable ground to give vent to her nationalist aspirations, had obvious reasons for restraint. First, the military strongman Remon who guided the temporarily silent and suppressed Panamenismo to the stage of the 1955 treaty was assassinated days before the treaty was signed leaving behind not only a vacuum of leadership but a political confusion that centered around his First Vice-President Jose' Ramon Guizado, who immediately after Remon's assassination, was sworn in as the successor of Remon. Guizado however, after a city lawyer and the assassin of Remon was arrested, was suspended from the Presidency and placed under arrest for his possible involvement in the assassination of Remon. Again, the 1955 treaty till that time had not been ratified in the United States Congress and had remained as an apprehension for the Panamanian leadership that in the event of Panama taking a

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<sup>40</sup> The US Acting Secretary of State Hoover's telegram to the embassy of Panama saying "Foreign Minister (Panama) assures me Panamanian Ambassador London will be instructed to refrain from 'nuisance' statements and activities and act only in accordance with Foreign Office directives". For details see "Telegram 149 from Panama City, August 16". Ibid. p. 296.

hard step on the issue in the line of Suez developments, the ratification of the treaty would be imperilled.

On the other hand, the government of Panama was in great pressure from the nationalist elements, from within who wanted that the government must make best use of the Suez crisis. In this regard, a meeting held on 9 August between Holland, Harrington and the Panamanian political top brass, was a very effective meeting where Holland successfully prevailed upon the Panamanian leadership that Panama better cooperate with the US to take best advantage of the American goodwill.

The Suez crisis however, was a turning point for Panama. They had already exhibited their resentment of the American policy towards Panama and had reached to a stage to reject the American presence in Panama. Few concessions here and there and a package of American goodwill was not what the Panamanians were looking for. The government in Panama city might have agreed to cooperate with the Americans for the reasons best seen as political, but, the people in Panama always looked towards the canal zone as

an epitome of Panama's national prestige which by default had nearly been colonised. Again, in the global political spectrum, the 1950s unfolded a series of challenges to the old colonial powers and the Afro-Asian countries overthrowing the colonial spell, began to emerge as independent countries which also sharpened the nationalist feelings among others including the Panamanians too. Away from the block politics of the post war period, the growth of non-alignment movement in the 1950s further added a new dimension to the international relations and opened yet another door for the third world countries to openly voice their resentment against the contemporary world order.

### **Operation Sovereignty**

The period from 1958 to 1964 is the most violent period of the US-Panama relations. The 1955 treaty provided an immediate relief and was an improvement over the 1936 treaty in terms of concessions. However, the real issues like parity of jobs, equal wages for equal work, opportunity for the Panamanians to take advantage of the commercial

potentials of the canal zone which were among the core of the issues, were not addressed in the 1955 treaty. The Panamanian economy, beyond the scope of political control, manifested itself. The employment in the canal zone dropped from 30,000 in 1945 to 12,000 in the second half of 1950s and the overall employment in the rest of the country decreased correspondingly which was bound to reflect on the independent functioning of the canal government.

Highlighting the dismal economic scenario and the continuous rejection of Panamanian demands and aspirations, the Panama city university students, in May 1958 launched what was called "Operation Sovereignty" which finally culminated in the flag riot in 1964 signifying a period of very effective Panamanian protest against the United States that finally resulted in the United States agreeing to negotiate an entirely new treaty with Panama.

The university students entered into the zone peacefully and planted some fifty Panamanian flags at different strategic locations in the canal to signify that Panama has as much or even more right over the canal zone

as the United States has. But to their dismay, the canal police immediately removed the flags triggering further trouble and demonstrations in other parts of the country that left ten students dead.<sup>41</sup> Having hardly recovered from distancing Panama from the Suez crisis, President Eisenhower sent a fact finding mission to Panama which was not only assigned to advise the President on the Panamanian developments, but was also to visit other Latin American countries in an effort to improve the US-Latin American relationship that was getting too much obsessed with communist enemies of the region. And it was Milton S. Eisenhower, the President's brother who was assigned this fact finding task.<sup>42</sup>

The operation sovereignty continued in 1959 and on the Panamanian independence day on 3 November, a group of students led by Ernesto Castillero Reyes, one of the

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<sup>41</sup> The Panamanian police, Guardia Nacional intervened along with the canal police to ward off the demonstrators and in the melee ten students died of sniper shots. See *Ibid.* p. 126.

<sup>42</sup> Milton Eisenhower recommended to carry out the promises of the 1955 treaty and the MOU; a low cost housing programme to ward off the slums next to the posh American dwelling places that symbolized the sharp contrast and proposed to accommodate the Panamanian demand of displaying their national flag at least on select locations in the zone on ceremonial occasions. Though Eisenhower seemed to have been favourable to the Panamanian flag flying as per the recommendation, the army and the champions of the American right over the canal zone group screamed of surrender of American sovereign rights to Panama. The housing proposal never attracted governmental attention though it was of sense. For details see *Ibid.* pp. 127-29.



leading historians of Panama and Aquilino Boyd, a diplomat, entered the canal zone again to plant flags. This encouraged more and more students to enter and re-enter the zone leading to clash with the canal police, arrest of students which triggered more and more people to come to the street heralding the beginning of a full riot in Panama city. The target of the protestors was American vehicles, buildings, their flag or anything that symbolized the United States presence in Panama.

Next day, visibly disturbed over the developments in Panama and the recurrence of the spurt of violence directed against the United States, in a press conference, the President observed that "In a way it is a little bit puzzling to me, especially since each treaty modification gave a greater degree or level of rights to the Panamanians".

The President's predicament however, was not limited to being surprised or puzzled over the Panama embarrassment. He was indeed playing a delicate balance between protecting the American interest albeit the hegemonistic presence of the United States in Panama while

trying to redress the Panamanian grievances which were largely genuine. In the domestic front, Eisenhower had reasons to fear the strong backlash from the so called champions of American treaty rights over the canal zone against the options of concessions to Panama and he was equally troubled to see the force and fierceness of the growing Panamanian confrontation.

At this crossroad of political decision making, President Eisenhower, having realized the crux of the trouble, unfolded a politico-economic package of very far reaching consequence to address the vexed U.S.-Panama relationship. In the economic front, to begin with, his brothers housing proposal was revived. The canal government was directed to make all purchases either from Panama or from the United States but not from third countries like Australia or New Zealand. These measures were supplemented months later by his famous nine point programme which subsequently was adopted as a new American policy approach not only to Panama but to the whole of Latin America to restore the Latin American faith on the American leadership in the region. In the political

front, for the first time, the delicate flag issue was handled favourably to Panama. President Eisenhower observed that "I do ... believe we should have visual evidence that Panama does have titular sovereignty" in the zone.<sup>43</sup>

In the context of the canal negotiation, the United States flag concession to Panama apparently alarmed many US foreign policy observers who perceived this development as a turning point, a fatal mistake on the part of President Eisenhower to concede to such a fundamental aspect. The Congress was bitterly divided over the flag issue and led by Daniel Flood, Democrat, Pennsylvania, rejected the concession by an advisory vote of 380-12. Flood and those who voted against the Panamanian flag flying in the canal zone were the champions of the 1903 canal treaty and were vociferous advocates of the American status quo ante in Panama.<sup>44</sup>

On the other side of the issue, many others like Milton Eisenhower, Congress woman, Leonore Sullivan and the head of the powerful sub committee on Panama canal, part

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<sup>43</sup> Ibid, p.128.

<sup>44</sup> Ibid, pp.129-31.

of the House Committee on Merchant Marine and Fisheries members believed that unless Panama is rescued from the discouraging economy, a political solution to the canal issue cannot be arrived at. None, however, agreed that the United States should ever entertain negotiation on the fundamental areas of 1903 treaty and believed that flying the flag of Panama in the canal zone would connote a political symbol and would whet the Panamanian appetite further as the economic morbidity continues. President Eisenhower, however, rejecting the Congressional advisory vote and the strong political opposition from within, declared in September that both the United States and Panamanian flag would fly together in some parts of the zone. There was hardly any guarantee that without entertaining any of these politically sensitive issues, the rising Panamanian aspirations could be contained. When President declared his historic flag concession, the time was only a month before the Panamanian independence day i.e. November 3 that had constantly inspired a new phase of protest. Street rioting and a fresh list of demands had always marked the event. That is where perhaps President Eisenhower declared a 9 point economic programme along with a charter of political

concessions so that the immediate tension in Panama can be addressed appropriately. He also appointed a new ambassador to Panama, who, along with the politico-economic package, also initiated a social initiative to win back the faith of people in Panama.<sup>45</sup>

President Eisenhower's economic policy to Panama was the precursor to the declaration of 'Alliance for Progress' which like the Good Neighbour policy of the 1930s, again attempted to rebuild the American image in the western hemisphere and instead of the growing suspicion, create necessary condition for Latin American countries to accept and associate with the United States policy approach to the region. Announcing the 'Alliance for Progress' the charismatic and newly elected president, John F. Kennedy wanted to rescue Latin America from the so called threats of Castroism and communism by a massive socio-economic programme which was projected to initiate an evolutionary process of economic growth in Latin America than introduce

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<sup>45</sup> Joseph S. Farland was appointed Ambassador to Panama. Farland did a commendable work by initiating a policy of being in touch with the people of Panama and with a friendly approach and taking the ground reality into consideration, directed the 'Alliance' grant for suitable utilisation. Farland was subsequently chosen by the Panamanians as a friend of Panama. The Americans in the canal zone however were not too happy with the Farlands policies. For details see Ibid.pp.129-38.

any radical approach. President Kennedy's 'Alliance for Progress' was a projected 10 year, US\$ 100 billion programme in which North and South were projected to benefit from both government and private capital pumped into the region. The measure thereby aimed to insulate Latin America from the communist designs.<sup>46</sup>

In the whole gamut of the plan, Panama was a case study of special attention. In the mid-1961, the first Alliance grant for Panama was to build 200 rural school houses and 150 miles of farm roads. An agricultural credit system was also planned. The 'Alliance' hoped to create a self sufficient agriculture sector so that migration from rural areas to cities do not take place and as a result, the spread of massive urban shanty towns are stopped which had been a major source of urban violence. From 1951 to 1961, the United States had granted only US \$ 7 million as annual aid to Panama. Now with 'Alliance', between 1961-63 this aid package jumped to US \$ 41 million. In addition to the

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<sup>46</sup> Integrating Latin America through the 'Alliance for Progress' was a major policy approach of the U.S in the 1960s. In the face of leftist movements gaining popularity in Latin America because of economic deprivation, Alliance wanted to win Latin Americans back to the United States leadership. For details see *The Inter American System*, op.cit, pp. 285-95.

package, the canal zone, through wages, sale of supplies, tourism etc. generated around US \$ 65 million annually to keep the health of Panamanian economy sound.<sup>47</sup>

The 'Alliance' also had a wing of peace corps to support the socio-economic programme by providing required know-how to specific plans. Panama received 57 of such volunteers to help develop schools, health centres, rural cooperatives and similar such measures that involved the Panamanian rural folks for the management of their own resources towards a common development goal.

The 'Alliance for Progress' indeed ensured a chain of strong alliance measures and as far as Panama was concerned, indeed added a new dimension to the U.S.-Panama relationship. Ambassador Farland, seems to have handled the alliance mission very well in Panama and made the mission convincing by taking the Panamanians along. In fact, more than the alliance policy instrument or the pumping of alliance grants to Panama, it was ambassador Farland's participation in the grassroots issues of Panama

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<sup>47</sup> For Alliance grants to Panama see Walter LaFeber, op.cit., pp.132-35.

that elected him as one of the ten most popular men in Panama - a rare distinction bestowed on any American, particularly at a point of time when anything American was anathema in Panama.

In spite of the 'Alliance' addressing to vital socio-economic issues that were crippling the Panamanian society, finally, it could not win them back totally as the problem had further deepened to a psychological level too. Here again, it was not the government of Panama that championed the fight for a fair canal deal, but a force of Panamenismo mostly representing the voice of the students, the middle class and the elements who were historically marginalised from the benefits of any socio-economic programme had now been the centre stage of Panamanian struggle against the United States.

Winning more and more control over the canal zone was no doubt the goal of the force that represented Panamenismo. Their driving force however, was their own marginalisation in the social stratification, the oligarchs opportunistic ownership of the economic resources of the



country and the American over dominance in the country. Another factor that was singularly responsible in keeping the Panamenismo at their boiling point was the lobby that represented a strong Americanness. Whatever may be the United States policy towards Panama, there used to be a strong American lobby that not only opposed any concession to Panama but took pride in having a canal zone in another country which was controlled by the Americans. This strong Americanness as opposed to the 'Alliance' was much reflected in the zonian American employees than anybody else. Anti-Panamanian sentiment accompanied by the zones luxurious life style ever stood as a point of visual distinction between the opulent Americans and the economically deprived Panamanians.

As a result of the series of troubles, when the United States conceded more and more to the Panamanian demands, the zonian Americans further consolidated their anti-Panamanian approach atleast to bring home the point that they are more superior a work force and hence cannot, by any means of legislation, be compared with the lesser rank of Panamanian workers. In that context, the symbolic

display of the Panamanian flag in the canal zone had received serious resentment from the zones American residents as it was a step that directly confronted their notion of American superiority. This sense of distinction was further shattered when a joint commission entrusted to discuss and resolve outstanding issues, on 10 January 1963 announced that the Panamanian flag would also fly at the civilian institutions in the canal zone. Contemptuous of this announcement, the parents and students of the zone's Balboa High School decided not to allow the Panamanian flag to fly in their institution.

In response to Balboa High School students and parents decision to disallow flying of the Panamanian flag, on 9 January 1964, several hundred Panamanian University students marched peacefully into the zone to protest. Trouble began and the Panamanian flag was torn apart, flagging off the worst ever flag riot that continued for four days; and within such a short time, virtually nullified the entire benefit that 'alliance' so far was building up in Panama. The net result of the flag riot, 20 Panamanians and 5 American soldiers died and more than 200 were left

wounded. As a matter of protest, Panama suspended diplomatic relations with the United States and taking the matter beyond the boundary of bilateral concern, appealed to the international community through the United Nations and also made a fervent appeal to the Latin Americans through the OAS, against what was termed as the U.S. aggression.

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**CHAPTER - V**

**THE COURSE OF  
TREATY NEGOTIATION**

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## THE COURSE OF TREATY NEGOTIATION

Panama till the historic flag riot of 1964 was a classical case of the United States' colonial hangover. Beginning with masterminding the independence of Panama from the civil strife ridden Gran Colombia to guiding the country to the North American strategic designs of the second world war, and again, disengaging the Panamanian leadership from the provocative Suez crisis, the United States had so far successfully prevailed upon the geo-political course of Panama. To the chagrin of most of the vociferous advocates of the United States' 'manifest destiny' over the whole of Latin America and the Caribbean, the flag riot was a shattering development that signified the process of Panama's complete independence. In the face of the apparent failure of 'Alliance' grants in promoting the United States' image in Latin America, and the prospect of the communist ideological appeals threatening the already volatile political fabric of the region, the developments in Panama were a sign of political check mate to the over-riding American interest.

'Operation Sovereignty' otherwise also was a political time bomb for the United States. Unless defused immediately, it had a very threatening implication on the Presidency of officiating President Lyndon B. Johnson. Hardly had he settled in the White House after the sudden assassination of President Kennedy, did the trouble in Panama begin as an omen to his future Presidential election. President Johnson appeared to be politically trapped over the Panama issue. Hardliners in the Congress were more loud and clear in their demand for a tough action against Panama.

Senate Republican Minority leader Everett Dirksen, Illinois, complained that, "We are in the amazing position having a country with one third the population of Chicago kick us around. If we crumble in Panama, the reverberations of our actions will be felt around the world."<sup>1</sup> Daniel Flood, Democrat, Pennsylvania, who had earlier organised an advisory vote of 380-12 against any concession to Panama, over the flag issue, declared that since the United States

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<sup>1</sup> Walter LaFeber, Op.cit. p. 143.

enjoyed total sovereignty in the canal zone, the President must stop making "accessions to unjustified demands from the mob dominated Panama government." Flood believed that appeasement would only lead to "greater blackmail". He also went a step further to declare that the Panamanian demands for control over the canal were "part of the audacious, cunning and far-reaching strategy of the Soviets."<sup>2</sup> Former President Harry Truman and a Republican presidential contender for the November election, Senator Barry Goldwater, Arizona observed that the zonian children were correct in raising the lone flag of the United States.<sup>3</sup>

Daniel Flood was a champion of the 1903 canal treaty and the concept of total sovereignty to the Americans over the isthmus of Panama. Many others who were equally vocal of the American rights and the privileges over the canal zone, were either drawing political mileage out of the present canal impasse or were dwelling on the happier memories of the days of the big-stick diplomacy. Flood, heralding the legacy of those days of pride, even urged the President to grab

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<sup>2</sup> Ibid.p.142.

<sup>3</sup> Ibid. p.143.

additional land from Panama for the defense of the canal.

Caught in the cross fire of Congressional heavy weights and the embarrassing developments in Panama, President Johnson, as a matter of immediate reaction, ordered his personal aide, saying "get me the President of Panama - what's his name-on the phone". As reported, when the President was reminded that he has to follow certain protocol to talk to the President of any other country, he shouted back saying "why in hell can't I", come on now, get him on the phone".<sup>4</sup>

Visibly disturbed over the flag issue but convinced that such small countries like Panama should not be allowed to create political troubles for him, he declared that the President of Panama, having failed through diplomacy with President Kennedy is now trying to corner me politically to extract certain concessions.

Apart from down playing the political developments in

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<sup>4</sup> Eric F. Goldman The Tragedy of Lyndon Johnson, (New York: 1968), p. 87.



Panama, President Johnson sent his chief Latin American advisor Thomas Mann to confer with Roberto Chiari. Like President Johnson, Mann being a Texan, had similar opinion on the political culture of Latin America. Otherwise also, Mann had the dubious distinction of helping CIA to overthrow the communist regime of Guatemala in 1954 and was the same person who had masterminded the American intervention in the Dominican Republic in 1965.<sup>5</sup> Mann's perception towards the region was heavily loaded with the idea of the American 'manifest destiny' and he apparently believed that "these people (the Latin Americans) need the application of a little muscle and common sense". He bluntly told the President of Panama to restore order.

Adding to Mann's summarizing of how Latin American political affairs can be addressed, Secretary of Defense, Cyrus Vance also flew to Panama and declared that, as per the 1963 agreement, flags of both the countries would fly

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<sup>5</sup> For Mann's role in toppling President Arbenz's government in Guatemala see Robert d. Schulzinger, American Diplomacy in the Twentieth Century (New York: 1983), p. 54. For detailed description of President Johnson's military intervention in the Dominican in September 1965 see V. Shivkumar, US Intervention in Latin America: Dominican Crisis and the OAS (New Delhi: 1987), pp.2-18. Also see Pope G. Atkins & Larman C. Wilson The Dominican Republic And the United States: From Imperialism to Transition (Athens, Georgia: 1998), pp. 119-42.

together in the zone and in a press conference, observed that the communist infiltrators trained in Cuba were largely responsible for the riot that took place.<sup>6</sup> To play down the issue to a mere communist design and not as a mass reaction, after Vance, the entire American administration blamed the trouble on the communists. Interestingly however, not only Panama ridiculed the sudden discovery of 'communist' hand in the episode, even the 'Organization of American States' (OAS) fact finding mission declared that Fidel Castro has not played any role in the flag riot.<sup>7</sup>

A group of State Department officials and few others who had a degree of understanding of the Panamanian affairs, gave a little more realistic explanation of the incident saying, the imperialistic mentality of the zonians played into the hands of the leftist agitators who were then able to

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<sup>6</sup> Vance subsequently became the Secretary of State in President Carter's government and appreciated the necessity of drafting a new treaty with Panama so as to initiate building a good relationship with Panama and the whole of Latin America where suspicion to American policies had become the order. Intervention, operations against the so called export of communism had created a generic anti-American feeling in the region. For details see Walter LaFeber. Op.cit. pp. 141-45.

<sup>7</sup> Throughout the 1960s and 1970s it had become a policy of the United States to identify a communist connection to any trouble anywhere in Latin America and Caribbean so that subsequent American actions in that country or any other country would be in the name of flushing out communists for the common good of the region. For the OAS report see Denison Kitchel, The Truth About the Panama Canal, op. cit., pp. 85-9.

embarrass such dependable Panamanians such as President Robert Chiari.

Richard Scammon, Director of the Commerce Department's Bureau of the Census and a contemporary political analyst, conveyed his concern to President Johnson that Panama could prove to be a potential political issue for his November election. More than the Presidential election in November, like many other political analysts, Scammon believed that, though the communists have not become so powerful in Panama to pose a threat; given the communist ideological appeal among the younger generation and a favourable castroite base among the students who have been taking the centre-stage of Panamanian struggle for greater control of the canal zone; the future is a series of trouble for the United States. More and more concessions to Panama have not resulted in building a mutually agreeable position. Therefore, further concessions to Panama, Scammon believed would give the Republicans their first real opportunity to hit at the present administration and the

whole thing might prove to be a "ready-made wrap-us-in the flag kind of situation".<sup>8</sup>

Scammon not only provided more appropriate explanation than most others who had other considerations to cover under the flag issue, but also influenced the Secretary of State Dean Rusk and even Vance to think similarly. President Johnson even bought Scammon's argument. Cuban missile crisis had exposed the degree of security vulnerability of the region. Based on similar perception, the canal zone was projected to be another area of vulnerability to a possible nuclear threat.<sup>9</sup>

Evidently, the prominent considerations over the canal zone, from the American point of view were needed to be guided by factors like preventing Panama from slipping into a

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<sup>8</sup> See Walter LaFeber, *Op.cit.*; pp.143-5.

<sup>9</sup> Cuban missile crisis indicated that in the event of any serious attempt to disrupt the American interests in Panama, the lock canal can be missile targetted. Vulnerability of the canal to missile or nuclear attack has well been appreciated in the American policy making circle. It has been discounted in many ways that a situation of such nature is unlikely to come excepting from sources like Cuba. That, again gathered as a means to prevent more 'Cubas' to emerge. For the nuclear and missile threat, see the United States status assessment papers on the subject of building a sea level canal in Panama where the recommendations of Department of Defense and Atomic Commission is enclosed. See "Memorandum From the Director of the Bureau of the Budget (Hughes) to Special Assistant to the President (Adams)", Foreign Relations, vol. VII, *Op.cit.*, pp. 263-65.

leftist orientation and distancing the country from the possible contamination of Cuban communist influences, protecting the maximum American interests in the canal zone of Panama and containing the nationalist aspirations of the Panamanians so that in future, situations in the isthmus do not escalate into uncontrollable and embarrassing proportions. Developments in the canal zone had its impact on the United States relation with Latin America and the Caribbean too.

Keeping these considerations in mind and the approaching presidential election in view, President Johnson in a reconciliatory note, declared in February that "Our school children made a mistake in raising the United States flag without raising the Panamanian flag", but quickly balanced this with, "... but that does not warrant or justify shooting our soldiers or invading the zone."<sup>10</sup>

Panama on the other hand had reached to a point of no return. Eversince the culmination of the second world

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<sup>10</sup> Walter LaFeber, Op.cit.p.144.

war, there was a growing Panamanian resentment over the United States equally expanding demands in the canal zone. The political leadership also used the canal issue as a very effective political tool to rally the Panamanians around. By 1960s, as a result of a series of political pulls and bargaining, the canal emerged as the epitome of Panamanian struggle. Political order and economic health of Panama were directly linked to a respectable solution to the canal problem. As a result, civilian as well as military governments in Panama took advantage of the sensitivity of the canal zone. Now not only the United States was heading for the presidential election, Panama also was in the election year.<sup>11</sup>

It is in the climate of approaching election, it was there in the interest of Panama to take full advantage of the flag riot. President Chiari therefore on the first day of full riot, broke diplomatic relation with the United States and termed

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<sup>11</sup> The Ambassador of Panama to Spain, Moises Torrijos Herrera in one interesting article describes the developments in Panama and what the Panamanians rightfully expected the outcome to be. For details see Moises Torrijos Herrera, "The Panama Canal - America's Canker Sore", Review of International Affairs (Belgrade: Dec. 20, 1976) Vol. xxvii, No. 641. Also see the article of the General Secretary People's Party of Panama, Ruben Dario Souza, "For Panama's Complete Independence", Problems of Peace and Socialism (New Delhi: 1978), vol. VI, No.1. While host of other articles and books discuss the canal issue to explain how Panama utilised the developments to air the Panamanian grievances, Denison Kitchel has been critical about it.

the United States action as unjustifiable aggression and appealed to the United Nations to mount international pressure on the United States. In addition to asking for international support, Panama also appealed to the Organization of American States (OAS) so that adequate regional pressure can be built in favor of Panama. OAS did intervene in the matter to halt the tension from further deepening. At the insistence of a peace committee of the OAS, Panama and the United States agreed to undertake discussions of their mutual problems.<sup>12</sup>

The agreement to undertake discussions of the mutual problems had different meanings for the conflicting parties. President Chiari declared that Washington is offering to renegotiate the 1903 treaty - an opportunity to discuss the fundamental problems that had divided both the nations for the last six decades. As far as Panama was concerned, it was indeed correct on their part to assume the opportunity for renegotiation as a scope to negotiate the basic problems. President Johnson however, was quick to deny any

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<sup>12</sup> Walter LaFeber, *op.cit.*, p.140-45, Also see Denison Kitchel, *op.cit.*, pp. 86-90.

agreement on the renegotiations issue and clarified that only 'further discussion' has been agreed to.<sup>13</sup>

In mid-March, in an attempt to come out of the deadlock, President Johnson announced that he is willing to review every issue that had divided the two nations. In the United States, many termed this declaration as a turning point and a politically suicidal development. Reportedly, the Panamanian President privately promised President Johnson that he would not press for a revision of the 1903 canal treaty.<sup>14</sup>

President Johnson's declaration to review the dividing issues however, was not a unilateral package of concessions to Panama nor was it a display of the United States largesse to a tiny republic of the western hemisphere. The President,

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<sup>13</sup> The United States blamed that Panama is not correctly interpreting the agreements and the problem might be due to the Spanish interpreter. See Walter LaFeber, p. 144.

<sup>14</sup> It is interesting to note that, apart from the projected public postures, the leadership in Panama invariably has maintained double standards i.e. one view they held for the public consumption in Panama and the other one they would privately agree with the US administration for something else. The political compulsion of the leadership mostly had forced them to do so. As far as President Johnson's declaration was concerned, the president though really departed from the traditional policy and as a matter of principle, declared to discuss or review the whole gamut of issues that had divided the two countries, it appears that it had nothing to do with presidents political benevolence. He combined the option with the possibility of digging a second canal so that Panamanian bargaining position would be weakened. See Walter LaFeber, Op.cit., pp.144-5.



along with the conciliatory measure, also punched his high bargaining card and declared that the United States would begin studies in Central America and Mexico for a new sea-level canal in the region. The high spirit of Panamanian nationalism that had more and more taken the Panamanians to a road of confrontation, suddenly found lost in the ocean of uncertainty and apprehension. Panama lost the total bargaining ability. Both the countries went to poll without Panama canal figuring as a political trouble spot for either of them. Panama was now thrown into the fear of losing the greatest economic asset of the country. Any other canal enterprise, coming up in the region would render the Panama canal redundant or leave it as a sinking ship.

### **The Second Canal Option**

Digging out a second canal in the region has time and again surfaced as a result of growing shipping necessity and political requirement. As discussed earlier, in the initial days of canal survey, starting from the days of Alvaro de Saavedra, the Castilian engineer, four places namely, Tehuantepec in

Mexico, the Nicaraguan route, the present canal site and Darien in the southern Panama had already been identified as possible inter-oceanic canal sites for international shipping.<sup>15</sup>

The digging of another canal when Panama canal is already functioning and is being considered as an engineering marvel of the time, however, had more political dimensions than the element of shipping necessity. Back in the days of the second world war, the United States needed more and more access to the territorially strategic locations in Panama so that an effective security mechanism can be built around the area for the monitoring of the war. The United States military bases and men in uniform grew in number and size in Panama.<sup>16</sup>

It is the resentment of the Panamanians to the proliferation of the United States' bases in Panama that led to seriously exploring the second canal option in the region.

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<sup>15</sup> Denison Kitchel, *Op.cit.*p.31-3.

<sup>16</sup> Previous chapter discusses the American interest in building extensive military facilities in Panama and the growing Panamanian resentment.

The United States, as the war indicated, not only required more military bases during the war period, but needed them permanently for future war requirements and for the monitoring and supporting the United States strategic requirements in Central and South America. Military bases in Panama were also needed to ward off communist threat in the western hemisphere as well as for the purpose of policing the region to discipline the governments and people of Latin America wherever necessary.

As the available sources indicate, in the face of growing Panamanian non-cooperation, the United States initiated a feasibility study for a second canal option. The first report in this regard was completed in 1947. In the height of the Suez crisis when Panama intensified her non-cooperation, the second canal option was again given a thought. However, the United States' administration never opened the option for public knowledge till 1964.

Given the technical difficulties the Panama canal suffers from, like the dependence of ships on the canal's locks that are instrumental in elevating and lowering the

ships at appropriate places in the canal, as well as the growing shipping requirements, the United States had initiated the study for a sea-level canal. As per the 1947 report, it was estimated to cost US \$2.5 billion and anticipated a transit of 86.3 million net tonnage in the year 2000. The report was updated in 1955, and taking the value escalation into consideration, estimated an amount of US \$3.6 billion for a sea-level canal construction. In 1955, the updated report however, noted that if structural changes and upgradation are done to the existing canal, the canal would be adequate to handle the traffic till the year 2000.

Opinion of various government departments of the United States also formed an important part of the report. Given below is the observations of different departments:

#### The US Department of Defense

According to the Joint Chief of Staff of the Department of Defense, Panama Canal is strategically important. It's uninterrupted use is necessary to the conduct of a war and

for the movement of troops and strategic commodities. However, conversion to sea level canal (if the same canal is considered) should be considered of lower priority than military projects and activities required for security of the nation. Entire question should be considered by Presidential Commission.

#### Atomic Energy Commission

A sea level canal with adjacent terrain appropriately graded would be less vulnerable to the effect of nuclear weapons than the present lock canal.

#### Department of Commerce

A sea level canal involved an increase in present tolls structure, there might be serious economic dislocations and it would be exceedingly harmful to the intercoastal segment of the American Merchant Marine Industry.

## The State Department

Negotiations with Republic of Panama would be required if changes in boundary between that country and the canal zone are involved, but relations with other countries would not be significantly affected by the sea level canal project.

The State Department further added that, on the basis of information presently available, and particularly in the light of the views expressed by the joint Chiefs of Staff on relative priorities, "we do not believe that the Administration has an active interest in a plan for a sea-level canal at Panama at this time. Furthermore, since any decision to build a sea level canal would necessarily stem almost entirely from defense considerations, we believe that creation of a Presidential Commission, as suggested by the Joint Chiefs of Staff, would serve no useful purpose in arriving at the decision. If, however, a Presidential Commission is considered desirable for other reasons, the scope of the duties of the Commission should be limited to consideration of conversion of the present canal to a sea level waterway, taking advantage of data contained in the 1947 report."

As per the memorandum from the Director of the Bureau of the Budget (Hughes) to the special Assistant to the President on the subject of sea level canal in Panama sent on 1 March 1956, this information on the question of sea level canal was the latest. It seems, the Governor of the canal zone, at that time also, recommended the construction of the sea level canal. President Truman on 1 December 1947, seems to have submitted this report to the American Congress. However, the report was not published nor the Congress took any action on the matter. It appears that, the Bureau of Budget had also enclosed views of interested agencies alongwith the report that was submitted to the Congress. US administration also seriously worked towards a Nicaraguan canal route.<sup>17</sup>

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<sup>17</sup> For details see, "Sea Level Canal", Foreign Relations, 1955-57, vol. VII, Op.cit. pp. 263-65. Corroborating the initiative in this direction, on October 2, 1956 there was a memorandum despatched to Assistant Secretary of State for the Inter-American Affairs indicating that the US administration keeps exploring the option of a second canal. In the memorandum, the officer in charge of Central American and Panama Affairs explained that "... From the long range view point of possible serious interest in actual construction of the Nicaraguan canal, the proposal to proceed with an immediate survey of the proposed route across Nicaragua is both timely and desirable, Panama's obvious design to reap advantages from the present Suez controversy appears to be momentarily stymied by an apparent uncertainty in what direction to proceed this time. She has clearly indicated her solidarity with Egyptian position in various ways ...." See "Memorandum from the officer in Charge of Central American and Panama Affairs (Sowash) to the Acting Assistant Secretary of State for Inter-American Affairs (Rubottam)", Foreign Relations, 1955-57, Vol. VII, pp.313-15.

Now after a gap of 17 years, again the concept of second canal was intelligently used as a bargaining point. After the presidential elections in both the countries were over, president Johnson, now the President elect, declared on 18 December 1964, his famous canal policy. In order to develop a consensus and to buy adequate support, President Johnson also publicly conformed his canal agenda with the former Presidents like President Eisenhower and President Truman. President Johnson thereafter, declared his canal policy which ostensibly agreed to seek an entirely new treaty with Panama which will terminate the 1903 agreement, recognize Panamanian sovereignty, and allow the United States to operate and protect the canal for a fixed time.<sup>18</sup>

At the same time he down played the long-run relevance of the Panama canal to the United States and declared that he would start negotiations with four governments of the region i.e. Colombia, Nicaragua, Costa Rica and Panama for a sea level canal route.<sup>19</sup> Ten days

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<sup>18</sup> Walter LaFeber, *Op.cit.*, pp.145-48.

<sup>19</sup> As discussed earlier, the second canal option was taken seriously, and accordingly, survey and economic cost of such a venture had by the time been obtained.



after this declaration, a tough United States negotiating policy was outlined by President Johnson's National Security Advisor, McGeorge Bundy. In a secret National Security Action Memorandum, Bundy highlighted the United States canal policy.<sup>20</sup>

**Highlights of Bundy's Plan:**

- (a) Until the sea level canal was built, a new pact would have to govern the present waterway.
- (b) The new canal treaty must give the United States full power to protect and operate the Panama canal until it is replaced.
- (c) The United States would also recognize Panama's sovereignty over the canal and would provide for a termination date for the North American rights, but that date could only be after the sea-level canal opened.
- (d) Even after the new canal began operations, the United States would retain a large military presence in Panama by negotiating a new defense facilities agreement.

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<sup>20</sup> Ibid., pp.147-48.

## The Interim Agreement of 1967

It is in the background of these political developments, Panama went to polls in 1964. President Chiari's cousin Marco Robles won the 1964 Presidential election against the popular Panamanian 'Man of the Street' Arnulfo Arias. Elections being a political gimmick in Panama with the maxim 'he who counts, elects' again deprived the 'Man of the Street', to make it to the government. Matching the political confusion, Panamanian economy was also in a state of doldrums which became a priority agenda for the newly elected President. Marco Robles, incidentally being a banker, wanted to kick-start the Panamanian economy by pumping more resources through the foreign banking interventions. However, foreign banking initiatives essentially need an environment of political stability which Panama very much lacked at the time when Robles assumed office.

In order to create confidence among foreign investors, Robles ordered the Panamanian National Guard to restore peace. Also, in order to project his pro-student nationalist image, he declared that Panama's sovereignty over the canal

zone must be recognized and the clause providing the Americans the right over the zone "in perpetuity" must be removed. It is interesting to note here the inherent conflicting positions, both the countries were pursuing. Since, Panama had been given the shock of the second canal option, the country, inspite of putting a brave front, however, remained inherently weak against the United States policy options. The United States position, as presented by Bundy was clearly representing Roosevelt's legacy of carrot and stick policy where they had demanded full control over the existing canal zone till that time when the new canal could be operational. A theoretical sovereignty, of course, had been part of the on going debate since the 1903 canal treaty and depending on the suitability of the occasion, the Panamanians had been told to be possessing that imaginary sovereignty.

After eighteen months of talks and bargaining, in June 1967, both the countries apparently reached to an agreement on three treaty drafts, the highlights of which are given below:

- One of the treaty draft outlined the arrangements for a possible sea level canal in Panama.
- The second treaty provided for the defense and neutrality of the present waterway.
- The third one outlined the new ground rules for operating the present canal.
- Within these treaties, it was agreed that the United States would pay more revenue to Panama.
- Recognise Panamanian sovereignty over the canal zone.
- Initiate the process to gradually integrate the canal zone to Panama.
- Finally, revert the canal to Panama in 1999.

As far as the gradual integration of the canal zone was concerned, Panama was given the opportunity to participate in the management of the canal zone. As per the Panamanian proposal, the canal was to be administered by a Commission. However, the Commission proposed to consist of five United States members against four Panamanian members. A dual court system was proposed to be established to try and deal with cases involving people of

North American origin and people of Panamanian origin. Finally the United States military bases were to continue till the year 2004 and they could be renewed if required.<sup>21</sup>

It is interesting to note here that, the United States line of negotiation pursued for 1967 interim canal agreement was also reflected in the subsequent years of canal negotiation. However, since the Panamanian position was badly weakened and compromised, the understanding was rejected by the people of Panama. Nevertheless, the flag riot of 1964 and the subsequent political squabble that led to 1967 canal understandings were significant mainly for two reasons. First, it exposed a new bargaining position, the pursuance of which could effectively neutralize Panamanian demand for greater access to canal benefits. Second, it also equally highlighted the fact that a more organised and well directed political resistance to the United States can highly embarrass the United States thereby forcing her to come to

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<sup>21</sup> For the 1967 understandings see Walter LaFeber, *Op.cit.* pp.147-48. Also see Denison Kitchel, *Op.cit.*, p.87-89. Also see Moises Torrijos Herrera, "The Panama Canal - America's Canker Sore", *Op.cit.*

terms.<sup>22</sup> In addition, the 1967 treaty for the first time signified that sooner or later, the United States monopolistic control over the Panama canal will be over.

### Change in Home Politics

1964 being the year of election for President Johnson as well as President Chiari, public opinion had cast crucial influence in the canal politics. Now when both the countries, after going through the pulls and pressures of public opinion, finally reached to the 1967 canal understanding, it was again election time in Panama. In the 1964 election, more than the canal considerations, the election result was apparently swayed by the ruling governments ability in controlling ballot boxes. Panama as well as the whole of Latin America were familiar with fraudulent electoral practices and

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<sup>22</sup> Panamanian political resistance against the US was not only a bilateral affair but was creating very unfavourable political image for the United States in Latin America and the Caribbean. And such political troubles were more and more bringing out the difficulties and regional political alignment was being influenced by such moves.

there used to be an open secret practice i.e. "he who counts, elects". In this connection, the classical example in the electoral history of Panama was the presidential election of 1948.<sup>23</sup> Marco Robles had won the 1964 election with the public and private blessings of President Chiari.

Now however, when Panama was gearing up for the next years election, the 1967 canal understandings came as an unfavourable development for the ruling party. Robles came under public criticism for two reasons, i.e., long term base holdings for the United States and the proposed constitution of the defeatist canal commission. Though theoretically, Panama got the right to participate in the canal management, in reality however, Panama only was allowed four members who would be voted out by the United States

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<sup>23</sup> In 1948 Presidential election, the Chief of National Guard Jose Remon had his direct interests on the outcome and was not wanting to see the Guard opposed Arias to win. Since the result went in favor of Arias, the Election Board therefore, at the instruction of Remon, caused Arias votes to disappear in favor of liberal party candidate Domingo Diaz. The National Guard thereafter suppressed the pro-Arias demonstration. In August 1949 Diaz however, died and the First Vice-President Daniel Chanis assumed presidential responsibility. Daniel Chanis wanted to uphold a Supreme Court ruling which declared some of the governmental business overtures to a joint venture of Domingo Diaz's son Temistocles, and Guard Chief Remon illegal. National Guard removed Chanis at gun point and the second Vice-President and Remon's cousin Roberto Chiari became the President. However, within a week's time Remon found Chiari unsuitable and removed him; and installed Arnulfo Arias, the arch rival, in power by rediscovering the pro-Arias votes of 1948 elections. For details see Walter LaFeber, *Op.cit.* pp.106-13.

five members leading to a minority participation for Panama.<sup>24</sup>

For the ruling government, it was also difficult to convince the National Assembly. To make the problem more difficult, opposition candidates not only condemned but made a populist case by outrightly rejecting the 1967 understanding. More than anything, the candidature of Arnulfo Arias against the ruling party, threatened to create a compounded political problem for President Robles. Arias had time and again been toppled from Presidency and had been fraudulently denied his electoral victories. Having learnt the political lessons through hard ways, Arias by late 1960s had apparently changed his ideological leanings and had learnt to accommodate American interests in Panama. More than being charitable to the North Americans, Arias by this time had learnt to overcome the internal political difficulties and was also continuing to command popular acceptance and was symbolising to be the leader of common

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<sup>24</sup> Panamanian participation in the canal management was a long standing demand. Though in 1967, these type of participation was rejected by people, yet, in 1977 treaty similar provision was again incorporated. It is discussed in the next chapter.



man of Panama.

The mounting opposition to the 1967 canal understanding forced Robles to ask Washington for more concessions. President Johnson however, had played his high card and did not have any compelling reason to accede to any more demands from Panama. Apparently, General Robert W. Porter, Commander of the U.S. Southern Command in the Panama canal zone provided reasons for not yielding to any further concessions by declaring that to abandon Panama at this "most critical period in the fight against communism in Latin America, would be contrary to the best interests of Panama, the United States, and the free world". Porter suggested that 'not fewer' bases but more bases are required for the United States.<sup>25</sup> Apart from the strategic considerations, the Americans were also well within their bargain strength to pursue tough negotiating postures.

In May 1968 election, apart from the popularity and the North American acceptance of Arnulfo Arias, many other

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<sup>25</sup> Walter LaFeber, *Op.cit.*, p.148.

things also went in his favor. President Robles, being a banker, had introduced tax reforms and had brought the oligarchy under the tax net and thereby had alienated himself from the oligarchs. The dollars that had been pumped into the Panamanian economy as Alliance grant had hardly been managed well excepting in the initial years and, hardly those dollars were used to build a healthy economy.<sup>26</sup> People as a whole had been marginalised from any specific economic agenda except for a brief period in early 1950s when President Remon had embarked on a socio-economic programme targetting the lot of people in the rural sector.

After the elections of May 1968, the Panamanian National Election Board desperately struggled for over a week to get enough votes in favor of pro-ruling party candidate, David Samudio. Samudio's supporters after going through the sporadic electoral violence seems to have dejectedly declared, "we can do away with 25,000 pro Arias votes but

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<sup>26</sup> Ibid. pp.148-56. Also see, William E. Ratliff, Castroism And Comunism in Latin America, 1959-1976: The Varieties of Marxist-Leninist Experience (Washington D.C. 1976), p. 2 & 13.

how can we get rid of 50,000?<sup>27</sup> National Guard also supported Arias.

On October 1, 1968, Arnulfo Arias became the President for the third time. His first act after assuming power was to neutralize the National Guard and its ever-increasing political ambition. The Guard which remained friendly this time and made him the president also retained the ability to topple him again at any given opportunity. To pre-empt this apprehension, he apparently worked a deal with the Guard Commander, General Bolivar Vallarino who stepped down from the National Guard in favour of a comfortable posting in the Panama Embassy at Washington D.C.. Arias then tried a reshuffling of the Guard cadre by promoting his own favourites to sensitive positions so that the Guard will be a willing force under his command. He also eased out many senior Guard officers from their rank or sent them for postings elsewhere. The message was loud and the intentions were very clear. President Arias

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<sup>27</sup> Ibid,pp.155-56.

meanwhile started recruiting for a presidential guard which was to be exclusively under his command.<sup>28</sup>

Arias acted too fast against a force that was known for calling the final political shots in Panama for decades. Ten days after his Presidency, on October 11, a group of senior National Guard officers who had been the casualty of Arias restructuring, staged a coup. Arias fled into the canal zone. The thrice deposed president finally flew to Washington. Attempting a desperate move, he even reached the Panamanian embassy in Washington and then suddenly appeared before the OAS officials to demand the installation of the constitutionally elected government in Panama.<sup>29</sup>

The deposition of President Arias ended the concept of multi party democratic system of governance in Panama and heralded the beginning of an era of military rule in the country. Electoral process, people's rights and all such

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<sup>28</sup> Ibid, p.157.

<sup>29</sup> After taking over the embassy of Panama in Washington, he appeared before the OAS when the OAS meeting was going on to demand that OAS should take initiative in reinstalling him. After finding the OAS ineffective, Arias fled to Miami and that was the end of his political career though again Ronald Reagan and Arias were in touch in 1975-76 to mount pressure on the US Congress against a soft option for Panama. Though Reagan was talking of American national interest in Panama, Arias was interested to create political pressure against General Torrijos. See Ibid. 157-58 & 185-91.

democratic practices were rendered dysfunctional. In many ways however, the transition of political power from the elected civilian authorities to military junta alone, very effectively ended the decades long political confusion that had been created by civil-military combination to share the power. In the true sense of the term, institutions of state were not functioning as they should. Civilian authorities were the choices of the National Guard or were allowed to continue in office till they enjoyed, more than anything, the blessings of the Guard. It was a notorious combination of ambitious politicians and the power hungry Guard leaders which was managing the state craft of Panama. This combination had controlled the economy of the state and had promoted a corrupt and self serving mechanism to suit their own purposes. At times however, only military junta had governed the country like Jose Remon who after directing the political course of Panama from behind the scene, finally took the power to himself and ruled Panama between 1950 to 1955; and proved to be a popular leader of the country. Remon infact had introduced agrarian reform programmes and reached to the rural Panamanians to legitimize his own

government as well as to provide them a semblance of governmental economic support.

In a comparative performance rating, the junta led governments had done better than the civilian authorities. Unlike the civilian authorities, the junta led government was not obliged to safeguard the interest of any particular group or section of society except the fellow men in uniform. Additionally, the junta not being a product of electoral mechanism, had tried to legitimize their rule by creating a more popular mass base through governmental programmes which the civilian authorities usually failed to do because of their own priorities and political compulsions.

In a scenario such as this, though people hardly played any role in deciding who should rule and who should not, Panama, in comparison to other Latin American countries, benefited more in having a uniformed leader than the corrupt civilian authority.

The coup of October 11, against the government of Arias was staged by a group of senior National Guard officers

who had been thrown off from their sensitive positions to less important postings. Colonel Omar Torrijos Herrera was one such National Guard officer who had been sent to El Salvador. Omar Torrijos and Colonel Boris Martinez along with other officers staged the coup. Immediately after the escape of Arias, they declared that the Guard would soon hold free elections and restore all the constitutional process in the country. Quickly also they moved to win the American support. To give credibility to their declaration of restoring constitutional process, the junta leaders appointed three civilians also to join the junta.

In March 1969, Omar Torrijos played his final trump card to consolidate his own position. Martinez, in a television speech to the country, declared many reform programmes including agrarian reform initiatives. Along with reform packages, he also declared that the Guard would not halt nationalist anti-American demonstrations. Torrijos, apparently with the blessings of the officers of the National Guard who, he alone had cultivated, took this opportunity to relieve Martinez from the Junta government to be posted in Washington. The civilian members participating in the junta

resigned in protest, accusing the junta of initiating a dictatorship.<sup>30</sup>

Torrijos consolidated his power. A new chapter in the political history of Panama began with the General's consolidation. By late 1960s, the oligarchy had lost its political control and value. The General was openly reluctant to anti-American postures of the nationalists. He was yet, not in favour of giving away Panamanian interests to the Americans nor was he interested to join hands with the nationalists. In the process of consolidating his own power, he very carefully conducted himself for all round acceptance. He had understood the political arithmetic of Panama very well.

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<sup>30</sup> It is interesting to note that when Arias was deposed even the embassy of the US was reportedly caught unaware. Now, though they were unhappy to see Arias out, but found a better choice in Torrijos who not only was a better bait than Arias but a more favourable and capable leader who displayed the ability to staying in the power. In the background of the series of troubles in the 1960s, the US administration expected Torrijos to be cooperative which turned out to be so. The United States immediately released a grant of \$15 million to Panama. See Ibid. p.162.



## **Torrijismo - The Balancing Game**

General Torrijos, in the aftermath of the coup, began from a total political vacuum and the greatest task he had in hand was to consolidate his own position, not to antagonise the Americans; and yet take the nationalists along in their struggle towards a better canal deal. Above all, he also chalked out a suitable socio-economic programme for the people of Panama so that, his own leadership will be accepted in the home ground. It is this ground reality that set the political climate of the Torrijos regime and it was this difficult arithmetic of political balancing that fine tuned the policy priorities of what was called, the Torrijismo.

The General therefore, instead of immediately mounting a populist attack on the United States, carefully set the domestic agenda in place and in the initial years, kept the canal negotiation rather in a superficial plain. After 1970 only, the negotiation began to get a face lift.

Panama, as far as negotiating a new treaty was concerned, had nothing to lose. Any treaty would inevitably

be, at least, an improvement over the earlier treaties. The fundamental wrongs that had been done to Panama were bound to be negotiated. What Panama, on the other hand needed in 1970s, was a strong leadership to drive the course of canal negotiation so that, not only the basic wrongs are removed, but Panama gains the maximum. Omar Torrijos, a product of the Panamanian political confusion, yet a potential leader of the time was firmly in place of Panamanian leadership. He had the drive and the dynamism to lead Panama from out of the troubled waters of treaty negotiations. It is here, the General indeed put things in correct perspective both within the country, as well as the country's foreign affairs. He fine balanced the situation and guided the country for a meaningful canal negotiation.

The United States position on the other hand was very weak.<sup>31</sup> They were to lose everything they had so far managed to keep, not only as a matter of strategic and economic advantage but as a symbol of hemispheric

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<sup>31</sup> Having agreed to review the basic problems that divided the two nations, the US virtually committed to surrender some of her powers in the zone. In that sense whatever may be the outcome of the negotiation, it will be the US who would be losing. It is of course another thing that it was mostly the genuine demands of the Panamanians.

leadership and the American national pride. It was in that light, status quo ante was the most favourable position for the Americans. However, having been dragged to a situation like 1964 flag war, it was clear that sooner or later, the United States would be required to review the whole gamut of the US-Panama relations, and address to the ground realities.

The National Guard staging a coup to oust Arias and the follow up developments where General Omar Torrijos showed the inclination to win over the American support, was inevitably a very favourable political development for the United States. It was perhaps the only soft option left for the United States to cultivate a friendly government in Panama so that negotiations can be favourable.

General Torrijos had different political compulsions. In the initial period, he needed help from everybody to keep him in power. But, as he settled down for the real governance, it became more and more clear that the 'canal zone' is a serious issue to be tackled in order to continue in power. The canal zone was not only the rallying point and the

aspiration of the people of Panama, but had assumed to be the last hope to provide economic succour to the country so as to make Torrijos government viable.<sup>32</sup>

Therefore, after establishing himself as the maximum leader of Panama, he not only wanted the American friendship and economic aid package but also wanted to initiate, like President Remon, a process which will build Panama from within i.e. creating right environment for the socio-economic development of the country. To achieve that, he advocated for massive governmental intervention in the economy and also emphasized developmental priority on the rural sector rather than urban area. Otherwise also, the urban sector was pumped with oligarch's money and as such, was functioning with the massive economic interests of the oligarchs. Rural Panama was nobody's interest.

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<sup>32</sup> Apparently, Torrijos followed what Jose Remon did in 1950s and accordingly embarked on a course of reforms. It also appears that he had been influenced by Juan Peron of Argentina. Populist measures involving peasants, workers, trade unions and the like were the real target of Torrijos empire building. So he initiated reforms programmes for these people. On the other hand, he had to keep the men in uniform happy. In another front, he had understood the ability of the United States in determining the political course of Panama. In the bargain, General Torrijos had far greater forces to balance with than Peron. In comparison to Remon, Torrijos exhibited far greater political skills in handling the Panamanian politics in the 1970s. For details see *Ibid.* pp.160-216. Also see Graham Greene, 'The Country with Five Frontiers', *New York Review of Books* (New York: 1977), February 17, pp. 10-11. Also see, Graham Greene, Getting to know the General: The Story of an Involvement (London: 1984).

Torrijos announced for land distribution, initiated farm collectives and agricultural institutions and agrarian bonds. Though he did not like the electoral process to certify and legitimise the position he enjoyed, in the rural sector he introduced self-rule for these agricultural collectives. As far as the governmental intervention to improve the economy was concerned, he embarked on a visionary scheme of redefining the labour and capital relationship, instituted a labour friendly, Ministry of Labour, regulated job conditions and fixed minimum wages and took many such measures that were beneficial to his political career as well as to the common masses.<sup>33</sup>

All reforms have their economic cost too. And it is the economic cost of reform that finally forced the General to

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<sup>33</sup> An interesting letter written by General Torrijos to US Senator, Edward Kennedy in 1970 provides an insight to his ideas about the social reforms. In the letter he writes "After Castro, there was a new orientation. We had more contact with people. There was a preoccupation with social forces in officer training. After encountering John F. Kennedy and the Alliance for Progress, the military became well prepared professionals with good intentions, that speak, think and live the language of development which Kennedy inspired". Finally, General writes his revealing phrase "in studying Castro and Kennedy we came to the conclusion that there was a direct relationship between social justice and social violence." See Steven C. Ropp, 'Military Reformism in Panama: New Directions or Old Indications', The Journal of Caribbean Studies (Lexington: October 1972), Vol. Xii, p.62.

come to terms with the canal issue which initially the General was not so keen to accord priority to.<sup>34</sup>

For the first time in 1970, he publicly declared that the 1967 canal understandings are dead and buried. People of Panama had indeed rejected them in the beginning and that apparently had been the reason for the defeat of the official presidential candidate of the 1968 election. General Torrijos, in the same year reportedly informed President Richard Nixon that the zone must be handed over to Panama at a definite date.<sup>35</sup>

President Nixon in fact agreed to start discussion on the issue. However, the US government was agonizingly slow in moving towards further negotiations though Nixon allegedly had accepted his predecessor, President Johnson's line of agreement. Negotiations moved very slowly and in 1971-72, the United States agreed to remove the "perpetuity" clause and indicated to hand over the zone at a definite

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<sup>34</sup> Walter LaFeber, *Op.cit.* pp.170-78.

<sup>35</sup> *Ibid.* p.178.

future date to Panama. Also the Panamanians would receive a larger share of the canal revenue.<sup>36</sup>

In spite of a general agreement for the revision of the vexed issues, the United States did not take any serious step in this direction nor initiated any step to translate the same to moving towards an agreement. On the contrary, the United States role in appreciating the internal political confusion of Panama was enough to indicate that the United States was in no hurry to negotiate a new treaty. Apparently for this reason, Bundy's canal agreement package had included such tough negotiation postures to guarantee the United States engagement in the canal for long years. President Nixon demanded that Panama agree to give another fifty years to control the canal and if the sea level canal project is materializing, then the United States be given another eighty years to control and operate the present Panama canal.

It was in the interest of Panama to push for

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<sup>36</sup> Ibid. P. 178-9. Also see Ruben Dariosouza, "For Panama's Complete Independence", Op.cit.

negotiations. General Torrijos flatly refused for any such concessions like extending the American control for the next fifty years or eighty years if the second sea level canal venture would take up. Torrijos also refused to allow the United States to control the canal beyond 2003 A.D. which would complete a century old American involvement with the canal zone of Panama. The negotiation deadlocked and the bilateral relation also received serious set backs. Subsequently, news reports appeared that there were plots to eliminate General Torrijos.<sup>37</sup> It is important to note here that, from 1968 to till this time, both the countries were consolidating their own negotiating positions so that the future canal dealings could be influenced favourably.

### **Momentum in Negotiation**

Negotiations till 1973 continued with occasional exchanges of demands, counter demands but nothing tangible did appear. In early 1973 however, negotiations took a different mode. In response to persistent Panamanian

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<sup>37</sup> Newsweek(new York: 1973), June 18, p.22.



demand, the United States House Merchant Marine and Fisheries Committee which was exercising considerable influence in the canal affairs, rather in a hostile tone, declared that the United States must retain "undiluted sovereignty" in the canal zone and recommended that a special radio station be established to initiate a propaganda mechanism on the so called virtues of the American control of the canal zone.<sup>38</sup>

Meanwhile, a notable development in the early 1970s was the feasibility report on the second canal venture. After the 1964 stand off, the United States had successfully used the possibility of digging a second canal to pre-empt the Panamanian bargaining position. In an attempt to project the second canal concept as a credible proposal, the United States, vide a Congressional legislation, instituted a canal study group i.e. Atlantic-Pacific Interoceanic Study Commission to make a feasibility study for opening a second water way in this region. Robert Anderson - a notable personality for his familiarity with the topography of the region and the political terrain of Panama was appointed the

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<sup>38</sup> Walter LaFeber, Op.cit.p.182.

Chairman of the Study Commission. He was also involved in the canal negotiation during the post flag war period that had led to the 1967 understandings. In 1970, Anderson study's final report was submitted to the Congress. The report studied the feasibility and identified five possible locations for the project. Out of the five locations, two sites were identified in Panama only. But the best possible location, as per the study report, was a site closer to the present canal in Panama. It was therefore understandable for the Panamanians that, even if there will be a second canal, it will entirely be a new ball game and Panama will be one of the active players for this game. Furthermore, the cost involved in going for such a mammoth canal would involve not the United States unilateral decision alone but open the venture for a multilateral initiative. Japan, the second highest user of the present canal in Panama apparently had extended techno-economic assistance in this direction for ostensible reasons.<sup>39</sup>

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<sup>39</sup> As per the Anderson Report and all other initiatives in the direction of second canal, the US Congress had been informed that such a venture would not cost less than \$5 to \$6 billion. In 1970, after Anderson's final report therefore, the option did not attract major action. See Denison Kitchel, *Op.cit.* pp.99-100.

The Panamanian bargaining position, which was lost in the post flag war period; by early 1970s therefore had improved considerably and accordingly, Panama opened initiative for a new canal treaty. It is in the light of this development, when the United States official agencies provocatively spoke of the United States undiluted sovereignty in the zone, the whole perspective of canal negotiation received further set back. The proposal to establish a radio station to propagate pro-American voices in Panama also back fired and proved to be too provocative to the Panamanians.

General Torrijos could have organised massive protest rallies in Panama to counter the American provocation. Explaining the course of action left for him, he observed subsequently that if a mob marched to the zone, two alternatives would be available to him, "to smash it or lead it, and I am not going to smash it."<sup>40</sup> Keeping the option of public demonstration open, he however played his high card of diplomacy. General Torrijos in an effort to draw

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<sup>40</sup> Walter La Feber, *Op.cit*,p.184.

international support to the Panamanian position, persuaded the United Nations' Security Council to hold a meeting in Panama instead of New York. In March 1973, for the first time the bilateral disputes between Panama and the United States went beyond the regional mediation like OAS intervention to multilateral international forum like the UN for discussion. General Torrijos carefully avoided block politics of the cold war and as far as possible, wanted to draw maximum international public opinion in favor of Panama. On March 21, thirteen of the Security Council's fifteen members supported a moderately phrased resolution accepting the Panamanian view point of the canal issue. Great Britain i.e. the fourteenth member abstained and the United States being cornered and embarrassed, killed the resolution by veto. The U.S. representative, John Scali rebelliously declared that his government wanted to continue negotiations with Panama but, it refuse to be "subjected to this kind of outside pressure". The Resolution more over, ignored Washington's so called legitimate interest

in the canal zone.<sup>41</sup>

### **Keesinger-Tack Agreement**

The Security Council resolution really introduced an element of seriousness in the United States negotiating postures and finally resulted in an eight point preliminary understanding between Henry Kissinger, the Foreign Secretary of the United States and the Panamanian Foreign Minister, Juan Tack. The Kissinger-Tack understanding is an important development in the bilateral sphere of canal negotiation which largely set the framework of future negotiation. Further, Keesinger-Tack agreement, in order to

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<sup>41</sup> The Security Council meeting was a major embarrassment for the United States and Washington had to cast veto to kill the resolution. The veto in Panama, incidentally was the third veto of the United States since the second World War. It was a classical triumph of a third world country over the mighty United States. The President of Venezuela, Carlos Andres Perez later exemplified that triumph by saying "How can the United States, which is a leader of democracy in the World, take a colonial stance on the Canal issue". He further added that "unless it was settled rapidly, very bad relations will develop between the two Americas, North and South, Caracas had the interest of taking advantage of the excellent international banking network of Panama for the oil resources of Venezuela. However, Venezuelan support to Panama was very useful and timely. For details see the article of Former External Affairs Minister of Panama, Oyden Ortega Duran, "The Panama Canal in the light of Panama's National Interest", The Review of International Affairs (Belgrade: March 5, 1996), vol. xxxvii.

Also see Congressional Research Service, Committee on Foreign Relations United States Senate, A Chronology of events Relating to Panama Canal (Washington: 1977)p.9. Also see the next chapter.

ensure an uninterrupted future canal negotiation, clearly stated the areas and items to be negotiated in future i.e.

- A fixed termination date against the perpetuity clause;
- Recognition of Panama's sovereignty over the canal zone;
- The transfer to Panama of jurisdiction and control over the zone;
- Joint operation of the canal till the final termination of the treaty;
- Increase in the economic benefit to Panama from the canal revenue;
- Joint defense of the canal; and
- Provisions for new projects in the canal to improve the canal's handling capacity and overall performance profile of the canal.

These broad understandings only set the outlines of the future canal negotiations and Panama had the stupendous task of carrying forward the negotiation for a complete treaty.

The Security Council resolution not only gave what General Torrijos wanted to achieve but at the same stroke, highlighted the sensitivity in which Latin American countries view the United States' policy approaches towards the region. 1973, in that direction was one of the disastrous years as far as the US- Latin American relations were concerned. Not only Panama had been a victim, the dubious military involvement of the United States to free Chile from communist regime and the consequent serious developments created a mutual alienation between the two Americas.

### **The New Dialogue**

As a result of the Latin American growing suspicion over the United States policy approaches, it was felt necessary, particularly in the US State Department circle to review the policy approaches towards Latin America. It is in this background, Secretary of State, Henry Keesinger leading this vision of US policy changes, called upon the hemispheric nations to, what he termed, a 'new dialogue'. It was a US State Department sponsored policy approach

which incorporated a drastic change of policy as well as the language of diplomacy towards the southern neighbours so that the growing Latin American run away tendencies can be contained and the lost ground regained.

The series of political developments though had caused considerable alienation between the two Americas, Panama instantly became the ideal ground and a test case for the visions of the 'new dialogue' to manifest. Apart from the 1964 flag riot and the follow up embarrassment, as the US-Panama problem intensified, very significantly, the regional opinion also began to go in favour of the Panamanian cause. Notable in this direction, is the Foreign Ministers meet in October 1973 in Bogota, Colombia. Very interestingly, in the Bogota meet, the Latin American Foreign Ministers had eight agenda points and the resolution of the Panama canal issue was one of them. As a show of regional support, the Foreign Ministers meeting not only discussed the Panama canal problem but reaffirmed their solidarity with the republic of Panama. The new dialogue may have had larger connotation to Latin America. Panama however, armed with the regional



support, got a shot in the arm and became the immediate beneficiary of this new US policy approach.<sup>42</sup>

Contrary to the high tides of gun boat diplomacy or Thomas Mann's approach towards Latin American problems, now in early 1970s, it was a situation where the United States wanted the Latin Americans more and more than any thing else and through the 'new dialogue' wanted to arrest the United States declining image in the western hemisphere. As a result of these developments, the post flag war bargaining position of the United States considerably lost its bargaining power and gradually wanted to accommodate Panamanian demands. Therefore, paving the way for a liberal negotiating approach, the Kissinger-Tack statements of canal understanding set the ball rolling for an entirely new treaty to be agreed upon in 1977 after nearly seventy five years of Panamanian struggle.

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<sup>42</sup> Ibid.p.10.

### **The Jigsaw of Final Treaty Negotiation**

In the United States, President Gerald Ford had succeeded President Nixon after his resignation owing to the exposure of the scandalous 'Watergate'. Ford had a difficult time at hand. It was not quite easy for the administration to reach to an amicable agreement over the Panama canal and yet satisfy the American public opinion. Far more difficult were the inherently opposed 'Congressmen' who quite predictably were to go to any extent to stall the passage of any treaty that would give away American privileged rights over the isthmus of Panama.

Eversince the question of reconciling the American interest in the zone emerged, there also emerged a strong Congressional lobby to resort to scathing public criticism of the move and advocate for the continuance of the status quo in the zone. Now in the 1970s, when as powerful a nation like the United States officially began to talk of possible relinquishing of the US rights over the strategic canal zone, it was bound to snow ball politically.

Evidently, there was a strong lobby within and outside the Congress that was working towards preserving greater

control over the zone. Outside the Congress, it was the Pentagon which was the leading source of opposition to any treaty that proposed to surrender the American strategic position and give away the defense of the canal to a country like Panama which has no indigenous credible defense mechanism. Alongwith other committees and governmental agencies, Pentagon, therefore had already put strong resistance to any concession and accordingly the 1967 understanding had demanded for fifty or eighty more years of American control.<sup>43</sup>

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<sup>43</sup> The State Department and Pentagon had diametrically opposite views on the Panama canal issue. From the military considerations, the zone is of strategic advantage. Other political questions for Pentagon was meaningless as they were viewing the zone from the angle of war requirements. State Department's compulsions were however, different. Therefore, now when both the departments were to work in tandem, it was not possible. More so, after the Kissinger-Tack declaration when the opinion in the Congress appeared to be divided and strong anti-concession voices surfaced, Pentagon became more active to influence the course of negotiation in favor of Pentagon's recommendations. It was therefore in the interests of the anti-concession lobby group in the Congress to work with Pengaton or work mutually to put down the State Department's influence in the negotiation. Bunker, being aware of the division between State Department and Pentagon, apparently had made a condition of the two departments agreement for his heading the negotiation in Panama. However, the differences were so vast that after President Ford supported Kissinger, Secretary of Defense, James R. Schlesinger resigned. Kissinger and Schlesinger had already locked horns earlier and finally again loosing in Panama, apparently became the reason for Schlesinger's resignation. Subsequently attempt was made to bring agreement between the two departments; and to orchestrate the two departments agreement, General George Brown, Joint Chief of Staff and Deputy Secretary of Defense, William P. Clements flew to Panama along with Assistant Secretary of State William Rogers and met General Torrijos and publicly declared their support to Bunkers negotiation. Subsequently Lt. General W.G. Dolvin, a distinguished retired army officer was appointed as Chief Deputy for defense of the canal negotiation team. For details see Denison Kitchel, Op.cit.pp.96-7. In another development, the former Chief's of Services while opposing to any concessional treaties with Panama, wrote one joint letter to President Carter on 8 June 1977 to urge him not to yield to any strategic concessions. See the letter in Appendix D.

Inside the US Congress, the scenario was highly unpredictable excepting the predictability that the passage of the new treaty would be a tough task for the administration.

Other than President Ford and Henry Kissinger, the American canal negotiating team was now headed by the Ambassador at Large, Ellsworth Bunker who also was known as a trouble shooter for the United States during the Vietnam fiasco. Bunker was also the United States representative to the OAS council that intervened in the post flag riot in Panama to bring the two countries into further negotiation. The Secretary of State, because of his involvement in all the countries of Latin America, had a broader understanding of the political undercurrents of the region and had accordingly viewed the Panamanian negotiation to proceed. Panama for Kissinger was one part of a bigger problem and needed to be addressed in the context of building a new US-Latin American policy. Bunker, having shared the State Department perceptions and with closer knowledge of the developments in Latin America in general and Panama in particular, virtually was speaking the similar language that Kissinger was speaking. However, being the Chief negotiator,

Bunker had a difficult task at hand. He had to understand the domestic political implication of the negotiations and at the same time had to balance varying perceptions of different governmental agencies of the United States. By the same token, he took it upon himself to protect the maximum interest of the United States in the canal zone so that the internal opposition to the possible concessions can be neutralised.

Accordingly, Ellsworth Bunker began from the Kissinger-Tack understanding. However, being aware of the pressures and lobby groups, Bunker began advocating for a minimum of forty to fifty years of extension of the US control over the canal. He also proposed the renewal of this provision so that the U.S. interests can be well protected. Panama was adamant that nothing can be extended beyond the year 2003. Secondly, both the countries failed to agree as to how much of land the United States bases would occupy during the life of the treaty. It may be noted in this connection that when Torrijos initiated his agricultural cooperatives and agrarian reform programmes, it was one of the grievances of the Panamanians that the United States is

holding sizable amount of land under her control and does not utilize them either for canal purposes or for military requirements though very often these were the pretext of the United States for land grabbing. Panamanians noted that 51% of the zone or over 250 sq. miles area remain unutilized. The United States had employed only 4% of the land for the canal purposes and 37% for the military bases.<sup>44</sup> Now coming to deciding the quantum of land to be retained by the United States till the expiry of the treaty, it was the time for the Panamanians to harden their demand so that additional land could be released to them forthwith.

In another front, both the countries failed to agree on the specific duration of the North American control over the zone. Bunker, in the face of internal pressure, could not agree to lower the American predominant position over the zone. Negotiation in the leadership of Bunker and Tack again deadlocked.

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<sup>44</sup> The United States was holding a total of 500 sq. mile of area in Panama which was approximately 2% of the total land area of Panama. For details see Bonn International Center for Conversion Conversion Survey 1996: Global Disarmament, Demilitarization and Demobilisation (New York: 1996), p. 190.

## **Election Shadow, Private Dealings & Negotiation**

In 1975 two other prominent developments profoundly influenced the negotiations. First that the canal negotiation appeared to be an effective political tool for many political actors either to promote themselves to the center stage and get media attention or to neutralize their opponents. Although, the Ford administration pursued the negotiation carefully, the opponents in the Congress gathered to stall any move towards a new treaty or atleast towards a treaty which will be sacrificing the so-called interests of the Americans. Republicans particularly wanted to exploit the scenario more. However, some democrats also, cutting across party line, favored 'no concession' stance. Region wise, as a whole, the canal negotiation evoked very strong reactions from the southern and south western legislators.

More than the House of Representatives, where favourable opinion was more, in the Senate, the whole opposition began to manifest itself in a serious political check mating. Senator Strom Thurmond, Republican, South Carolina, gathered signatures in favour of preserving the

sovereign rights of the United States in the canal zone of Panama. He infact got endorsement from many Republicans who were powerful and were heading many committees. Thurmond, in these preliminaries supported his move by declaring that the United States had purchased all the canal lands. He also produced documents showing that US \$163,718,571 had been paid to the Panama Canal Company to obtain the lands, the rights and title over the Canal.<sup>45</sup> Senator John McClellam, Democrat, Arkansas, joined Strom to declare that since Panama "...has seen 59 Presidents or different governments in the past 70 years ...", it was doubtful that the country possessed the stability to operate and defend the canal. He also reminded the U.S. government that since they bear the burden of defending the western hemisphere, they cannot afford to compromise with the security interest in the region by losing control over the Panama Canal.<sup>46</sup>

Another leading opponent Gene Snyder, Republican, Kentucky, argued that "our sovereignty over the canal zone is

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<sup>45</sup> Walter LaFeber, Op.cit.p.186.

<sup>46</sup> Ibid.



as legitimate as our owning New York city". He blamed Torrijos for being influenced by Fidel Castro and the Quebec liberation movement. Going further to obstruct the negotiation, Snyder amended a State Department appropriation bill so that funds would not be released for canal negotiation and on 26 June, without the committee hearings or significant debate, it passed the appropriation bill by 246 to 146.<sup>47</sup> This vote was widely interpreted as a strong negative development.

The second important development was from no other than the Secretary of State, Kissinger. While replying to questions from the Governor of Alabama, George Wallace, the Secretary of State, outlined the blue print of the United States future role in the region. While keeping the scope and purpose of 'new dialogue' intact, in the case of Panama, Kissinger declared that, the United States must maintain the right to unilaterally defend the Panama canal for an indefinite future. Kissinger being the architect of the 'new

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<sup>47</sup> Snyder's move was a serious obstruction in the path of canal negotiation and was a significant show of Congressional sentiment. See 95<sup>th</sup> Congress, 1<sup>st</sup> Session, "Committee on Foreign Relations United States Senate", Op.cit., p.11.

dialogue', so far was talking of a language of US-Latin American cooperation and believed that in the case of Panama, unless a new canal treaty was quickly completed, mobs would endanger the US interests in Panama. Suddenly however, the whole canal negotiation perspective changed.<sup>48</sup>

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<sup>48</sup> On March 1, 1975, Kissinger delivered a major policy speech in Houston, Texas where he spoke of a new relationship with Latin America, "based on the principles of non-intervention, the sovereign equality of nations and mutual respect among partners, particularly on major issues, including the status of the Panama Canal. Recognising that the challenges are to reconcile the security needs of the United States with Panama's national honour and sovereignty, he affirmed that the talks had moved forward rapidly in the previous year and a half and expressed the belief that an agreement on terms fair to all is possible."

While highlighting a reconciliatory posture between the US national security interests and Panamanian national honour in March; in a strange development in September, Kissinger spoke of the United States perpetual right in maintaining the security of the canal unilaterally. Two prominent factors explain why the change in Kissinger's policy came. One, is the next years Presidential election that was beginning to cast its impact and various election preparations and positioning were gradually taking shape. Secondly, apparently there had been a broader understanding between the US and General Torrijos on this direction. A very interesting factor to be noted in this direction was, the behind the scene private understandings of Panamanian leadership with the US administration. Though at a point of time there were apprehensions that the US might act to depose Torrijos in favour of a pliable leader in Panama, it is quite evident by 1975, that Torrijos was maintaining double standards. On one hand, he projected himself as a nationalist and accordingly led the country for a canal negotiation. On the other hand, ground realities were far different. By 1975, the populist socio-economic programmes the General had initiated in the initial days of his coming to power had been the casualty of overall economic morbidity accompanied by the Torrijos administrations own corruption, favouritism etc. which had further drained the Panamanian exchequer to near bankruptcy. To tide over this economic demands, Torrijos opened a very liberal banking net work where foreign banks could operate in Panama with the minimum restrictive laws possible as a result of which foreign banks proliferated in Panama. The foreign banks not only provided opportunity for certain degree of economic recovery, they also allegedly functioned to park money laundered through drug peddlings etc. Secondly, Torrijos also kept a private door open with the US administration where he allegedly promised the US government to protect the US interest in Panama in favour of economic benefits. See Walter La Feber for the prophetic quote of Henry Kissinger. For the March, speech of Kissinger see 95<sup>th</sup> Congress, 1<sup>st</sup> Session, Committee on Foreign Relations United States Senate, Op.cit., p.10.

The sequence of developments within the Congress; Bunker's demand for fifty years of renewable lease of the canal zone and Kissinger's focussing the United States future role in the canal zone broadly outlined the U.S. expectations out of the negotiations. Another prominent indication was that the United States governmental machinery was wanting a treaty that can easily be accepted by the people of America i.e. a treaty on the American terms, no matter what it means to the Panamanians.

Panama responded to Kissinger's reference of 'indefinite future' with massive public demonstrations and the American institutions in Panama, including the US embassy was attacked and damaged. General Torrijos, it is interesting to note, was guiding the political course in a rather different way. General, apparently had chosen to direct the Panamanian national feelings against the United States and had taken all suitable steps to project himself as the champion of Panamanian demands. On the other hand however, General was reluctant to antagonize the United States too much by means of violent public protests and other such measures. Though his role in guiding the

negotiation appears to be a departure move from the earlier Presidents, he however, deliberately preferred diplomacy over tensions. By the end of 1975 it became more and more clear that it would not be easy going for the Panamanians to go away with a new treaty at the cost of American interests.<sup>49</sup>

The whole negotiation headed for a further political polarization in the United States, thanks to the Presidential election due in 1976. Supporting or opposing canal negotiation gradually emerged as a profitable political game plan. In the name of protecting American interests abroad, everybody spoke of a populist language.

### **The Surge of Hard-liners**

When Panama was fluctuating between the newly found strength of regional as well as a degree of international

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<sup>49</sup> Panama had a very strong case for demanding a better deal. Support to the Panamanian cause, particularly from Latin American countries were encouraging. Yet, it became clear that the new treaty would not come easily and even if it comes, the United States would not give up all the rights that Panama demands. The veil of secrecy that surrounded the negotiation explains in this direction that what was explained outwardly for public consumption was not all the inside story. Another prominent factor by 1975 was the Panamanian economic deterioration, corruption charges against General Torrijos and the requirement of more and more money appears to have done the 'dirty under the table' trick. See for the economy of Panama and the administrative performance of General Torrijos, Walter LaFeber, Op.cit.pp.195-202.

support and the ground reality of over seven decades of dependency on the US, the approach of 1976 presidential election in the US, indeed added a different dimension to the on going canal negotiation. Apart from Strom Thurmond, John McClellon, Gene Snyder who had already raised the banner of 'no concession' to Panama, from September 1975 onwards, the hard-liners band wagon in the US emerged as a serious political obstacle towards a bilaterally acceptable canal treaty. Now that the Presidential election approached, the canal negotiation began to assume intense political tone and divided the presidential aspirants in their support or opposition to canal negotiations.

One such presidential aspirant and the former Governor of California, Ronald Reagan found the Panama canal issue as a ready made fortune to catapult him to the centre stage of national politics. Aspiring to secure Republican nomination, he had to directly confront with Gerald Ford, a strong contender for Republican nomination

and a champion of no concession move.<sup>50</sup> Gerald Ford had already emerged as one such leader who would go to any extent to see that the Americans do not surrender any of their rights in Panama. But the only difference between Reaganian approach and Ford canal campaign was that, Reagan began consolidating more and more as the champion of no new treaty with Panama. On the other hand, President Ford having headed a negotiation process which had already made some preliminary break through, was fluctuating between a very hard line approach like Reagan's to a compromising posture depending on the possibilities.

Ronald Reagan who subsequently became popular for his tough foreign policy approaches like military intervention in Grenada, engaging the Central American republics in violent civil war situations and the like, began his anti treaty slogan by declaring Torrijos as a 'petty dictator' and the canal zone as a sovereign United States territory, just the same as Alaska is and as the part of Texas that came out of

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<sup>50</sup> Though initially president Ford agreed with Kissinger with his new dialogue approach, as the election approached, he gradually shifted to a hard line position in the hope that he can counter Ronald Reagan. See Ibid.

the Gadsden purchase. The zone, Reagan declared 'is ours and we intend to keep it.'<sup>51</sup> Aware of the Southern states obsession over the canal zone, Reagan infact began to win some Republican preliminaries by using his orchestrated pro-American rights stand. More than anything, Reagan wanted to reassert the pride of the Americans by extolling the glory of the country and at the same time, he also reminded the American people of the series of setbacks in Vietnam, Panama, Dominican Republic, Cuba etc. that has eroded the American leadership.

President Ford, in an effort to enhance his electoral prospect against Reagan, began shifting to a more hard-line approach and even went to the extent of contradicting Bunker's negotiating postures to which he was a party and declared emphatically that the United States will never give up its defense rights to the Panama canal nor will she ever give up its operational rights as far as Panama is

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<sup>51</sup> "Heart of Panama Debate", U.S. News & World Report (Washington: 1978), vol.LXXXIV, No.5, Feb.6.

concerned.<sup>52</sup>

### **Keesinger-Carter win over Reaganites**

Away from the radical Congressmen and also different from the vacillating Ford's canal policy, there also emerged a third front which adopted a more balanced view on the canal issue and carried the elements required for wider acceptance. The third front to the canal negotiation provided for a more realistic and apolitical approach and came from the State Department which was building up to take a pragmatic approach so that the policy adopted in Panama would conform to the political realities of the time and yet protect the United States interests abroad to the maximum extent possible. The United States declining image in Latin America being the single most concern, Kissinger combined his new dialogue with the political realities in Panama and while protecting the United States interest in the zone,

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<sup>52</sup> Ellsworth Bunker apparently had informed Congressmen privately that Ford in writing had agreed to give up the canal zone after a long spell of transition period. Now after Reagan's apparent success in the Republican primaries, Ford began to contradict his own negotiating positions. See Walter LaFeber, Op.cit.p.191.



advocated this new front of canal negotiation. Jimmy Carter, the Democratic aspirant, translated this reality to a political course. Speaking to the New York Foreign Policy Association, Carter, presented an effective and balanced view of the scenario by saying that Americans do not recall "... That Theodore Roosevelt's treaty spelled out that Panama should have sovereignty over the Panama canal zone, that we should have control as though we had sovereignty. I would never give up full (sic) control of the Panama canal as long as it had any contribution to make to our own national security, I believe the Panamanians will respond well to open and continual negotiations and sharing of sovereignty and control, recognizing their rights in that respect. I would certainly look with favor on the possible reduction in the number of bases... possibly a reduction in the number of military forces we have there."<sup>53</sup>

Significantly, Carter spoke of three fundamental positions that were to guide the United States future course of canal negotiation. First he spoke of continuation of

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<sup>53</sup> Ibid.p.192. For a detailed account of Carters approach to the canal issue, also see "Carters Panama Triumph - What It Cost", U.S. News & world Report (Washington: 1978), vol. LXXXV, No.6, March 27.

American involvement in the canal zone as long as the zone itself is of any contribution to the Americans; secondly, he spoke of sharing sovereignty; and thirdly, he spoke on the degree or quantity of American involvement in the zone. In a televised speech, Carter summed up "I could never give up complete control of the Panama Canal zone, but I would continue to negotiate with Panamanians."

Carter's views promised what most Americans would possibly want and at the same time neutralized the radicalism in the Congress. Many people in the United States in fact were in favor of redefining American involvement in Panama beyond the monopolistic 1903 canal treaty which was drafted entirely in a different world of realities than that existed in the mid 1970s. Carter after being elected, pursued this approach to its logical conclusion by taking the negotiation to 1977 treaty signing. However, in order to keep the negotiation strong in hand, he also declared that the U.S. will keep the second canal option

open.<sup>54</sup>

As far as the United States position was concerned, in addition to protecting the American interest in the isthmus of Panama and ensuring the continuance of the United States active role in the region, President Carter had the biggest responsibility of creating the necessary environment to pursue further negotiation and to reach to an amicable treaty understanding. Panama being aware of the fate of a second canal in the region, would not agree to anything short of a profitable treaty that will match to the political and economic expectations of the nation. The magnitude of the internal opposition to any new treaty was so strong that the

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<sup>54</sup> While agreeing to give away whatever is possible, Carter however pulled the string of negotiation by declaring that he would keep the second canal option open. Infact, when General Torrijos, visited Japan next year, he was presented a detailed project report of a second canal to be constructed in Panama. Chairman, Shigeo Nagano of the Japanese Chamber of Commerce & Industry and President of Industrial Bank of Japan, Kissaburo Ikeura presented the report to Torrijos and suggested that it will be an ideal economic cooperation of Japan with Latin America. This new plan was the sixth alternative canal plan and was an improvement of Anderson Report. Called "Pentagon Plan" as it was prepared by Penta Ocean Construction Co., the largest dredge reclamation specialist in Japan with the successful Suez canal expansion project to its credit. As per the Pentagon plan, the second canal were to be 20 kms. to the south west of the present canal and will run from Puerto Caimito on the Pacific to Lagarto on the Atlantic via Lake Gatun with a total length running to 98 kms. With a 58 kms inland course and 35 kms. shiplane in the Pacific coastal area and 5 kms. in the Atlantic. Total estimated construction cost was \$8,300 million, of which a considerable part was to be borrowed from the World Bank. Upon completion of this new canal, mammoth tankers of upto 500,000 tons will be able to make a shortcut at flow tide and up to 300,000 tons can go in ebb tide as against only 40,000 tons capacity of the present canal. For details See "Second Panama Canal Concept Calm Reception of Ford-Toyo Kogyo Tie Up", The Oriental Economist (Tokyo: July 1979), vol. 47, No. 825.

canal negotiation emerged as one of the most politically sensitive affair of the time.

Altogether forty two public opinion polls were conducted during the entire negotiation process in the United States to gauge the public response to the canal negotiation. Public opinion most of the time sounded alarm against the concessional approach and accordingly influenced the Congressional support or opposition to the ongoing negotiation.<sup>55</sup> In the face of a hostile political scenario therefore, President Carter, while keeping the second canal concept open, declared his administration's intention of pursuing the negotiation to obtain a new treaty by June 1977. At the same time, while projecting the line of negotiation, Secretary of State, Cyrus Vance, in a Senate Foreign Relations Committee hearing in January 1977, indicated that he personally subscribed to the Kissinger-Tack

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<sup>55</sup> At least 42 nationwide surveys, fielded by ten different pollsters provide the insight to the American attitude towards the Panama canal issue in the period 1975-78. The final ratification of the treaty was immensely influenced by these public opinion polls and at different stages of negotiations it influenced the course of negotiation. For details see Ted J. Smith III & J. Michael Hogan, "Public Opinion And The Panama Canal Treaties of 1977", Public Opinion Quarterly (Chicago: 1987), vol.51, pp.5-30.

understanding of 1974 and hoped that the remaining areas of bilateral concern will be promptly negotiated.<sup>56</sup>

White House and State Department worked hand in hand for a new treaty and its smooth passage in the Congress. Soon after Vance expressed his appreciation of Kissinger-Tack understanding, on 31 January 1977 Vance and the Foreign Minister of Panama, Auguilino Boyd in a joint Statement, in Washington, pledged to continue the negotiation on the basis of 1974 Kissinger-Tack understanding and also pledged to put sustained effort to conclude a new treaty.<sup>57</sup>

### **Carter-Torrijos Settle the Canal Course**

By early 1977, both the countries had virtually agreed on broad areas of canal understanding. However, the major areas yet to be negotiated were, the exact termination date of the new treaty, the defense of the canal during the new

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<sup>56</sup> 95<sup>th</sup> Congress, 1<sup>st</sup> Session, "Committee on Foreign Relations United States Senate", Op.cit.p.24.

<sup>57</sup> Ibid.p.25.

treaty's time and more importantly, the state of defense of the canal after the expiry of the United States treaty rights over the canal. Another area that needed considerable negotiation was the amount of share Panama will receive from the canal revenue during the time of the new treaty.

The most formidable disagreement however, was the United States role in the canal after the expiry of the new treaty. It appears that by March 1977, it had apparently been understood that 2000 A.D. would be the termination point for the United States direct management of the canal. Though the negotiators in Panama denied any such agreement, the famous and publicized telephone reply of President Carter in March 1977 very categorically spoke of the United States' role in the canal zone after 2000 A.D. In an "Ask President Carter" telephone call programme, President explained that the 1903 treaty "gave Panama sovereignty over the Panama canal zone itself. It gave us control over the ... zone, as though we had sovereignty". The current negotiations were seeking "to phase out our military operations in the Panama canal zone, but to guarantee that even after the year 2000 that we would still be able to keep

the Panama Canal open to the use of American and other ships".<sup>58</sup>

On the pretext of keeping the canal zone open to international shipping and to provide an uninterrupted and trouble free passage through the waterway, it was the United States who highlighted the Panamanian inability in undertaking such a responsibility and volunteered, through a treaty understanding that the canal, under the leadership of the United States, provide such a regime after the year 2000A.D.<sup>59</sup>

President Carter, while engaging the Panamanians through almost day to day basis negotiations, round after round discussions both in Panama and in Washington, also had opened another line of campaign within the United

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<sup>58</sup> President Carter had moved away considerably from his earlier, pre-election stance of United States unilateral control of the Panama canal, as long as the canal has any contribution to make. Now, at this stage of negotiation, he made revealing remarks by saying that, in the interest of the international shipping, the Americans should possibly be the guarantor of the canal's future neutrality. This posture helped the Americans to bargain for permanent treaty access to the strategic canal zone and opened the way for the Americans to retain an unilateral position in the canal zone. See Ibid.p.26.

<sup>59</sup> In response to the doubts cast on the ability of Panama to operate, maintain and guarantee safe and neutral shipping, Panama's National Guard staged a 5 day tactical maneuver in May to demonstrate that they are in position to undertake the responsibility after the year 2000 A.D. See Ibid. P.28.

States to persuade, who ever mattered, about the virtues of a new treaty. A massive public information campaign to inform both public and the peoples representatives; and provide them with sufficient facts about the canal issue had also been initiated by the administration so that a favourable public opinion can be generated for the new treaty.<sup>60</sup>

The Panamanians however, had difficulty agreeing to the United States continuation in the canal zone beyond 2000 A.D. After nearly seventy-five years of unholy alliance with the United States, it was not amazing for the Panamanians to understand that the continuation of the United States defense mechanism in the canal zone beyond 2000 A.D. would, in course of time, translate into interference in the internal affairs of Panama and at times the US would even actually stage military interventions in violation of established procedures of international law. General Torrijos, as far as the "regime of neutrality" of the canal zone was concerned, was of the opinion that Panama is capable of providing a permanent regime of neutrality to the zone. He however, being apprehensive of the United States

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<sup>60</sup> "Carter's Panama Triumph - What It Cost", Op.cit.,p.27-8



motives, suggested that, in the event of permanent regime of neutrality being such a compelling reason for the United States to continue in the canal zone after the year 2000, he would rather like the canal's neutrality being put to a multilateral framework under the United Nations than surrender the sensitive defense of the canal to a super power like the United States.<sup>61</sup>

By June 1977, both the countries had virtually reached to agreements on most of the important issues including termination date of the new treaty, gradual phasing out of American military personnel, return of land occupied by the United States to Panama and a possible agreement on the defense of the canal after 2000 A.D. However, the financial equations like revenue sharing etc. and most other issues were finally agreed in August; and both the negotiating parties on 10 August 1977 announced that finally they have agreed in principle on two new Panama canal treaties.

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<sup>61</sup> Panama preferred firstly to take the entire responsibility alone and failing which, preferred either United Nations guarantee or Latin American countries guarantee through OAS. See 95<sup>th</sup> Congress, 1<sup>st</sup> Session, "Committee on Foreign Relations United States Senate", Op.cit.,p.25.

## **US-Panama Sign the Historic Treaty**

Panama and the United States, on 7 September 1977 signed the historic Carter-Torrijos treaty that abrogated all other treaties that had ever been signed governing the Panama Canal. President Carter and the Panamanian leader General Omar Torrijos signed two treaties in an elaborate ceremony at the House of the Americas which was witnessed by host of American and Latin American leaders. The first treaty dealt with the operation, maintenance and management of the canal zone till the time the United States would have direct control over the zone. It also provided the detailed procedure of Panama's gradual participation in the canal management and gave a reasonably favourable time frame to Panama to integrate in the business of the canal and finally highlighted the financial distribution and sharing of the canal revenue till the year 2000 A.D.

The second treaty was on the 'Permanent Regime of Neutrality' of the canal. It declared that the canal as an international transit water way, shall be permanently neutral in accordance with the regime established in this treaty and

also added that the same regime of neutrality will be applicable to any other water way that may be built in future in Panama. The treaty of neutrality, departing from the demand of ensuring the defense of the canal under the United Nations supervision after the year 2000 A.D., provided that the United States will have the unilateral right of the defense of the canal.

President Carter and the host of negotiators of the United States finally prevailed on General Torrijos and ensured the continuance of the United States legal right over the canal zone even after the year 2000 A.D. It is interesting to note that it was not an easy ride for the Carter administration to win over the expectations of the Panamanians. Apart from the publicized demands and exchanges of views, opinions and so on, a host of prominent visits also played an influencing role. The first lady of the United States Rosalyn Carter also visited Panama to influence the course of negotiations. Notable visits and diplomacy apart, many unreported, under the table factors and political compulsions also played a vital role to mellow down General Torrijos to a posture that will give the

Americans what they want -- a permanent active role in the canal so that the uncertain future of international politics can be addressed suitably from a water zone of strategic importance.

Understandably the economic morbidity of Panama at the time of final negotiation, the reluctance of General Torrijos to confront the so powerful United States and many other privately tendered political promises helped the Carter administration to find a friend in General Torrijos. It was therefore striking to note that, at the nick of the time of crucial negotiation, General Torrijos replaced his tough negotiator and the known anti-American champion who had led demonstration to canal zone to protest the imperialist presence of the United States in Panama, the Foreign Minister, Aquilino Boyd. The fire brand was replaced with a thirtyone year old Nicholas Gonzale who then was the Panamanian Ambassador to Washington and was not only educated in the United States but was also a former

employee of First National City Bank of the United States.<sup>62</sup>

Apparently, by yielding to the American pressure, General Torrijos seemed to have compromised the long term political interests of the country. However, in lieu of political losses, General Torrijos was rewarded very well in the economic terms. Panama's share of canal revenue received a quantum jump which perhaps would not have happened had the General been difficult to crack.

The United States Senate ratified the treaty on 18 April 1978 after a long and rousing debate extending for a period of thirty eight days. The massive public information campaign alone did not help the President to win over the Senators. President Carter personally pleaded with Senators to help ratify the treaty. In addition to such measures, the President also was accused of opening his Presidential

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<sup>62</sup> General Torrijos' initial zeal of agrarian and economic programmes had lost its popularity as the govt. gradually became General Torrijos's personal enterprise. His relatives assumed important postings at home and abroad and there was massive corruption that ruined the economy further. Though the desire to bail Panama out of this mess was one of the reason for General Torrijos to move to canal issues, that also became the important reason to depend on foreign dollars and consequently bank on American government as well as private financial support.

largesse and dispensing with favours to key Senators in favour of the Panama canal treaty ratification.

Panama ratified the two new canal treaties in a plebiscite and ended an era of seventy five long years of bitter and conflicting association with the United States. Now with the new treaties, Panama again looked forward for a new, just and dignified relationship with the United States for the remaining quarter of the century.

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**CHAPTER - VI**

**CARTER - TORRIJOS TREATY :**

**AN OVERVIEW**

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# **CARTER - TORRIJOS TREATY : AN**

## **OVERVIEW**

Three broad phases very distinctly define and classify the political history of the republic of Panama. The first phase began with the isthmus breaking away from Gran Colombia to celebrate the US marine guarded independence of the country and this continued till 1977 when the republic again drifted away, though partially, from the high tides of the American hegemony. Spreading over three quarters of the present century, this period reflects on the predominance of interests of the external forces and factors in Panama, the conflicting beginning of the statehood and the final grooming of the republic into the sphere of the United States influence. Though Panama learnt to rebel during this period, till the Carter-Torrijos treaty of 1977, Panama was effectively indoctrinated into the American dependency syndrome.

The Carter-Torrijos Treaty of 1977 is a phenomenal political development in the political history of Panama. In the eventful history of Panama, standing as a prominent milestone, the treaty symbolises the culmination of a period



of history that had been characterized by periodic United States intervention and the pursuance of the overriding American interest in the canal zone. At the same stroke, the treaty also heralded the beginning of a new era where Panama began to share with the United States the benefits of the canal enterprise and started shouldering the responsibility towards the canal management. Extending till 2000 A.D., this period did not see the erosion of the United States influence in Panama. However, equipped with the Carter-Torrijos treaty, during this period, Panama contested with the United States for more just and respectable bilateral relation than any other time.

The third phase of Panamanian political history begins from 2000 A.D. onwards. After going through apprehensions over the United States withdrawal from the canal zone, the republic of Panama now looks upon the inter-oceanic water way to bring economic opulence to the island nation. Being the sole owner of the commercially important Panama canal, Panama now shoulders the responsibility of formulating the future canal policy and handling the operational nitty-gritties

of the water way so as to build the canal enterprise as the economic life line of Panama in the present century.

Paving the way for a new beginning, the Carter-Torrijos treaty of 1977, for the first time in seventy five years, seriously attempted to review the US-Panama relations and also went to the extent of rectifying the historical wrongs that had been perpetrated against the isthmian country of Panama. Addressing the fundamental issues that had divided the two countries for such a long spell of history, the treaty epitomized a step away from the American hegemony in the region.

In the context of the political arithmetic of the region, the United States' apparent agreement to surrender the canal zone to Panama and the deliberate ostentation of such surrender, signified a shift in the United States policy approach to Latin America and the Caribbean. It was a scenario of good neighbour policy of the 1930s revisited.

The course of the treaty negotiation had been arduously long, annoyingly bizarre and complete with

political equations and incongruity. The signing of the treaty however, turned out to be a matter of hemispheric celebration. The treaty was signed in an elaborate function organised in the House of Americas in Washington D.C. where not only the leaders of the two countries were present but, as many as twenty six heads of the states of the region were part of the distinguished audience. Gen. Omar Torrijos and President Carter on 7 September 1977 signed two treaties i.e. "Panama Canal Treaties and Statement of Understanding" and the "Treaty concerning the Permanent Neutrality and Operation of the Panama Canal". While the first treaty, among other understandings, declared that Panama shall receive full control over the Panama canal by the year 2000 AD, the second treaty declared that the Panama canal will be a permanently neutral water way.<sup>1</sup>

President Carter in his remarks at the treaty signing ceremony observed unhesitatingly that the Panama canal agreements "mark the commitment (Sic) of the United States to the belief that fairness, not force, should lie at the heart

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<sup>1</sup> Congressional Quarterly Historic Documents of 1977 : Panama Canal Treaties and Statements of understanding ( Washington D.C. 1978 ) P.P. 591-23. Both the treaties are given in the appendix-E.

of our dealings with the nations of the world".<sup>2</sup> Moreover he further said, the 1903 canal treaty, because it was "drafted in a world different from ours today, has become an obstacle to better relations with Latin America".<sup>3</sup> President Carter, having led the turbulent course of treaty negotiation with Panama, however was not only addressing the Panamanians alone. He took this distinguished occasion to unveil a political vision – the vision of rebuilding the hemispheric orientation and aligning them with the United States leadership. The 'new dialogue' that Henry Kissinger championed was now complete with President Carter declaring to the Latin Americans that "Fairness" will be the basis of the United States future dealings with her southern neighbours.

It may not however, be mistaken that the United States sudden shift from an all out interventionist policy and ideological warfare to a policy of friendship towards Latin America was an act of benevolence or was the American belated realisation that the countries of Latin America and

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<sup>2</sup> Ibid P. 541.

<sup>3</sup> Ibid.

Caribbean need to be taken along on the basis of mutual sharing and trust.

The Carter- Torrijos treaty was a political compulsion of the time. More than any thing else, it was a host of regional and global developments that had so profoundly influenced the course of events that, by 1977, it was the United States which was desperately looking to win back the Latin Americans and the regions lost ground, than the Latin Americans needing the United States leadership. A series of unfavourable developments, both regionally and internationally had drifted Latin America away from the United States flagship and there was a perceptible gap and mutual suspicion that had eclipsed the image of the United States with her southern neighbours.

### **The Factor of Geo-Political Compulsion**

The series of developments that had triggered mutual suspicion and had encouraged a hostile political environment, perhaps began simultaneously along with the

communist take over of Cuba . However, the first salvo in that direction was fired by the Cuban missile crisis, which in specific terms, exposed the region to the political and strategic compulsions of the cold war era. In response to the United States missile order in Turkey, Soviet Union hard hit the United States soft underbelly by taking up a missile regime in Cuba which not only threatened the United States security perceptions but exposed the volatile political fabric of Latin America to further ideological warfares. It is in this context, the United States needed a stepped up political activity in the region so that Latin America and the Caribbean remain integrated under the leadership umbrella of the United States and not slip into the emerging provocations of the communist block.

The United States waged a three pronged war in Latin America and the Caribbean to prevent the penetration of the hostile communist ideology in the western hemisphere. First in the political front, the United States unleashed a massive campaign of the virtues of the capitalist order and highlighted the so called evils of communist empire. In the second front, considering the economic morbidity of the

region being a welcome ground for the revolutionary ideology to germinate, President Kennedy announced his much publicised "Alliance for Progress" which sought to bolster the Latin American economies with the active aid assistance of the United States government and other related agencies. As discussed earlier, Panama was the largest recipient of the 'alliance' grants - thanks to the fall out of the Suez crisis in Panama and the series of Operation Sovereignty marches to the canal zone that had characterised the preceding years of the 'alliance' declaration.

In the third front, the collective security mechanism that had been the hall mark of the pre-second world war period was again activated to meet the military exigencies of the region. It was as though the region was again waking up to a massive war initiative, the United States revived the collective security mechanism to address the so called impending threat of communist affront in the region. From 1961 onwards, this collective defense mechanism was again recharged. The Inter-American Military System (IAMS) received a significant growth with the revitalizing of existing institutions and the creation of new ones. Most notably, in

addition to many other defense initiatives, the Central American Defense Council (CONDECA) was further strengthened and there was a significant increase in the size and strength of the United States military in the regional headquarters for Latin America i.e. the U.S. Southern Command (US SOUTHECOM) stationed in Panama to oversee the security of the canal and monitor the defense requirements of the Central and South America. It was therefore a kind of development that United States needed to respond to.<sup>4</sup>

The second development that contributed the United States to come to terms with Panama in 1977 was the failure of the 'Alliance for Progress' to unite the region under the United States economic and aid network. By mid 1960s it was evident that the 'alliance' grants had been mismanaged and failed to respond to the stated objectives of

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<sup>4</sup> In order to respond to the situation, periodic conferences of the Chiefs of each Services were held along with frequent military maneuvers and tactical exercises. Inter-American radio networks were set up and there was an increase in the size and scope of U.S. Training Programs for Latin American military in both the Panama canal zone and in the United States. In addition, a U.S. Army Special Forces Group was created in the canal zone with Latin America as its primary operational area. Also there were initiatives to create a permanent standing inter-American Peace Force. For detail see John Child, "The Inter-American Military system; Historical Development, Current Status and Implication for U.S. Policy" ed. Tom J. Farer, The Future of the Inter-American system. ( New York : 1979 ) PP. 155-83.



the US State Department. Latin American economies continued to be plagued with sluggishness and in the absence of any concrete long term planning, showed no sign of improvement.

The third factor was the 1964 flag riot in Panama which indicated in no uncertain terms that, unless the basic issues are negotiated and concrete steps are taken to abrogate the old obsolete canal treaty of 1903 which had dubious fairness and legality, Panama will not stop mobbing the canal zone every now and then no matter what may come on the way. The "Panamenismo" that was growing all along; more so, as anti-American feelings, had gone through the test of time and by 1960s had reached a state of maturity. The 1964 flag riot there fore was a flash point warranting the U.S. Policy shift lest there will be continuation of embarrassing developments in Panama having negative regional impact.

The fourth development immediately after the flag riot of 1964 was the American military intervention in the Dominican Republic in 1965. Military interventionism being

the hallmark of the United States policy approach towards Latin America, had already been the single most source of resentment of the region towards the policing initiative of the Americans. Not long ago, in 1954, the Guatemalan communist government was overthrown and the Cuban government was continuing to be almost in a constant state of war with the United States. The Bay of Pigs incident and myriad United States offensives against Cuba, only too explicitly had exposed the duplicity of the United States policy towards the region.

Followed by the military intervention in the Dominican Republic, the United States ventured into one of the most unpopular military initiative of the century in Vietnam which not only turned out to be an ill conceived military fiasco but caused considerable condemnation of the United States military adventure both within and outside. Vietnam episode not only led to the curtailment of the United States President's power to declare war but necessitated a massive damage control measure for the resurrection of the image.

Coming back to Panama, around the same time when the United States was getting into guerilla warfare in

Vietnam, General Omar Torrijos captured power in Panama by deposing the popular and elected President Dr. Arnulfo Arias. Though General Torrijos' ascendancy was a fatal blow to the constitutional mechanism of the country and was a dirty military game, yet in the long run, it proved to be a blessing in disguise.<sup>5</sup>

Gen. Torrijos being a product of the military, had the advantage of neutralizing the over dominating effect of the junta over the civilian political order. He rather utilised them positively in his initial years of radical socio-economic plans. Secondly, General Torrijos not being the product of a legitimate electoral process, embarked on massive socio-economic programmes to legitimize his power through mass appeal. Another important area General Torrijos masterly acted was, he refused to antagonize the United States but did not forget to keep the Panamanian nationalism aflame. He

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<sup>5</sup> Constitutional mechanism in Panama was in doldrums where the oligarchy and military's vicious combination had extended control over the state craft and who ever became the President of Panama had to protect the interests of the oligarchy and the military. Also the political leadership in Panama was to work out a compromise between the Panamanian national aspiration and the United States plan schemes in Panama. By 1960s the Panamanian national aspirations had reached the boiling point but was in the need of a strong, efficient and acceptable leader to guide and head the nation to a decisive stage. President Arias having been toppled from Presidency twice, had changed his radical approach and was too eager to placate the military junta so that he can continue in power. Arias apparently had also compromised with the United States and was not keen in leading the Panamanians to a new canal treaty. Gen. Torrijos on the other hand, symbolised all that the country was needing at that point.

brilliantly balanced between the national interest of Panama and the United States stake in the canal zone. In the face of strong US Congressional reaction against softer stands towards Panama and the Pentagon's opposition to concessions, it is evident that a direct, confrontational policy from Panama would have drifted the Panamanian struggle to a state of uncertain future. General Torrijos therefore was praiseworthy for guiding the canal negotiations in a more realistic and positive direction.

The emergence of New International Economic Order (NIEO) around the early 1970s required a realignment of political actors so that the new economic realities can be managed favourably. In that scenario, the United States needed Latin American countries to come along. An offshoot of the non-alignment movement (NAM) the NIEO, in effect, emerged in the late 1960s as a voice of protest over the global economic imbalances that had been rather the product of historical developments.<sup>6</sup>

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<sup>6</sup> The historical developments connote to the colonial order of exploitation which had been perpetrated by developed nations for economic gains.

By the time the global economic dialogue had taken the shape of NIEO and demanded for a new and just economic order, Latin America was reeling under the failure of Import Substitution and Industrialisation (ISI) model along with the growing debt burden and the increasing balance of payments problem. Latin America was indeed in the need for economic independence from the over bearing economic presence of the United States and was looking for export diversification and other such required measures which in the political sphere, indicated a Latin American run away tendency from the United States economic leadership.<sup>7</sup>

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<sup>7</sup> As far as the economic scenario of Latin America was concerned, by the mid 1960s it had become clear that ISI model had not created Latin American economic independence but had only changed the nature of LA-US economic link. ISI had led to a drastic change in the commodity composition of import. The share of finished manufactured goods declined though the import of raw materials (oil, coal, minerals etc.) and capital goods increased. By mid 1960s therefore most of the large countries of the region were responding to this problem with export diversification.

In another front inspite of Latin American economic initiatives like ECLA, LAFTA, Central American Economic Integration, the objective of Latin American economic development remained elusive. Economic integration process was slow. The United States "Alliance for Progress" which utilised the Alliance dollar for United States economic interests, created a further economic dependency among Latin Americans. It is in this background that the Argentine economist Raul Prebisch as the Secretary General of the first UNCTAD meeting in 1964, very vociferously highlighted the conflict of interests between the developed and developing countries and ECLA in one of its important meetings held at Vivia del Mar, Chile, in May 1969, very strongly voiced against this growing economic anomalies and documented their resentment in the famous document 'Consensus of Vina Mar'. For details see Ibid.pp.37-45.

Also See Gordon Connel Smith, "Inter-American Affairs and International Relations" ed. Harold Blakemore Latin America: Essays in continuity and change (London : 1974) PP. 146-55.

In an atmosphere of changing perceptions of the nations, the United Nations' Security Council meeting in 1973 in Panama City was an added strength for Panama. As has been discussed earlier, the Security Council resolution in favour of Panamanian just aspirations over the canal zone, very effectively demonstrated both regional and global support to the cause of Panama and embarrassed the United States.

In addition to the United Nations Security Council resolution, the United States anti-communist policy towards the popular government of President Salvador Allende of Chile and the dubious military operation to assassinate him in 1973 further exposed the United States overt and covert designs in Latin America and resulted in successfully identifying the United States interventionist policy towards the region.

The above stated factors were ground enough to create a fundamental barrier between the genuine interests of Latin America and the Caribbean and the United States' stated and unstated objectives in the region. It is perhaps for this

reason that inspite of the Panama canal being a bilateral issue, the isthmian country received tremendous regional support in her struggle against the United States. The fellow Latin American countries' support to Panama was the reflection of their own frustration but coming as a support, it acted in building regional pressure against the United States. As a matter of support, OAS also intervened after the flag riot of 1964 to bring rapprochment between Panama and the United States. Again, when Secretary of State, Henry Kissinger, in an effort to arrest the further deterioration of the U. S.- Latin American relation, invited the leaders of the region in October 1973 to open a " new dialogue", the Latin American Foreign Ministers, meeting at Bogota, Colombia, agreed on eight topics for discussion including one on the settlement of the Panama canal question. The Latin American countries reaffirmed their solidarity with the republic of Panama and stated that the settlement of the canal question is a matter of common interest and high priority for Latin America and expressed their hope that the already delayed negotiating process may

reach to a settlement that will satisfy the just aspirations of the republic of Panama.<sup>8</sup>

Again in 1974, in the western hemisphere Foreign Ministers meet between 18-23 February, in Mexico City which was primarily organised to carry forward the "new dialogue", on the issue of Panama canal, welcomed the Kissinger-Tack Agreement of 1974 and interpreted it as a step forward. In April, same year, meeting in Washington D. C. the Foreign Ministers of the region, reaffirmed their views on the Panama canal question and expressed their hope that negotiations between the two countries will conclude as soon as possible with satisfactory results in conformity with the spirit of the "new dialogue".<sup>9</sup>

On 24 March 1975, the Presidents of Colombia, Costa Rica and Venezuela met General Torrijos in Panama and reaffirmed their determined support of their respective governments for the just aspirations of Panama on the Panama canal issue and also agreed to urge other Latin

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<sup>8</sup> 95<sup>th</sup> Congress, 1<sup>st</sup> Session, "Committee on Foreign Relations United States Senate", Op. cit, pp. 9-11,

<sup>9</sup> Ibid.



American countries to further substantiate their support to Panama expressed in Bogota, Mexico city and Washington D.C. respectively. Panama in return, offered to accord free transit right through the canal to Colombia and Costa Rica upon the conclusion of a new treaty.<sup>10</sup>

The regional support for Panama was a distinct political factor in the politics of western hemisphere. By and large, Panama avoided the mine fields of radical political approach and adopted a more pragmatic posture for which the Latin American countries extended a very positive support and contributed in building a regional pressure to bring the United States to negotiations with Panama.

In the height of negotiations, in addition to the regional support and the already delivered United Nations Security Council resolution that favoured Panamanian demands, Panama in 1975 was accepted as a full member of the non-aligned movement at the Fifth Ministerial Conference of the non-aligned countries held in Lima, Peru. Seemingly, it provided an added advantage to the isthmian

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<sup>10</sup> Ibid.

country and made the Panamanian position stronger. The conference, later, fully supported Panama's demand for sovereignty over the canal zone.<sup>11</sup>

A series of developments of national, regional and international importance and implication, beginning from early 1960s or even slightly before that, thus, individually and collectively influenced the course of Panama canal negotiation and virtually compelled the United States to come to the negotiation.

The Carter-Torrijos treaty of 1977 though was a bilateral issue between the United States and Panama, the United States took the opportunity to address to the whole of Latin America and that is where a massive ceremonial gathering of regional leaders was organised to demonstrate the togetherness of the region. In addition to that, a protocol attached to the treaty of Permanent Neutrality of the canal zone, invited all nations of the world to sign the pact and acknowledge the canal's permanent neutrality.<sup>12</sup>

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<sup>11</sup> Ibid.

<sup>12</sup> See Appendix E.

## **Carter-Torrijos Treaty: An Overview**

Given the surcharged Congressional debate in the United States in favour and opposition to the treaty of 1977 and the equally matching events in Panama and Latin America to demonstrate the necessity of negotiating a new treaty on the basis of fairness and just aspirations of the people of Panama, it is necessary to understand how fair the 1977 treaty was and what did the treaty offer to Panama and what it did not.

### **Political Advantages**

In the political front, the signing of the 1977 treaty was an astounding victory for Panama. First and foremost, this new treaty both in the preamble and in article I of the treaty declared the abrogation of the 18<sup>th</sup> November 1903 Panama canal treaty and recognised the sovereignty of the republic of Panama over the canal zone. For the first time after nearly 75 years of independence, the republic of Panama was declared to be the sovereign over the canal zone

which otherwise was a matter of interpretation and was subject to the political fancies of the United States. This treaty also abrogated all other understandings including the treaty of Friendship and Co-operation of 2 March 1936 and the Memorandum of Understanding of 25 Jan. 1955.<sup>13</sup>

The Carter-Torrijos treaty after being ratified, became the guiding source of the Panama canal operation, management and all canal related activities and also defined the future course of US-Panama bilateral relation.

Panama being the territorial sovereign over the canal zone granted afresh to the United States, the rights necessary to regulate the transit of ships through the canal and manage, operate, maintain, improve, protect and defend the canal. The republic of Panama again granted the United States the right to peaceful use of the land and the water areas and such uses were required to be in pursuant with the present treaty.<sup>14</sup>

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<sup>13</sup> See the 1977 treaty in appendix-E.

<sup>14</sup> Article 1(2), See Appendix E.

Under the present treaty the United States was to continue to operate, the Panama canal and manage its affairs till noon time of 31 December 1999 when the present treaty will terminate.<sup>15</sup> From 2000 A. D. onwards, Panama will take over the entire responsibility of managing and operating the canal and related facilities independent of the United States interference.

It was provided that, upon ratification of the present treaty, a Panama Canal Commission will be created to operate the canal and conduct necessary administrative requirements till 31 December 1999. The Panama Canal Commission was to replace the Panama Canal Company and the Panama Canal Government. The PCC however, was to continue to be an agency of the United States Government till the duration of the present treaty.<sup>16</sup>

Panama was more and more to participate in the canal zone management so as to gain necessary skill and ability to

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<sup>15</sup> Article 2(2), Ibid.

<sup>16</sup> Article 3(3), Ibid.

run the canal enterprise upon assuming full responsibility from 2000 A. D. onwards.<sup>17</sup>

Panama Canal Commission was to be supervised by a Board comprising of nine members and in view of the requirements of Panamanian participation in the canal management, it was provided that, out of the nine members of the Board, five will be from the United States and four will be from Panama.<sup>18</sup>

Again, it was provided in the treaty that the Panama Canal Commission will be headed by the US government nominated Administrator whereas the Deputy Administrator will be a Panamanian national and this mode of appointment will continue till 31<sup>st</sup> December 1989. Since 1<sup>st</sup> January 1990, a Panamanian national will be the Administrator and the Deputy rank will be held by a US national till the expiry of the present treaty.<sup>19</sup>

The United States and Panama, it was provided in the

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<sup>17</sup> Article 1(3), Ibid.

<sup>18</sup> Article 3(3c), Ibid.

<sup>19</sup> Article 3(3c), Ibid.

treaty, would establish a Panama Canal Consultative Committee composed of equal number of high level representatives from both the countries and the committee would advise the United States on matters of policy affecting the canal's operation, general tolls policy, employment and training policies including training more and more Panamanians for the canal operation.<sup>20</sup>

In addition to the Panamanian participation in the high management cadre, it was also provided in article 3(8) that there shall be growing participation of Panamanian nationals at all levels and areas of employment in the PCC with the objective of preparing, in an orderly and efficient fashion the transfer of responsibility from the United States to Panama at the turn of the century.

Emanating from the great flag war of 1964, it was provided in the present treaty that, the entire territory of the republic of Panama, including the areas, the use of which would be made available to the United States, shall be under the flag of the republic of Panama and consequently such

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<sup>20</sup> Article 3(7).

flag always shall occupy the position of honour. It was again provided that, the United States flags may be displayed together with the flag of the republic of Panama at the headquarters of the Panama Canal Commission.<sup>21</sup>

It was also provided that the law of the republic of Panama shall apply in the areas made available for the use of the United States, except during the thirty month transition period when the United States criminal and civil laws would apply concurrently with Panama's in those areas of U.S. operations.<sup>22</sup>

In view of the developments on building a second canal, the new treaty explicitly recognised that a sea-level canal may be important for international navigation in future. This treaty in article XII clause ( 2) prohibited the construction in Panama of any new canal except as the United States and Panama might agree in future. Clause (2b) of the same article prohibited the United States to negotiate any new canal plan with any third country in the

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<sup>21</sup> Apart from the PCC headquarter, the US flag was to be displayed at the combined Defence Board office and similar such facilities. See Article VII.

<sup>22</sup> Article IX ( I)



region. Panama, in an effort to upgrade the functioning of the canal, granted under article XII clause (3) to add to the existing locks of the canal a third lane of locks.

In the employment front, the Panamanians had been deliberately deprived from the jobs in the canal zone. In this treaty therefore, it was provided that the locals, who possess suitable qualification will be given due preference for employment. It was also provided that, within five years from the entry into force of this treaty, the number of United States nationals employed in the Panama Canal Commission who were previously employed by the Panama Canal Company shall be atleast twenty percent less than the total number of the US nationals working for the Panama Canal Company immediately prior to the entry into force of this treaty <sup>23</sup>

Since Panama had been the victim of the United States' numerous overt and covert interventions, this treaty prominently dealt with the issue and contained a defined provision for the "Principle of Non-Intervention" which

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<sup>23</sup> Article X ( 2a) and article X(3c)

categorically rejected any kind of intervention and emphasised that the United States shall take all measures within its authority to ensure that the principle of non-intervention is fulfilled.<sup>24</sup>

In order to strengthen the principle of non-interventionism and to create suitable opportunity for dispute redressal, the treaty further provided for a process of pacific settlement of disputes.<sup>25</sup>

### **Economic Advantages**

First of all, out of the 500 sq. mile area or nearly 2% of the total land surface of Panama which was under the

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<sup>24</sup> Article V spelt out the principle of non-intervention and to make it realistic, refrained even the US employees in the canal zone and also the designated contractors and other such people to directly or indirectly participate in the political process of Panama. It also restrained such designated people to refrain from such activities which are incompatible with the spirit of the treaty and respect the laws of Panama.

<sup>25</sup> Article XIV provided for the pacific settlement of disputes and specified that, in the event of any dispute which might emanate out of the interpretation of the treaty, both the parties shall make every effort to resolve the matter through consultation in appropriate committees or through diplomatic channels. In the event of both the parties not reaching to any agreeable position, in such case, they may agree to submit the matter for reconciliation, mediation, arbitration or such other procedures of peaceful settlement of disputes as they may mutually deem appropriate. Both, the article V and XIV are not only important but both needs to be seen in the light of the United States and her canal zone employees role in late 1980s where finally the United States militarily intervened in Panama.

occupation of the United States on the pretext of canal management, 60% of the said land, as a result of the Panamanian demand, was assured to be reverted to Panama immediately. Infact only 40% of the land was in actual use and now Panama got back the surplus land.<sup>26</sup>

Secondly, the treaty provided that Panama will receive a fixed annuity of US \$10 million out of canal operating revenues and this amount shall constitute a fixed expense of the Panama Canal Commission.<sup>27</sup>

The treaty also provided that another annual amount of US \$ 10 million will be paid to Panama out of canal operating revenue, to the extent that such revenues exceed expenditures of the Panama Canal Commission. In the event of a particular year when such revenue could not be generated, the balance amount of that year would be paid to Panama from the additional revenues of the future years.<sup>28</sup>

Again, article XIII clause (4a) provided that, an annual

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<sup>26</sup> Article XIII (2a), (2b), (2c), & (2d) Ibid.

<sup>27</sup> Article XIII (4b)

<sup>28</sup> Article XIII (4C)

amount based on the calculation of 30\$ or \$0.30 per Panama canal net ton or its equivalent for each vessel transiting the canal would be paid to Panama after the present treaty comes into force. Originally calculated to be an amount of US \$ 45 million, it was updated around the conclusion of the treaty of 1977 and taking into consideration the increased traffics through the canal, estimated to be an amount of US \$ 60-65 million.<sup>29</sup>

In addition to the above, Panama was provided to be paid an additional sum of US \$10 million towards the services like providing lighting facilities, policing, fire security, maintaining of roads and municipal services for the area that was granted to the United States for the use, operation and maintenance. This amount was subject to be reviewed from time to time to take into consideration the inflation and other conditions for value addition.<sup>30</sup>

All these economic packages taken together amounted to a net package of US \$ 75 million to US \$ 90 million

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<sup>29</sup> U.S. Govt. Papers, "On the 'Cost' of the Panama Canal Treaties" Inter-American Economic Affairs Vol. XXXIII, No. 1 (Washington D.C., Summer 1979) PP. 73-99.

<sup>30</sup> Article 3(5), See Appendix E.

annual payment to Panama against an earlier total of around US \$ 2.3 million that Panama was receiving. In addition to this, Panama, for all its co-operation, was promised an economic package of US \$ 295 million over a period of five years as an economic aid.<sup>31</sup>

In addition to these direct financial advantages, Panama received the enormous other properties in terms of land, real estate etc. including the transfer of the Panama Railroad which had been the symbol of the United States entry into the Panamanian soil even before Panama was an independent political entity.<sup>32</sup>

The employment opportunities in progressive terms were also an added economic advantage Panama received as a result of the 1977 treaty. Impressive however it may appear, the package needs to be analysed in the context of canal-economics.

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<sup>31</sup> U.S. Govt. Papers "On the Cost of the Panama Canal Treaties" Op. cit. PP. 74-5.

<sup>32</sup> Article XIII (2).

## **Defence Front**

The strategic position of the canal had been one of the most sensitive aspect of the United States Congressional debate. As discussed earlier, the desirability of surrendering the strategically important Panama canal to Panama at a time when cold war syndrome had wide strategic ramification was a vital rallying point for the treaty opponents in the United States. Even the US defense analysts and also the former Service Chiefs had also strongly opposed the treaty of 1977 mainly because of strategic reasons.

Precisely, the United States, had a very extensive military presence in Panama which had grown into military training to surveillance measures and was also operating to oversee Central and South American security requirements. Now as per the new treaty, both the contracting parties took it upon them combinedly to protect and defend the water way and as provided in the treaty, agreed to fulfill this responsibility in accordance with their respective constitutional process.<sup>33</sup> However, during the duration of

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<sup>33</sup> Article IV.

the present treaty i.e. till 31 December 1999, the defense of the canal remained to be the primary responsibility of the United States.<sup>34</sup>

During the duration of the treaty, it was provided that, a combined Board of Senior Military Officers representing the United States and Panama in equal numbers would supervise the defence of the canal. The Board, at the interval of every five years was to review the resources made available by both the countries.

It may be noted here that, the treaty required the US to maintain such number of armed forces in the canal area that are consistent with the defense requirement of the canal and in any case, during normal times, the number of US armed forces were not to exceed more than their number immediately prior to the entry into force of this treaty.<sup>35</sup>

In addition to the above, an entirely second treaty, called the Treaty concerning the Permanent Neutrality and

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<sup>34</sup> Article IV (2)

<sup>35</sup> Article IV(5)

Operation of the Panama Canal also become a prominent aspect of the Carter-Torrijos treaty of 1977.<sup>36</sup>

The Permanent Neutrality Treaty categorically declared the canal as an international transit waterway and declared that the canal shall be permanently neutral in accordance with the regime established in this treaty.<sup>37</sup> Also, the same regime of neutrality shall apply to any other international waterway that may be built either partially or wholly in the territory of the republic of Panama. Panama declared in article II that this regime of neutrality is for the purpose of non-discriminatory transit to vessels of all countries during peace as well as time of war. It is significant to note that because of this regime of neutrality, the "Isthmus of Panama" shall not be target of any reprisals in any armed conflict between the other nations of the world. This provision provides a special status to Panama or at least the canal zone that, because of its non-discriminatory transit nature, it is not a zone to be targeted for war. This treaty also provided that vessels of war of all nations will transit through the canal without any hindrance provided they comply to certain

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<sup>36</sup> See Appendix E.

<sup>37</sup> Article I



certification of standards concerning the safety, and other requirements of the canal.

In the context of the role of the United States in the defense mechanism of the canal, article IV, V and VI are very important. Article IV declared that the United States and the republic of Panama agree to maintain the regime of neutrality established in this treaty which shall be maintained in order that the canal remains permanently neutral not with standing the termination of any other treaties entered into by the two contracting parties.

Article V of the treaty concerning the permanent neutrality provides a softer clarification of the situation by declaring that, after the termination of the present treaty only the republic of Panama shall operate the canal and maintain military forces, defense sites and military installations within its national territory.

Article VI declared that, in recognition of the important contributions of the United States and the republic of Panama to construct and operate the canal, vessels of war

and auxiliary vessels be entitled to transit the canal irrespective of their internal operation, means of propulsion, origin, destination, armament or cargo carried. Such vessels of war and auxiliary vessels of the United States and Panama will be entitled to transit the canal expeditiously.<sup>38</sup>

What emerges out of these three treaties is that, since Panama canal's neutrality is to be a regime of Permanent neutrality, the United States also becomes a permanent guarantor of such neutrality irrespective of the continuation or termination of the present treaty - a permanent role in the affairs of the canal.<sup>39</sup>

In addition to these, a protocol was also signed which maintained that neutrality of the Panama canal is important not only to the commerce and security of the United States and Panama, but to the peace and security of the western hemisphere and to the interest of the world community as

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<sup>38</sup> Article VI of the Neutrality Treaty.

<sup>39</sup> It is interesting to note that apart from these provisions of the canal's neutrality, it was also clarified in the introductory part of the treaty document that even after the expiry of the treaty in 2000A.D, the United States would still continue to have the permanent right to defend the canal indefinitely which is specified in the canal's Permanent Neutrality Treaty. As the guarantor of the regime of neutrality, the US remains a permanent actor of the canal affairs. See the introductory part of the treaty.

well. The protocol with three articles, emphasised the regime of permanent neutrality of the canal repeatedly.<sup>40</sup>

A Statement of Understanding signed on 14 Oct. 1977 also became a part of the treaty. The Statement of Understanding clarified that both Panama and the United States will function in accordance with their respective constitutional process regarding the neutrality of the canal and defend the canal against any threat. However, it further clarified that this does not mean, nor shall it be interpreted as a right of intervention of the United States in the internal affairs of Panama. Any United States actions will be directed at ensuring that the canal will be open, secure and accessible, and it shall never be directed against the territorial integrity or the political independence of the country.<sup>41</sup>

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<sup>40</sup> See Appendix E.

<sup>41</sup> To protect the Panamanian territorial inviolability it was very clearly mentioned so that the question of intervention does not arise. However, the United States violated all such provisions and militarily intervened in Panama in 1989 to evict Gen. Noriega from power.

## Half way to Sovereignty

Prima facie, it appears that the United States withdrew substantially and Panama was accorded with extensive privileges and powers over the canal. This impression however, is subject to the parameter that is adopted to assess the gains and losses. First and foremost, if the situation is to be assessed in the context of rivalry – a rivalry between a super power and a tiny Central American republic which had the similar difficulties that most of the developing nations have witnessed , then perhaps, the Carter-Torrijos treaty of 1977 was a political benevolence of the United States.

However, if the parameter of measuring is political propriety and legitimacy, irrespective of the size and strength of the nation states involved, then perhaps the treaty failed far short of expectations or the just aspirations of the people of Panama. General Torrijos characterised the new treaties as “a little pebble which we shall be able to carry in our shoe,

and that is better than the stake we have had to carry in our hearts".<sup>42</sup>

Behind the glitters of the public ceremony of treaty making; and beneath the euphoria over the achievement, a hindsight observation however, gives the impression that President Carter kept the election promises he had made to the people of America and evidently safeguarded the US interests in the zone and brilliantly chalked out the future role of the United States in the water way. Carter wanted the Americans to play a role in the canal zone as long as the zone has contribution to the United States. While combining with the Keesinger's vision of 'new dialogue' and the Latin American regional political perspective, the United States perhaps played the best card of ensuring her involvement in the canal zone for all time to come.

In the politico-strategic front, the United States categorically recognised the sovereignty of Panama over the canal but retained, vide the "regime of permanent neutrality", the right to deploy armed forces or conduct such other

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<sup>42</sup> Steve C. Ropp "Ratification of the Panama Canal Treaties: The Muted Debate", Op. cit. P.284.

armed action that would keep the canal open vis-à-vis protect the interests of the United States. With the vast economic and military resources and the ability to influence the global geo-political course, this permanent access of the United States would open many possibilities and remain as an effective instrument of legal access. Ten years down the line, the United States militarily intervened in Panama, the legality of which is still being debated.

### **Computing the Economic Gains and Loses**

Coming to the economic front, it appears that the economic package of around US \$ 75- US \$ 90 million than the earlier amount of around US \$ 2.3 million was a bonanza. No doubt, this package offered a sudden surge in the economic profile of Panama and without entrusting the responsibility of managing or operating the canal, the treaty bestowed a sizable economic benefit to the isthmian country. However, the fact to be noted here was that, the United States was not to pay this additional amount to Panama out of her domestic budget nor were there any additional

financial implication on the United States. The amount slated to be paid to Panama were to be paid from the revenue that the canal were to generate.

It may be further noted that during the treaty negotiation, in the United States, it was accused by the treaty opponents that the United States would pay heavily by surrendering the canal to Panama. In this context, a list of economic losses that the United States was to suffer and the areas where it would suffer such losses was very extensively highlighted to make a favourable Congressional opinion against any treaty with Panama. Unfortunately however, the list of losses highlighted was only a campaign tirade and was devoid of a holistic approach to the canal based economy. A fair understanding of the financial management of the Panama canal however, had a different picture to present.<sup>43</sup>

It was presented that over the life of the treaty it may cost the United States a total of US \$ 4 billion or more in

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<sup>43</sup> For the details of economic losses that the United States would undergo because of 1977 treaty was highlighted in the U.S. Govt. Papers, "On the cost of the Panama Canal Treaties", Op. cit. Pp.73-91.

addition to what the United States committed to pay to Panama.<sup>44</sup>

In the first place, it was claimed that the United States would lose around US \$ 20 billion of investment that their government had spent since 1903.<sup>45</sup> Secondly, after ratification of the present treaty, the United States was to hand over to Panama around 60% of the land that it was holding in excess of the requirement and now it has to function from within this 40% land and land under water. Now, while computing the loss, it was presented that, the cost of transferring the canal land to Panama and moving fixed installations from the canal zone to a greatly reduced area of the new zone would atleast cost US \$ 399 million.<sup>46</sup>

Thirdly, there were numerous functions that Panama Canal Company was conducting which in the present dispensation were to be transferred to Panama Canal Commission. These functions include works like commissaries, various services rendered to the canal

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<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.



company employees including education of their children, certain types of housing, medicare and other assistance. Previously, expenditure on all these heads were borne by Panama Canal Company from the canal revenue. Now the amount will be paid by the United States. The estimated cost on these heads, as of 1970's was around US \$ 65 million and the revised amount projection touched around US \$ 80 million in the next five years and totally through the life of the treaty this was projected to cost the United States somewhere around US \$ 1.3 billion to US \$ 2 billion.<sup>47</sup>

Now these were certain benefits the United States was paying to her employees working abroad. Under the present system, the Panama Canal Commission being a body entirely different from Panama Canal Company, no longer should extend any such incentives. After all, the Panama Canal Company, was a Federal Corporation of the United States, where as, the Panama Canal Commission was made as a legal body to over see the transition of the canal .

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<sup>47</sup> Ibid

Another area of lost revenue was, the United States was to transfer to Panama at no cost, various facilities in the canal zone and many such facilities were infact producing revenues. Such facilities were marine bunkering, ship repair, plant facilities, housing, theatres, commissaries, retail stores, service centres, restaurants etc. These facilities were producing a revenue of around US \$ 100 million annually and the projected loss by the year 2000 AD were to be in the neighbourhood of around US \$ 2 billion.<sup>48</sup>

Other losses like early retirement benefits to the American employees were estimated to be around US \$ 270 million, severance pay liabilities for employees losing their jobs were US \$ 3.5 million, repatriation liabilities US \$ 11 million, loss on retail store inventories around US \$ 2 million, US \$ 1.7 million for disinternment and reinternment of the US citizens and US \$ 1.8 million administrative expenses.<sup>49</sup>

The fact of the matter however, was much different than what was indicated as the cost of the canal treaty. In

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<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

1950, the United States Congress decided that the Panama Canal Company should pay to the United States Treasury, the amount the United States had spent in constructing the canal alongwith 6% interest amounting to some US \$ 18 million per year on the book value of the canal. While the book value of canal around the time of the conclusion of the treaty was US \$ 561 million, the whole canal, it was estimated to be returned to Panama in the year 2000 AD free and clear. The United States, as per the estimation had already managed through the years, to recover all but an amount of US \$ 58 million.<sup>50</sup>

### **Testimony of the US Treaty Makers**

Since the treaty opponents mounted the charges of economic loss in Panama, President Carter clarified on 22<sup>nd</sup> October 1977, "We are not taking any tax payers money to pay the Panamanians. There will be a sharing of income of the canal use fees".<sup>51</sup>

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<sup>50</sup> Steve C. Ropp "Ratification of the Panama Canal Treaties..." Op. cit., Pp 284-85.

<sup>51</sup> U.S. Govt. Papers, Op. cit., P.82.

Under Secretary of State for Monetary Affairs, Anthony M. Solomon clarified, "My understanding is that these payments represent Panama's share of the benefits from operation of the canal, they will be paid out of canal revenues and not out of U.S. tax revenues".<sup>52</sup>

Floor Manager for the Panama canal treaties Senator Paul Sarbanes observed that "Any payment to Panama will come from the tolls paid by ships that use the canal."<sup>53</sup>

Again in 1978, President Carter, in a national television said "Are we paying Panama to take the canal? We are not under the new treaty, any payments to Panama will come from tolls paid by ships that use the canal".<sup>54</sup>

Deputy Secretary of State, Warren Christopher said, "Treaties will not require any appropriations from the American tax payer".<sup>55</sup>

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<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

Secretary of State, Cyrus Vance observed, "The treaties require no new appropriations, nor do they add to the burden of the American tax payers"<sup>56</sup>

President Carter in an interview to Barbara Walters, again clarified, "We wanted a treaty that did not put a financial burden on the American tax payer, and we got it".<sup>57</sup>

Amplly evident from the testimony of these policy makers of the time that the United States was not to incur any adverse financial responsibility either by beginning to share the canal profits with Panama or by handing over the canal to Panama at the turn of the century. On the otherhand, there were fascinating aspects that were never highlighted as they were focussing more evidently the financial nitty gritties of the canal revenue distribution. For a better understanding of such nitty gritties, a ten year periods economic explanation is discussed below.

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<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

## **Ten Years Economic Profile of Panama Canal**

A period of ten years 1965-74 is taken into consideration to arrive at an explanation of how the revenue that were generated through the canal were being distributed or who really benefited by the canal enterprise and what were the areas through which revenues were generated.

Mainly three broad sources generated the entire revenue of the canal.

1. Tolls received from the transiting ships.
2. Non-toll generating activities like vessel repair charges during transit, etc.
3. Services rendered to the employees of the Panama Canal Company.

In the year 1965, 11,834 commercial ocean-going vessels transited the canal which increased by 18.8% by 1974. In 1974, 14,033 vessels transited. During the period 1965-69, the ship transit growth in the canal was around 1.9% but it slowed down to .54% during 1970-74. Another factor in this period was a 20% canal toll hike to upset

decelerating growth of transit was effected in July 1974. This hike was effected for the first time in the canal history and was needed to make up the revenue due to the loss of traffic and also the other economic losses that were accruing due to the overall economic gloom. In that context, the period between 1965-74 is indeed an ideal period for examination of the economic profile of the canal as this period witnessed the economic ups and downs to present a more realistic picture.

During this period, a total of 1,31,834 ships transited the canal generating a total revenue of US \$ 903.85 million. Non-toll revenue amounted to US \$ 729.9 million and the total revenue generated in the period amounted to US \$1633.75 million.

There were six sources of direct economic benefit to Panama from the canal operations.

1. Canal annuity the United States payed to Panama for using the canal (pre 1977, around US \$2 million) as per 1955 treaty.

2. Wages and salaries the Panamanian canal employees received. This was again as a result of 1955 treaty and was infact the main source of income flow to Panama.
3. The US agencies in the canal zone used to purchase goods and services in Panama.
4. Private organisations in the canal zone.
5. Canal contractors purchases in Panama.
6. Expenditures made in Panama by residents of the canal zone.

Over the period 1965-74, the canal zone provided nearly US \$ 2 billion to Panama. Out of this total, over 40% amount was due to wages, salaries, retirement benefits etc. Another 22% of the amount was attributed to the purchase of goods and services by officials and private agencies that accounted for around US \$ 443 million of total foreign exchange for Panama. Finally, Panama received as canal annuity for the canal and the vast land of 500 sq. mile area that the United States used, a sum of US \$19.5 million that



constituted only 1% of the total foreign exchange.<sup>58</sup>

Ridiculous as it may appear, the fact of the matter was, in 1977, the computation of the canal revenue provided a much better and sober figure than it should have been, had the Panamanians not protested leading to 1936 treaty and 1955 treaty. Both the treaties provided Panama a marginal economic benefit and a token scope for participation in the business that were conducted within the canal zone like the liquor that were sold, sundry services that were needed as a result of which Panama generated around US \$ 2 billion for a period of ten years.

The Gross Domestic Product (GDP) of Panama during this period was US \$ 10.7 billion. Out of the canal zone, Panama, directly or indirectly received around 14.8% of the GDP. Out of that, the canal annuity amount of US \$ 19.5 million stands out i.e. it was only slightly over 1% of Panama Canal Company's revenue of US \$ 1.63 billion and only

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<sup>58</sup> 1965-74 economic explanation is based on Panama Canal Commission official report on Panama Canal Traffic given in the appendix F. Also See Alfred E. Osborne, jr. "On the economic cost to Panama" Op.cit, pp.509-21.

slightly higher than 2% of the toll revenue the canal generated.<sup>59</sup>

In that scenario, it can best be said that Panama was only getting a token amount out of the vast resources and the Carter-Torrijos treaty, after 75 years, for the first time provided Panama a semblance of sharing or an opportunity of partnership. In view of this increase in Panamanian share due to the new treaty, the United States effected a canal toll hike of 21.8%.<sup>60</sup>

### **Treaty Ratification**

There was unusual pressure on both the governments against the ratification of the treaty. In Panama, the frustration was more because of the long years of transition period and again even after that also, Panama could not come out of the problem entirely free and clear of any international obligations. However, Torrijos being in the

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<sup>59</sup> Ibid

<sup>60</sup> Ibid

helm of affairs, Panama ratified the treaty in a national referendum on 23<sup>rd</sup> October 1977.

President Carter, as has been discussed earlier, had a stupendous task at hand. In addition to a massive media and administrative campaign, apparently, the President opened his weapon of political and economic favour to the Senators to buy their support. Reportedly, there were foul ups also that played a role in the treaty ratification. Yet, the United States finally ratified the treaty after 38 days of intense debate by a razor thin margin of one vote only.<sup>61</sup>

### **Public or Media Opinion on the Treaty.**

Public or media opinion was divided along the lines of interests they were representing. However, there emerged a

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<sup>61</sup> Evidently President Carter won the vote of Senator Denis Deconcini, Democrat, Arizona, after agreeing for a change in the treaty resolution and the purchase of \$ 250 million worth of copper for the U.S. strategic stockpile from Arizona which was a major copper mining state. Similarly, Senator Walter Huddleston, Democrat, Ky, was provided with federal funds for a major tunnel project in his state. To rescue the treaty, the administration was forced to make last minute concessions. In spite of a massive lobby and series of concessions, the treaty was ratified by only one margin vote. In the history of the United States Congress, the Panama canal treaty and the corresponding debate had aroused tremendous opposition from all possible quarters including from Pentagon. See "Carter's Panama Triumph - What it cost", Op. cit. P.27-8.

strong opinion in favour of the treaty and the opinion broadly recognised and supported Panama's national aspiration.

Washington Post reported that " that much is ensured by the passionate certainty with which many Americans hold the belief--the quite mistaken belief--that the canal is 'ours' and should not be 'given away' ".<sup>62</sup>

The Boston Globe observed that " And you thought it was only a canal... to our hemispheric neighbors continued American control of the Canal Zone is a humiliating symbol of colonialism".<sup>63</sup>

The San Diego Union observed, "Too often this country(US) has talked of partnership in its Latin American relations while its policies have been perceived by many of the supposed partners as those of might makes right, whether the might is economic or military. The Panama Canal, built during the high tide of gun boat diplomacy that was appropriate for one era but not for this, has become a symbol of all that has gone down hard in our relations with

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<sup>62</sup> Editorials on file ( New York) Vol. VIII, No. 17, Sep 1-5,1977.

<sup>63</sup> Ibid

Latin American republic. The new treaties can be perceived as an act of good faith by the United States, a willingness to translate words in to deeds".<sup>64</sup>

Roanoke Times & World News observed that "The treaty with Panama on the canal, being signed today, should be viewed as entirely a practical matter; pragmatism is the word for it".<sup>65</sup>

The Ottawa Citizen reported "The treaty could hardly be unconsidered unfair to the U.S. in fact, the government of General Omar Torrijos Herrera will be criticized (sic) for not pressing for better terms".<sup>66</sup>

San Francisco Chronicle observed "Colonialism has largely disappeared from the face of the earth, yet whatever may be said about the benefits to Panamanians of the Canal Zone, the American presence there has many attributes of colonialism".<sup>67</sup>

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<sup>64</sup> Ibid  
<sup>65</sup> Ibid  
<sup>66</sup> Ibid  
<sup>67</sup> Ibid

The Christian Science Monitor reported "If both sides approve the landmark agreement, it could open up a new era of stronger U.S.-Latin American relations by ending the American image as an exploiter of the smaller hemispheric nations".<sup>68</sup>

Not surprisingly, the majority of the American news papers supported the treaty. However, quite a few news papers like Manchester Union Leader, Desert News, The Dallas Morning News, the Seattle Times criticised the treaty developments in Panama.

Highlighting the great cost involved in building the canal and the consequent trouble, Manchester Union leader observed, "It was not a legitimate transaction, as some now content, and if U.S. Sovereignty should suddenly be rendered illegitimate after more than 70 years, then the canal should revert, not to the government of the Panamanian dictator Omar Torrijos, but to Colombia".<sup>69</sup>

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<sup>68</sup> Ibid

<sup>69</sup> Ibid

Desert News, referring to the financial benefit and the economic aid package of US \$ 295 million for Panama, observed, "How blatantly one sided can an international agreement get? Yet it's an agreement which U.S. negotiators insist will not only protect, but strengthen American national security".<sup>70</sup>

The Dallas Morning News observed, "How advantageous can a treaty be that ousts us even after a delay of 22 years from a canal that is lawfully ours".<sup>71</sup>

### **Treaty of Partnership to Intervention**

Till 1977, it was the rough ride of the American gun boat diplomacy and the legacy of interventionism with the temporary spell of a call of hemispheric solidarity that had characterised the American foreign policy towards Panama and the Latin America as a whole. Panama however, proved to be a test case throughout the period for both the carrot as well as the stick. Be it the good neighbour policy or the

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<sup>70</sup> Ibid

<sup>71</sup> Ibid

Alliance for Progress, Panama remained in the forefront of the American interest in the region. Whenever it was required, Panama also became the striking point of the American interventionist policy, more because of the strategic importance of the isthmus.

The Carter administration's shift of policy signaled a change in the US-Latin American relation. Instead of interventionism, Carter spoke of partnership, human rights and such political terminology which were anathema in the context of the Latin American politics. This shift in the policy however, was for a very brief spell and the scenario changed immediately when the United States started responding to the equations of the last but most vicious decade of the cold war politics. The Soviet Union's military intervention in Afghanistan while signaled the renewal of global battle bell, the wind of revolution and civil war taking shape in Central America during the same time opened the regional ground for the bloodiest war of the century and virtually redefined the scope and intent of the United States 'new dialogue' as well as the Carter administrations call for 'fairness' in dealing with the nation states of the world. In



the United States, the Republican President, Ronald Reagan's Presidency not only revived the battle lines but embarked on a massive military-politico and economic offensive both globally and regionally and the old days were back again.

The United States relation with Panama after the Carter-Torrijos treaty was expected to be at its best since Panama became independent in 1903. Unfortunately however, the 1980s turned out to be a decade of disaster as far as the country's relation with the United States was concerned.

General Torrijos after the 1977 canal treaty began the process of transition to civilian rule in Panama. Instead of ruling the country himself, he wanted a civilian front to provide legitimacy to his government, while for all practical purposes he would control the real power from behind the barrack.<sup>72</sup> His reform initiative which started in 1978 was

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<sup>72</sup> After ten year of military dictatorship, by 1978 General Torrijos's popularity rating had reduced as a result of corruption, excesses of power and above all, the failure of reform programmes. Now with the Carter-Torrijos treaty being signed, General Torrijos wanted to capitalise on the success of the treaty and initiated the civilian front to further strengthen his government and provide legitimacy through popular support.

however, very short lived. The military cult he had championed and the excessive power he had delegated to the friends in uniform, apparently engulfed his own power. General Torrijos was killed in 1981 by a mysterious plane crash.

### **Noriega Factor in the U.S-Panama Relations**

General Manuel Antonio Noriega Moreno was a long influential military figure in Panama. Having educated in the Military School de Chorrios, Lima, Peru; Military School, Venezuela; Institute Nacional, Panama; he joined the armed service of Panama in 1962. Noriega, who served General Torrijos well and defined the statecraft through the power of the men in uniform, in the passing of time, consciously graduated himself to become the most powerful and influential military officer in Panama who obeyed neither, but General Torrijos alone. Infact, towards the last part of Torrijos regime, Torrijos himself had reasons to feel threatened of a possible military backfire led by no other than his long time trusted Intelligence Service Chief,

Noriega.<sup>73</sup> In the post Torrijos period, Noriega emerged more powerful by becoming Commander in Chief of the Panamanian Defence Forces.

Apparently, General Noriega was a CIA recruit from the early days of his military career and during the days he became the Intelligence Chief, he was allegedly in active contact with the then CIA Director, George Bush.<sup>74</sup>

After becoming the Commander in Chief, Noriega extended his political vision beyond the barracks to grab the ultimate seat of power in Panama. In 1984, he fraudulently bestowed the Presidency of Panama to his handpicked 'Yes man' Nicolas Ardito Barleta<sup>75</sup>

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<sup>73</sup> Walter La Feber. Op. cit., pp.200-01

<sup>74</sup> The United States - Noriega problem had very interesting facets. Evidently when George Bush was the CIA Director and Noriega was the Intelligence Chief in Panama, both had collaborated in number of issues where the United States had interest. Noriega during those days was a CIA intelligence asset. For details see Keesing's Record of World Events (New Jersey) Vol. XXXIV, No. 4, P. 35817.

Also see Richard C. Schroeder "New Approach to Central America: Panama: A special case" Editorial Research Reports (Washington D.C., 1989) Vol. 1.

<sup>75</sup> In May 1984 Presidential election, Noriega in a fraudulent vote count declared Barleta, as the President. However, since Barleta was enjoying a very good relationship with the United States, the latter chose to remain less critical of Noriega's action. For details see Steve C. Ropp "Military Retrenchment and Decay in Panama" Current History (Philadelphia: January 1990), vol 89. For a very good account of US-Panama relation with the case of Noriega as a factor has been discussed in Martha L. Cottam, Images & Intervention: US Policies in Latin America (London: 1994), pp.141-162.

Choosing Barleta as the President was the beginning of a very critical U.S.-Panama relations that culminated in 1989 by the United States military intervention in Panama. Noriega gradually consolidated power and emerged as the dictator of Panama. Political murder, disappearance of political opponents, seizure of fundamental political rights of the citizens of Panama, economic stagnation, growing Panamanian resentment against the Noriega regime and above all, the functioning of a vast drug peddling network and money laundering activity with due patronage from Noriega and his friends, at the cost of Panamanian government machinery, worsened the situation to a substantial magnitude. Between 1985 to 1989, there were number of civilian strikes and political violence within Panama which clearly demonstrated the unpopularity of the Noriega regime.<sup>76</sup> In addition to internal developments, OAS also exerted pressure through mediation to bring about an

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<sup>76</sup> For a detailed political development of Noriega govt. see Steve C. Ropp, "Military Retrenchment and Decay in Panama", Op. cit., pp. 17-40. Also see, Keesing's Record of World Events, Op.cit, p. 35818. Also see, Ricardo Arias Calderon "Panama: Disaster or Democracy" Foreign Affairs (New York: Winter 1987-88), pp. 328-4. It may be noted that Ricardo Calderon was the President of the Christian Democratic Party of Panama. He was also the candidate for Vice-President on the Democratic Opposition Alliance ticket in 1984 election. Also see, Richard L. Fricker, "Dealing with the Maximum Leader" ABA Journal (Chicago: April 1990), pp. 54-8. Also see, Marco A. Gandasagui, jr. "The Military Regimes of Panama" Journal of Inter-American Studies (Miami: Fall 1993), vol. 35, No.3, pp. 1-17. & William L. Furlong "The Difficult Transition Towards Democracy", Ibid, pp. 19-31. Also see Roberto Eisenmann, "The Struggle Against Noriega" Journal of Democracy (Washington D.C.: Winter 1990) Vol.1, No.1, pp.41-6.

agreeable political solution. Noriega, however resisted all such pressures and continued in power.

From June 1987 onwards, political controversy surrounding General Noriega compounded, resulting in a situation of near total political confusion in Panama. Mainly three political developments triggered these troubles. First, on 1 June 1987, Noriega forced the retirement of the Chief of Staff of the Defense Forces, Colonel Roberto Diaz Herrera who, after being thrown out, accused Noriega of murdering the opposition leader Dr. Hugo Spadafora. He also accused Noriega of complicity in the plane crash that killed General Torrijos. Diaz called for the resignation of Noriega accusing him of drug dealings too.<sup>77</sup>

The second development was the formation of an opposition political front, National Civic Crusade (Cruzada Civilista Nacional) CCN. Consisting of middle class elements, business and professional groups and church; CCN initiated a country wide strike in favour of General Noriega's resignation.<sup>78</sup>

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<sup>77</sup> Keesing's Record of World Events Op. cit., p. 35814.

<sup>78</sup> Ibid.

The third development, a bit peculiar one is, on 26 June, the United States Senate passed a resolution by 84 to 2 calling General Noriega to step down and submit for independent inquiry and the return of Panama to civilian democracy.

General Noriega responded to these developments with political oppression. To break the general strike of CCN, Noriega's chosen President, Eric Arturo Delvalle declared a state of emergency which was extended indefinitely. Responding to the United States resolution, Noriega declared that it amounts to the American interference in the internal affairs of Panama. Calling it "interventionist aggression", he expelled the United States Ambassador to Panama and called for an emergency meeting of OAS to look into the matter. Meanwhile, a ruling party sponsored demonstration including the Ministers of Panama's National Assembly demonstrated in front of the U.S. embassy in Panama City and caused damage to the diplomatic establishment by pelting stones etc. The OAS met on 2 July 1987 and approved by 17-1 (USA) votes a resolution expressing concern that certain activities reported in Panama,

constituted unwarranted interference in Panama's domestic affairs.<sup>79</sup>

Rest of 1987 was equally turbulent. Noriega closed down three opposition news papers i.e. La Prensa, El Siglo and Extra. Tom Brown, the American correspondent to Reuter was ordered to leave Panama. Ouiubo and La Gaceta Financier, both weeklies were also banned on the charges of inciting subversive activities and disrupting public order. Along with it, three radio stations i.e. Mundial, Continente and Sonora were also seized for anti-government broadcast. Scores of opposition leaders were exiled from the country or arrested and such activities became the order of the day.<sup>80</sup>

In the face of these developments, the United States Senate again on 24 September 1987, unanimously passed a resolution urging Panama to restore press freedom within 45 days i.e. by 8, November and to initiate a private investigation against the General. The resolution also called

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<sup>79</sup> Viewed from the 1977 Carter - Torrijos treaty, the United States resolution against the Panamanian internal political affairs amounts to political interference. The OAS resolution further confirms this. See *Ibid.*

<sup>80</sup> In the wake of the role played by media in favour of the opposition party, the Panamanian interior Ministry on 29 July warned that even the foreign journalists risk imprisonment, *Ibid.*

for setting up a non-military transitional government in Panama and other necessary steps failing which economic and military aid would be cut and a ban on Panamanian sugar import would be imposed.<sup>81</sup>

On 24 September more than 100 uniformed US troops stationed in the Panama canal zone, arrived at the US embassy. In another development, a United States military helicopter reportedly violated Panama's air space. The Panamanian National Assembly on 29 September condemned the United States destabilization campaign and accused the United States of deliberate interference. It may also be noted that a commercial Attache of the US embassy in Panama was arrested on 13 September while demonstrating along with the Panamanian opposition parties. He was released several hours later and was expelled for his political activities in Panama. The government of Panama also ordered investigation against the US Ambassador in Panama. On 16 October a retired colonel of the United States Richard Stone was also expelled for allegedly taking part in the anti-

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<sup>81</sup> Ibid



government protests. The United States retaliated by cutting aid and suspending Panamanian sugar quota.<sup>82</sup>

Panama however, in an effort to neutralize the worsening relation with the United States, developed contacts with Cuba, Nicaragua, Libya and Soviet Union.<sup>83</sup>

The whole of 1988 was disastrous from the point of view of internal political difficulties of Panama and from the point of view of pressure built on the Noriega regime from the United States. A new press law passed in December 1987 brought heavy censorship on anti-government writings and similar activities.<sup>84</sup> Those newspaper establishments who submitted to these draconian press laws were allowed to

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<sup>82</sup> 1977 canal treaty categorically provided in article V for a "Principle of Non-Intervention" and also in very specific terms restrained the U.S. employees and their dependants from participating in Panamanian internal political affairs. In addition to that, the treaty also provided for pacific settlement of disputes. Above all, the treaty provided that both the countries should strive to resolve the bilateral dispute failing which they may resort to reconciliation, mediation or even arbitration. It is however very clear that the U.S. and the U.S. embassy personnel deliberately created breach of treaty provisions. The U.S. State Department on 4 August, demanded for full press freedom and an end to all intimidation and censorship of the press. Mere such demands do not violate any bilateral understandings. However, with incidents of deliberate political interference, it is the United States which complicated the issue to the tune of abetting the political turmoil in Panama. In such cases, the OAS is the most appropriate vehicle for negotiation which was under utilised. See *Ibid.*

<sup>83</sup> Sergo A. Mikoyan "Soviet Foreign Policy and Latin America" *The Washington Quarterly* (Washington, D.C.) Vol. 13, No.3. Also see *North & Central America*, Op.cit., p. A-3. Also See, *BBC Monitoring Summary of World Broadcasts* (London: March 1, 1988).

<sup>84</sup> *Ibid.*

function since 19-20 January 1988. The reporters of Washington Post and Miami Herald were later deported.

In January, Noriega was reportedly proposed by the opposition coalition CCN to step down against a provisional government. Along with several other proposals, it was proposed that the integrity and the status of the armed forces would be protected provided the present regime quits paving the way for election and the establishment of a civilian government.

By this time, the United States cutting down of economic aid etc. were further intensified and the pressure against Noriega was translated to legal indictments. The Federal Justice Department, active since 1984 and had already found Noriega indictable as per Richard D. Gregorie, then the Assistant US Attorney for the southern district of Florida, now activated the legal mechanism to bring Noriega to book. The US Federal Grand Jury in Miami and Tampa, Florida, on 4 February 1988 issued two indictments against Noriega and fourteen others for drug-trafficking. The indictments charged Noriega with turning Panama into a

“vast criminal enterprise” and with obtaining US \$4,600,000 from helping a Colombian drug cartel to ship more than 4000lb of cocaine into USA via Panama, and of conspiring to import over US \$ 1,000,000 worth of marijuana into the USA. If brought to trial with these charges, it was to bring imprisonment of 145 years.<sup>85</sup>

Meanwhile, the Panamanian Consul General to USA Sr. Jose Blandon, a close associate of Noriega was recalled by Noriega reportedly for his failure to negotiate with the Reagan administration over a possible political solution for Panama. Assistant Secretary of State for International Security Affairs, Richard L. Armitage reportedly demanded that Noriega be removed; military officers having served more than 25 years be retired; establishment of an independent judiciary and electoral tribunal; freedom of press; end to military control over shipping and air-ports etc. be effected. However, it was unacceptable to Noriega.<sup>86</sup>

Sr. Blandon subsequently revealed damaging informa-

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<sup>85</sup> Richard L. Fricker “Dealing with the Maximum leader”, Op. cit., pp. 54-58.

<sup>86</sup> Ibid. Also see Roberto Eisenmann “The struggle Against Noriega”, Op.cit.

tion about General Noriega before a Federal Grand Jury in Miami and a Senate Foreign Affairs sub-committee which had started inquiry against Gen. Noriega since 1988. Bandon revealed that Noriega had received classified reports from CIA on political and other views of US Senators and their aid. Bandon alleged that, Vice-President George Bush (The CIA Director in 1976-77) had used Noriega as a messenger to President Castro of Cuba hours before the US invasion of Grenada in 1983. Bandon revealed the details of the killing of opposition leader Dr. Spadafora. Furthermore, Bandon claimed that Lt. Col. Oliver North, the former White House aide had once conspired with Noriega to intercept a shipment of East Germany weapons bound to El Salvador and to disguise them as a shipment from Nicaragua in order to blame the Sandinista regime.<sup>87</sup>

The next day General Noriega called for the withdrawal of the US Southern Command from Panama which oversaw the US military activities in Central and South America. The United States immediately denied the charges concerning Nicaragua and rejected the Panamanian demand to withdraw

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<sup>87</sup> Ibid Also see Keesing's Record, Op. cit. P. 35817.

behaved unconstitutionally and dismissed him along with the Vice-President Esquivel. Sr. Manuel Solis Palma, 70, the then Minister for Education was appointed as the President in place of deposed Delvalle.<sup>91</sup>

The United States refused to recognise the Presidency of Solis Palma. The deposed Delvalle, who went into hiding, vowed to fight to retain the Presidency and issued orders from his place of safety that all payments to the Panamanian governments should be stopped; and in particular, urged Panamanian embassies abroad not to submit the shipping fees which they collected from the 11,000 vessels registered in Panama.<sup>92</sup>

At this crucial time when two constitutional authorities were contesting for power and legitimacy, the OAS was convened on 27 February which voiced support for the deposed President Delvalle without issuing any resolution. Most of the Latin American governments appeared not to be

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<sup>91</sup> Ibid

<sup>92</sup> The dismissal of President Delvalle also generated regional criticism to the style of Panamanian govt's functioning. Venezuela and Peru openly criticised the Noriega government while the OAS also condemned the political developments in Panama. For details see Ibid. Also see BBC Monitoring Summary of World Broadcasts Op.cit., Also see Steve C. Ropp "Military Retrenchment and Decay in Panama," Op.cit., pp. 7-40.

aligned either with Noriega or with the United States. On 4 March, the United States froze all Panamanian assets in the US banks as a result, the Panamanian banks consequently had to be closed down for lack of money. Panamanian currency, Bolboa exists for name sake only and the circulating currency is the United States dollars. The United States freezing operation therefore stalled all banking activities and the cash transactions in Panama virtually stopped sounding a financial death bell in Panama.<sup>93</sup>

Pressure was intensified further on the Noriega regime of Panama when the United States administration on 11 March ordered suspension of all US payments including US \$ 7,000,000 in Panama canal fees due that month, and of preferential trade arrangements with Panama. Orders were issued to place Panamanians under increased scrutiny by US customs and immigration agencies to apprehend drug traffickers and money-launderers. Fees due to Panama for the use of its territory for the newly built oil-pipeline from Alaska amounting to US \$ 70,000,000 annually had already been withheld. Such economic measures naturally paralysed

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<sup>93</sup> Keesing's Record. Op.cit.

Panama's economy. The United States also stalled Panama's structural adjustment loans from the World Bank. The World Bank also suspended the disbursement of other loans because of unpaid arrears totaling \$11,000,000.<sup>94</sup>

As a result of these financial squeezes, Panama virtually witnessed a total financial bankruptcy. Salaries could not be paid and all governmental financial obligations were dishonoured. Some ships were reported to be stranded in Panama canal as docks demanded transit fees in cash. On 14 March, thousands of public sector employees including teachers, doctors etc. took to the streets demanding payment of their salaries. <sup>95</sup>

In the height of these street protests, apparently some middle ranking dissident army officers attempted a coup d'etat. Noriega loyalists however, managed to put down the rebels. Though Noriega denied any coup attempt, Colonel Leonida Macias, the Chief of Police and a former powerful

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<sup>94</sup> Ibid

<sup>95</sup> Ibid

ally of Noriega was arrested along with several others for staging a coup.<sup>96</sup>

Noriega, immediately after this coup, initiated a strategic Military Council with the induction of mid-level officers by promotion who were personally loyal to Noriega. The purpose of this body was to counter balance any rebellious initiative from the army dissidents.

In spite of all possible measures and precautionary steps, the over all political scenario till May 1988 remained extremely chaotic. As a result of public protests, a state of emergency was declared. Panamanian troops had to move to man the services in certain cases and finally, the government by resorting to pressure tactics, broke the public strike in April.<sup>97</sup> General Noriega, in an attempt to demonstrate the solidarity of Latin American countries with the Panamanian struggle against the interventionist activities of the United States, on 28 March, organised an anti-US solidarity rally in which representatives of Colombia, Belize, Nicaragua, Haiti,

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<sup>96</sup> Ibid

<sup>97</sup> Ibid



Puerto Rico, Venezuela, Cuba, Mexico, Jamaica and El Salvador participated.<sup>98</sup>

In response to these developments, the United States from 5 April onwards increased her military preparedness in Panama. Another 1500 troops to supplement the 10,000 troops stationed in Panama were sent and 800 marines started jungle training. In addition to all these, the US aircraft carrier USS Okinawa arrived at the Radman naval station in the Pacific end of the Panama canal. President Reagan further intensified the economic blockade against Panama by ordering the US companies and citizens to pay all dues to Panama into an account in the United States managed by former President Delvalle who still was recognised as the President.<sup>99</sup>

In April, General Noriega apparently proposed to the Reagan administration for his possible departure from the power provided, the US lift the economic sanctions and drop

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<sup>98</sup> It is a fact to be noted that inspite of some regional countries disapproval of the Noriega government's style of functioning and the concern of the OAS over the deteriorating political situation in Panama; since the primary difficulties were Panamanian internal political matter, the United States activities in fuelling the political trouble was seen by Latin American and Caribbean countries as interventionist in nature. See Ibid. P. 36215.

<sup>99</sup> Ibid.

the drug charges against him.<sup>100</sup> During negotiation in April-May, between Noriega and the US State Department Representative, Michael Kozak, the US agreed to drop charges but on the condition that Noriega would leave Panama before the Presidential election due in May 1989 and would not return before the election is over. The lifting of economic sanctions were linked to restoration of civil rights in Panama, establishment of a national government of reconciliation which will function till the May 1989 election; fixing a five year term of service for any future Chief of the PDF (the defense force); restoring Sir Delvalle as the legal head of the state. Noriega rejected the proposals which deadlocked the negotiations.<sup>101</sup>

After the failure of May negotiations, the United States, particularly the Republicans in the government slowly distanced themselves from the troubles at Panama. The Presidential election being in the offing, Vice-President and Republican candidate for Presidency, George Bush, deliberately avoided the Panama issue to figure in the

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<sup>100</sup> Apparently Noriega offered to leave Panama in August 1989. May 1989 was the Presidential election due in Panama. See Ibid. p. 36216.

<sup>101</sup> Ibid.

election campaign. As a result of this, after May 1988 till George Bush became President, excepting the economic sanctions, there were no visible initiative that was directed against General Noriega. The opposition in Panama having failed to get any break-through, now, like the United States, looked forward to the Presidential election of Panama in May 1989.

The May 1989 election however, did not end the leadership issue but signalled the beginning of deeper troubles. Noriega and his hand picked electoral board, as well as the other governmental agencies, fraudulently indicated in the electoral counting a decisive lead of the ruling coalition consisting of official Democratic Revolutionary Party (PRD) and seven other smaller parties called COLINA. Noriega's close friend Carlos Duque was the COLINA'S presidential candidate whereas General Noriega's brother-in-Law, Raman Sieiro contested for the

Vice-Presidentship.<sup>102</sup>

This electoral fraud renewed the troubles in Panama . The United States immediately responded with additional 1900 troops to Panama to augment the strong military contingent already stationed there. USA also demanded that OAS play a pro-active role and be the vehicle for dealing with the situation. Venezuela convened the OAS Foreign Ministers meet which was held on 17 May 1989 at Washington D.C., and condemned the Noriega regime for annulling the election. Noriega by that time had already annulled the election. Without demanding the General's resignation, OAS sent an official delegation to negotiate in Panama. By late August, the OAS mission had failed in gaining any tangible progress in the negotiation giving the impression that all the diplomatic efforts failed to dislodge Noriega from power.<sup>103</sup>

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<sup>102</sup> Apprehensive of the fairness of the May 1989 Presidential election, President Bush had sent an independent international observer team to Panama headed by Jimmy Carter and Gerald Ford. In addition, he also sent his own fourteen members official observer team to monitor the election in Panama. Earlier, the church conducted exit poll had indicated a 3:1 ratio voting in favour of the opposition. However, in the vote count on 8 May, the Electoral Tribunal's partial declaration of result indicated that the ruling COLINA is getting 51% votes against 45% to the opposition. On 10 May situation turned violent and Para-military Dignity Battalions attacked the opposition demonstrations. Next day, the election was annulled by a decree. For details see Ibid & Steve C. Ropp. "Military Retrenchment and Decay in Panama" Op cit., 17-40.

<sup>103</sup> Editorials on File (New York) Vol.20, No.10, May 16-31 1989.

In October, a very powerful but internal military coup was staged and apparently the coup led by Major Moises Giraldi Vega who had helped Noriega to put down the 1988 coup, took over the military headquarters and held Noriega captive for several hours. The coup however, failed and troops from Battalion 2000 loyal to Noriega overpowered the rebels. According to various reports, in this coup operation, nearly 77 people died, 200 of the PDF personnel were arrested and many went into hiding or exile.<sup>104</sup>

### **Operation Just Cause**

The failure of diplomatic efforts, economic sanctions and even internal military coups to dislodge Noriega from power very well indicated by end of October 1989 that the United States would militarily intervene to bring the desired change. By December, the Noriega regime and the President George Bush's government were in a distinct course of hostility. Acting in response to the United States imminent

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<sup>104</sup> In the operation Giraldi himself also was killed. Over 200 members of PDF were arrested in the following week and many others went into hiding or exile. For details see Keesing's Record Op. cit., p.36971.

military intervention, on 15 December 1989, the Panamanian National Assembly unanimously voted to designate General Noriega as the "head of the state of Panama and the maximum leader of the struggle for national liberation".<sup>105</sup> The National Assembly also approved a resolution stating that the "Republic of Panama is declared to be in a state of war" with the United States as long as the "US aggression" in the form of economic sanctions imposed in 1988 continues.<sup>106</sup>

The following day, four unarmed, off duty US servicemen travelling in a private car were stopped at a roadblock outside PDF headquarters in Panama City. Apparently, the servicemen attempted an escape which led to the PDF to open fire killing out of them, Marine Lt. Robert Paz, 25. According to the US version, the servicemen had lost their way, whereas the PDF source declared that the servicemen were armed and were on a reconnaissance

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<sup>105</sup> From the point of view of international law, designating Noriega as "the head of the State" was a very tactical move as this was to confer on him a degree of diplomatic immunity from arrests or criminal prosecution by a foreign country. See *Ibid.*

<sup>106</sup> *Ibid.* Unfortunately, the resolution turned out to be a tactical error, as subsequently the United States citing the laws of war, maintained that the republic of Panama, through this resolution declared war against the United States and thereby conferred on the United States the right of self defence which enables the United States to militarily intervene in Panama.

mission.<sup>107</sup> An unidentified US Navy Lieutenant and his wife who had witnessed this shooting were also taken into custody by the PDF. Though they were released after four hours, they claimed that physical and sexual violence were committed against them.<sup>108</sup>

Finally, in the early hours of 20 December 1989, when the world was busy preparing for Christmas celebration, the United States conducted a powerful military assault on the republic of Panama. Largest ever military intervention of the United States in Latin America since the Vietnam war, the operation was dubbed as "Operation Just Cause" and involved around 24,000 Army, Navy and Air Force troops of the United States and continued till the new year.<sup>109</sup>

How just the operation was still remains as a matter of debate, but it involved a strong resistance fight, and created a situation of total lawlessness and anarchy followed by wide

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<sup>107</sup> Facts On File Op.cit., vol.49, No.2561, December 22, 1989.

<sup>108</sup> In a subsequent development, on 18 December one US. Officer shot and wounded a PDF corporal near a U.S. installation. The American officer said he had felt threatened after the PDF soldier approached him and appeared to reach for his gun. See Ibid.

<sup>109</sup> The detailed account of the U.S. intervention is available from many sources like Ibid. Also see Ed Magnuson "Sowing Dragon's Teeth" Time International (New York) vol.135, No.1, Jan.1, 1990, pp.42-44.

spread violence, loot, rape and torching of properties etc. with disputing figure of casualty.<sup>110</sup>

As per the US figure, 22 Americans were killed, 208 wounded and 4 were missing. However, 'Granma', the Cuban official news paper, stretching the facts, reported that 2000 people were dead and thousands are wounded.<sup>111</sup> Enormous amount of property were lost in the process. In a very strange development the residence of the Ambassador of Nicaragua in Panama City was raided by the American troops and the next day, the action was regretted officially.<sup>112</sup>

The United States military invasion in Panama started at 1.00 am. Eastern Standard Time on 20 December 1989. A short while before the military operation began, Guillermo Endara, believed to have been the winner of May 1989 Presidential election of Panama, was sworn in as the

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<sup>110</sup> A total of 12,000 additional Army, Navy and Air Force troops were sent to Panama to join 12,000 troops already stationed. The operation started at 1.00 am eastern standard time on 20 December 1989 and a while before, Guillermo Endara was sworn in as the President of Panama in a military base and the United States immediately recognised the Endara govt. as the legitimate govt. of Panama. See Ibid.

<sup>111</sup> Granma (Havana) Jan. 14, 1990.

<sup>112</sup> The search of the residence of the Nicaraguan Ambassador was highly undiplomatic in nature. In response to this, Nicaragua expelled 20 US diplomats from Managua and protested the action in the United Nations. See UN DOC s/pv/2899, pp. 31-37



President of Panama in an American military base and immediately the United States recognised the new government of Panama and by that standard, intervened in Panama to protect the American interests there. General Noriega, in a last bid, gave a brief call to the nation to fight the American aggression and then took refuge in Vatican diplomatic mission in Panama.<sup>113</sup> Though initially the Vatican nunciature's, citing diplomatic customs and practices, refused to hand over Noriega to the United States, finally Noriega was handed over to the United States authorities. After a summary trial on drug charges, Noriega was finally sentenced to a jail term of 40 years and is currently undergoing the sentence in the United States.<sup>114</sup>

The United States intervention in Panama generated a wide spread condemnation. Undoubtedly, Noriega was a de facto leader of Panama who had not only used the

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<sup>113</sup> In order to provide a legal cover to the military action, the United States arranged the installation of Guillermo Endara as the President of Panama thereby, Gen. Noriega was relieved of his diplomatic immunity and the United States technically proved to be right. In the second place the Vatican nunciature claimed that it had given temporary refuge to Noriega on the ground of religious persecution. See facts on File Op. cit.

<sup>114</sup> Though initially the Vatican nunciature refused to handover Noriega to the United States and quoted diplomatic conventions in favour of their stand, subsequently, the Endara govt. also refused to accept Noriega. At that time, the U.S. and Panama didn't also have bilateral extradition treaty. The Vatican finally gave in to the pressure of the situation and handed Noriega to DEA of the U.S. See Ibid

governmental machinery for his criminal involvement in the drug world but also had subverted the institutions of the state. But the fact remains that, could a country's internal political matters warrant external military aggression -- a million dollar question indeed? Though some members of the OAS at times had denounced the Noriega regime's undemocratic practices and time and again had proposed for his stepping down from power, yet the OAS never advocated for military action. OAS had certainly condemned the Noriega regime for its political excesses. In the same coin, OAS had also termed many political actions of the United States as interventionist in nature. The United States openly funded the political forces in Panama and directed them against the ruling government which blatantly violated the provisions of Carter-Torrijos treaty of 1977. Again, the United States diplomatic personnel openly participated in political demonstrations in Panama which was again contrary to the provisions of Carter-Torrijos treaty. Thirdly, the drug charges against Noriega was only a political weapon and not the judicial process of the United States. As evident, Noriega and the former CIA Director, George Bush had worked in close coordination and yet suddenly Noriega becomes a drug

dealer. Again, the United States military personnel including their air-craft, reportedly violated the sovereign character of the republic of Panama but got scot free because Panama cannot take the United States to task. As a result of these, the United States military action against Panama was condemned by one and all excepting the few western allies of the United States who have chosen to be within the political and strategic sphere of the United States.<sup>115</sup>

Further more, drug charges against Noriega was a criminal facet of the trouble. But the pertinent question is, could a head of state be issued a criminal warrant and be arrested in the manner Noriega was arrested and tried in another country without infringing the territorial integrity of the nation concerned.<sup>116</sup> Panama and the United States did not even have bilateral extradition treaty which further questions the legality of the US action.

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<sup>115</sup> For the reaction against the US intervention see appendix-G.

<sup>116</sup> The U.S. justified their action on the ground that the life and property of the United States citizens in Panama were in danger. Secondly, the security of the Panama canal was in danger and thirdly Panama was in a state of war with the United States and as a matter of self defence, the United States intervened. It is hilarious indeed to note that the United States military action in Panama was a matter of self defence. It was made clear immediately that the National Assembly resolution of Panama declaring the 'state of war' was a mere description of the state of situation and nothing more than of rhetoric value.

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**CHAPTER - VII**

**THE POLITICS OF TRANSITION**

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## **THE POLITICS OF TRANSITION**

The euphoria over the Carter-Torrijos treaty was very short lived. In spite of a host of promises of political fairness, the US-Panama bilateral relation in the post treaty period plunged into a political crisis of very serious nature. Contrary to President Carter's declaration during treaty signing that 'fairness' not 'force' would be the basis of the United States dealings with the nations of the world, the United States- Panama relation in the 1980s ended with the United States military intervention in Panama violating the territorial integrity and political sovereignty of the republic.

The world wide condemnation of the United States military aggression in Panama to evict Noriega from power, evidently speaks of the dubious legal sanctity of such military operations in general and the operation in Panama in particular. Since regional organisations like OAS as well as international organisations like United Nations are very much available to address the problems confronted by nations, certainly, the application of military force in Panama

was beyond the scope and ambit of a civilised code of conduct between nation states.

The United States however, not only put a brave front to the criticism but justified the action saying that it was for a just cause and evidently the United States carry the responsibility of policing the erring nations. However just the operation just cause might be, the timing of the action speaks volume about the stated and unstated motives that triggered the operation.

The military operation was conducted at a point of time when both the countries were only a decade away from the Carter-Torrijos of 1977 to expire leading to the United States withdrawal from the canal zone for good. It may be remembered that the United States had not volunteered a treaty with Panama in 1977. Rather, the unfavourable geo-political equations and the continuous Panamanian protests had compelled the United States to concede to the Panamanian genuine demands in the canal zone.

The United States certainly was not worried over the law and order situations in Panama nor were the corruption charges of the Noriega regime, which in any case, was an internal political development of Panama. Evidently, the United States was also not interested in Noriega's drug dealings otherwise they would have prosecuted him much before and would not have waited till 1989. Drug charges were nothing more than a political build up meant for public consumption. The United States however, was certainly concerned over the deteriorating governmental relationship between the two countries. Unfriendly Noriega regime was sure to jeopardise the United States interests in the canal zone. More than any thing else, the United States was not only interested in the continued United States involvement in the canal zone, but given a friendly Panamanian government, she would have the prospect of redefining the scope of the American continuance in the canal zone vis-à-vis protect the United States strategic interest in the region.

It is for this reason that the United States militarily intervened in Panama and hours before the military action, in an effort to accord legal propriety to the operation,

Guillermo Endara was sworn in as the President of Panama in a military base of the United States. It may be remembered that President Carter, during the Presidential election campaign had declared that the United States would never give up full control of the Panama canal as long as the canal has any contribution to make to the American national security. The same being the United States functional guideline to the problem of Panama canal, the successive governments played the Panama card decisively and to the advantage of the United States.

After nearly two decades of military dictatorship, Panama returned to democracy with the help of the United States. Immediately after the military invasion, the United States lifted all sanctions against Panama and in order to help build the Panamanian economy, also provided the Endara government with economic aid packages. Irony of the fact that, inspite of returning to democracy, Guillermo Endara, the country's first post invasion president barely managed to complete his tenure with several coup attempts, serious charges of corruption and nepotism, the collapse of his coalition party and receding public support to his



regime.<sup>1</sup> The fact remained that, Panama like many other countries of Latin America had hardly developed a healthy political environment as a result of which the foundations of the statecraft was visibly weak and susceptible to undemocratic influences. Therefore, other than a theoretical change from military dictatorship to electoral democracy, the quality of governance remained more or less same for which Endara government failed to get popularity.

More than the internal political scenario of Panama, in the context of the United States-Panama relations, the decade long political hostility followed by the United States military intervention provide certain insight to the under currents of the United States policy objectives in Panama. Eversince it became more and more evident that the Panamanians would continue to protest the United States monopolistic presence in the canal zone and would not relent resorting to mob, violence and pressure tactics of any kind, it

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<sup>1</sup> For a detailed account of post invasion Panama and the Endara govt's profile see David Hoffman "Bush Vows to Repair Relations with Latin America", The Guardian Weekly (London) vol. 142, No.2, Jan 14, 1990, p.17. Also see "A Penchant for Secrecy", Ibid. Also see Philip Geyelin "Noriega Only part of the Problem", Ibid p.18. Also see Steve C. Ropp, "Panama: Tailoring a New Image" Current History (Philadelphia: February 1997), Vol.96, No.607, pp.55-60. Also see Marco A. Gandasegui Jr. "The Military Regimes of Panama", Op.cit., pp.1-18, and William L. Furlong. "Panama: The Difficult Transition Towards Democracy", Op.cit., pp.19-64.

had been a warning shot to the Americans that the canal equations need to be reviewed. 1964 flag riot, in that direction was the turning point. Realizing the shifting political realities, the United States began addressing the problem in a broader political spectrum and on a long term basis. In this direction, three fundamental positions emerged as the basic guideline for the Americans to ensure maximum advantage out of the canal imbroglio.

After realizing that the second canal option is also squarely bringing the Americans to the Panamanian soil, the first decisive step they took was to ensure that in the event of any second canal being built in the region, it will be the United States which will be the deciding actor of such a project and Panama would not enter into any treaty or understanding with any other third country for a canal project. The United States thereby reserved the legal rights of the future canal course in the region and neutralized any aspiring country's attempt in this direction in future.<sup>2</sup>

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<sup>2</sup> See the 1977 canal treaty in the appendix E.

The second prominent position was that, given the rapid expansion and technological upgradation in the shipping industry with the induction of newer and bigger ships and tankers, the future viability of Panama canal as an effective transit way for the international shipping became a matter of speculation. The theory that Panama canal is fast becoming outdated gained ground in the 1960s when the bilateral pulls and pressures became fast and thick. Gradually it became a projected posture of the United States to undermine the economic and political value of the canal.

The third posture was, in the light of the Panama canal's strategic location and its role in giving effect to the United States global strategic paradigm, it was essential for the Americans that they continue to influence the defense mechanism of the canal zone even beyond the stipulated time frame. It was for this reason that the United States was looking for more years as transitory period.

Now in the context of the transition, it is imperative therefore to focus on the strength and weakness of the canal and evaluate how far the canal influences the movement of

men and material and how useful it is for global trade and commerce.

### **Is Panama Canal Outdated?**

It is vital in this context to refer to the United States assessment done in 1947 which has been discussed in the earlier chapter. Due to the war requirements when the United States military bases proliferated all along the 500 sq. mile canal zone from the Pacific side to the Atlantic and the United States took possession of many land area in the name of defense requirement, the Panamanians protested the United States arbitrary action and refused to provide additional land as the defense requirement in reality was far less than what the United States was projecting. Since Panama refused to accommodate the American growing demand, it gave rise to the assessment of the canal zone. The 1947 report was updated in the post Suez-crisis and it was indicated that till the year 2000, the present canal would

adequately meet the shipping demand provided few facilities are suitably modified.<sup>3</sup>

Now, having entered into the new century, it is evident that Panama canal continues to be as viable a water way as it was in 1920s and the canal, even today, provides a promising future. As far as the canal's infrastructural facilities for the shipping requirements are concerned, a massive two way modernisation initiative has already improved the structural facilities to accommodate the growing demand of the canal. Since the canal was built in the early part of the present century, the available canal building technology then had their limitations in anticipating the pace of growth the shipping industry were to register in future. Therefore, in the engineering front, the canal needed suitable upgradation. In the post Carter-Torrijos treaty period therefore, a great deal of attention was provided by both Panama and the United States to make suitable structural changes in the canal. Given below are few areas where the engineering changes were effected to enhance the canal's carrying capacity.

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<sup>3</sup> 1947 report has been discussed earlier. However, the canal modification programme is discussed in this chapter.

### Dredging Work at Gatun Lake

Next to the Gatun Locks from the Atlantic entrance is the Gatun Lake through which ships are to travel for about 23 ½ miles distance. This Gatun Lake was hauled up by clearing the anchorage area and as a result, 270 acres of additional land or 35% increase of area was added to the existing lake.

### Vessel Tie-up Station

A multi-million dollar mooring station constructed just north of Pedro Miguel locks increased the efficiency of the Pacific locks by providing a holding area for the north and south bound vessels. The station can also provide accommodation of disabled ships and can allow safe anchorage for vessels during heavy fog.

### Ship Channel Dredging

Nearly 6.3 million cubic yards of earth and rocks were removed to deepen the canal channel from south Gatun Locks to north of Miraflores Locks. This dredging increased the water availability for lockages and now virtually assures

a maximum allowable draft of 39.5 feet of water round the year for transiting vessels. This project has proved to be of considerable economic value to the maritime community by allowing vessels to fully load to maximum canal draft without restrictions. The project was completed in 1984.

#### Canal Widening Project

Widening of the canal channel at Mamei Curve, Bohio Curve, Gamboa Reach and South Miraflores Locks approach provided for improved ship maneuvering ability, navigational safety and visibility in the canal. These projects involved 8 years of major dredging and excavation work costing millions of dollar and other excavation and widening works including the Pacific entrance also was followed.

#### High Mast Lighting

Completion of the high mast lighting project at all the locks in the early 1980s effectively facilitated the number of hours of transit as well as provided improved visibility at night for smaller vessels.

In addition to the above improvements, many other measures have been taken which include introduction of more powerful tugboats and locomotives which will help accommodate increased traffic in the canal and access to larger ships. Introduction of high speed launches have helped secure uninterrupted movement of pilots and other personnel to work stations along the canal. Out of the total US \$ 450 million spent every year for the overall operation of the canal, US \$ 100 million is committed now to maintain and improve the waterway.<sup>4</sup>

Apart from the engineering works that so far have given a fresh face lift to the canal's ability as a modern and efficient water way of the present time, adoption of state of the art technology like introduction of high speed computers

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<sup>4</sup> For the detailed engineering modernisation of the canal see The Panama Canal Commission publication The Panama Canal Dec. 1994. Also see canal improvements modernisation and maintenance papers, canal Traffic and Tolls Revenue papers etc. prepared by PCC. Also see Fernando Manfredo Jr. "The Future of the Panama Canal", Journal of Inter-American Studies and World Affairs, Op.cit, pp.103-28. & Stanley Heckadon-Moreno "Impact of Development on the Panama Canal Environment", Journal of Inter-American Studies and World Affairs, pp.129-49. Also see papers of "Ministry of Foreign Affairs of the Republic of Panama for the National Commission for the promotion of foreign investment", Pro-Panama: Panama Profile 1996. Also see Panama Govt. Publication Panama:Fact sheet. Also see Panama Canal Commission Publication Panama Canal: The Link for World Trade. Also see Charles E. Cobb, Jr. "Panama Ever at the Crossroads" National Geographic (Washington), vol. 169, No.4, April 1986, pp. 466-92. Also see the details available in "Internet", <http://www.pancal.com/transition/milestones/> Panama Canal Transition Milestones.



to monitor the marine traffic and other sophisticated functions and adoption of modern marketing strategy to promote the Panama canal water way as an efficient and cost effective transit way has been very rewarding.<sup>5</sup>

As a result of these massive modernizing efforts, in the year ending 1997 a total of 14,747 ships of all sizes transited through the canal generating a revenue of more than US \$ 493,385,737. The 1997 figure presented here projects a continuous increase both in terms of number of ships transited, volume of cargo transported and the amount of revenue generated than the previous years.<sup>6</sup> By now around 800000 ships have transited the water way with an annual average of around 12,000 ships carrying over 150-200 million tons of cargo to different destinations of the world.<sup>7</sup> Despite the increase in number and size of the transiting vessels in recent years, the total time spent by a vessel at the Panama canal still remains at slightly less than 24 hours.<sup>8</sup> Today, nearly two decades after the signing of the Carter-

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<sup>5</sup> Ibid.

<sup>6</sup> Internet, <http://www.pancal.com/maritime/statisti.html> Maritime Operation of the Panama Canal Home Page.

<sup>7</sup> Panama Canal Commission Publication The Panama Canal, Dec. 1994, Op.cit.

<sup>8</sup> Ibid.

Torrijos treaty, inspite of tremendous development in the ship making technology, over 93% of the world's ocean going ships are able to pass through the Panama canal waterway. More than 5% of the world's ocean borne trade take transit through the canal.<sup>9</sup>

The canal traffic projection indicates that the canal traffic through the 21<sup>st</sup> century would grow at the rate of 1.6% till 2010.<sup>10</sup> The canal beyond 2010 A.D. would also continue to play a vital role in the international shipping. It is evident therefore that the canal stands the demands of time and continues to be a viable water way for the international shipping. No doubt there are limitations of the canal as the shipping industry is ever upgrading whereas the water way can not be upgraded beyond a certain limit. However, now as many as 93% of the ships of the world and as big as the PANAMAX size ships very usefully take advantage of the canal.

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<sup>9</sup> Ibid.

<sup>10</sup> Fernando Manfredo Jr. "The Future of the Panama Canal", Op.cit. Incidentally Manfredo was the former Administrator of the Panama Canal Commission and also the Acting Administrator of PCC and has served as Senior Advisor to Govt. of Panama for Canal Treaty implementation, as Minister of the Presidency (1976-78) and Minister of Commerce & Industry (1973-75).

## **Economic Profile of the Waterway**

The previous chapter examined the revenue generation and distribution of the canal over a ten year period which very interestingly highlighted how Panama had been deprived of the economic benefits that the canal generated. That is not enough however, the United States had not only deprived Panama economically but intertwining the economic profile of the canal with political developments, projected the canal as a zone of receding economic importance. To prove the point, the US highlighted many factors like the canal cannot transit bigger ships, the international mode of transportation has changed, the Alaskan oil is no more dependant on the canal, so on and so forth. A cursory look at the economic profile of the canal however, indicates beyond doubt that the zone is of vital importance not only to the United States but a sizeable section of the world community depend on the canal for the transportation of their country's goods and products. Panama canal is obviously a vital trade link between the maritime trading posts of the world and influences the world trade pattern by offering a state of the art and relatively inexpensive passage way to the ships.

For example, prior to the Panama canal, during the Spanish-American war of 1898, the USS Oregon had to take a voyage of 68 days to circumvent a sea distance of around 13,000 nautical miles to respond to the naval blockade of Santiago de Cuba. Today, a vessel laden with coal and sailing from the east coast of the United States to Japan via the Panama canal cut short the distance by about 3000 nautical miles, a great saving in terms of fuel and time. The banana exports of Ecuador saves a distance of nearly 5000 nautical miles through the canal to the European market and vice-versa. Global sea-borne trade is immensely benefited because of the Panama canal.

As far as the trade movement or inter-oceanic shipment is concerned, the United States is the maximum user of the canal and Japan is the second most user of the water way. The major products/goods that are transported through the canal are grain, petroleum and petroleum products, automobiles and containerized cargo. More than 50% of the total toll revenue is generated by trans-shipping these products to the various destinations of the world. <sup>11</sup>

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<sup>11</sup> Panama Canal Commission publication, The Panama Canal Op.cit., Also see Canal Traffic & Toll Revenues.

As given in the canal statistics, in the first fifteen years of the functioning of the canal, inspite of the movement of goods and items due to the war exigencies of the first world war, the number of ships transiting the canal and the volume of trade moving through the water way was very low. In fact in 1929 its peak post war and pre-economic depression year, the canal registered a trade movement of only around 30 million tons generating a toll revenue of US \$ 27,111,125. In that year only 6,289 ships transited the canal. With the onset of the economic depression, business further fell by over 40% and in 1933, one of the record low year in the shipping history of the canal, only 4162 ships transited the canal carrying little over 18 million tons of cargo and generating a revenue of US \$ 19,601,077.<sup>12</sup>

Shipping through the canal in the pre second world war period increased and the trend, as a result of the war, continued steadily till 1940 with an average shipping of around 5000 ships a year transiting the canal. This trend, evidently continued till the United States was not actively participating in the war. However, as the war moved to the

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<sup>12</sup> See PCC canal traffic in the appendix F.

acific, merchant shipping through the canal came down appreciably.

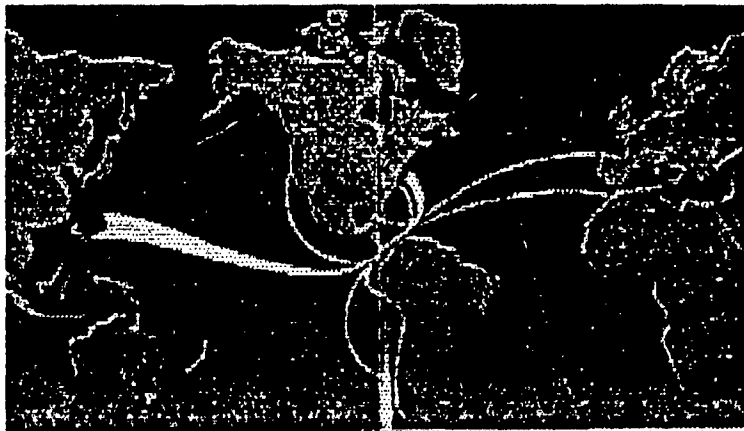
The culmination of the second world war brought prosperity to the canal revenue. The emergence of the United States as a dominating global economic actor and the economic miracle of Japan virtually redefined the economic vitality of the Panama canal. The canal not only participated in the post war economic recovery but also gradually emerged as an important international shipping trade transit route and the trend continued to move forward in the second half of the present century.<sup>13</sup>

From 1950 onwards, Panama canal registered a steady increase in the canal traffic. Along with the growing traffic through the canal, there also emerged the United States growing dependence on the canal for the transportation of the products from the United States to European markets as well as the newly developing markets of the Pacific rim countries and Japan. Other than Japan, it may be noted that the so called "Asian Tigers" were in their formative years

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<sup>13</sup> See Fernando Manfredo Jr. Op.cit.

of the economic miracle and their gradual emergence as global trade actors evolved the Pacific rim countries as a vital cross country trading zone of the world where the United States played a prominent role.<sup>14</sup>



Trade movement through Panama canal

### **The US Economic Dependency**

The United States as seen here, therefore, not only emerged as the principal user of the Panama canal but used the canal very profitably by expanding the country's trade interests in the distant regions of the world. As a result of the

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<sup>14</sup> Ibid. Also see Charlotte Elton "The Panama Canal in the International Setting" AMPO: Japan -Asia Quarterly Review, Op.cit, pp.45-9.

United States participation in the canal traffic, the major trade routes that emerged through the canal made the United States as an important source of international trade movement. By far, most of the traffic through the canal moves between the east coast of the United States and the Asian markets in general or Far East in particular. Again, the second large trade movement is between the western coast of the United States and the European markets.

In the year 1950, around 29 million tons of cargo transited the canal and out of that, approximately 14 million tons i.e. around 50% of the canal cargo was that of the United States share which represented over 8% of the United States international maritime trade. In 1992, little more than 159 long tons of cargo transited the canal and out of the total, the United States share was like over 100 million tons, i.e. around two third of the total canal cargo and 14% of the United States international sea borne trade.<sup>15</sup>

The importance of Panama canal to individual countries certainly varies. However, the water way, as far as

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<sup>15</sup> Ibid.



the United States sea trade is concerned, stands as a vital link to the global trade centres. Roughly, around 43% of the canals total cargo moves between the United States eastern coast and the Far East.<sup>16</sup> Secondly, in the second major route around 10% of the canal cargo move between the western coast of the United States and Canada and the European markets.<sup>17</sup> Again, around 6% of the trade through the canal is trans-shipped between the eastern coast of the United States and the western coast of South America.<sup>18</sup> As a whole, the United States shares around 60% of the total canal cargo and stands as the maximum user of the water way.<sup>19</sup> About 22% of the United States seaborne exports and 8% of the seaborne imports of the country move through the canal. As far as the product profile of the canal is concerned, 48% of the total grain exports of the U.S. finds passage through the canal. From the eastern coast of the United States and the American Gulf, primarily grain, phosphate, coal and containerized cargo move to the Far East. Asia in return sends consumer products, steel and automobiles to the United States. In the other route, mainly

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<sup>16</sup> PCC publication The Panama Canal Op.cit. Also see papers on canal traffic and tolls revenue.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

wood and containerized cargo from the western coast of the United States and Canada move to the markets in Europe.

Only in the area of oil transport, the United States has reduced her dependency on the canal. The Alaskan North Slope (ANS) oil along with grain and coal shipment had been a major contributor to the canal traffic. At its peak year in 1982, the ANS oil trade generated more than 1500 tanker transits and about US \$50 million in annual toll revenue. In October 1982, ANS oil was diverted to the newly opened trans-Panama oil pipeline resulting in a 15% decline in the canal's toll revenue.<sup>20</sup> However, containerized trade substituted the loss of the canal revenue and traffic and kept the canal as useful as before.<sup>21</sup>

Given the United States volume of trade that depends on the Panama canal, should there be any disruption to the canal traffic or the prospect of canal closure, the United States economy will certainly be adversely affected. More particularly, the eastern coast and the American gulf ports

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<sup>20</sup> After the diversion of Alaskan oil, PCC after due cost reduction measures, again revised the toll rates and the hiked toll rate was effected from 12 March 1983. See PCC canal traffic & Tolls Revenue, Op.cit.

<sup>21</sup> Ibid.

would seriously feel the impact and sustain serious economic adverses. Many of these ports and certain businesses and industries in the eastern United States would experience significant losses and recovery from that would prove to be problematic.

It is true that, in the event of the closure or disruption to the canal traffic, an economy as large as that of the United States , could, over a period of time find ways to adjust and it is quite likely that over a long period, the over all impact could be suitably accommodated. Even then also, such a situation will have profound impact on the world trade and the pricing of goods will also be influenced.

### **Japanese Trade Transit**

After the United States , less than 40% of the trade movement is shared by all the canal user countries. However, among the individual canal user countries, next to the United States , Japan is the second most user of the Panama canal water way. It may be noted that Japanese

Chamber of Commerce in 1977 had presented a canal modernization plan to General Omar Torrijos. Japanese automobile export to the United States like the United States grain export to Far East and China kept the Japanese share of the canal traffic very high in most part of 1980s.<sup>22</sup> After the Alaskan oil was diverted leading to a decline in the canal revenue and traffic, it was the Japanese automobile shipping to the United States that mostly helped the canal toll to recover and it received more than 35% increase in 1986 than the previous year. The large new vehicle carriers that transported the Japanese automobiles to the United States eastern coast in the 1980s were the highest paying vessel types at the canal and they constituted for approximately one fifth of all tolls revenue in the second half of the 1980s.<sup>23</sup> In the fiscal year 1995, automobile shipments through the canal from Japan to the United States totalled 899 thousand long tons and half of the Japanese automobile exports destined for the eastern coast of the United States move via the Panama canal.<sup>24</sup>

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<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

Japan in view of her trans-Pacific trade, genuinely extends a shipping vision around the Panama canal and perceives the canal as the gate way to the Japanese global trade. The Japan Maritime Research institute in January 1987 published a report analyzing the shipping industry in the Pacific era. This study highlighted the growing trans-Pacific trade which accounted for 9.7% of the total world trade flows in 1984 and had risen from around 6.7% in the mid 1970s. The impact of the growing trans-Pacific trade is immediately reflected in Panama with the establishment of Japan External Trade Organization (JETRO) office in Panama. Again, the Japanese banking industry has a strong presence in Panama.<sup>25</sup> In addition to the Japanese trade dependency on the Panama canal, in view of the Japanese growing involvement in the isthmus and more particularly since Japan evinced interest in the canal's future from the days of Torrijos, Japan is a party to the Tri-Party Commission of Panama Canal development.

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<sup>25</sup> Cahrlotte Elton, "The Panama Canal in the International Setting", Op.cit., pp.45-9.

### Far East & Panama Canal

Other than Japan, Panama canal has been of considerable importance to the Pacific basin countries as a large percentage of global trade movement is concentrated in the Pacific region. In view of this, Panama occupies a strategic position in these countries trade vision. Therefore, Hong Kong has established Hong Kong Trade Development Council in Panama and Hong Kong uses Panama as a regional distribution centre to Latin America for the goods from Hong Kong.<sup>26</sup> South Korea has also established Korea-Trade Development Centre (KOTRA) in Panama.<sup>27</sup> Taiwan has been a traditional beneficiary of the trade through the canal. Today however, Taiwan is not only involved in the trade through the canal, it has a vision that far transcends the trade movement through the canal. Panama and Taiwan are involved in building major export-processing zone at Fort Davis which is similar to the one set up by the Taiwan at the Subic Bay, the former United States naval base in Philippines. Taiwan is again involved in creating an export platform in Panama for light industrial goods. Taiwan's

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<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

multinational corporations now, apparently view Panama as a centre for Taiwan's regional maritime shipping and transportation centre. The Taiwan's Evergreen Marine Corporation, the owner of worlds largest container shipping fleet is a key player in the canal modernisation initiative and is currently engaged in building a container terminal in Colon at the Atlantic terminus of the canal. Taiwan, through the Evergreen Marine Corporation is all set to monopolize transshipment activities around the canal.<sup>28</sup>

### **China & the Panama Canal**

China of late is also equally emerging as a very strong actor in the canal zone of Panama. Apart from being the

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<sup>28</sup> Taiwan is a growing actor in the canal zone and Panama and Taiwan are now partners in development. During 7-10 Sep. 1997 Panama organised a Universal Congress on Panama canal to instill confidence among the shippers of the world that Panama is capable of handling the canal independent of the United States after 2000 A.D. and is also capable of modernising the canal to the suitability of the international shipping. Panama reportedly agreed to invite President of Taiwan Lee Tenghui after Taiwan had agreed to defray U.S. \$ 800000 - the total cost of organising the Congress. However, since China objected to the Taiwan's growing economic participation in Panama canal, the whole Congress was marred by low participation. In a situation such as this, Panama reported to be supporting their growing ties with Taiwan and even the govt. of Panama is believed to have observed that Panama & Taiwan are friends for the future and the Chinese are free to go round the southern cone. President Lee attended the Congress and signed for a Taiwanese membership of the System for Central American Integration (SICA) which had been commissioned in 1993. Lee also agreed to establish a US \$300 million Central American Development Fund of which US \$240 million would be contributed by Taiwan. Taiwan therefore has already emerged as a prime actor in Panama. For details see Steve C. Ropp "Panama: Tailoring a New Image", Op.cit, pp.55-60.

shipping trade beneficiary and being the third largest user of the Panama canal, China is very actively involved in the port modernisation activities in the water way. The Hong Kong shipping conglomerate Hutchison Whampoa has been awarded monopoly contracts of building port facilities in both the entrances of the canal. Under this 25 to 50 years contract of port privatisation, China would modernise both Bolboa and Cristobal ports and would man it to the extent that it might conflict with the United States strategic ability in the zone. China is also active to neutralise the growing Taiwanese influence in the canal zone.

### **Panama in the Indian Vision**

Interestingly, inspite of the constraint of distance, language barrier and non-availability of shipping liner, India, in the early days of global economic liberalization, took initiative towards a Indo-Latin American trade opportunity. In that direction Panama was seen as a gateway to Indo-Latin American trade expansion. Not only Latin America alone, Panama was seen to be a platform from where Indian



products can be sent even to the United States. Since Panama had also initiated the process of drawing international investors attention to the unique investment opportunity in Panama, India in 1994 participated in the International Commercial Exposition (EXPOCOMER) in Panama and made an on the spot business of around Rs. 5 crores and also received orders for more business. Items like stainless steel utensils, readymade garments, Rajasthani paintings and wall hangings were sold well in the exposition. As a whole, by 1995, Indo-Panamanian total trade amounted to little less than Rs. 100 crore.

Understandably, the Indo-Panamanian bilateral trade so far has been in the exploratory nature. And, quite naturally, the Panamanian international trading basket is more favourably open towards the United States, European Community (EC), Japan, China and the Far East etc. However, 1990s, as the decade unfolded, along with the initiatives for global economic liberalization, has opened up Indo-Panamanian bilateral trade and economic opportunities

and also opportunity for Indian technology transfer to Panama.<sup>29</sup>

### **Central & South American Canal Interest**

As a whole, Japan, South Korea, Hong Kong, Taiwan and China representing their respective economic interests in the canal zone present a new dynamics to the canal politics.<sup>30</sup> However, coming back to the home ground, the canal undoubtedly presents a vital shipping link to many countries of Central and South America too. Over 60% of Ecuador's international seaborne trade i.e. banana exports depend on the canal.<sup>31</sup> Equally 40% of Peru's and around 30% of Chile's international seaborne trade move through the canal.<sup>32</sup> The case of Colombia is peculiar in a sense, Colombia's coasts are linked more by water than by land. Due to internal topography which makes land transportation

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<sup>29</sup> For Indo-Panamanian trade see Embassy of India in Panama Publication Opportunities for Indian Exports in Panama, 1986, pp.1-3. Also See, Embassy of India in Panama Publication Panama: Note for Indian Businessmen, 1986, pp.1-9, Also see Panama: Information and Facts for Investors (Balboa: The Investment Council of Panama).

<sup>30</sup> See conclusion for a detailed analysis of the growing importance of these countries and its resultant impact on the US-Panama relations.

<sup>31</sup> See Fernando Manfredo Jr., Op.cit.

<sup>32</sup> Ibid.

difficult and expensive, the canal is a primary source to Colombian external trade link.<sup>33</sup>

Without the Panama canal therefore a large percentage of the South American trade would forfeit its ability to compete in the international market or they will have to search for alternative markets whose adverse economic impact will not only be confined to those exporting industries alone but would be felt in the associated areas of the economy also and would be reflected in the overall economy of the respective countries.

Panama canal therefore is not only a geo-political entity but a vital zone of economic importance. Panama canal influences the global trade pattern by providing efficient, cost effective and time and distance saving mode of shipping to the maritime traders and therefore truly stands at the cross-road of global trade and commerce. The canal traffic has been influenced at different times by different economic developments or models that has altered the trading patterns or has forced economic realignments.

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<sup>33</sup> Ibid.

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However, given the present trend of international trade, it is unlikely that canal's economic vitality would be curtailed or take a reverse trend.

### **Getting Down to the Business of Transition**

For the people of Panama, the handing over of the canal zone to Panama represented a question of gaining access to the territory the ownership of which had been wrongly denied to them. Representing the Panamanian national aspiration the transition symbolised the culmination of the near colonial legacy that had hunted Panama for the whole of the 20<sup>th</sup> century. On the other hand, other than the physical connotation of it, for the United States, the transfer of the zone and the allied facilities involved a considerable degree of geo-political consideration. Emanating from political, economic and strategic considerations, the transfer therefore not only demonstrated the American reluctance but presented a complex scenario of options. At one side, the known advantages of holding the canal to monitor the geo-political and strategic course of the region and at the other,

the realities of surrendering the zone to Panama. Faced with the inevitable, the United States however, bargained their new role in the canal zone and opted for a kind of partnership that will help the United States to have a role model in the canal politics in the future time to come.

### **First Phase Transfer**

The Carter-Torrijos treaty of 1977 after the instrument of ratification went into effect from 1 October 1979. As a result of this treaty, in the initial recovery, Panama in 1979 received one third of the total area the United States was holding in excess of the canal operation requirement. The initial recovery included 6,500 hectares of land, more than 400 buildings, civilian housing complex, the 77 kms. of Panama railroad which was the integral part of the Panama Canal Company and other facilities.<sup>34</sup> 'Margarita', a Panama Canal Commission civilian housing area was returned to Panama in three phases in 1979, 1980 and 1984.<sup>35</sup> Above all, Panama received jurisdiction over the canal zone and the

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<sup>34</sup> Conversion survey, 1996, Op.cit.,pp.190-1 & 208-9.

<sup>35</sup> Ibid.

Panamanian sovereignty over the water way was recognized as a result of which a long standing area of conflict was put to rest.

The United States on the other hand continued to hold the canal and the facilities required to manage, operate and maintain the canal including civilian areas, residential premises and the like facilities which essentially helped them to discharge their responsibility towards the canal's operation. In addition to this, the United States continued to operate 31 different military sites covering a land area of 21,000 hectares and employing 17,700 U.S. military personnel, 4,100 U.S. civilians and 4,200 Panamanians.<sup>36</sup>

### **The US Defense Installations in Panama: An Overview**

It may be noted here that the entire military operations and establishments in Panama were under the command of the United States 'Southern Command' (Southcom) which functioned as one of the nodal defense establishment of the

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<sup>36</sup> Ibid.

United States for the whole of Latin America. Southcom was located at Quarry Heights in the Pacific end in the Ancon Bolboa area and the command was made up of Army, Navy and Air Force components. Other than the defense of the canal, Southern Command was responsible for supervising U.S. military aid programmes and providing U.S. military representation through out Latin America.<sup>37</sup>

Under the Southcom, the U.S. military installations had proliferated all along the 500 sq. mile canal zone and 70% of the zone was under the direct control of the Southcom. The Pacific end and the Atlantic side of the canal however, had very well developed defence facilities to guard the canal from war eventualities. Close to the Southcom, on the Pacific end were also located the subordinate headquarters of the three components of Southcom. Also in this area, the Howard Air Force Base was located on which tactical air-craft and a commando squadron were stationed. Again, an army mechanized battalion, an airborne battalion and a logistic support complex were also located on the

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<sup>37</sup> For a good understanding of the extent of the U.S. military presence in the canal zone see Denison Kitchel, *Op.cit.*, pp. 127-38. Also see conversion survey 1996, *Op.cit.*, pp. 190-1 & 208-9.

Pacific side. In addition to this, the Air Force had the Tropical Survival School on the Pacific side and other than the naval training assignments, the Navy, in the Pacific side had the Rodman Naval base which provided training facilities for the naval officers of Latin American countries.

On the Atlantic end, in addition to Special Forces Group, Fort Sherman was located where the Army had the Jungle warfare Training Centre and the Navy had Galeta Island Naval Security facility.

The School of Americas and the Inter-American Air Forces Academy however, provided a distinction to the U.S. Southern Command in Panama. The Army operated School of Americas where General Omar Torrijos had learnt his military lessons. Starting from 1949, by the end of 1970s, the School had the distinction of graduating well over 50,000 officers who later influenced the political course of Latin America to a large extent. In addition, they were also taught about the threat of communism to the peace and security of western hemisphere and were largely indoctrinated into the



virtues of the United States leadership in the region.<sup>38</sup> On the other side, the Inter-American Air Force Academy completed the military package offered by the United States Southern Command in Panama.

All the defense establishments which included Fort Clayton, Fort Espinar/Davis, Fort Kobbe, Fort Sherman, Howard Air Force base, the Panama Canal Naval Station and the Galeta Island Naval Security facility alongwith smaller defense positions, several housing and residential areas, the Gorgas Hospital complex, industrial and storage areas, golf courses, air ports, schools, theatres, hotels, bowling alleys, recreational facilities and 328,645 acres of prime real estate were stated to be reverted to Panama between 1995 and 1999. At noon, 31 Dec. 1999, the whole canal was slated to be handed over to Panama bringing the curtain down on the nearly century old American occupation in Panama.

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<sup>38</sup> The School of Americas trained the young officers the usual course of military requirement. However, it also trained them with specially designed guerilla warfare techniques, urban and rural counter insurgency measures and all that needed to groom an officer to suit the contemporary politico-military requirement of Latin America. Apart from building well trained military officers, the School of Americas also provided the necessary ambience for the officers to ideologically orient them with the capitalist order and develop antipathy for the radical communist approach.

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### **Panama Prepares for the Take Over**

The question of transfer of the canal to Panama involved many challenges. The operation of a massive canal enterprise along with its complex facilities ranging from canal transit to ship repairing, support services, maintenance, marketing etc. essentially requires a network of professional services. Above all, in a competitive atmosphere of today, it was required that Panama should continue to provide cost effective and international standard transit and other facility so that the water way not only functions effectively but remains a viable water way of 21<sup>st</sup> century too.

Other than the engineering upgradation of the canal, since the canal was to be transferred to Panama, it was provided in the treaty that the Panamanian work force who are ultimately going to manage, operate and maintain the canal after 2000 A.D., be trained adequately during the interim period so that at the beginning of the new millenium, the Panamanian work force could take over the responsibility of maintaining the canal efficiently.

As a result of this requirement, starting from the post 1977 treaty period, around US \$ 10 million was being spent every year on training programmes to the Panamanians.<sup>39</sup> By the beginning of 1990s, therefore, Panamanians comprised more than 87% of the canal's seasoned work force and occupied positions in the high skilled areas of the canal operation as well as canal organization. By 1997, Panamanians constituted 93% of the canal workforce.<sup>40</sup>

As provided in the treaty, Gilberto Guardia Fabrega was sworn in as the first Panamanian Administrator of the Panama Canal Commission on 20 Sep. 1990. Guardia was nominated by the Government of Panama and was appointed by United States President George Bush. For the first time in the canal history a Panamanian national headed the canal operations and the second in command was an American national.<sup>41</sup>

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<sup>39</sup> Panama Canal Commission paper, Op.cit.

<sup>40</sup> The remaining 7% workforce who are not Panamanian nationals have been given the option to continue or quit. Given the skilled work they perform, the choice of continuing with them seems to be compatible with the canal requirements. For details see Ibid.

<sup>41</sup> Internet, <http://www.pancanal.com/ctransition/milestones/> "Panama Canal Transition Milestones", p.2.

## **Millenium And Beyond**

Given the requirement of transfer of massive immovable property and the numerous revenue generating facilities to Panama at the turn of the century, there were speculations that it will have an adverse impact on the Panamanian real estate and there could also be massive governmental corruption in the reutilisation of the said property and facilities. In order to draw up an economically profitable conversion plan for the reverted facilities, an Inter-oceanic Region Authority (ARI) was established by the Government of Panama in February 1993 under the direction of Nicolas-Ardito Barletta, the former President of Panama.<sup>42</sup>

## **ARI: The Vision for Future**

Under the direction of Barletta, Panama started offering unparalleled opportunity to the international investors to invest in the Panamanian real estate sector. It is indeed a historical development that, due to the American

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<sup>42</sup> Internet <http://www.ari-Panama.com/ari-ing2.htm> "General Information", p.2.

base closure in Panama, a rare and extensive global investment opportunity has been thrown open. More so, when the world is moving more towards privatisation and countries in order to capitalise on the new market trend are looking for more foreign direct investments, the facilities available with Panama indeed provided a source of great economic value.

Taking advantage of this veritable treasure trove, Panama embarked on a very profitable conversion plan. Most of the reverted facilities are advantageously located either at the Pacific or at the Atlantic entrance of Panama. In addition, ARI also looked forward to effectively encashing on the unique geographic location of the country as a great meeting point or a transit heaven to exploit the tourism potentials of the country.

ARI plans to convert these facilities include building of export-processing zones (EPZs), eco-tourism centres, maritime service and facility centres, educational tourism and the like, so that Panama can adequately exploit the potentials of the areas. Estimated to be of the value of

around US \$ 6 billion real estate, the conversion plan accordingly includes many catchy projects like developing a 'city of knowledge' to draw students and academicians from all over the world. ARI is also actively working to invite international investors for a wide range of shipping related activities like creation of container ports, ship handling facilities, salvage operations, maritime insurance and all that. In addition, the largest ports like Cristobal and Bolboa are being privatized with a special thrust on their modernisation.

Matching to the ARI's ambitious plan, there are suitable changes in the Panamanian laws to provide deregulation, tax and investment incentives, open trade, more flexible labour conditions and all that takes to create the environment for a free trade growth. Above all, there appears to be a firm governmental commitment to make a successful conversion of the facilities so that Panama can be put on the track of economic development.

## **The Transitional Politics**

The 1990s, the post invasion period was a crucial decade for both Panama as well as for the United States as both the countries were to prepare for the next stage of action. As far as Panama was concerned, it was the last decade of the American legacy in Panama and the culmination of the century old unholy alliance which the Panamanians had to agree very rebelliously. It was also the decade for the final take over of the Panama canal - the canal that had been the source and symbol of Panamanian national struggle and epitomised the pride and sovereignty of the country.

The turn of the century therefore was not merely a magic millennial date for Panama but a new beginning for the country where, along with gaining control over the canal zone and the vast other revenue earning resources, Panama also comes to shoulder the responsibility of maintaining and operating the water way as a viable water way for international shipping. Along with the promise of economic opportunity, the canal therefor stands as a challenge to

demonstrate the shippers of the world that Panama is capable of maintaining and operating the water way as efficiently and economically as the United States had done and the canal, in the hands of Panamanian management would continue to be an important artery of international trade and commerce in the future time to come.

Other than the beginning of extended participation of Panama in the operation and management of the canal, the decade brought in an atmosphere of political change. Though imposed by the United States, Panama in reality returned to electoral democracy after a lapse of two decades. After 1994, the democratic process in Panama was further strengthened by a relatively more free and fair election. Dr. Ernesto Perez Balladares, contesting on PRD nomination won a comfortable victory to Panamanian Presidency.

The United States on the other hand had different compulsions. Having guided the destiny of Panama from a neglected province of Gran-Colombia to the present state of global maritime cross road, the United States indeed had a better understanding of the political pulse of the isthmus. Replacing hostile Noriega regime with a United States



backed government had the advantage of better bilateral interaction and accomodation of each others interests. Now in the face of the imminent withdrawal from the canal zone, the United States backed democratic government in Panama became a suitable vehicle to pursue the United States abiding interest in the canal zone. In the post Noriega period therefore, the United States not only provided economic help to rebuild the economy of Panama but extended possible political support towards the consolidation of democracy in Panama. Along with the politico-economic support, the United States also opened a new front of canal negotiation that aimed at redefining the United States canal interests beyond the millenial deadline. This time however, the United States made a veiled proposal of instituting a regional drug monitoring centre which would ultimately provide the United States a legal foot hold in the canal zone of Panama beyond 2000 A.D.

#### **Anti-drug Monitoring Centre**

In the first year of Dr. Balladares' Presidency, again began the crucial negotiation between the two countries that

were to influence the United States withdrawal from the water way of Panama by 31 Dec. 1999. On 6 Sep. 1995, President Balladares confirmed that during his visit to Washington, he and President Bill Clinton had agreed to explore the possibility of maintaining the United States military presence in Panama beyond the year 2000.<sup>43</sup> Prior to that, the conservative Republicans had introduced a resolution in the U.S. Congress in favour of the extension of the United States military presence in Panama beyond 2000 A.D.<sup>44</sup>

In another development the United States Southern Command in Panama reportedly proposed the Panamanian President in August 1995 that four of the United States military bases and 5000 U.S. troops be retained in Panama after the expiry of the treaty primarily to fight regional drug trafficking activities and to defend the United States transit of the canal in times of war.<sup>45</sup>

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<sup>43</sup> Keesing's Record of World Events vol. 41, No.9, 1995, p. 40721.

<sup>44</sup> Interestingly in July this Congress resolution was attached to the US Senate's foreign aid bill so that a favourable response from the Govt. of Panama could be obtained. For details see *Ibid.*

<sup>45</sup> In a similar vein, the Southcom also moved the tactical proposal for retaining the US base and troops to highlight that it will be beneficial for Panama. However, it was the United States diplomatic move to gain foothold in Panama even after the expiry of 1977 treaty.

Added to these developments, strangely enough, a section of the Panamanians, rightly or wrongly, appeared to believe that the continuation of the American presence beyond 2000 A.D. would help offset the adverse economic impact of the pull out. Infact there was an element of truth in it. Given the track record of conducting the state craft in Panama, lack of committed leadership and the ruling elite's apathy to the institutions of state, there was reason to believe that once Panama gains control over the canal operation and management, the officialdom who would be entrusted with this responsibility would use it for personal political or economic considerations and corruption would be a part of the canal management.<sup>46</sup>

Whatever merit there may be in this argument, viewed from the Panamanian national interest and the nearly century old humiliation, the Panamanians have suffered due

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<sup>46</sup> Corruption in high offices is a major cause of under development of the most of the developing countries. There is no transparency nor accountability in the public administration system. As far as Panama is concerned, it is evident that neither the country had a long tradition of democratic governance nor the leadership is known for their integrity. Panama reportedly had been a safe heaven for drug peddlers and there are instances where not only the administration provided patronage to such activities but reportedly, the governmental security forces have provided security cover to such criminal elements. Even President Perez Balladares within months after being elected as President, admitted that he had unknowingly received money from a Colombian drug cartel. In a scenario such as this, it is not a misplaced apprehension that once the country gains control over the canal and the facilities all around the canal, it won't be mismanaged.

to the hegemonistic presence of the United States in their country, this petty economic balancing at the end of this century does not really argue well for such a consideration. More so, when Panama has earmarked on a massive take over package and has established autonomous bodies to oversee the entire transfer process, knowing very well that it will be devastating for Panama to mismanage this millennial opportunity, where is the question then of eulogizing and immortalizing the abilities of the colonial masters. Isn't the Suez canal operational independent of their British masters? After all, throughout the 20<sup>th</sup> century Panama canal had been the most effective rallying point for the Panamanians against the American hegemony! Otherwise also, Panamanians can very well learn from their own mistakes and gradually emerge as efficient managers of the canal enterprise.<sup>47</sup>

In the final run up to the United States withdrawal from the water way, on 23 December 1997, Panama and the United States reached a tentative agreement that the United

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<sup>47</sup> In spite of difficulties, Panama need not have to depend on the United States to set the Panamanian house in order. Panama should take up the millennium challenge and evolve a kind of system to manage the canal so that the country economically benefits and put in the road to prosperity.

States would be allowed to maintain troops even after relinquishing the control over the canal in December 1999.<sup>48</sup>

The most interesting development in this context was the United States regional anti-drug trafficking initiative which was linked to the United States troop withdrawal from the Panama canal area. The variety of drugs that are cultivated and processed in the Andean region, find their ultimate destination to the markets of the United States and Europe. However, the United States provides the largest market for these Latin American drugs throwing open a socio-economic and legal challenge to the United States. Panama, in the network of drug peddling has been a traditional safe heaven for transitional facilities. Successive governments of Panama are known to be tainted with the drug-trafficking involvements and the beneficiaries of money laundering network. Internationally also Panama is known for the country's expanded liberal banking network which has played a very active role in channelising the international

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<sup>48</sup> Keesing's Record of World Events vol. 43, No.12, 1997, p. 41953.

drug money.<sup>49</sup>

In the overall scenario of drug trafficking in Latin America and the United States resolve in fighting the menace, the US-Panama tentative agreement on 23 December 1997 proposed for the establishment of a Multinational Anti-narcotics Centre (CMA) in the United States military base in Panama.<sup>50</sup> Needless to say, like the traditional United States aid being directly linked to the United States political interests, just before CMA proposal, International Monetary Fund (IMF) approved a three year credit loan for Panama for an amount equivalent to US \$ 120 million in a special drawing rights. This was provided under

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<sup>49</sup> Roberto Eisenmann, "The Struggle Against Noriega" Journal of Democracy, Op.cit., pp.41-6. For a broader understanding of the drug network in Latin America see E.D. Magnuson, "Showing Dragon's Teeth", Time International (New York), Vol. 135, No.1, January 1, 1990, pp.42-4.;

John Moody, "A Day with the Chess Player", Time International (New York) Vol., 137, No. 26, July 1, 1991, pp.14-6.;

Luis Vasquez Medina, "Bush Administration's Drug Policy is Vietnamizing the Andes", Executive Intelligence Review (Washington, D.C.) Vol. 17, No.44, November 16, 1990, pp.58-9.;

Elaine Shannon, "New Kings of Coke", Time International (New York) Vol. 137, No. 26, July 1, 1991, pp.9-13;

Gretchen Small, "How the Traffickers launder Drug Money", Executive Intelligence Review (Washington, D.C.) Vol. 17, No. 43, November 9, 1990, p.39.

\_\_\_\_\_, "Bush helps Narco-Terrorists Eliminate Military Foes", Executive Intelligence Review (Washington D.C.), vol. 17, NO. 44, November 16, 1990, pp.54-6.

Jill Smolowe, "A Chat About Drugs", Time International (New York) vol. 135, No.8, February 19, 1990, pp.32-3.

<sup>50</sup> Keesing's Record of World Events vol. 43, No.12, 1997, p. 41953.

the extended fund facility to support the medium term economic reform programme for the years 1998-2000.<sup>51</sup>

From the United States point of view, the Anti-Narcotic Centre (CMA) was to represent a regional mechanism against the drug menace which has plagued the region and has already become a trans-border problem. In that context, as far as the United States and Panama are concerned, such a centre would provide a bulwark for a proactive initiative against the drug menace of the region. The proposal envisioned a US-Panama partnership which was to transcend the millennial dead line and help accommodate the US interest in Panama. However, beyond the drug menace, the CMA initiative, evidently was a political design to ensure the United States presence in the canal zone even after 1999.<sup>52</sup>

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<sup>51</sup> Ibid.

<sup>52</sup> It is interesting to note that if the United States withdraws totally from the canal zone, though it would have the right to deploy military forces even after 2000 A.D. if the neutrality regime of the canal is ever threatened, yet, it will be difficult for the United States to use this provision as and when she wants. There will be adverse public opinion and other allied difficulties. Whereas, if the US continues to maintain base and troops in Panama even after 2000 A.D., it will be far more easier for them not only to protect the American interest in the canal zone but to retain the flag post of regional security surveillance mechanism.

The CMA as the United States proposed were to be stationed in the United States military base in Panama. A Directors Council representing the Foreign Ministers of the participating countries were to be constituted for monitoring the mission of the CMA and the Council be chaired by the Foreign Minister of Panama. In order to take military initiative against the drug peddling activities, some 2000 United States troops were to be assigned to the centre. In addition to the United States troops, the participating countries of CMA including Panama were to participate by commissioning their respective countries troops for the purpose.<sup>53</sup>

The neutrality pact of the canal, in the Carter-Torrijos treaty of 1977 had indeed permitted the two countries to negotiate if both the countries agree to, for a new U.S. military base in Panama.<sup>54</sup> However, the United States continuance in the canal zone beyond the treaty stipulation in the pretext of fighting the drug war of the region was visualised to be the source of possible problems of different magnitude and was apprehended to pave the way for the

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<sup>53</sup> Ibid.

<sup>54</sup> See Appendix E.



United States to influence the internal political affairs of Panama so as to facilitate the primacy of the American sphere of influence. Such a design, though outwardly projected to be a multilateral mechanism, was very rightly speculated to be the source and the steering factor of the United States interests in the region which will be camouflaged in the name of multi-lateralism.<sup>55</sup>

Many sensitive areas are involved in such a design. However, the fundamental questions involved in creating such an establishment are: what would be the mandate of CMA? who will interpret the situation at a time of disagreement? who will protect the interests of the participating countries from the United States overriding influence? Apart from the legal and political apprehensions, there remains the million dollar question that, what is the recourse if the CMA becomes an instrument of United States military intervention?

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<sup>55</sup> Given the track record of the United States operational mechanism in Latin America, it will be well founded to believe that the United States would use such multi lateral institutions to further the United States interests.

In fact, except for the presence of other Latin American countries military personnel and the Panamanian police, the CMA as proposed by the United States had little difference than the anti-drug centre that operated by the U.S. Southern Command at the Howard Air Force base where information from radars, surveillance aircraft and informants were processed. From the Panamanian side, there was a strong move from a powerful section involving the government of Panama to agree to a kind of US directed anti-drug centre in Panama.

The United States last attempt however failed. In spite of arguing heavily in favour of CMA, the United States finally lost the battle in September 1998 when the Panamanian Foreign Minister Jorge Eduardo Ritter declared that both the countries failed in the negotiation over the CMA.

The failure of CMA proposal worked a decisive blow against the United States. Though both the countries after the rejection of the CMA proposal waited for the formal and ceremonial good bye to each other on 31 December, 1999, the nearly century old hegemonistic presence of the United

States in Panama effectively ended in September 1998. The United States interest in maintaining a token military base, particularly the Howard Air Force base turned out to be a millennial shock to the United States policy makers.

The United States last troops pulled out from the Quarry Height on 8 Jan. 1998 and finally the United States closed the Howard Air Force base and its anti-drug mission in Panama on 5 May 1999. The developments in Panama is seen to be a major set back to the United States Latin American policy. Since the Howard Air Force base was closed, the main anti-drug task force was shifted to Florida. The shifting of the anti-drug task force however, not only closed a bizarre period of Panamanian history where the United States functioned as a near colonial master of the isthmian country, it also brought down the century old US-Panama relations to a near definite end.

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## **CONCLUSION**

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## CONCLUSION

Standing at the dawn of the new millennium, it is indeed fascinating to flash back at the overwhelming events and the turbulent course of history that shaped the political contours of the isthmus of Panama in the previous century. Beginning from the days of Balboa, the unique geographic location of Panama, heavily influenced the colonial empire builders to develop a global political and economic perspective centering the geo-strategic strength of the isthmus. The Spaniards used the rough roads of the isthmian highway to transport the unaccountable riches of the New World to Spain and Europe. British naval presence along the Central American sea corridor, impressively declared an unspoken colonial contest in the region to win over the strategic sea gateway. France and the French Canal Company's vision in Panama, opened a new vista for the maritime traders and strategists of the world.

Evidently, standing at the crossroads of the world, the isthmus of Panama has all along been a corridor of passage and therefore, the theatre for external forces and

factors. In the 20<sup>th</sup> century, the United States replaced all other foreign ambitions in the region and redefined the scope and ambit of the regions political and economic orientation. Unfortunately however, the most spectacular part of the United States entry into the isthmian politics was, unlike the other foreign powers, the overriding presence of the United States not only took hostage of the country but distorted the political landscape of the isthmus to an extent beyond recognition.

Omar Torrijos, in the course of the canal negotiation in the 1970s, provided a precise and very appropriate insight into this distortion saying that by making Panama independent, the United States acted like a mid wife but unfortunately kept the 'baby' as a payment for her services. To a large extent, this explains the entire gamut of US-Panama relationship.

Truly, Panama is called the 'cross roads of the world' not merely because the two Americas come together here and the Pacific meets the Atlantic; it is here virtually the nations of the world meet together - a mid point that at once unites

and divides. More than the engineering marvels, the building of the Panama canal, in the context of providing a shorter transit way, is a notable contribution to humankind. Panama however, paid a heavy price for this canal venture -- the canal effectively divided Panama into two halves and the United States as a price for her leadership in building the canal, carved out her own area of near sovereign jurisdiction within the nation state of Panama and successfully dominated the political and economic course of the isthmian country for the entire span of the 20<sup>th</sup> century.

### **Intervention and Accommodation**

The United States' interventionist policy approaches towards Latin America and Caribbean is now an overly analysed subject. Ever since the Morroe Doctrine laid the foundation for the United States 'Manifest Destiny', the southern neighbours were systematically forced to a state of dependency. In the 20<sup>th</sup> century, the single most incident that characterised the under currents of the United States policy postures towards Latin America was the legacy of

interventionism. The whole of the region became the casualty of the United States' series of interventions and time and again, the United States invented new excuses to pursue her interventionist policy.

Panama, as far as the United States interventionism was concerned, did not present a different picture at all. Small or big and overt or covert, the United States as of now has conducted as many as nineteen interventions against Panama -- the maximum interventions against any single country of the region. Along with a near colonial control over the strategic canal zone, the United States periodic interventions, arbitrary interference and high handedness caused extensive damage to the political institutions of Panama and even left the sovereign character of the country in doldrums.

Panama, however had some distinction in this regard than the fellow Latin American countries. Given the strategic importance of the canal zone, from the very early days of the American ascendancy in the region, the isthmus had remained in the priority area of the United States policy



makers. Be it a bulwark of military security or an all out effort to build the inter- American collective mechanism or the highly published 'Alliance for Progress', Panama always remained in the forefront of the United States policy making.

'Accommodation' was another facet of American policy postures towards Panama. While the military interventionism largely defined the nature of American policy towards Panama, the United States, on many occasions accommodated the Panamanian demands and aspirations and made periodic policy changes to contain the Panamanian growing resentment. Notable in this context was the 1936 treaty, the 1955 treaty, the American decision to display the Panamanian flag in places of importance in the canal zone and finally, inspite of a heavy domestic opposition, the United States agreement for the 1977 treaty which virtually reversed the American decades old dominance in the canal zone and accommodated the Panamanian political and economic demands. In an effort to open a new dialogue with Latin America and to renew the confidence of the region on the United States leadership, Panamanian vital demands were accommodated at the cost of losing the strategic US

positions that ultimately paved the way for surrendering the entire canal zone to the Panamanians.

### **Rhetoric Versus Reality**

The military security perspective associated with the canal zone and the economic implications of the waterway in a fast changing world, became the causality of the United States' projected policy postures and the policy realities at the ground level. In the post second world war period, beginning with the growing Panamanian nationalism, when the canal zone and the United States ever increasing dominance in the area became more and more focussed, the United States adopted a dual policy approach. At the rhetoric level, the United States projected one stand whereas, at the ground level, pursued the policy in conformity with ground realities. It is important to observe in this context that, the United States began to downplay the security and economic implications of the canal on the one hand and on the other, continued to pursue a policy of holding on to the canal zone by means of bargaining, appeasement, pressure

or campaign to disorient the people of Panama from the canal issue.

As far as the strategic dimension of the canal zone was concerned, after the first test of the nuclear bombs against the Japanese city of Hiroshima, the myth of building safe security cordons lost credibility . As far as the canal zone was concerned, its vulnerability to nuclear attacks became a major concern for the United States in the very early days of the post second world war period when the balance of power equation took a serious dimension. It is in this context, the United States, in the post war period, wanted more and more military bases around the canal zone and also a stepped up security network around the isthmus to protect it from a possible missile guided nuclear attack. In this strategic sense, there was massive opposition from Pentagon as well as from many US military strategists including, former Chiefs of Staff against the Carter administration's move towards a treaty negotiation where the canal was to be finally surrendered to Panama.

It is evident however, that, contrary to the ground realities of the strategic dimension of the canal zone, at the rhetoric level, the United States continued to highlight the receding relevance of the water way. In the post second world war period, the United States highlighted the nuclear vulnerability of the canal zone to down play the zone's strategic relevance and subsequently continued to project that the canal is no more important for the United States

In the economic front, similarly, when the United States was using it so extensively and had virtually developed a degree of dependency on the canal zone for over 20% of the country's sea borne exports and 8% of the imports, it still projected the water way as a zone of receding economic value but was not prepared to give up control over the zone. Rather, the United States participated and provided leadership to upgrade the water way and develop it as an important maritime transit way of the 21<sup>st</sup> century. Similarly, while dealing with the political process of Panama or more particularly, while responding to the political developments in Panama, the United States conveniently maintained duality in policy approach and in most such

cases, while protecting the US interests in Panama, projected a policy position that was so different.

The United States opposed the political anomalies of Panama in principle and wherever required, highlighted the country's inability to develop a responsive and dependable political process in the country. Quite contrary to this rhetoric, the United States participated to a large extent in distabilising the political process of Panama even violating the legal obligations enshrined in the 1977 treaty. Secondly, since the Panamanian nationalists targeted the United States control of the canal zone, the United States naturally did not appreciate the nationalists coming to power in Panama. Arnulfo Arias therefore was an obvious target of the US in Panama. However, the United States instead of addressing the nationalists, always found the way to dub them as communists and Cuban or Soviet stooge and discounted their political relevance. The same Arias who was unacceptable to the United States, in 1968 became acceptable, thanks to the behind the scene political compromises.

The same approach is also applicable in the case of Gen. Torrijos and Noriega. While Torrijo's refusal to antagonise the United States made him acceptable in the beginning years of his leadership, his decision to lead the nationalists demand made him a target of destabilisation. It was however, the General's balancing act between the nationalists aspirations and the United States interests in Panama that provided him the opportunity to continue in power.

The United States policy rhetoric became glaringly contradictory even during the Noriega days. Noriega was apparently in the CIA payroll and was happily promoted and tolerated as long as he had not become a liability. Also, the United States while accusing Noriega of corruption, drug involvement etc., very effectively used him against the Sandinista government and the Cuban government, knowing pretty well that he was a double dealer. However, subsequently Noriega was dubbed as a dictator, drug dealer and hijacker of the political process of Panama and was deposed.

## **A Paradigm of Monopoly**

As has been explained earlier, it is evident that, behind the duality of rhetoric versus reality, there always remained the guiding factor of unilateral control over the canal zone of Panama. The United States understandably wanted monopolistic position over the water way so that, it can suitably be tailored to supplement the United States global security requirements as well as serve as the fulcrum of the United States strategic build up in the middle of the Americas.

It is essential in this respect to take cognizance of the two pronged security dimensions that underpinned the strategic imperatives of the waterway. One that defined the role of the water way in the conventional warfare, where the canal provided the United States a significant strategic advantage by allowing the US navy to ferry the troops between the Atlantic and Pacific oceans to respond to military exigencies across the world. Very interestingly, starting from the Guantanamo naval base in the Caribbean waters down to Panama canal and again, the Hawaii base in

the Pacific, the United States possessed a chain of bases in the two oceans and built a strong naval security net work. The United States very effectively built a paradigm of two-ocean strategy that, apart from providing maritime security, influenced the global strategic prospect of the United States. No wonder then, that, given the geo-politically strategic location of the Panama canal, it virtually functioned as the mid point of the United States' two ocean naval arrangements and accorded the United States a distinct strategic advantage. Along with the global security arrangement, the 'Southcom' in Panama functioned as a perfect United States naval out post right at the centre of the Americas to monitor to a large extent, the strategic and political thinking of the Latin American region. In addition, the canal also facilitated the movement of goods and services at a lesser cost and reduced the maritime distance, which, from the economic point of view helped the United States a great deal.

Away from the era of conventional war fare, after the second world war, when the entire gamut of threat perceptions and threat assessment under went a



metamorphic change; and the climate of strategic consideration, more and more shifted to the dimensions of nuclear capability, the United States' canal vision also underwent change. This perspective took into consideration the fast changing global security scenario and in the light of the contemporary strategic environment, redefined the role of the isthmian waterway both from the military point of view and from the perspective of the canal's ability to influence the economic landscape of the world.

Beyond the frame work of the Monroe Doctrine, during this period, the United States understood the role of the water way as an inter - oceanic choke point, that apart from the strategic advantage, provided the leverage of access to the global raw materials and the markets of the world by saving the United States to transfer majority of her air-craft carriers between the two oceans. It also accorded the ability to accommodate the ever expanding global maritime trade, without having to sustain the additional costs of time, distance and personnel by traversing around South America.

Viewed from the angle of maritime trade and the degree and extent of the United States dependence on the maritime corridor of Panama, it is evident that the United States not only developed a strategic dependence on Panama canal, but a degree of economic dependence also grew on the water way. In this context, it is very important to mention that, the Panama canal, in the post second world war period, assumed greater policy significance where the United States combined both the strategic and the economic imperatives of the canal zone. The United States therefore, in the post war period, took a cumulative view of the canal zone and while fighting the strategic dimensions of the cold war; the zone also began to be perceived as a maritime zone of immense economic value.

Evidently therefore, the United States not only wanted a state of monopoly control over the canal zone but wanted the continuance of it for an indefinite period.

## **The Dependency Image**

The United States' presence in the isthmus, in many ways began to unfold in the role model of the prime actor in the region. Panama was not only relegated to a subsidiary role, but the United States assumed the role of a 'patron' over Panama. The US in a number of occasions demonstrated that patron role even to influence the Panamanian foreign relations. During Suez crisis, not only did the United States discourage Panamanian leadership to emulate the crisis, she even openly declared that the Americans will represent Panama in the Suez Canal User Countries Convention. As far as the domestic issues were concerned, from the very beginning of the United States entry into the isthmus, Panamanians were projected to be a dependent lot which continues till today.

In the early days, there were occasions where the striking police force in Panama have been told to call off strike lest, the United States troops will deal with them sternly and the trick had worked. The United States, during those days, even went to the extent of disarming the

Panamanian police force on the pretext that it is not necessary for the Panamanian police to be armed with rifles. The United States' 'patron' role which was instituted by President Theodore Roosevelt, was perfected by the successive US governments and Panama was rendered a dependent country. It is important in this context to note the growing Panamanian dependency on the United States for the political as well as economic policies. The oligarchy, though led the country for a good span of time, was highly dependent on the United States for their continuance. Even, the Panamanian leaders who championed the causes of the nationalists, eventually dealt with the United States in private. Leaders like Arias also realised that, without accommodating the United States' interests, he can not effectively consolidate power in Panama. General Torrijos also was no exception to this dependency factor and at the crucial moments of canal negotiation in early 1977, he virtually derailed the momentum of negotiation by suddenly replacing the Panamanian chief canal negotiator with a person favourable to the United States. The then foreign minister of Panama, Aquilino Boyd who was known for his radical approach was replaced by Nicolas Gonzalez who

earlier had served the US City Bank and was acceptable to the US to head the Panamanian canal negotiation.

During the Noriega regime, the dependency factor also became equally prominent. Noriega depended heavily on the United States to consolidate his position and as a price, willingly placed himself with the United States to work against the communist regimes of the region. Again, when Noriega fell out of the good books of the United States, the entire political opposition in Panama heavily depended on the United States to remove Noriega from power. The Reagan administration as well as the Bush administration, however, time and again discounted the potentials of internal political opposition to Noriega. Starting from the 1984 electoral fraud and the Noriega regime's suppression of political opponents through pressure tactics and violence, the United States, in all such cases remained non-committal. Even when internal military coup was mounted against Noriega to the extent of nearly capturing him, the United States remained non-committal.

The United States ultimately chose to intervene years later when the political leaders in Panama like Ricardo Arias Calderon, Guillermo Endara, Arnulfo Arias and many others along with their political and military mentors openly asked for the United States to intervene and set right the political crisis in Panama. As though obligingly, the United States finally intervened in Panama to demonstrate to the world that they came to rescue the people of Panama from the terrors of the Noriega regime.

### **The Cold War Dynamics & Panama**

It is indeed fascinating to examine the role of Panama and the canal zone in the context of the United States overall anti-communist initiatives. It is important to note that, coinciding with the gradual surfacing of the cold war compulsions, the political process and the state of affairs in Panama, both politically as well as economically were put to a terrible test of instability. The military prompted political instability, was further compounded by post war economic difficulties and the United States' receding investments in

Panama. In another sphere, this was the time when perhaps the 'Panamenismo' was shaping up as a strong political force to make the ground further suitable for the communist ideologues to emerge. This was also the time when the United States forcibly occupied many areas in Panama to build military bases and refused to vacate them inspite of prior commitment. Perhaps, the United States' imperial order in Panama was at a heightened state of provocation and was a very effective rallying slogan which culminated with the flag riot of 1964.

Inspite of this plethora of favourable conditions, Panama, perhaps produced the least of the communist ideologues in the region and the United States had difficulty in blaming the political trouble in Panama, on the communists. Arnulfo Arias said to have had communist contacts in Europe but he was actually a radical nationalist. Remon found nationalist slogan more suitable for political mobilization in Panama. The OAS also testified time and again that the communists in Panama were not at all behind any trouble as alleged by the United States.

The virtual absence of communists however, did not deter Panama to be the explicit theatre of the United States' communist offensives in the region. It was the vast canal enterprise and its security was a projected concern for the United States; and the expanded strategic net work around 'Southcom' was the resultant security preparedness. However, it was this strategic net work in Panama that stood guard to the United States myriad communist offensives in the region. Added to this, the School of Americas very effectively supported the United States cold war mission by providing field training and political indoctrination to the young military officers of Latin America and Caribbean.

The government of Panama, at various stages, also collaborated with the United States to wage war against the communist governments in the region. During the Reagan administration, Noriega willingly worked against the Sandinista government of Nicaragua and also worked against Cuba. Despite his doubtful credentials, the US administration happily utilised Noriega, knowing very well that he also was selling classified information to Cuban government. During Torrijos days also, Noriega was working



as a US agent and it was because of this service, the US intelligence circle was reportedly happier to see the death of Gen. Omar Torrijos. In 1986, the US Assistant Secretary of State for Latin American affairs, Elliot Abrams described Panama under Noriega as the typical cold war dependent ally and reportedly observed that "We have never lacked a sympathetic hearing for our views from Panama's government.... There has been no dispute concerning US military bases in Panama. In a region where we have too many problems, the virtual absence of difficulties about our most significant military bases is notable and beneficial to us". Other US officials like Oliver North, John Negroponte, George Bush and the US intelligence officials found Noriega as a strong cold war ally in the region.

### **Democracy : Options Versus Reality**

Excepting for brief and intermittent period, the isthmian country largely witnessed an absence of democratic order in the country till the United States imposed one in December 1989. At various stages of policy approach, the

United States highlighted the Panamanian inability to develop a process of popular democracy and basing on this premise, also doubted the country's ability to manage the waterway once the United States withdraws from the zone.

Needless to say however, is that, there has been a wide mismatch between the United States' slogan for the region and the actual policy postures that influenced the ground reality. Depending on the convenience, the United States chose to support efforts towards democratisation process and wherever, it was in the interest of the US, it allowed the events to unfold even if its was anti democratic in nature. It may be highlighted that the United States restored democracy in Panama after a gap of nearly two decades by installing Guillermo Endara as the post-invasion period President of Panama.

The midnight barrack democracy however was not to be mistaken as a US policy approach in the direction of the country's slogan for democracy. Had that been the US intention, the United States would not have promoted Noriega to be a de facto ruler of the country nor would they

have neglected the oppositions call for a solution to the Noriega regime. Since Noriega gradually became a political liability, the US administration came to the over all consensus that Noriega is to be deposed. That is where the United States invented democracy for Panama which incidentally laid the foundation for the beginning of a democratic era.

### **The Millennial Shock**

All is well that ends well. Unfortunately however, every thing did not end well in Panama for the United States. Earlier in 1936 and 1955, the United States had accommodated Panamanian demands by agreeing vide the respective treaties, certain of the Panamanian demands. Again in 1977, the United States was partly forced and partly accommodative in agreeing to the Carter-Torrijos treaty. The Carter-Torrijos treaty was the turning point in the history of US-Panama relations. It stipulated the deadline for the US withdrawal from the canal zone and at the same time, provided the scope for the United States' involvement in the

canal zone in perpetuity and also kept the scope open for further negotiation in that direction so that the United States' can possibly continue in the canal zone beyond 2000 A.D. The United States participated in the canal development projects in the post 1977 treaty period, militarily intervened to depose Noriega, installed Guillermo Endara, sanctioned economic aid packages to rebuild the Panamanian economy and so on and so forth. However, all these were directed to create necessary conditions for the United States to continue in the canal zone even after the millennium. It is further interesting to note that the United States was not wanting the continuance of the total control but was desirous of retaining a single defense base i.e. the Howard Air Force base along with a limited troop strength to supervise and monitor the anti-narcotic initiative of the region and to meet other exigencies.

The United States having emerged as a profitable market for the Andean region drugs, the policy makers in the US have attached considerable importance to the drug menace. Apart from this, the cross border dimension of the drug trafficking, the international magnitude of the money

laundering enterprise and the drug money sponsored criminal and terrorist activities have stressed the importance of having a regional approach to deal with the problem. The United States has taken the leadership in this regional anti-narcotics initiative and suffice to say, the US 'Southcom' being located at a strategic point, was overseeing the United States' operational requirements in this direction.

Again, it is also a known fact that, Panama has traditionally provided safe transit to the drug peddling operations. Also, the wide and liberal international banking network that grew during General Torrijos' regime, was utilised to park the money laundered through the narcotic trade.

At a point of time, when the prospect of withdrawing entirely from the canal zone was looming large for the United States, it was quite logical for the US administration to use the pretext of regional anti-narcotic initiative to highlight the importance of the United States' continued presence in the canal zone. Nearly a century old United States' policy approaches towards Panama serving as lessons from history

for the Panamanians and the desire to distance Panama from the United States' tactical moves, the CMA proposal was rejected and the prospect of continuing the US base in Panama along with a multinational troop beyond the year 2000 AD had to be abandoned.

It was a millennial shock indeed that the United States, inspite of best of her initiatives, could not build up her case adequately to convince the Panamanians to agree for a centre like Anti-Narcotic Monitoring Centre to function from the Howard Air Force base. Inspite of projecting the CMA as a regional multilateral initiative, the United States could not convince the people in Panama – thanks to the United States track record of using the regional multilateral forums for the promotion of the United States' goals, this proposal was rejected.

### **Panama : The year 2000 & Beyond**

Having entered the new millennium, apparently two distinct scenarios are building up around the isthmus of

Panama. First, the United States withdrew all her military as well as civilian installations from the Panama canal zone and virtually ended the century old hegimonic presence in Panama. The United States' historic Panama canal legacy initiated in the days of Theodore Roosevelt officially ended on 31 December 1999. Now in the new millennium, the republic of Panama stands all alone as the sole owner of the vast Panama canal enterprise. It is not only the end of a bizarre period of history for Panama but also the beginning of a new era of opportunity and better hopes for the future.

Undoubtfully, Panama is stepping into the crossroads of opportunities. However, the isthmian door is not closed to the United States. The United States' most salient concerns in the canal zone remain unchanged and do not appear to be changing in the near future. Given the United States economic dependence on the canal, the prominent concern for the United States would be the continuance of the efficient and uninterrupted operation of the canal. Secondly, the United States would also be interested in the political stability of Panama so that the canals operational environment remains free of political

possibilities. Thirdly, the canal being a strategic location itself, the United States would continue to evoke strategic concern and periodically evaluate and monitor the strategic build up around the zone.

It is essential in this context to note that the United States, even after completely withdrawing from the canal zone would continue to take active interest in the zone's affairs. May be, the United States would like to influence the affairs in Panama without being a front runner. It is again notable in this regard that, the 'Permanent Regime of Neutrality' of the canal zone vide the United States unilateral right to maintain this regime of neutrality provides the United States the kind of legal footage to find a big brother's role. Therefore, as far as the US-Panama bilateral relations are concerned, the United States, even after the year 2000 AD, would play a vital role and if necessary, would extend this role to intervene in Panama to set right the things.

Apart from the factor of the United States, the isthmus of Panama is gearing up to another complex scenario where, other than the United States, the water way



is becoming a complex theatre for number of other countries – a perfect platform for multilateral initiative. The 1990s indeed has been a miraculous decade for Panama. The experiment with democracy consolidated providing Panama with the first real opportunity to evolve a state craft which is supportive to the millennial transition that the country needed to go through. This also provided the right environment for the investment driven isthmian economy to pursue a sustainable approach to the whole issue. The vast economic opportunities that emerged as a result of the United States withdrawal from the canal zone, accompanied by the Panamanian desire to sell these economic opportunities in the global market, virtually laid the foundation in Panama for the emergence of multiple actors who would influence the isthmian politics through their economic presence.

It is in this perspective, Panama is indeed being drawn into a complex pattern of international system of cooperation and conflict which is adding a different dynamics to the canal politics. Unlike the single power domination that characterised the canal politics in the present century,

Panama, very seemingly is opening up to a competitive environment of foreign direct investments in the country. The emerging competition from the Pacific rim countries has already built a scenario that is so different from the United States' manifest destiny and now, it appears that the United States' monopoly in the isthmus is entering into a model of economic competition.

Japan has already emerged as a major player in the form of the second most user of the canal. Japan also is a member of the canal Tripartite Commission along with the United States and Panama and also is a major partner in the canal modernisation programme. From the days of Torrijos, Japan is considerably active in the canal region. Japan, further consolidated this during the Noriega days by extensively being involved in canal modernisation work as well as in the banking sector. Now, the Japanese multinational construction and shipping companies do offer a difficult time to the United States' interests in the area and there is a seeming discontent that lie just beneath the surface level.

Taiwan is not only another giant competitor in the canal region but is also using the Taiwanese economic power to influence the political cadre in Panama as well as in Central America. As discussed earlier, Taiwan funded the Universal Congress of Panama canal in 1997 to demonstrate the Taiwan -- Panama growing economic and political participation. It may further be noted that, inspite of the Chinese protest over the growing Taiwanese influence in the canal zone which sent alarming signals to the participants of Canal Congress and virtually marred the occasion, Panama seems to be in a path of greater cooperation with Taiwan. Lucrative maritime contracts like creation of export platform, building container terminal in Colon, export processing zone (EPZs) etc. are to a large extent going to herald the Taiwanese influence in the canal zone as well as in Panama.

China, by far is the third largest user of the waterway and given the trend of China's growing strength in the zone, the scenario throws economic as well as political possibilities for the future. The Hong Kong conglomerate, Hutchison Whampoa which has been awarded almost monopoly contracts like building port facilities in both the

entrances of the waterway under a 25-50 years contract, virtually accords China a commanding position in the canal affairs.

So much so, it has sent alarm in the United States Republican circle that the growing Chinese influence in the strategic water way may throw security challenges for the United States in future. Republican Senate majority leader, Trent Lott, Mississippi, in a letter written on 1<sup>st</sup> August 1999 to the US Defense Secretary, William Cohen expressed the anxiety that, since China will be controlling the port facilities in the Pacific as well as Atlantic entrances, the United States virtually lose the strategic choke point to China and the US naval ships will be at the mercy of the Chinese controlled pilots and could even be denied passage through the water way.

President Bill Clinton's administration is squarely criticised for its failure in pushing the CMA proposal. It was alleged that the Chinese stole the US nuclear secrets and in 1996 also funded the Presidential

election campaign of Bill Clinton only to win away the United States global strategic interests.

Trent Lott's apprehensions are certainly exaggerated but not entirely misplaced. Undoubtedly, the isthmian politics has grown beyond the exclusive control of the United States and extra-regional actors are pumping in lot of investments and are building their own sphere of economic presence which is essentially cutting into the United States influence. Panama, in that sense, has emerged as an international market and the market forces appear to determine the shape and size of the future co-operation and conflict in the region.

However, it is essential to remember that the United States vide, the Carter-Torrijos treaty of 1977 holds the perpetual right to maintain the permanent regime of neutrality of the water way -- the patron of the canal's security and the guarantor of the canals neutrality. The United States also continues to demonstrate the ability to guarantee this security regime. Therefore, though the extent of the United States power over the canal zone has

considerably reduced, it is quite unlikely that the United states would be replaced by any other power or group of powers in the isthmus in the near future. Rather, the United States would continue to influence the political environment in Panama to ensure the political condusiveness towards greater economic activities.

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**APPENDICES**

**A - G**

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## B. PANAMA

## Treaty for the Construction of a Ship Canal (Hay-Bunau-Varilla Treaty), 1903

November 18, 1903; ratification advised by the Senate February 23, 1904; proclaimed February 25, 1904; ratifications exchanged February 26, 1904; proclaimed February 26, 1904. (U.S. Stats., vol. 33.)

## ARTICLES

1. Name of Panama.  
 2. Location.  
 3. Limits in Canal Zone.  
 4. Rights.  
 5. Property for construction, etc.  
 6. Property.  
 7. Colon; harbors.  
 8. Canal Company and railroad.  
 9. Entrance of Canal.  
 10. Navigation.  
 11. Dispatches.  
 12. Employees.  
 13. Transition into zone.  
 14. Transition.  
 15. Mission.  
 16. Panama.  
 17. By rules.  
 18. Sport.  
 19. Abolition of existing treaties.  
 20. Debts, concessions, etc.  
 21. Transition of rights under concessionary contracts.  
 22. Entrance of Canal.  
 23. Government, laws, etc.  
 24. Relations.  
 25. Transition.

The United States of America and the Republic of Panama being desirous to insure the construction of a ship canal across the Isthmus of Panama to connect the Atlantic and Pacific oceans, and the Congress of the United States of America having passed an act approved August 2, 1902, in furtherance of that object, by which the President of the United States is authorized to acquire within a reasonable time the necessary territory of the Republic of Colombia, the sovereignty of such territory being actually vested in the Republic of Panama, the high contracting parties have resolved to conclude a convention and have accordingly appointed plenipotentiaries,—

On the part of the United States of America, John Hay, Secretary of State, and

On the part of the Republic of Panama, Philippe Bunau-Varilla, Envoy Extraordinary and Minister Plenipotentiary of the Republic of Panama, thereunto specially empowered by said government, after communicating with each other their respective full powers, found to be in good and due form, have agreed upon and have signed the following articles:



#### ARTICLE I

The United States guarantees and will maintain the independence of the Republic of Panama.

#### ARTICLE II

The Republic of Panama grants to the United States in perpetuity the use, occupation and control of a zone of land and land under water for the construction, maintenance, operation, sanitation and protection of said Canal of the width of ten miles extending to the distance of five miles on each side of the center line of the route of the Canal to be constructed; the said zone beginning in the Caribbean Sea three marine miles from mean low water mark and extending to and across the Isthmus of Panama into the Pacific ocean to a distance of three marine miles from mean low water mark with the proviso that the cities of Panamá and Colón and the harbors adjacent to said cities, which are included within the boundaries of the zone above described, shall not be included within this grant. The Republic of Panama further grants to the United States in perpetuity the use, occupation and control of any other lands and waters outside of the zone above described which may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said Canal or of any auxiliary canals or other works necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said enterprise.

The Republic of Panama further grants in like manner to the United States in perpetuity all islands within the limits of the zone above described and in addition thereto the group of small islands in the Bay of Panama, named, Perico, Naos, Culebra and Flamenco.

#### ARTICLE III

The Republic of Panama grants to the United States all the rights, power and authority within the zone mentioned and described in Article II of this agreement and within the limits of all auxiliary lands and waters mentioned and described in said Article II which the United States would possess and exercise if it were the sovereign of the territory within which said lands and waters are located to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power or authority.

#### ARTICLE IV

As rights subsidiary to the above grants the Republic of Panama grants in perpetuity to the United States the right to use the rivers, streams, lakes and other bodies of water within its limits for navigation, the supply of water or water-power or other purposes, so far as the use of said rivers, streams, lakes and bodies of water and the waters thereof may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said Canal.

## ARTICLE V

The Republic of Panama grants to the United States in perpetuity monopoly for the construction, maintenance and operation of any system of communication by means of canal or railroad across its territory between the Caribbean Sea and the Pacific ocean.

## ARTICLE VI

The grants herein contained shall in no manner invalidate the titles or rights of private land holders or owners of private property in the zone or in or to any of the lands or waters granted to the United States by the provisions of any Article of this treaty, nor shall they interfere with the rights of way over the public roads passing through said zone or over any of the said lands or waters unless said rights of way or private rights shall conflict with rights herein granted to the United States in which case the rights of the United States shall be superior. All damages caused to the owners of private lands or other property of any kind by reason of the grants contained in this treaty or by reason of the operations of the United States, its agents, employees, or by reason of the construction, maintenance, operation, sanitation and protection of the said Canal or of the works of sanitation and protection herein provided for, shall be appraised and awarded by a joint Commission appointed by the Governments of the United States and the Republic of Panama, whose decisions as to such damages shall be final and whose awards as to such damages shall be made solely by the United States. No part of the work on said Canal or Panama railroad or on any auxiliary works relating thereto authorized by the terms of this treaty shall be prevented, delayed or impeded by or pending such proceedings to ascertain such damages. The appraisal of said private lands and private property and the assessment of damages to them shall be based upon their value before the date of this convention.

## ARTICLE VII

The Republic of Panama grants to the United States within the limits of the cities of Panamá and Colón and their adjacent harbors within the territory adjacent thereto the right to acquire by purchase or by the exercise of the right of eminent domain, any lands, buildings, water rights or other properties necessary and convenient for the construction, maintenance, operation and protection of the Canal and of any works of sanitation, such as the collection and disposition of sewage and the distribution of water in the said cities of Panamá and Colón, which in the discretion of the United States may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said Canal and railroad. All such works of sanitation, collection and disposition of sewage and distribution of water in the cities of Panamá and Colón shall be made at the expense of the United States, and the Government of the United States, its agents or nominees shall be authorized to impose and collect rates and sewerage rates which shall be sufficient to provide for the payment of interest and the amortization of the principal of the cost of said works within a period of fifty years and upon the

shall revert to and become the properties of the cities of Panamá, Colón respectively, and the use of the water shall be free to the ports of Panamá and Colón, except to the extent that water may be necessary for the operation and maintenance of said sewers and water.

Republic of Panama agrees that the cities of Panamá and Colón comply in perpetuity with the sanitary ordinances whether of a preventive or curative character prescribed by the United States and if the Government of Panama is unable or fails in its duty to enforce compliance by the cities of Panamá and Colón with the sanitary ordinances of the United States the Republic of Panama grants to the United States the right and authority to enforce the same.

The same right and authority are granted to the United States for the maintenance of public order in the cities of Panamá and Colón and the territories and harbors adjacent thereto in case the Republic of Panama should not be, in the judgment of the United States, able to maintain such order.

#### ARTICLE VIII

Republic of Panama grants to the United States all rights which it has or hereafter may acquire to the property of the New Panama Canal Company and the Panama Railroad Company as a result of the cession of sovereignty from the Republic of Colombia to the Republic of Panama over the Isthmus of Panama and authorizes the New Panama Canal Company to sell and transfer to the United States its rights, privileges, properties and concessions as well as the Panama Canal and all the shares or part of the shares of that company; the public lands situated outside of the zone described in Article I of this treaty now included in the concessions to both said enterprises and not required in the construction or operation of the Canal shall revert to the Republic of Panama except any property now in the possession of said companies within Panamá or at the ports or terminals thereof.

#### ARTICLE IX

The United States agrees that the ports at either entrance of the Canal and the waters thereof, and the Republic of Panama agrees that the ports of Panamá and Colón shall be free for all time so that there shall not be imposed or collected custom house tolls, tonnage, anchorage, berth, wharf, pilot, or quarantine dues or any other charges of any kind upon any vessel using or passing through the Canal whether engaged in or employed by the United States, directly or indirectly in connection with the construction, maintenance, operation, and protection of the main Canal, or auxiliary works, or the cargo, officers, crew, or passengers of any such vessels, except duties and charges as may be imposed by the United States for the use of the Canal and other works, and except tolls and charges imposed by the Republic of Panama upon merchandise destined to be imported for the consumption of the rest of the Republic of Panama, or on vessels touching at the ports of Colón and Panamá and which cross the Canal.

The Government of the Republic of Panama shall have the right to establish in such ports and in the towns of Panamá and Colón such houses and guards as it may deem necessary to collect duties on importations destined to other portions of Panama and to prevent contraband trade. The United States shall have the right to make use of the towns and harbors of Panamá and Colón as places of anchorage, and for making repairs, for loading, unloading, depositing, or transshipping cargoes either in transit or destined for the service of the Canal and for other works pertaining to the Canal.

#### ARTICLE X

The Republic of Panama agrees that there shall not be imposed any taxes, national, municipal, departmental, or of any other class, upon the Canal, the railways and auxiliary works, tugs and other vessels employed in the service of the Canal, store houses, work shops, offices, quarters for laborers, factories of all kinds, warehouses, wharves, machinery and other works, property, and effects appertaining to the Canal or railroad and auxiliary works, or their officers or employees, situated within the cities of Panamá and Colón, and that there shall not be imposed contributions or charges of a personal character of any kind upon officers, employees, laborers, and other individuals in the service of the Canal and railroad and auxiliary works.

#### ARTICLE XI

The United States agrees that the official dispatches of the Government of the Republic of Panama shall be transmitted over any telegraph and telephone lines established for canal purposes and used for public and private business at rates not higher than those required from officials in the service of the United States.

#### ARTICLE XII

The Government of the Republic of Panama shall permit the immigration and free access to the lands and workshops of the Canal and its auxiliary works of all employees and workmen of whatever nationality under contract to work upon or seeking employment upon or in any wise connected with the said Canal and its auxiliary works, with their respective families, and all such persons shall be free and exempt from the military service of the Republic of Panama.

#### ARTICLE XIII

The United States may import at any time into the said zone and auxiliary lands, free of custom duties, imposts, taxes, or other charges, and without any restrictions, any and all vessels, dredges, engines, cars, machinery, tools, explosives, materials, supplies, and other articles necessary and convenient in the construction, maintenance, operation, sanitation and protection of the Canal and auxiliary works, and all provisions, medicines, clothing, supplies and other things necessary and convenient for the officers, employees, workmen and laborers in the service and employ of the United States and for their families.

If any such articles are disposed of for use outside of the zone and auxiliary lands granted to the United States and within the territory of the Republic, they shall be subject to the same import or other duties as like articles imported under the laws of the Republic of Panama.

#### ARTICLE XIV

As the price or compensation for the rights, powers and privileges granted in this convention by the Republic of Panama to the United States, the Government of the United States agrees to pay to the Republic of Panama the sum of ten million dollars (\$10,000,000) in gold coin of the United States on the exchange of the ratification of this convention and also an annual payment during the life of this convention of two hundred and fifty thousand dollars (\$250,000) in like gold coin, beginning nine years after the date aforesaid.

The provisions of this Article shall be in addition to all other benefits assured to the Republic of Panama under this convention.

But no delay or difference of opinion under this Article or any other provisions of this treaty shall affect or interrupt the full operation and effect of this convention in all other respects.

#### ARTICLE XV

The joint commission referred to in Article VI shall be established as follows:

The President of the United States shall nominate two persons and the President of the Republic of Panama shall nominate two persons and they shall proceed to a decision; but in case of disagreement of the Commission (by reason of their being equally divided in conclusion) an umpire shall be appointed by the two Governments who shall render the decision. In the event of the death, absence, or incapacity of a Commissioner or Umpire, or of his omitting, declining or ceasing to act, his place shall be filled by the appointment of another person in the manner above indicated. All decisions by a majority of the Commission or by the Umpire shall be final.

#### ARTICLE XVI

The two Governments shall make adequate provision by future agreement for the pursuit, capture, imprisonment, detention and delivery within said zone and auxiliary lands to the authorities of the Republic of Panama of persons charged with the commitment of crimes, felonies or misdemeanors without said zone and for the pursuit, capture, imprisonment, detention and delivery without said zone to the authorities of the United States of persons charged with the commitment of crimes, felonies and misdemeanors within said zone and auxiliary lands.

#### ARTICLE XVII

The Republic of Panama grants to the United States the use of all the ports of the Republic open to commerce as places of refuge for any vessels employed in the Canal enterprise, and for all vessels passing or bound to pass through the Canal which may be in distress and be

en to seek refuge in said ports. Such vessels shall be exempt from storage and tonnage dues on the part of the Republic of Panama.

#### ARTICLE XVIII

ie Canal, when constructed, and the entrances thereto shall be ral in perpetuity, and shall be opened upon the terms provided by Section I of Article three of, and in conformity with all the lations of, the treaty entered into by the Governments of the ed States and Great Britain on November 18, 1901.

#### ARTICLE XIX

ie Government of the Republic of Panama shall have the right to sport over the Canal its vessels and its troops and munitions of in such vessels at all times without paying charges of any kind. exemption is to be extended to the auxiliary railway for the sportation of persons in the service of the Republic of Panama, the police force charged with the preservation of public order de of said zone, as well as to their baggage, munitions of war supplies.

#### ARTICLE XX

by virtue of any existing treaty in relation to the territory of the nus of Panama, whereof the obligations shall descend or be ned by the Republic of Panama, there may be any privilege or ession in favor the Government or the citizens and subjects third power relative to an interoceanic means of communication h in any of its terms may be incompatible with the terms of the nt convention, the Republic of Panama agrees to cancel or mod- uch treaty in due form, for which purpose it shall give to the third power the requisite notification within the term of four hs from the date of the present convention, and in case the exist- reaty contains no clause permitting its modification or annul- the Republic of Panama agrees to procure its modification or lment in such form that there shall not exist any conflict with the lations of the present convention.

#### ARTICLE XXI

e rights and privileges granted by the Republic of Panama to the d States in the preceding Articles are understood to be free of terior debts, liens, trusts, or liabilities, or concessions or privi- to other Governments, corporations, syndicates or individuals, onsequently, if there should arise any claims on account of the it concessions and privileges or otherwise, the claimants shall to the Government of the Republic of Panama and not to the d States for any indemnity or compromise which may be ed.

#### ARTICLE XXII

Republic of Panama renounces and grants to the United States rticipation to which it might be entitled in the future earnings

of the Canal under Article XV of the concessionary contract with Lucien N. B. Wyse now owned by the New Panama Canal Company and any and all other rights or claims of a pecuniary nature arising under or relating to said concession, or arising under or relating to the concessions to the Panama Railroad Company or any extension or modification thereof; and it likewise renounces, confirms and grants to the United States, now and hereafter, all the rights and property reserved in the said concessions which otherwise would belong to Panama at or before the expiration of the terms of ninety-nine years of the concessions granted to or held by the above mentioned party and companies, and all right, title and interest which it now has or many hereafter have, in and to the lands, canal, works, property and rights held by the said companies under said concessions or otherwise, and acquired or to be acquired by the United States from or through the New Panama Canal Company, including any property and rights which might or may in the future either by lapse of time, forfeiture or otherwise, revert to the Republic of Panama, under any contracts or concessions, with said Wyse, the Universal Panama Canal Company, the Panama Railroad Company and the New Panama Canal Company.

The aforesaid rights and property shall be and are free and released from any present or reversionary interest in or claims of Panama and the title of the United States thereto upon consummation of the contemplated purchase by the United States from the New Panama Canal Company, shall be absolute, so far as concerns the Republic of Panama, excepting always the rights of the Republic specifically secured under this treaty.

#### ARTICLE XXIII

If it should become necessary at any time to employ armed forces for the safety or protection of the Canal, or of the ships that make use of the same, or the railways and auxiliary works, the United States shall have the right, at all times and in its discretion, to use its police and its land and naval forces or to establish fortifications for these purposes.

#### ARTICLE XXIV

No change either in the Government or in the laws and treaties of the Republic of Panama shall, without the consent of the United States, affect any right of the United States under the present convention, or under any treaty stipulation between the two countries that now exists or may hereafter exist touching the subject matter of this convention.

If the Republic of Panama shall hereafter enter as a constituent into any other Government or into any union or confederation of states, so as to merge her sovereignty or independence in such Government, union or confederation, the rights of the United States under this convention shall not be in any respect lessened or impaired.

#### ARTICLE XXV

For the better performance of the engagements of this convention and to the end of the efficient protection of the Canal and the preservation of its neutrality, the Government of the Republic of Panama

all or lease to the United States lands adequate and necessary  
val or coaling stations on the Pacific coast and on the western  
ean coast of the Republic at certain points to be agreed upon  
ie President of the United States.

ARTICLE XXVI

is convention when signed by the Plenipotentiaries of the Con-  
g Parties shall be ratified by the respective Governments and  
ifications shall be exchanged at Washington at the earliest date  
le.

faith whereof the respective Plenipotentiaries have signed the  
t convention in duplicate and have hereunto affixed their  
tive seals.

done at the City of Washington the 18th day of November in the  
four Lord nineteen hundred and three.

JOHN HAY [SEAL]  
P. BUNAU VARILLA [SEAL]



In view of the official and formal opening of the Panama Canal on July 12, 1920, the United States of America and the Republic of Panama declare that the provisions of the Convention of November 18, 1903, contemplate the use, occupation and control by the United States of America of the Canal Zone and of the additional lands and waters under the jurisdiction of the United States of America for the purposes of the efficient maintenance, operation, sanitation and protection of the Canal and of its auxiliary works.

The United States of America will continue the maintenance of the Panama Canal for the encouragement and use of interoceanic commerce, and the two Governments declare their willingness to cooperate, as far as it is feasible for them to do so, for the purpose of insuring the full and perpetual enjoyment of the benefits of all kinds which the Canal should afford the two nations that made possible its construction as well as all nations interested in world trade.

#### ARTICLE II

The United States of America declares that the Republic of Panama has loyally and satisfactorily complied with the obligations which it entered into under Article II of the Convention of November 18, 1903, by which it granted in perpetuity to the United States the use, occupation and control of the zone of land and land under water as described in the said Article, of the islands within the limits of said zone, of the group of small islands in the Bay of Panama, named Perico, Naos, Culebra and Flamenco, and of any other lands and waters outside of said zone necessary and convenient for the construction, maintenance, operation, sanitation and protection of the Panama Canal or of any auxiliary canals or other works, and in recognition thereof the United States of America hereby renounces the grant made to it in perpetuity by the Republic of Panama of the use, occupation and control of lands and waters, in addition to those now under the jurisdiction of the United States of America outside of the zone as described in Article II of the aforesaid Convention, which may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the Panama Canal or of any auxiliary canals or other works necessary and convenient for the construction, maintenance, operation, sanitation and protection of the said enterprise.

While both Governments agree that the requirement of further lands and waters for the enlargement of the existing facilities of the Canal appears to be improbable, they nevertheless recognize, subject to the provisions of Articles I and X of this Treaty, their joint obligation to insure the effective and continuous operation of the Canal and the preservation of its neutrality, and consequently, if, in the event of some now unforeseen contingency, the utilization of lands or waters additional to those already employed should be in fact necessary for the maintenance, sanitation or efficient operation of the Canal, or for its effective protection, the Governments of the United States of America and the Republic of Panama will agree upon such measures as it may be necessary to take in order to insure the maintenance, sanitation, efficient operation and effective protection of the Canal, in which the two countries are jointly and vitally interested.

### ARTICLE III

In order to enable the Republic of Panama to take advantage of the commercial opportunities inherent in its geographical situation, the United States of America agrees as follows:

1) The sale to individuals of goods imported into the Canal Zone or purchased, produced or manufactured therein by the Government of the United States of America shall be limited by it to the persons included in classes (a) and (b) of Section 2 of this Article; and with regard to the persons included in classes (c), (d) and (e) of the said Section and members of their families, the sales above mentioned shall be made only when such persons actually reside in the Canal Zone.

2) No person who is not comprised within the following classes shall be entitled to reside within the Canal Zone:

(a) Officers, employees, workmen or laborers in the service or employ of the United States of America, the Panama Canal or the Panama Railroad Company, and members of their families actually residing with them;

(b) Members of the armed forces of the United States of America and members of their families actually residing with them;

(c) Contractors operating in the Canal Zone and their employees, workmen and laborers during the performance of contracts;

(d) Officers, employees or workmen of companies entitled under Section 5 of this Article to conduct operations in the Canal Zone;

(e) Persons engaged in religious, welfare, charitable, educational, recreational and scientific work exclusively in the Canal Zone;

(f) Domestic servants of all the beforementioned persons and members of the families of the persons in classes (c), (d) and (e) actually residing with them.

3) No dwellings belonging to the Government of the United States of America or to the Panama Railroad Company and situated within the Canal Zone shall be rented, leased, or sublet except to persons within classes (a) to (e), inclusive of Section 2 hereinabove.

4) The Government of the United States of America will continue to cooperate in all proper ways with the Government of the Republic of Panama to prevent violations of the immigration and customs laws of the Republic of Panama, including the smuggling into territory under the jurisdiction of the Republic of goods imported into the Canal Zone or purchased, produced or manufactured therein by the Government of the United States of America.

5) With the exception of concerns having a direct relation to the operation, maintenance, sanitation or protection of the Canal, such as those engaged in the operation of cables, shipping, or dealing in oil or fuel, the Government of the United States of America will not permit the establishment in the Canal Zone of private business enterprises other than those existing therein at the time of the signature of this Treaty.

6) In view of the proximity of the port of Balboa to the city of Panamá and of the port of Cristobal to the city of Colón, the United States of America will continue to permit, under suitable regulations and upon the payment of proper charges, vessels entering at or clearing from the ports of the Canal Zone to use and enjoy the dockage

and other facilities of the said ports for the purpose of loading and unloading cargoes and receiving or disembarking passengers to or from the territory under the jurisdiction of the Republic of Panama.

The Republic of Panama will permit vessels entering at or clearing from the ports of Panamá or Colón, in case of emergency and also under suitable regulations and upon the payment of proper charges, to use and enjoy the dockage and other facilities of said ports for the purpose of receiving or disembarking passengers to or from the territory of the Republic of Panama under the jurisdiction of the United States of America, and of loading and unloading cargoes either in transit or destined for the service of the Canal or of works pertaining to the Canal.

7) The Government of the United States of America will extend to private merchants residing in the Republic of Panama full opportunity for making sales to vessels arriving at terminal ports of the Canal or transiting the Canal, subject always to appropriate administrative regulations of the Canal Zone.

#### ARTICLE IV

The Government of the Republic of Panama shall not impose import duties or taxes of any kind on goods destined for or consigned to the agencies of the Government of the United States of America in the Republic of Panama when the goods are intended for the official use of such agencies, or upon goods destined for or consigned to persons included in classes (a) and (b) in Section 2 of Article III of this Treaty, who reside or sojourn in territory under the jurisdiction of the Republic of Panama during the performance of their service with the United States of America, the Panama Canal or the Panama Railroad Company, when the goods are intended for their own use and benefit.

The United States of America shall not impose import duties or taxes of any kind on goods, wares and merchandise passing from territory under the jurisdiction of the Republic of Panama into the Canal Zone.

No charges of any kind shall be imposed by the authorities of the United States of America upon persons residing in territory under the jurisdiction of the Republic of Panama passing from the said territory into the Canal Zone, and no charges of any kind shall be imposed by the authorities of the Republic of Panama upon persons in the service of the United States of America or residing in the Canal Zone passing from the Canal Zone into territory under the jurisdiction of the Republic of Panama, all other persons passing from the Canal Zone into territory under the jurisdiction of the Republic of Panama being subject to the full effects of the immigration laws of the Republic.

In view of the fact that the Canal Zone divides the territory under the jurisdiction of the Republic of Panama, the United States of America agrees that, subject to such police regulations as circumstances may require, Panamanian citizens who may occasionally be deported from the Canal Zone shall be assured transit through the said Zone, in order to pass from one part to another of the territory under the jurisdiction of the Republic of Panama.

## ARTICLE V

Article IX of the Convention of November 18, 1903, is hereby superseded.

The Republic of Panama has the right to impose upon merchandise destined to be introduced for use or consumption in territory under the jurisdiction of the Republic of Panama, and upon vessels touching at Panamanian ports and upon the officers, crew or passengers of such vessels, the taxes or charges provided by the laws of the Republic of Panama; it being understood that the Republic of Panama will continue directly and exclusively to exercise its jurisdiction over the ports of Panamá and Colón and to operate exclusively with Panamanian personnel such facilities as are or may be established therein by the Republic or by its authority. However, the Republic of Panama shall not impose or collect any charges or taxes upon any vessel using or passing through the Canal which does not touch at a port under Panamanian jurisdiction or upon the officers, crew or passengers of such vessels, unless they enter the Republic; it being also understood that taxes and charges imposed by the Republic of Panama upon vessels using or passing through the Canal which touch at ports under Panamanian jurisdiction, or upon their cargo, officers, crew or passengers, shall not be higher than those imposed upon vessels which touch only at ports under Panamanian jurisdiction and do not transit the Canal, or upon their cargo, officers, crew or passengers.

The Republic of Panama also has the right to determine what persons or classes of persons arriving at ports of the Canal Zone shall be admitted to the Republic of Panama and to determine likewise what persons or classes of persons arriving at such ports shall be excluded from admission to the Republic of Panama.

The United States of America will furnish to the Republic of Panama free of charge the necessary sites for the establishment of customhouses in the ports of the Canal Zone for the collection of duties on importations destined to the Republic and for the examination of merchandise, baggage and passengers consigned to or bound for the Republic of Panama, and for the prevention of contraband trade, it being understood that the collection of duties and the examination of merchandise and passengers by the agents of the Government of the Republic of Panama, in accordance with this provision, shall take place only in the customhouses to be established by the Government of the Republic of Panama as herein provided, and that the Republic of Panama will exercise exclusive jurisdiction within the sites on which the customhouses are located so far as concerns the enforcement of immigration or customs laws of the Republic of Panama, and over all property therein contained and the personnel therein employed.

To further the effective enforcement of the rights hereinbefore recognized, the Government of the United States of America agrees that, for the purpose of obtaining information useful in determining whether persons arriving at ports of the Canal Zone and destined to points within the jurisdiction of the Republic of Panama should be admitted or excluded from admission into the Republic, the immigration officers of the Republic of Panama shall have the right of free access to vessels upon their arrival at the Balboa or Cristobal piers

or wharves with passengers destined for the Republic; and that the appropriate authorities of the Panama Canal will adopt such administrative regulations regarding persons entering ports of the Canal Zone and destined to points within the jurisdiction of the Republic of Panama as will facilitate the exercise by the authorities of Panama of their jurisdiction in the manner provided in Paragraph 4 of this Article for the purposes stated in Paragraph 3 thereof.

#### ARTICLE VI

The first sentence of Article VII of the Convention of November 18, 1903, is hereby amended so as to omit the following phrase: "or by the exercise of the right of eminent domain".

The third paragraph of article VII of the Convention of November 18, 1903, is hereby abrogated.

#### ARTICLE VII

Beginning with the annuity payable in 1934 the payments under Article XIV of the Convention of November 18, 1903, between the United States of America and the Republic of Panama, shall be four hundred and thirty thousand Balboas (B/430,000.00) as defined by the agreement embodied in an exchange of notes of this date. The United States of America may discharge its obligation with respect to any such payment, upon payment in any coin or currency, provided the amount so paid is the equivalent of four hundred and thirty thousand Balboas (B/430,000.00) as so defined.

#### ARTICLE VIII

In order that the city of Colón may enjoy direct means of land communication under Panamanian jurisdiction with other territory under jurisdiction of the Republic of Panama, the United States of America hereby transfers to the Republic of Panama jurisdiction over a corridor, the exact limits of which shall be agreed upon and demarcated by the two Governments pursuant to the following description:

(a) The end at Colón connects with the southern end of the east half of the Paseo del Centenario at Sixteenth Street, Colón; thence the corridor proceeds in a general southerly direction, parallel to and east of Bolivar Highway to the vicinity of the northern edge of Silver City; thence eastward near the shore line of Folks River, around the northeast corner of Silver City; thence in a general southeasterly direction and generally parallel to the Randolph Road to a crossing of said Randolph Road, about 1200 feet east of the East Diversion; thence in a general northeasterly direction to the eastern boundary line of the Canal Zone near the southeastern corner of the Fort Randolph Reservation, southwest of Cativá. The approximate route of the corridor is shown on the map which accompanies this Treaty, signed by the Plenipotentiaries of the two countries and marked "Exhibit A".

(b) The width of the corridor shall be as follows: 25 feet in width from the Colón end to a point east of the southern line of Silver City; thence 100 feet in width to Randolph Road, except that, at any elevated crossing which may be built over Randolph Road and the

railroad, the corridor will be no wider than is necessary to include the viaduct and will not include any part of Randolph Road proper, or of the railroad right of way, and except that, in case of a grade crossing over Randolph Road and the railroad, the corridor will be interrupted by that highway and railroad; thence 200 feet in width to the boundary line of the Canal Zone.

The Government of the United States of America will extinguish any private titles existing or which may exist in and to the land included in the above-described corridor.

The stream and drainage crossing of any highway built in the corridor shall not restrict the water passage to less than the capacity of the existing streams and drainage.

No other construction will take place within the corridor than that relating to the construction of a highway and to the installation of electric power, telephone and telegraph lines; and the only activities which will be conducted within the said corridor will be those pertaining to the construction, maintenance and common uses of a highway and of power and communication lines.

The United States of America shall enjoy at all times the right of unimpeded transit across the said corridor at any point, and of travel along the corridor, subject to such traffic regulations as may be established by the Government of the Republic of Panama; and the Government of the United States of America shall have the right to such use of the corridor as would be involved in the construction of connecting or intersecting highways or railroads, overhead and underground power, telephone, telegraph and pipe lines, and additional drainage channels, on condition that these structures and their use shall not interfere with the purpose of the corridor as provided hereinabove.

#### ARTICLE IX

In order that direct means of land communication, together with accommodation for the high tension power transmission lines, may be provided under jurisdiction of the United States of America from the Madden Dam to the Canal Zone, the Republic of Panama hereby transfers to the United States of America jurisdiction over a corridor, the limits of which shall be demarcated by the two Governments pursuant to the following descriptions:

A strip of land 200 ft. in width, extending 62.5 ft. from the center line of the Madden Road on its eastern boundary and 137.5 ft. from the center line of the Madden Road on its western boundary, containing an area of 105.8 acres or 42.81 hectares, as shown on the map which accompanies this Treaty, signed by the Plenipotentiaries of the two countries and marked "Exhibit B".

Beginning at the intersection of the located center line of the Madden Road and the Canal Zone-Republic of Panama 5-mile boundary line, said point being located N. 29°20' W. a distance of 168.04 ft. along said boundary line from boundary monument No. 65, the geodetic position of boundary monument No. 65 being latitude N. 9°07' plus 3,948.8 ft. and longitude 79°37' plus 1,174.6 ft.;

thence N. 43°10' E. a distance of 541.1 ft. to station 324 plus 06.65 ft.;

thence on a  $3^\circ$  curve to the left, a distance of 347.2 ft. to station 327 plus 53.9 ft.;  
 thence N.  $32^\circ 45'$  E. a distance of 656.8 ft. to station 334 plus 10.7 ft.;  
 thence on a  $3^\circ$  curve to the left a distance of 455.55 ft. to station 338 plus 66.25 ft.;  
 thence N.  $19^\circ 05'$  E. a distance of 1,135.70 ft. to station 350 plus 01.95 ft.;  
 thence on an  $8^\circ$  curve to the left a distance of 650.7 ft. to station 356 plus 52.7 ft.;  
 thence N.  $32^\circ 58'$  W. a distance of 636.0 ft. to station 362 plus 88.7 ft.;  
 thence on a  $10^\circ$  curve to the right a distance of 227.3 ft. to station 365 plus 16.0 ft.;  
 thence N.  $10^\circ 14'$  W. a distance of 314.5 ft. to station 368 plus 30.5 ft.;  
 thence on a  $5^\circ$  curve to the left a distance of 178.7 ft. to station 370 plus 09.2 ft.;  
 thence N.  $19^\circ 10'$  W. a distance of 4,250.1 ft. to station 412 plus 59.3 ft.;  
 thence on a  $5^\circ$  curve to the right a distance of 720.7 ft. to station 419 plus 80.0 ft.;  
 thence N.  $16^\circ 52'$  E. a distance of 1,664.3 ft. to station 436 plus 44.3 ft.;  
 thence on a  $5^\circ$  curve to the left a distance of 597.7 ft. to station 442 plus 42.0 ft.;  
 thence N.  $13^\circ 01'$  W. a distance of 543.8 ft. to station 447 plus 85.8 ft.;  
 thence on a  $5^\circ$  curve to the right a distance of 770.7 ft. to station 455 plus 56.5 ft.;  
 thence N.  $25^\circ 31'$  E. a distance of 1,492.2 ft. to station 470 plus 48.7 ft.;  
 thence on a  $5^\circ$  curve to the right a distance of 808.0 ft. to station 478 plus 56.7 ft.;  
 thence N.  $65^\circ 55'$  E. a distance of 281.8 ft. to station 481 plus 38.5 ft.;  
 thence on an  $8^\circ$  curve to the left a distance of 446.4 ft. to station 485 plus 84.9 ft.;  
 thence N.  $30^\circ 12'$  E. a distance of 479.6 ft. to station 490 plus 64.5 ft.;  
 thence on a  $5^\circ$  curve to the left a distance of 329.4 ft. to station 493 plus 93.9 ft.;  
 thence N.  $13^\circ 44'$  E. a distance of 1,639.9 ft. to station 510 plus 33.8 ft.;  
 thence on a  $5^\circ$  curve to the left a distance of 832.3 ft. to station 518 plus 66.1 ft.;  
 thence N.  $27^\circ 53'$  W. a distance of 483.9 ft. to station 523 plus 50.0 ft.;  
 thence on an  $8^\circ$  curve to the right a distance of 469.6 ft. to station 528 plus 19.6 ft.;  
 thence N.  $9^\circ 41'$  E. a distance of 1,697.6 ft. to station 545 plus 17.2 ft.;

thence on a 10° curve to the left a distance of 451.7 ft. to station 549 plus 68.9 ft., which is the point marked Point Z on the above-mentioned map known as "Exhibit B".

(All bearings are true bearings.)

The Government of the Republic of Panama will extinguish any private titles existing or which may exist in and to the land included in the above-described corridor.

The stream and drainage crossings of any highway built in the corridor shall not restrict the water passage to less than the capacity of the existing streams and drainage.

No other construction will take place within the corridor than that relating to the construction of a highway and to the installation of electric power, telephone and telegraph lines; and the only activities which will be conducted within the said corridor will be those pertaining to the construction, maintenance and common uses of a highway, and of power and communication lines, and auxiliary works thereof.

The Republic of Panama shall enjoy at all times the right of unimpeded transit across the said corridor at any point, and of travel along the corridor, subject to such traffic regulations as may be established by the authorities of the Panama Canal; and the Government of the Republic of Panama shall have the right to such use of the corridor as would be involved in the construction of connecting or intersecting highways or railroads, overhead and underground power, telephone, telegraph and pipe lines, and additional drainage channels, on condition that these structures and their use shall not interfere with the purpose of the corridor as provided hereinabove.

#### ARTICLE X

In case of an international conflagration or the existence of any threat of aggression which would endanger the security of the Republic of Panama or the neutrality or security of the Panama Canal, the Governments of the United States of America and the Republic of Panama will take such measures of prevention and defense as they may consider necessary for the protection of their common interests. Any measures, in safeguarding such interests, which it shall appear essential to one Government to take, and which may affect the territory under the jurisdiction of the other Government, will be the subject of consultation between the two Governments.

#### ARTICLE XI

The provisions of this Treaty shall not affect the right and obligations of either of the two High Contracting Parties under the treaties now in force between the two countries, nor be considered as a limitation, definition, restriction or restrictive interpretation of such rights and obligations, but without prejudice to the full force and effect of any provisions of this Treaty which constitute addition to, modification or abrogation of, or substitution for the provisions of previous treaties.



ARTICLE XII

The present Treaty shall be ratified in accordance with the constitutional methods of the High Contracting Parties and shall take effect immediately on the exchange of ratifications which shall take place in Washington.

IN WITNESS WHEREOF, the Plenipotentiaries have signed this Treaty in duplicate, in the English and Spanish languages, both texts being authentic, and have hereunto affixed their seals.

DONE at the city of Washington the second day of March, 1936.

CORDELL HULL	[SEAL]
SUMNER WELLES	[SEAL]
R. J. ALFARO	[SEAL]
NARCISO GARAY	[SEAL]

AND WHEREAS the said Treaty has been duly ratified on both parts, and the ratifications of the two Governments were exchanged in the city of Washington on the twenty-seventh day of July one thousand nine hundred and thirty-nine;

NOW, THEREFORE, be it known that I, Franklin D. Roosevelt, President of the United States of America, have caused the said Treaty to be made public, to the end that the same and every article and clause thereof may be observed and fulfilled with good faith by the United States of America and the citizens thereof.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

DONE at the city of Washington this twenty-seventh day of July in the year of our Lord one thousand nine hundred and [SEAL] thirty-nine and of the Independence of the United States of America the one hundred and sixty-fourth.

FRANKLIN D. ROOSEVELT.

by the President:

CORDELL HULL  
*Secretary of State.*

## APPENDIX - C

### 3. Treaty of Mutual Understanding and Cooperation, 1955

Treaty with memorandum of understandings reached; signed at Panama, January 25, 1955; ratification advised by the Senate of the United States of America, July 29, 1955; ratified by the President of the United States of America, August 17, 1955; ratified by Panama, August 15, 1955; ratifications exchanged at Washington, August 23, 1955; proclaimed by the President of the United States of America, August 26, 1955; entered into force, August 23, 1955

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

#### A PROCLAMATION

WHEREAS a Treaty of Mutual Understanding and Cooperation between the United States of America and the Republic of Panama, together with a related Memorandum of Understandings Reached, was signed at Panamá on January 25, 1955;

WHEREAS the texts of the said Treaty and related Memorandum of Understandings Reached, in the English and Spanish languages, are word for word as follows:

#### TREATY OF MUTUAL UNDERSTANDING AND COOPERATION BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF PANAMA

The President of the United States of America and the President of the Republic of Panama, desirous of concluding a treaty further to demonstrate the mutual understanding and cooperation of the two countries and to strengthen the bonds of understanding and friendship between their respective peoples, have appointed for that purpose as their respective Plenipotentiaries:

The President of the United States of America:

Selden Chapin, Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Panama,

The President of the Republic of Panama:

Octavio Fábrega, Minister of Foreign Relations of the Republic of Panama,

who, having communicated to one another their respective full powers, found in good and due form, and recognizing that neither the provisions of the Convention signed November 18, 1903, nor the General Treaty signed March 2, 1936, nor the present Treaty may be modified except by mutual consent, agree upon the following articles:

#### ARTICLE I

Beginning with the first annuity payable after the exchange of ratifications of the present Treaty, the payments under Article XIV of the Convention for the Construction of a Ship Canal between the

United States of America and the Republic of Panama, signed November 18, 1903, as amended by Article VII of the General Treaty of Friendship and Cooperation, signed March 2, 1936, shall be One Million Nine Hundred Thirty Thousand and no/100 Balboas (B/1,930,000) as defined by the agreement embodied in the exchange of notes of March 2, 1936, between the Secretary of State of the United States of America and the Members of the Panamanian Treaty Commission. The United States of America may discharge its obligation with respect to any such payment in any coin or currency, provided the amount so paid is the equivalent of One Million Nine Hundred Thirty Thousand and no/100 Balboas (B/1,930,000) as so defined.

On the date of the first payment under the present Treaty, the provisions of this Article shall supersede the provisions of Article VII of the General Treaty signed March 2, 1936.

Notwithstanding the provisions of this Article, the High Contracting Parties recognize the absence of any obligation on the part of either Party to alter the amount of the annuity.

#### ARTICLE II

(1) Notwithstanding the provisions of Article X of the Convention signed November 18, 1903, between the United States of America and the Republic of Panama, the United States of America agrees that the Republic of Panama may, subject to the provisions of paragraphs (2) and (3) of this Article, impose taxes upon the income (including income from sources within the Canal Zone) of all persons who are employed in the service of the Canal, the railroad, or auxiliary works, whether resident within or outside the Canal Zone, except—

- (a) members of the Armed Forces of the United States of America,
- (b) citizens of the United States of America, including those who have dual nationality, and
- (c) other individuals who are not citizens of the Republic of Panama and who reside within the Canal Zone.

(2) It is understood that any tax levied pursuant to paragraph (1) of this Article shall be imposed on a non-discriminatory basis and shall in no case be imposed at a rate higher or more burdensome than that applicable to income of citizens of the Republic of Panama generally.

(3) The Republic of Panama agrees not to impose taxes on pensions, annuities, relief payments, or other similar payments, or payments by way of compensation for injuries or death occurring in connection with, or incident to, service on the Canal, the railroad, or auxiliary works paid to or for the benefit of members of the Armed Forces or citizens of the United States of America or the lawful beneficiaries of such members or citizens who reside in territory under the jurisdiction of the Republic of Panama.

The provisions of this Article shall be operative for the taxable years beginning on or after the first day of January following the year in which the present Treaty enters into force.

### ARTICLE III

Subject to the provisions of the succeeding paragraphs of this article, the United States of America agrees that the monopoly granted in perpetuity by the Republic of Panama to the United States for the construction, maintenance and operation of any system of communication by means of canal or railroad across its territory between the Caribbean Sea and the Pacific Ocean, by Article V of the Convention signed November 18, 1903, shall be abrogated as of the effective date of this Treaty in so far as it pertains to the construction, maintenance and operation of any system of trans-Isthmian communication by railroad within the territory under the jurisdiction of the Republic of Panama.

Subject to the provisions of the succeeding paragraphs of this article, the United States further agrees that the exclusive right to establish roads across the Isthmus of Panama acquired by the United States as a result of a concessionary contract granted to the Panama Railroad Company shall be abrogated as of the date of the entry into force of this Treaty, in so far as the right pertains to the establishment of roads within the territory under the jurisdiction of the Republic of Panama.

In view of the vital interest of both countries in the effective protection of the Canal, the High Contracting Parties further agrees that such abrogation is subject to the understanding that no system of inter-oceanic communication within the territory under the jurisdiction of the Republic of Panama by means of railroad or highway may be financed, constructed, maintained, or operated directly or indirectly by a third country or nationals thereof, unless in the opinion of both High Contracting Parties such financing, construction, maintenance, or operation would not affect the security of the Canal.

The High Contracting Parties also agree that such abrogation as is contemplated by this Article shall in no wise affect the maintenance and operation of the present Panama Railroad in the Canal Zone and a territory subject to the jurisdiction of the Republic of Panama.

### ARTICLE IV

The second paragraph of Article VII of the Convention signed November 18, 1903, having to do with the issuance of, compliance with, and enforcement of, sanitary ordinances in the Cities of Panamá and Colón, shall be abrogated in its entirety as of the date of entry into force of this Treaty.

### ARTICLE V

The United States of America agrees that, subject to the enactment of legislation by the Congress, there shall be conveyed to the Republic of Panama free of cost all the right, title and interest held by the United States of America or its agencies in and to certain lands and improvements in territory under the jurisdiction of the Republic of Panama when and as determined by the United States to be no longer needed for the operation, maintenance, sanitation or protection of

the Panama Canal or of its auxiliary works, or for other authorized purposes of the United States in the Republic of Panama. The lands and improvements referred to in the preceding sentence and the determinations by the United States of America respecting the same, subject to the enactment of legislation by the Congress, are designated and set forth in Item 2 of the Memorandum of Understandings Reached which bears the same date as this Treaty. The United States of America also agrees that subject to the enactment of legislation by the Congress, there shall be conveyed to the Republic of Panama free of cost all its right, title and interest to the land and improvements in the area known as PAITILLA POINT and that effective with such conveyance the United States of America shall relinquish all the rights, power and authority granted to it in such area under the Convention signed November 18, 1903. The Republic of Panama agrees to save the Government of the United States harmless from any and all claims which may arise incident to the conveyance of the area known as PAITILLA POINT to the Republic of Panama.

#### ARTICLE VI

Article V of the Boundary Convention, signed September 2, 1914, between the United States of America and the Republic of Panama, shall be replaced by the following provisions:

"It is agreed that the permanent boundary line between the City of Colón (including the Harbor of Colón, as defined in Article VI of the Boundary Convention of 1914), and other waters adjacent to the shores of Colón, and the Canal Zone shall be as follows:

Beginning at an unmarked point called "E", located on the north-easterly boundary of the Colón Corridor (at its Colón extremity), the geodetic position of which, referred to the Panamá-Colón datum of the Canal Zone triangulation system, is in latitude  $9^{\circ} 21' N.$  plus 0.00 feet (0.000 meters) and longitude  $79^{\circ} 54' W.$  plus 356.0 feet (108.536 meters).

Thence from said initial point by metes and bounds:

Due East, 2662.93 feet (811.632 meters), along North latitude  $9^{\circ} 21'$  plus 0.00 feet (0.000 meters): to an unmarked point in Folks River, called "F", located at longitude  $79^{\circ} 53' W.$  plus 3700.00 feet (1127.762 meters);

N.  $36^{\circ} 36' 30'' E.$ , 2616.00 feet (797.358 meters), to an unmarked point in Manzanillo Bay, called "G";

N.  $22^{\circ} 41' 30'' W.$ , 1192.00 feet (363.332 meters), to an unmarked point in Manzanillo Bay, called "H";

N.  $56^{\circ} 40' 00'' W.$ , 777.00 feet (236.830 meters), to an unmarked point in Manzanillo Bay, called "I";

N.  $29^{\circ} 51' 00'' W.$ , 2793.00 feet (851.308 meters), to an unmarked point in Manzanillo Bay, called "J";

N.  $50^{\circ} 56' 00'' W.$ , 3292.00 feet (1003.404 meters), to an unmarked point in Limon Bay, called "K";

S.  $56^{\circ} 06' 11'' W.$ , 4258.85 feet (1208.100 meters), to an unmarked point in Limon Bay, called "L", which is located on the northerly boundary of the Harbor of Colón.

Thence following the boundary of the Harbor of Colón, as described in Article VI of the Boundary Convention signed September 2, 1914, to monument "D", as follows:

N.  $78^{\circ} 30' 30''$  W., 2104.73 feet (641.523 meters), on a line to the light house on Toro Point, to an unmarked point in Limon Bay, called "M", located 330 meters or 1082.67 feet easterly and at right angles from the centerline of the Panama Canal;

S.  $00^{\circ} 14' 50''$  W., 3074.46 feet (937.097 meters), parallel to and 330 meters or 1082.67 feet easterly from the centerline of the Panama Canal, to an unmarked point in Limon Bay, called "N";

S.  $78^{\circ} 30' 30''$  E., 3952.97 feet (1204.868 meters), to monument "D", which is a concrete monument, located on the easterly shore of Limon Bay.

Thence following the boundary between the City of Colón and the Canal Zone, as described in Article V of the Boundary Convention signed September 2, 1914, to monument "B" as follows:

S.  $78^{\circ} 30' 30''$  E., 258.65 feet (78.837 meters) through monuments Nos. 28 and 27 which are brass plugs in pavement, to monument "D", which is a concrete monument, the distances being 159.96 feet (48.756 meters), 28.26 feet (8.614 meters), and 70.43 feet (21.467 meters), successively, from beginning of the course;

N.  $74^{\circ} 17' 35''$  E., 533.60 feet (162.642 meters), along the centerline of Eleventh Street, through monuments Nos. 26, 25, 24 and 23, which are brass plugs in the pavement, to "C", which is an unmarked point beneath the clock pedestal on the centerline of Bolivar Avenue, the distances being 95.16 feet (29.005 meters), 91.02 feet (27.743 meters), 166.71 feet (50.813 meters), 158.66 feet (48.360 meters) and 22.05 feet (6.721 meters), successively, from beginning of the course;

S.  $15^{\circ} 58' 00''$  E., 965.59 feet (294.312 meters), along the centerline of Bolivar Avenue, through monuments Nos. 23, 21, 20 and 19, which are brass plugs in the pavement, to monument "B", which is a brass plug, the distances being 14.35 feet (4.374 meters), 143.13 feet (43.626 meters), 238.77 feet (72.777 meters), 326.77 feet (99.600 meters) and 242.57 feet (73.935 meters), successively from beginning of the course. (Monument "B" is the point of beginning referred to in Article I of the Convention between the United States of America and the Republic of Panama regarding the Colón Corridor and certain other Corridors through the Canal Zone, signed at Panama on May 24, 1950.)

Thence following the boundary between the City of Colón and the Canal Zone, to monument "A", as described in Article I of the Corridor Convention referred to in the next-preceding paragraph:

S.  $15^{\circ} 57' 40''$  E., 117.10 feet (35.692 meters) along the centerline of Bolivar Avenue to Monument No. A-8, which is a brass plug located at the intersection with the centerline of 14th Street projected westerly, in North latitude  $9^{\circ} 21'$  plus 1356.18 feet (413.364 meters) and West longitude  $79^{\circ} 54'$  plus 1862.57 feet (567.712 meters);

N.  $73^{\circ} 59' 35''$  E., 172.12 feet (52.462 meters) along the center-line of 14th Street to Monument No. A-7, which is a brass plug located at the intersection with the line of the west curb of Boundary Street projected northerly in North latitude  $9^{\circ} 21'$  plus 1403.64 feet (427.830 meters) and West longitude  $79^{\circ} 54'$  plus 1697.12 feet (517.283 meters);

Southerly along the westerly curb of Boundary Street and its prolongation to Monument No. A-4, which is a brass plug located at the intersection of two curves, in North latitude  $9^{\circ} 21'$  plus 833.47 feet (254.042 meters) and West longitude  $79^{\circ} 54'$  plus 980.94 feet (298.991 meters) (this last mentioned course passes through a curve to the left with a radius of 40.8 feet (12.436 meters) and the intersection of its tangents at point A-6 in North latitude  $9^{\circ} 21'$  plus 1306.23 feet (398.140 meters) and West longitude  $79^{\circ} 54'$  plus 1669.37 feet (508.825 meters), and a curve to the right with a radius of 1522 feet (436.907 meters) with the point of intersection of its tangents at point A-5 in North latitude  $9^{\circ} 21'$  plus 958.44 feet (292.042 meters) and West longitude  $79^{\circ} 54'$  plus 1105.89 feet (337.076 meters));

Through a curve to the left with a radius of 262.2 feet (79.919 meters) and the intersection of its tangents at point A-3 in North latitude  $9^{\circ} 21'$  plus 769.07 feet (234.413 meters) and West longitude  $79^{\circ} 54'$  plus 955.43 feet (291.216 meters); a curve to the right with a radius of 320.0 feet (97.536 meters) and the intersection of its tangents at point A-2 in North latitude  $9^{\circ} 21'$  plus 673.38 feet (205.247 meters) and West longitude  $79^{\circ} 54'$  plus 836.40 feet (254.935 meters); and a curve to the left with a radius of 2571.5 feet (783.795 meters) and the intersection of its tangents at point A-1 in North latitude  $9^{\circ} 21'$  plus 302.15 feet (92.096 meters) and West longitude  $79^{\circ} 54'$  plus 680.96 feet (207.557 meters) to Monument No. "A", which is a  $1\frac{1}{2}$  inch brass plug located in the old sea wall, in North latitude  $9^{\circ} 21'$  plus 45.60 feet (13.899 meters) and West longitude  $79^{\circ} 54'$  plus 487.65 feet (148.636 meters);

S.  $21^{\circ} 31' 50''$  W., 29.19 feet (8.897 meters), to an unmarked point called #1;

Southeasterly, 23.26 feet (7.090 meters), along a curve to the left with a radius of 2596.48 feet (791.409 meters) (the chord of which bears S.  $37^{\circ} 28' 20''$  E., 23.26 feet (7.090 meters) to an unmarked point called #2, located on the southwesterly boundary of the Colón Corridor at North latitude  $9^{\circ} 21'$  plus 0.00 feet (0.000 meters).

The directions of the lines refer to the true meridian.

The above-described boundary is as shown on Panama Canal Company drawing No. 6117-22, entitled "Boundary Line Between the City of Colón and the Canal Zone", scale 1 inch to 600 feet, dated December 23, 1954, prepared for the Canal Zone Government, attached as an annex hereto and forming a part hereof.

Article VIII of the General Treaty signed March 2, 1936, as amended by Article III of the Convention between the United States of America and the Republic of Panama regarding the Colón Corridor and certain other corridors through the Canal Zone, signed May 24, 1950, is hereby modified by removing from the Colón, or westerly,

end of the Colón Corridor the portion thereof lying north of North latitude 9° 21' and incorporating such portion within the boundary of the City of Colón as described above.

This Article shall become effective upon completion of the withdrawal by the United States of America from the sections of the city of Colón known as New Cristobal, Colón Beach and the de Lesseps Area, with the exception of the lots retained for consulate purposes, except that it shall in no case become effective prior to the exchange of the instruments of ratification of this Treaty and the exchange of instruments of ratification of the Convention signed May 24, 1950, referred to in the preceding paragraph.

#### ARTICLE VII

The second paragraph of Article VII of the Boundary Convention signed September 2, 1914, between the United States of America and the Republic of Panama, shall be abrogated in its entirety as of the date of entry into force of the present Treaty.

The landing pier situated in the small cove on the southerly side of Manzanillo Island, constructed pursuant to provisions contained in the second paragraph of Article VII of the Boundary Convention of 1914 between the two countries, shall become the property of the Government of the Republic of Panama as of the date of entry into force of the present Treaty.

#### ARTICLE VIII

(a) The Republic of Panama will reserve exclusively for the purpose of maneuvers and military training the area described in the maps (Nos. SGN-7-54 and SGN-8-54, each dated November 17, 1954) and accompanying descriptions prepared by the Comisión Catastral of the Republic of Panama, attached as the Annex hereto, and will permit the United States of America, without cost and free of all encumbrances, exclusively to utilize said area for the indicated purpose for a period of fifteen (15) years, subject to extension thereafter as agreed by the two Governments. This authorization includes the free access to, egress from, and movements within and over, said area. This utilization will not affect the sovereignty of the Republic of Panama, or the operation of the Constitution and the laws of the Republic over the mentioned area.

(b) The United States Armed Forces, the members thereof and their families actually residing with them, and United States nationals who, in an official capacity, are serving with or accompanying the Armed Forces of the United States and members of their families actually residing with them will be exempted within the said area from all taxation by the Republic of Panama or any of its political subdivisions.

(c) Prior to the expiration of the period envisaged in this Article and within a reasonable time thereafter the United States shall have the right to remove from this training and maneuver area, or otherwise to dispose of, without limitation or restriction all structures, installations, facilities, equipment and supplies brought into, or constructed or erected within this training and maneuver area by or on behalf of the United States. The Republic of Panama will not be required to reimburse the United States for any structures, installations,



facilities, equipment and supplies not removed or otherwise disposed of as provided herein.

(d) The United States shall be under no obligation to restore this training and maneuver area or the facilities and installations thereon to their original condition upon the termination of this Article, except for the landing strip which will be returned in at least as good condition as that obtaining at the time of coming into effect of this Article.

(e) The provisions of this Article shall in no manner terminate or modify the provisions concerning the holding of military maneuvers in the Republic of Panama established by the Notes ancillary to the General Treaty signed March 2, 1936 other than as provided herein for this training and maneuver area.

#### ARTICLE IX

The Republic of Panama hereby waives the right under Article XIX of the Convention signed November 18, 1903, to transportation by railway within the Zone, without paying charges of any kind, of persons in the service of the Republic of Panama, or of the police force charged with the preservation of public order outside of the Canal Zone, as well as of their baggage, munitions of war and supplies.

#### ARTICLE X

The High Contracting Parties agree that, in the event of the discontinuance of the Panama Railroad, and of the construction or completion by the United States of a strategic highway across the Isthmus lying wholly within the Canal Zone intended primarily for serving the operation, maintenance, civil government, sanitation and protection of the Panama Canal and Canal Zone, and notwithstanding anything to the contrary in Article VI of the Convention signed November 18, 1903, the United States of America may in its discretion either prohibit or restrict the use, by busses or trucks not at the time engaged exclusively in the servicing of, or the transportation of supplies to, installations, facilities or residents of the Canal Zone, of that portion of such highway which lies between Mount Hope, Canal Zone and the intersection of such highway with the Canal Zone section of the Trans-Isthmian Highway referred to in the Trans-Isthmian Highway Convention between the United States of America and the Republic of Panama, signed March 2, 1936.

#### ARTICLE XI

The Republic of Panama agrees, notwithstanding the provisions of Article III of the General Treaty signed March 2, 1936, that the United States of America may extend the privilege of purchasing at post exchanges small items of personal convenience and items necessary for professional use, to military personnel of friendly third countries present in the Zone under auspices of the United States.

#### ARTICLE XII

The United States of America agrees that, effective December 31, 1956, there will be excluded from the privilege of making purchases in

the commissaries and other sales stores in the Canal Zone as well as the privilege of making importations into the Canal Zone all those persons who are not citizens of the United States of America, except members of the Armed Forces of the United States, and who do not actually reside in the Canal Zone but who are included in the categories, of persons authorized to reside in said Zone; it being understood nevertheless that all personnel of the agencies of the United States of America will be permitted under adequate controls to purchase small articles such as meals, sweets, chewing gum, tobacco and similar articles near the sites of their jobs.

The United States of America further agrees that, effective December 31, 1956, and notwithstanding the provisions of the first paragraph of Article IV of the General Treaty signed March 2, 1936, the Government of the Republic of Panama may impose import duties and other charges upon goods destined or consigned to persons, other than citizens of the United States of America, included in class (a) in Section 2 of Article III of said Treaty, who reside or sojourn in territory under the jurisdiction of the Republic of Panama during the performance of their service with the United States of America or its agencies, even though such goods are intended for their own use and benefit.

#### ARTICLE XIII

The present Treaty shall be subject to ratification and the instruments of ratification shall be exchanged at Washington. It shall enter into force on the date of the exchange of the instruments of ratification.

#### MEMORANDUM OF UNDERSTANDINGS REACHED

In connection with the 1953-54 negotiations between representatives of the United States of America and the Republic of Panama, which have resulted in the signature of a Treaty between the two countries, the following understandings have been reached:

On the part of the United States of America:

1. Legislation will be sought which will authorize each agency of the United States Government in the Canal Zone to conform its existing wage practices in the Zone to the following principles:

(a) The basic wage for any given grade level will be the same for any employee eligible for appointment to the position without regard to whether he is a citizen of the United States or of the Republic of Panama.

(b) In the case of an employee who is a citizen of the United States, there may be added to the base pay an increment representing an overseas differential plus an allowance for those elements, such as taxes, which operate to reduce the disposable income of such an employee as compared with an employee who is a resident of the area.

(c) The employee who is a citizen of the United States will also be eligible for greater annual leave benefits and travel allowances because of the necessity for periodic vacations in the United States for recuperation purposes and to maintain contact with the employee's home environment.

Legislation will be sought to make the Civil Service Retirement Act uniformly applicable to citizens of the United States and of the Re-

public of Panama employed by the Government of the United States in the Canal Zone.

The United States will afford equality of opportunity to citizens of Panama for employment in all United States Government positions in the Canal Zone for which they are qualified and in which the employment of United States citizens is not required, in the judgment of the United States, for security reasons.

The agencies of the United States Government will evaluate, classify and title all positions in the Canal Zone without regard to the nationality of the incumbent or proposed incumbent.

Citizens of Panama will be afforded opportunity to participate in such training programs as may be conducted for employees by United States agencies in the Canal Zone.

2. With reference to that part of Article V of the Treaty signed today which deals with the conveyance to the Republic of Panama free of cost of all the right, title and interest held by the United States of America or its agencies in and to certain lands and improvements situated in territory under the jurisdiction of the Republic of Panama, steps will be taken as provided in this Item.

(a) Legislation will be sought to authorize and direct the transfer to the Republic of Panama of all the right, title and interest held by the United States or its agencies in or to the following real property:

1. The J. N. Vialette and Huerta de San Doval tracts in the city of Panamá and the Aspinwall tract on the Island of Taboga.

2. Las Isletas and Santa Catalina Military Reservations on the Island of Taboga. This transfer will include the cable rights-of-way which have a width of 20 feet (6.10 meters) and extend between the Ancon Cove Military Reservation and the Santa Catalina Military Reservation, and between the El Vigia Military Reservation and the Las Isletas Military Reservation.

3. The lot in Colón now reserved for consulate purposes.

4. Certain lands on the westerly shores of the city of Colón described roughly as extending from the southerly boundary of the de Lesseps area (4th Street extended) to the Colón-Canal Zone boundary and bounded on the east by the east wall of the old freight house and, below that structure, by a line 25 feet (7.622 meters) west of the center line of the most westerly railroad track. This transfer will include the certain improvements consisting of the old freight house and Colón Pier Number 3.

(b) Legislation will be sought to authorize and direct the Panama Canal Company to remove its railway terminal operations from the city of Panamá and to transfer to the Republic of Panama free of cost all of the right, title and interest of the Panama Canal Company in and to the lands known as the Panama Railroad Yard, including the improvements thereon and specifically including the railway passenger station. This action will also relieve the Government of the Republic of Panama of its obligation under Point 10 of the General Relations Agreement between the United States of America and the Republic of Panama signed May 18, 1942 to make available without cost to the Government of the United States of America a suitable new site for such terminal facilities.

c) With respect to those areas in the city of Colón known as de Lesseps, Colón Beach and New Cristobal (with the exception of two in the de Lesseps area which the United States intends to use for consulate purposes), legislation will be sought to authorize and direct gradual withdrawal from these areas and the conveyance or transfer to the Republic of Panama free of cost of all the right, title and interest of the United States and of its agency, the Panama Canal Company, in and to the lands and improvements thereon. Under the process of gradual withdrawal the United States Government, and/or its agencies, will not be obligated to install any new structure in such areas and, as severable parts of the areas cease to be needed, the lands and improvements would be conveyed or transferred. The feasibility of parts of the areas depends upon a number of practical considerations including those having to do with the present obligations of the United States, with respect to the subject areas, concerning water and sewerage facilities, street cleaning and paving, water supply, et cetera, as stipulated in the Instrument of Transfer of Water and Sewerage Systems, executed between the Governor of the Panama Canal and the Foreign Minister of Panama on December 28, 1945.

(d) With respect to the railroad passenger station and site in the city of Colón, legislation will be sought to authorize and direct the withdrawal from such site and structure at such time as the withdrawal from the areas known as de Lesseps, Colón Beach and New Cristobal, contemplated by the next preceding subparagraph, shall have been fully completed, and the conveyance to the Republic of Panama free of cost of all the right, title and interest of the United States and of its agency, the Panama Canal Company, in and to such site and structure. However, the railroad tracks and trackage area in Colón, being required for switching purposes serving the Cristobal area, will be retained for such purposes.

(e) All transfers or conveyances of lands and improvements contemplated by this Item, subject to legislative authorization and direction, will necessarily be made subject to any leases which may be outstanding in the respective areas, and will also contain provisions fully protecting the Government of the United States of America against any claims by lessees for damages or losses which may arise as a result of such transfers or conveyances.

(f) The transfers or conveyances contemplated by this Item, subject to legislative authorization, are in addition to the conveyance of Milla Point as specifically covered by Article V of the Treaty signed today, and to the transfer of real property effected by Article VI of said Treaty.

3. Articles, materials, and supplies that are mined, produced or manufactured in the Republic of Panama, when purchased for use in the Canal Zone, will be exempted from the provisions of the Buy American Act.

4. Referring to the exchange of notes dated March 2, 1936, accessory to the General Treaty between the United States of America and the Republic of Panama signed on that date, relative to the sale to ships of goods imported into the Canal Zone by the Government of the United States of America, the United States of America agrees, effective December 31, 1956, and in benefit of Panamanian commerce

to withdraw wholly from, and thereafter to refrain from, any such sales to ships, provided that nothing in this Item shall apply—

(a) to sales to ships operated by or for the account of the Government of the United States of America,

(b) to the sale of fuel or lubricants, or

(c) to any sale or furnishing of ships stores which is incidental to the performance of ship repair operations by any agency of the Government of the United States of America.

5. Legislative authorization and the necessary appropriations will be sought for the construction of a bridge at Balboa referred to in Article 4 of the General Relations Agreement of 1942.

6. The United States of America agrees, effective December 31, 1956, to withdraw from persons employed by agencies of the Government of the United States of America in the Canal Zone who are not citizens of the United States of America and who do not actually reside in said Zone the privilege of availing themselves of services which are offered within said Zone except those which are essential to health or necessary to permit them to perform their duties.

7. It is and will continue to be the policy of the Panama Canal Company and of the Armed Forces in the Canal Zone in making purchases of supplies, materials and equipment, so far as permitted under United States legislation, to afford to the economy of the Republic of Panama full opportunity to compete for such business.

8. In general connection with the matter of the importation of items of merchandise for resale in the sales stores in the Canal Zone, it will be the practice of the agencies concerned to acquire such items either from United States sources or Panamanian sources unless, in certain instances, it is not feasible to do so.

9. With respect to the manufacture and processing of goods for sale or consumption by individuals, now carried on by the Panama Canal Company, it will be the policy of the United States of America to terminate such activities whenever and for so long as such goods, or particular classes thereof, are determined by the United States of America to be available in the Republic of Panama on a continuing basis, in satisfactory qualities and quantities, and at reasonable prices. The United States of America will give prompt consideration to a request in writing on the part of the Government of Panama concerning the termination of the manufacture or processing of any goods covered in this Item as to which the Government of Panama may consider the criteria specified in this Item to have been met.

10. Prompt consideration will be given to withdrawing from the handling of commercial cargo for transshipment on Canal Zone piers so soon as Panamanian port facilities are in satisfactory operation in Colón.

11. The United States agrees that the term "auxiliary works" as used in the Treaty includes the Armed Forces of the United States of America.

On the part of the Republic of Panama:

1. The Republic of Panama will lease to the United States of America, free of all cost save for the recited consideration of one Balboa, for a period of 99 years, two parcels of land contiguous to

a present United States Embassy residence site, as designated on a sketch (No. SGN-9-54, dated November 19, 1954) and accompanying descriptions prepared by the Comisión Catastral of the Republic of Panama, attached hereto.

2. The Republic of Panama assures the United States of America that the property, shown and described on the attached map (No. SGN-6-54, dated October 1954) and the accompanying description prepared by the Comisión Catastral of the Republic of Panama, in front of the United States Embassy office building site and between the Bay of Panama and Avenida Balboa as it may be extended between 37th and 39th Streets, will be preserved permanently as a park and not developed for commercial or residential purposes.

3. So long as the United States of America maintains in effect the provisions of Executive Order No. 6997 of March 25, 1935 governing the importation of alcoholic beverages into the Canal Zone, the Republic of Panama will grant a reduction of 75 percent in the port duty on alcoholic beverages which are sold in Panama for exportation into the Canal Zone pursuant to such Executive Order.

4. In connection with the authorization granted to the United States of America in Article VIII of the Treaty, the United States shall have free access to the beach areas contiguous to the maneuver area described in said Article VIII for purposes connected with training and maneuvers, subject to the public use of said beach as provided under the Constitution of Panama.

The provisions of this Memorandum of Understandings Reached shall enter into force upon the exchange of instruments of ratification of the Treaty signed this day by the United States of America and the Republic of Panama.

*Letter to  
President Carter  
from Admirals  
Robert B. Carney  
Arleigh A. Burke  
George W. Anderson  
and Thomas H. Moorer  
June 8, 1977*

Dear Mr. President:

As former Chiefs of Naval Operations, fleet commanders and Naval Advisers to previous Presidents, we believe we have an obligation to you and the nation to offer our combined judgment on the strategic value of the Panama Canal to the United States.

Contrary to what we read about the declining strategic and economic value of the Canal, the truth is that this inter-oceanic waterway is as important, if not more so, to the United States than ever. The Panama Canal enables the United States to transfer its naval forces and commercial units from ocean to ocean as

the need arises. This capability is increasingly important now in view of the reduced size of the U.S. Atlantic and Pacific fleets.

We recognize that the Navy's largest aircraft carriers and some of the world's super-tankers are too wide to transit the Canal as it exists today. The super-tankers represent but a small percentage of the world's commercial fleets. From a strategic viewpoint, the Navy's largest carriers can be wisely positioned as pressures and tensions build in any kind of a short-range, limited situation. Meanwhile, the hundreds of combatants, from submarines to cruisers, can be funneled through the transit as can the vital fleet train needed to sustain the combatants. In the years ahead as carriers become smaller or as the Canal is modernized, this problem will no longer exist.

Our experience has been that as each crisis developed during our active service—World War II, Korea, Vietnam and the Cuban missile crisis—the value of the Canal was forcefully emphasized by emergency transits of our naval units and massive logistic support for the Armed Forces. The Canal provided operational flexibility and rapid mobility. In addition, there are the psychological advantages of this power potential. As Commander-in-Chief, you will find the ownership and sovereign control of the Canal indispensable during periods of tension and conflict.

As long as most of the world's combatant and commercial tonnage can transit through the Canal, it offers inestimable strategic advantages to the United States, giving us maximum strength at minimum cost. Moreover, sovereignty and jurisdiction over the Canal Zone and Canal offer the opportunity to use the waterway or to deny its use to others in wartime. This authority was especially helpful during World War II and also Vietnam. Under the control of a potential adversary, the Panama Canal would become an immediate crucial problem and prove a serious weakness in the over-all U.S. defense capability, with enormous potential consequences for evil.

Mr. President, you have become our leader at a time when the adequacy of our naval capabilities is being seriously challenged. The existing maritime threat to us is compounded by the possibility that the Canal under Panamanian sovereignty could be neutralized or lost, depending on that government's relationship with other nations. We note that the present Panamanian government has close ties with the present Cuban government which in turn is closely tied to the Soviet Union. Loss of the Panama Canal, which would be a serious set-back in war, would



contribute to the encirclement of the U.S. by hostile naval forces, and threaten our ability to survive.

For meeting the current situation, you have the well-known precedent of former distinguished Secretary of State (later Chief Justice) Charles Evans Hughes, who, when faced with a comparable situation in 1923, declared to the Panamanian government that it was an "absolute futility" for it "to expect an American administration, no matter what it was, any President or any Secretary of State, ever to surrender any part of (the) rights which the United States had acquired under the Treaty of 1903" (Ho. Doc. No. 474, 89th Congress, p.154).

We recognize that a certain amount of social unrest is generated by the contrast in living standards between Zonians and Panamanians living nearby. Bilateral programs are recommended to upgrade Panamanian boundary areas. Canal modernization, once U.S. sovereignty is guaranteed, might benefit the entire Panamanian economy, and especially those areas near the U.S. Zone.

The Panama Canal represents a vital portion of our U.S. naval and maritime assets, all of which are absolutely essential for free world security. It is our considered individual and combined judgment that you should instruct our negotiators to retain full sovereign control for the United States over both the Panama Canal and its protective frame, the U.S. Canal Zone as provided in the existing treaty.

Very respectfully,  
(signed)

ROBERT B. CARNEY

ARLEIGH A. BURKE

GEORGE W. ANDERSON

THOMAS H. MOORER

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## PANAMA CANAL TREATIES AND STATEMENT OF UNDERSTANDING

September 7; October 14, 1977

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*President Carter and Panamanian ruler Brig. Gen. Omar Torrijos Herrera signed two controversial treaties Sept. 7 that would give Panama control of the Panama Canal by the year 2000 and would guarantee the canal's permanent neutrality. Representatives from 26 Western Hemisphere nations joined scores of federal officials and other prominent Americans invited by President Carter to demonstrate support for the pacts at brief signing ceremonies in Washington at the Organization of American States (OAS).*

*Despite this orchestrated unity, opposition to U.S. ratification of the treaties was strong. The question of whether or not the treaties would be approved by the U.S. Senate remained unanswered. [For ratification of a treaty, the Constitution requires that the Senate approve the treaty by a two-thirds majority vote of those senators present.] In a national referendum Oct. 23, Panamanians voted 2-1 in favor of the treaties.*

*In his remarks at the OAS ceremonies, Carter said the agreements "mark the commitment of the United States to the belief that fairness, not force, should lie at the heart of our dealings with the nations of the world." Moreover, he said, the 1903 canal treaty, because it was "drafted in a world so different from ours today, has become an obstacle to better relations with Latin America."*

### Details of Treaties

*Under the terms of the basic treaty governing the operation and defense of the canal, the United States would have the primary responsibility to*

*protect and defend the canal for the rest of the century, with Panama guaranteeing American access to its land and waters for the canal's defense. After the United States relinquished control of the canal at the end of 1999, the nation still would have the permanent right to defend the canal indefinitely as specified by the companion treaty guaranteeing the canal's permanent neutrality. In addition, U.S. warships would have the permanent right to move through the canal without restrictions.*

*On the effective date of the treaties, Panama would assume general territorial jurisdiction over the Canal Zone and the country could use portions of the area not needed for the operation and defense of the canal. The United States would maintain control over all lands, waters and installations necessary to manage, operate and defend the canal until 1999, acting through a new U.S. government agency that would replace the Panama Canal Company. Panamanians would participate increasingly in the canal's operations; until 1990, the canal administrator would be an American and the deputy, Panamanian. Thereafter, the positions would be reversed.*

*During the treaty's life, Panama would receive from canal revenues 30 cents per ton shipped through the canal, \$10-million from annual toll revenues and up to an additional \$10-million if canal revenues were high enough. The United States also pledged \$200-million in Export-Import Bank credits; \$75-million in housing guarantees and \$20-million in Overseas Private Investment Corporation guarantees.*

*Under the basic treaty terms, all U.S. civilians employed in the canal could continue to hold their federal jobs until retirement or could opt for early retirement. Those displaced from their jobs by the terms of the treaty could transfer to other U.S. Civil Service jobs. The treaty recognized the continued right of canal employees to bargain collectively, a key factor in winning AFL-CIO support for the pacts.*

### **Proponents and Opponents**

*Building the case for approval of the treaties at Senate Foreign Relations Committee hearings, administration leaders stressed that the pacts would win the United States worldwide respect and "help set the tone" of inter-American relations for years to come. If the Senate rejected the treaties, Secretary of State Cyrus R. Vance said, "our relations with Panama would be shattered, our standing in Latin America damaged immeasurably, and the security of the canal itself placed in jeopardy." The practical advantage of the treaties for the United States, Vance explained, was that the canal would be open, neutral, secure and efficiently operated without cost to U.S. taxpayers. And for Panama, according to Vance, there would be economic benefits from toll revenues and, most important, full jurisdiction over its own territory.*

*Both State Department and Pentagon officials bore down on a major contention of treaty critics that if the United States relinquished control of*

mitted a prompt U.S. response to keep the waterway open if a political upheaval in Panama led to an attempt to nationalize the canal.

To clarify the interpretation of the wording, Carter again met with Gen. Torrijos Oct. 14 and they issued a Statement of Understanding saying: the correct interpretation of this principle is that each of the two countries shall, in accordance with their respective constitutional processes, defend the canal against any threat to the regime of neutrality....” But, the statement said, “this does not nor shall it be interpreted as a right of intervention of the United States in the internal affairs of Panama.” The understanding clarified another disputed article in the neutrality pact—the language giving the U.S. and Panamanian warships the right to “transit the canal expeditiously.” In case of need or emergency, the statement said, the two nations’ vessels “can go to the head of the line of vessels in order to transit the canal rapidly.”

*Following are the texts of the Panama Canal treaties signed Sept. 7, 1977, by President Carter and Brig. Gen. Omar Torrijos Herrera at ceremonies in Washington, D.C., at the Organization of American States, and the Statement of Clarification issued Oct. 14 by Carter and Torrijos:*

## PANAMA CANAL TREATY

The United States of America and the Republic of Panama,  
Acting in the spirit of the Joint Declaration of April 3, 1964, by the Representatives of the Governments of the United States of America and the Republic of Panama, and of the Joint Statement of Principles of February 7, 1974, initialed by the Secretary of State of the United States of America and the Foreign Minister of the Republic of Panama, and

*Acknowledging* the Republic of Panama's sovereignty over its territory,

*Have decided* to terminate the prior Treaties pertaining to the Panama Canal and to conclude a new Treaty to serve as the basis for a new relationship between them and, accordingly, have agreed upon the following:

### ARTICLE I

#### Abrogation of Prior Treaties and Establishment of a New Relationship

1. Upon its entry into force, this Treaty terminates and supersedes:
  - (a) The Isthmian Canal Convention between the United States of America and the Republic of Panama, signed at Washington, November 18, 1903;

(b) The Treaty of Friendship and Cooperation signed at Washington, March 2, 1936, and the Treaty of Mutual Understanding and Cooperation and the related Memorandum of Understandings Reached, signed at Panama, January 25, 1955, between the United States of America and the Republic of Panama;

(c) All other treaties, conventions, agreements and exchanges of notes between the United States of America and the Republic of Panama, concerning the Panama Canal which were in force prior to the entry into force of this Treaty; and

(d) Provisions concerning the Panama Canal which appear in other treaties, conventions, agreements and exchanges of notes between the United States of America and the Republic of Panama which were in force prior to the entry into force of this Treaty.

2. In accordance with the terms of this Treaty and related agreements, the Republic of Panama, as territorial sovereign, grants to the United States of America, for the duration of this Treaty, the rights necessary to regulate the transit of ships through the Panama Canal, and to manage, operate, maintain, improve, protect and defend the Canal. The Republic of Panama guarantees to the United States of America the peaceful use of the land and water areas which it has been granted the rights to use for such purposes [pursuant] to this Treaty and related agreements.

3. The Republic of Panama shall participate increasingly in the management and protection and defense of the Canal, as provided in this Treaty.

4. In view of the special relationship established by this Treaty, the United States of America and the Republic of Panama shall cooperate to assure the uninterrupted and efficient operation of the Panama Canal.

## ARTICLE II

### Ratification, Entry into Force, and Termination

1. This Treaty shall be subject to ratification in accordance with the constitutional procedures of the two Parties. The instruments of ratification of this Treaty shall be exchanged at Panama at the same time as the instruments of ratification of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, signed this date, are exchanged. This Treaty shall enter into force, simultaneously with the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, six calendar months from the date of the exchange of the instruments of ratification.

2. This Treaty shall terminate at noon, Panama time, December 31, 1999.

ARTICLE III

Canal Operation and Management

1. The Republic of Panama, as territorial sovereign, grants to the United States of America the rights to manage, operate, and maintain the Panama Canal, its complementary works, installations and equipment and to provide for the orderly transit of vessels through the Panama Canal. The United States of America accepts the grant of such rights and undertakes to exercise them in accordance with this Treaty and related agreements.

2. In carrying out the foregoing responsibilities, the United States of America may:

(a) Use for the aforementioned purposes, without cost except as provided in this Treaty, the various installations and areas (including the Panama Canal) and waters, described in the Agreement in Implementation of this Article, signed this date, as well as such other areas and installations as are made available to the United States of America under this Treaty and related agreements, and take the measures necessary to ensure sanitation of such areas;

(b) Make such improvements and alterations to the aforesaid installations and areas as it deems appropriate, consistent with the terms of this Treaty;

(c) Make and enforce all rules pertaining to the passage of vessels through the Canal and other rules with respect to navigation and maritime matters, in accordance with this Treaty and related agreements. The Republic of Panama will lend its cooperation, when necessary, in the enforcement of such rules;

(d) Establish, modify, collect and retain tolls for the use of the Panama Canal, and other charges, and establish and modify methods of their assessment;

(e) Regulate relations with employees of the United States Government;

(f) Provide supporting services to facilitate the performance of its responsibilities under this Article;

(g) Issue and enforce regulations for the effective exercise of the rights and responsibilities of the United States of America under this Treaty and related agreements. The Republic of Panama will lend its cooperation, when necessary, in the enforcement of such rules; and

(h) Exercise any other right granted under this Treaty, or otherwise agreed upon between the two Parties.

## CANAL TREATIES

3. Pursuant to the foregoing grant of rights, the United States of America shall, in accordance with the terms of this Treaty and the provisions of United States law, carry out its responsibilities by means of a United States Government agency called the Panama Canal Commission, which shall be constituted by and in conformity with the laws of the United States of America.

(a) The Panama Canal Commission shall be supervised by a Board composed of nine members, five of whom shall be nationals of the United States of America, and four of whom shall be Panamanian nationals proposed by the Republic of Panama for appointment to such positions by the United States of America in a timely manner.

(b) Should the Republic of Panama request the United States of America to remove a Panamanian national from membership on the Board, the United States of America shall agree to such a request. In that event, the Republic of Panama shall propose another Panamanian national for appointment by the United States of America to such position in a timely manner. In case of removal of a Panamanian member of the Board at the initiative of the United States of America, both Parties will consult in advance in order to reach agreement concerning such removal, and the Republic of Panama shall propose another Panamanian national for appointment by the United States of America in his stead.

(c) The United States of America shall employ a national of the United States of America as Administrator of the Panama Canal Commission, and a Panamanian national as Deputy Administrator, through December 31, 1989. Beginning January 1, 1990, a Panamanian national shall be employed as the Administrator and a national of the United States of America shall occupy the position of Deputy Administrator. Such Panamanian nationals shall be proposed to the United States of America by the Republic of Panama for appointment to such positions by the United States of America.

(d) Should the United States of America remove the Panamanian national from his position as Deputy Administrator, or Administrator, the Republic of Panama shall propose another Panamanian national for appointment to such position by the United States of America.

4. An illustrative description of the activities the Panama Canal Commission will perform in carrying out the responsibilities and rights of the United States of America under this Article is set forth at the Annex. Also set forth in the Annex are procedures for the discontinuance or transfer of those activities performed prior to the entry into force of this Treaty by the Panama Canal Company or the Canal Zone Government which are not to be carried out by the Panama Canal Commission.

5. The Panama Canal Commission shall reimburse the Republic of Panama for the costs incurred by the Republic of Panama in providing the following public services in the Canal operating areas and in housing areas

set forth in the Agreement in Implementation of Article III of this Treaty and occupied by both United States and Panamanian citizen employees of the Panama Canal Commission: police, fire protection, street maintenance, street lighting, street cleaning, traffic management and garbage collection. The Panama Canal Commission shall pay the Republic of Panama the sum of ten million United States dollars (\$10,000,000) per annum for the foregoing services. It is agreed that every three years from the date that this Treaty enters into force, the costs involved in furnishing said services shall be reexamined to determine whether adjustment of the annual payment should be made because of inflation and other relevant factors affecting the cost of such services.

6. The Republic of Panama shall be responsible for providing, in all areas comprising the former Canal Zone, services of a general jurisdictional nature such as customs and immigration, postal services, courts and licensing, in accordance with this Treaty and related agreements.

7. The United States of America and the Republic of Panama shall establish a Panama Canal Consultative Committee, composed of an equal number of high-level representatives of the United States of America and the Republic of Panama, and which may appoint such subcommittees as it may deem appropriate. This Committee shall advise the United States of America and the Republic of Panama on matters of policy affecting the Canal's operation. In view of both Parties' special interest in the continuity and efficiency of the Canal operation in the future, the Committee shall advise on matters such as general tolls policy, employment and training policies to increase the participation of Panamanian nationals in the operation of the Canal, and international policies on matters concerning the Canal. The Committee's recommendations shall be transmitted to the two Governments, which shall give such recommendations full consideration in the formulation of such policy decisions.

8. In addition to the participation of Panamanian nationals at high management levels of the Panama Canal Commission, as provided for in paragraph 3 of this Article, there shall be growing participation of Panamanian nationals at all other levels and areas of employment in the aforesaid Commission, with the objective of preparing, in an orderly and efficient fashion, for the assumption by the Republic of Panama of full responsibility for the management, operation and maintenance of the Canal upon the termination of this Treaty.

9. The use of the areas, waters and installations with respect to which the United States of America is granted rights pursuant to this Article, and the rights and legal status of United States Government agencies and employees operating in the Republic of Panama pursuant to this Article, shall be governed by the Agreement in Implementation of this Article, signed this date.

10. Upon entry into force of this Treaty, the United States Government agencies known as the Panama Canal Company and the Canal Zone Government shall cease to operate within the territory of the Republic of Panama that formerly constituted the Canal Zone.



## ARTICLE IV

## Protection and Defense

1. The United States of America and the Republic of Panama commit themselves to protect and defend the Panama Canal. Each Party shall act, in accordance with its constitutional processes, to meet the danger resulting from an armed attack or other actions which threaten the security of the Panama Canal or of ships transiting it.

2. For the duration of this Treaty, the United States of America shall have primary responsibility to protect and defend the Canal. The rights of the United States of America to station, train, and move military forces within the Republic of Panama are described in the Agreement in implementation of this Article, signed this date. The use of areas and installations and the legal status of the armed forces of the United States of America in the Republic of Panama shall be governed by the aforesaid Agreement.

3. In order to facilitate the participation and cooperation of the armed forces of both Parties in the protection and defense of the Canal, the United States of America and the Republic of Panama shall establish a Combined Board comprised of an equal number of senior military representatives of each Party. These representatives shall be charged by their respective governments with consulting and cooperating on all matters pertaining to the protection and defense of the Canal, and with planning for actions to be taken in concert for that purpose. Such combined protection and defense arrangements shall not inhibit the identity or lines of authority of the armed forces of the United States of America or the Republic of Panama. The Combined Board shall provide for coordination and cooperation concerning such matters as:

(a) The preparation of contingency plans for the protection and defense of the Canal based upon the cooperative efforts of the armed forces of both Parties;

(b) The planning and conduct of combined military exercises; and

(c) The conduct of United States and Panamanian military operations with respect to the protection and defense of the Canal.

4. The Combined Board shall, at five-year intervals throughout the duration of this Treaty, review the resources being made available by the two Parties for the protection and defense of the Canal. Also, the Combined Board shall make appropriate recommendations to the two Governments respecting projected requirements, the efficient utilization of available resources of the two Parties, and other matters of mutual interest with respect to the protection and defense of the Canal.

5. To the extent possible consistent with its primary responsibility for the protection and defense of the Panama Canal, the United States of America will endeavor to maintain its armed forces in the Republic of Panama in normal times at a level not in excess of that of the armed forces

of the United States of America in the territory of the former Canal Zone immediately prior to the entry into force of this Treaty.

## ARTICLE V

### Principle of Non-Intervention

Employees of the Panama Canal Commission, their dependents and designated contractors of the Panama Canal Commission, who are nationals of the United States of America, shall respect the laws of the Republic of Panama and shall abstain from any activity incompatible with the spirit of this Treaty. Accordingly, they shall abstain from any political activity in the Republic of Panama as well as from any intervention in the internal affairs of the Republic of Panama. The United States of America shall take all measures within its authority to ensure that the provisions of this Article are fulfilled.

## ARTICLE VI

### Protection of the Environment

1. The United States of America and the Republic of Panama commit themselves to implement this Treaty in a manner consistent with the protection of the natural environment of the Republic of Panama. To this end, they shall consult and cooperate with each other in all appropriate ways to ensure that they shall give due regard to the protection and conservation of the environment.

2. A Joint Commission on the Environment shall be established with equal representation from the United States of America and the Republic of Panama, which shall periodically review the implementation of this Treaty and shall recommend as appropriate to the two Governments ways to avoid or, should this not be possible, to mitigate the adverse environmental impacts which might result from their respective actions pursuant to the Treaty.

3. The United States of America and the Republic of Panama shall furnish the Joint Commission on the Environment complete information on any action taken in accordance with this Treaty which, in the judgment of both, might have a significant effect on the environment. Such information shall be made available to the Commission as far in advance of the contemplated action as possible to facilitate the study by the Commission of any potential environmental problems and to allow for consideration of the recommendation of the Commission before the contemplated action is carried out.

**ARTICLE VII**

**Flags**

1. The entire territory of the Republic of Panama, including the areas the use of which the Republic of Panama makes available to the United States of America pursuant to this Treaty and related agreements, shall be under the flag of the Republic of Panama, and consequently such flag always shall occupy the position of honor.

2. The flag of the United States of America may be displayed, together with the flag of the Republic of Panama, at the headquarters of the Panama Canal Commission, at the site of the Combined Board, and as provided in the Agreement in Implementation of Article IV of this Treaty.

3. The flag of the United States of America also may be displayed at other places and on some occasions, as agreed by both Parties.

**ARTICLE VIII**

**Privileges and Immunities**

1. The installations owned or used by the agencies or instrumentalities of the United States of America operating in the Republic of Panama pursuant to this Treaty and related agreements, and their official archives and documents, shall be inviolable. The two Parties shall agree on procedures to be followed in the conduct of any criminal investigation at such locations by the Republic of Panama.

2. Agencies and instrumentalities of the Government of the United States of America operating in the Republic of Panama pursuant to this Treaty and related agreements shall be immune from the jurisdiction of the Republic of Panama.

3. In addition to such other privileges and immunities as are afforded to employees of the United States Government and their dependents pursuant to this Treaty, the United States of America may designate up to twenty officials of the Panama Canal Commission who, along with their dependents, shall enjoy the privileges and immunities accorded to diplomatic agents and their dependents under international law and practice. The United States of America shall furnish to the Republic of Panama a list of the names of said officials and their dependents, identifying the positions they occupy in the Government of the United States of America, and shall keep such list current at all times.

**ARTICLE IX**

**Applicable Laws and  
Law Enforcement**

1. In accordance with the provisions of this Treaty and related agreements, the law of the Republic of Panama shall apply in the areas

made available for the use of the United States of America pursuant to this Treaty. The law of the Republic of Panama shall be applied to matters or events which occurred in the former Canal Zone prior to the entry into force of this Treaty only to the extent specifically provided in prior treaties and agreements.

2. Natural or juridical persons who, on the date of entry into force of this Treaty, are engaged in business or non-profit activities at locations in the former Canal Zone may continue such business or activities at those locations under the same terms and conditions prevailing prior to the entry into force of this Treaty for a thirty-month transition period from its entry into force. The Republic of Panama shall maintain the same operating conditions as those applicable to the aforementioned enterprises prior to the entry into force of this Treaty in order that they may receive licenses to do business in the Republic of Panama subject to their compliance with the requirements of its law. Thereafter, such persons shall receive the same treatment under the law of the Republic of Panama as similar enterprises already established in the rest of the territory of the Republic of Panama without discrimination.

3. The rights of ownership, as recognized by the United States of America, enjoyed by natural or juridical private persons in buildings and other improvements to real property located in the former Canal Zone shall be recognized by the Republic of Panama in conformity with its laws.

4. With respect to buildings and other improvements to real property located in the Canal operating areas, housing areas or other areas subject to the licensing procedure established in Article IV of the Agreement in Implementation of Article III of this Treaty, the owners shall be authorized to continue using the land upon which their property is located in accordance with the procedures established in that Article.

5. With respect to buildings and other improvements to real property located in areas of the former Canal Zone to which the aforesaid licensing procedure is not applicable, or may cease to be applicable during the lifetime or upon termination of this Treaty, the owners may continue to use the land upon which their property is located, subject to the payment of a reasonable charge to the Republic of Panama. Should the Republic of Panama decide to sell such land, the owners of the buildings or other improvements located thereon shall be offered a first option to purchase such land at a reasonable cost. In the case of non-profit enterprises, such as churches and fraternal organizations, the cost of purchase will be nominal in accordance with the prevailing practice in the rest of the territory of the Republic of Panama.

6. If any of the aforementioned persons are required by the Republic of Panama to discontinue their activities or vacate their property for public purposes, they shall be compensated at fair market value by the Republic of Panama.

7. The provisions of paragraphs 2-6 above shall apply to natural or juridical persons who have been engaged in business or non-profit ac-

tivities at locations in the former Canal Zone for at least six months prior to the date of signature of this Treaty.

8. The Republic of Panama shall not issue, adopt or enforce any law, decree, regulation, or international agreement or take any other action which purports to regulate or would otherwise interfere with the exercise on the part of the United States of America of any right granted under this Treaty or related agreements.

9. Vessels transiting the Canal, and cargo, passengers and crews carried on such vessels shall be exempt from any taxes, fees, or other charges by the Republic of Panama. However, in the event such vessels call at a Panamanian port, they may be assessed charges incident thereto, such as charges for services provided to the vessel. The Republic of Panama may also require the passengers and crew disembarking from such vessels to pay such taxes, fees and charges as are established under Panamanian law for persons entering its territory. Such taxes, fees and charges shall be assessed on a nondiscriminatory basis.

10. The United States of America and the Republic of Panama will cooperate in taking such steps as may from time to time be necessary to guarantee the security of the Panama Canal Commission, its property, its employees and their dependents, and their property, for Forces of the United States of America and the members thereof, the civilian component of the United States Forces, the dependents of members of the Forces and the civilian component, and their property, and the contractors of the Panama Canal Commission and of the United States Forces, their dependents, and their property. The Republic of Panama will seek from its Legislative Branch such legislation as may be needed to carry out the foregoing purposes and to punish any offenders.

11. The Parties shall conclude an agreement whereby nationals of either State, who are sentenced by the courts of the other State, and who are not domiciled therein, may elect to serve their sentences in their State of nationality.

## ARTICLE X

### Employment with the Panama Canal Commission

1. In exercising its right and fulfilling its responsibilities as the employer, the United States of America shall establish employment and labor regulations which shall contain the terms, conditions and prerequisites for all categories of employees of the Panama Canal Commission. These regulations shall be provided to the Republic of Panama prior to their entry into force.

2. (a) The regulations shall establish a system of preference when hiring employees, for Panamanian applicants possessing the skills and qualifications required for employment by the Panama Canal Com-

ssion. The United States of America shall endeavor to ensure that the number of Panamanian nationals employed by the Panama Canal Commission in relation to the total number of its employees will conform to the proportion established for foreign enterprises under the law of the Republic of Panama.

(b) The terms and conditions of employment to be established will in general be no less favorable to persons already employed by the Panama Canal Company or Canal Zone Government prior to the entry into force of this Treaty, than those in effect immediately prior to that date.

3. (a) The United States of America shall establish an employment policy for the Panama Canal Commission that shall generally limit the recruitment of personnel outside the Republic of Panama to persons possessing requisite skills and qualifications which are not available in the Republic of Panama.

(b) The United States of America will establish training programs for Panamanian employees and apprentices in order to increase the number of Panamanian nationals qualified to assume positions with the Panama Canal Commission, as positions become available.

(c) Within five years from the entry into force of this Treaty, the number of United States nationals employed by the Panama Canal Commission who were previously employed by the Panama Canal Company shall be at least twenty percent less than the total number of United States nationals working for the Panama Canal Company immediately prior to the entry into force of this Treaty.

(d) The United States of America shall periodically inform the Republic of Panama, through the Coordinating Committee, established pursuant to the Agreement in Implementation of Article III of this Treaty, of available positions within the Panama Canal Commission. The Republic of Panama shall similarly provide the United States of America any information it may have as to the availability of Panamanian nationals claiming to have skills and qualifications that might be required by the Panama Canal Commission, in order that the United States of America may take this information into account.

4. The United States of America will establish qualification standards for skills, training and experience required by the Panama Canal Commission. In establishing such standards, to the extent they include a requirement for a professional license, the United States of America, without prejudice to its right to require additional professional skills and qualifications, shall recognize the professional licenses issued by the Republic of Panama.

5. The United States of America shall establish a policy for the periodic rotation, at a maximum of every five years, of United States citizen employees and other non-Panamanian employees, hired after the entry into force of this Treaty. It is recognized that certain exceptions to the said policy of rotation may be made for sound administrative reasons, such as in the case of employees holding positions requiring certain non-transferable or non-recruitable skills.

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6. With regard to wages and fringe benefits, there shall be no discrimination on the basis of nationality, sex, or race. Payments by the Panama Canal Commission of additional remuneration, or the provision of other benefits, such as home leave benefits, to United States nationals employed prior to entry into force of this Treaty, or to persons of any nationality, including Panamanian nationals who are thereafter recruited outside of the Republic of Panama and who change their place of residence, shall not be considered to be discrimination for the purpose of this paragraph.

7. Persons employed by the Panama Canal Company or Canal Zone Government prior to the entry into force of this Treaty, who are displaced from their employment as a result of the discontinuance by the United States of America of certain activities pursuant to this Treaty, will be placed by the United States of America, to the maximum extent feasible, on other appropriate jobs with the Government of the United States in accordance with United States Civil Service regulations. For such persons who are not United States nationals, placement efforts will be confined to United States Government activities located within the Republic of Panama. Likewise, persons previously employed in activities for which the Republic of Panama assumes responsibility as a result of this Treaty will be continued in their employment to the maximum extent feasible by the Republic of Panama. The Republic of Panama shall, to the maximum extent feasible, ensure that the terms and conditions of employment applicable to personnel employed in the activities for which it assumes responsibility are no less favorable than those in effect immediately prior to the entry into force of this Treaty. Non-United States nationals employed by the Panama Canal Company or Canal Zone Government prior to the entry into force of this Treaty who are involuntarily separated from their positions because of the discontinuance of an activity by reason of this Treaty, who are not entitled to an immediate annuity under the United States Civil Service Retirement System, and for whom continued employment in the Republic of Panama by the Government of the United States of America is not practicable, will be provided special job placement assistance by the Republic of Panama for employment in positions for which they may be qualified by experience and training.

8. The Parties agree to establish a system whereby the Panama Canal Commission may, if deemed mutually convenient or desirable by the two parties, assign certain employees of the Panama Canal Commission, for a limited period of time, to assist in the operation of activities transferred to the responsibility of the Republic of Panama as a result of this Treaty or related agreements. The salaries and other costs of employment of any such persons assigned to provide such assistance shall be reimbursed to the United States of America by the Republic of Panama.

9. (a) The right of employees to negotiate collective contracts with the Panama Canal Commission is recognized. Labor relations with employees of the Panama Canal Commission shall be conducted in accor-

dance with forms of collective bargaining established by the United States of America after consultation with employee unions.

(b) Employee unions shall have the right to affiliate with international labor organizations.

10. The United States of America will provide an appropriate early optional retirement program for all persons employed by the Panama Canal Company or Canal Zone Government immediately prior to the entry into force of this Treaty. In this regard, taking into account the unique circumstances created by the provisions of this Treaty, including its duration, and their effect upon such employees, the United States of America shall, with respect to them:

(a) determine that conditions exist which invoke applicable United States law permitting early retirement annuities and apply such law for a substantial period of the duration of the Treaty;

(b) seek special legislation to provide more liberal entitlement to, and calculation of, retirement annuities than is currently provided for by law.

#### ARTICLE XI

##### Provisions for the Transition Period

1. The Republic of Panama shall reassume plenary jurisdiction over the former Canal Zone upon entry into force of this Treaty and in accordance with its terms. In order to provide for an orderly transition to the full application of the jurisdictional arrangements established by this Treaty and related agreements, the provisions of this Article shall become applicable upon the date this Treaty enters into force, and shall remain in effect for thirty calendar months. The authority granted in this Article to the United States of America for this transition period shall supplement, and is not intended to limit, the full application and effect of the rights and authority granted to the United States of America elsewhere in this Treaty and in related agreements.

2. During this transition period, the criminal and civil laws of the United States of America shall apply concurrently with those of the Republic of Panama in certain of the areas and installations made available for the use of the United States of America pursuant to this Treaty, in accordance with the following provisions:

(a) The Republic of Panama permits the authorities of the United States of America to have the primary right to exercise criminal jurisdiction over United States citizen employees of the Panama Canal Commission and their dependents, and members of the United States Forces and civilian component and their dependents, in the following cases:

(i) for any offense committed during the transition period within such areas and installations, and

(ii) for any offense committed prior to that period in the former Canal Zone.



The Republic of Panama shall have the primary right to exercise jurisdiction over all other offenses committed by such persons, except as otherwise provided in this Treaty and related agreements or as may be otherwise agreed.

(b) Either Party may waive its primary right to exercise jurisdiction in a specific case or category of cases.

3. The United States of America shall retain the right to exercise jurisdiction in criminal cases relating to offenses committed prior to the entry into force of this Treaty in violation of the laws applicable in the former Canal Zone.

4. For the transition period, the United States of America shall retain police authority and maintain a police force in the aforementioned areas and installations. In such areas, the police authorities of the United States of America may take into custody any person not subject to their primary jurisdiction if such person is believed to have committed or to be committing an offense against applicable laws or regulations, and shall promptly transfer custody to the police authorities of the Republic of Panama. The United States of America and the Republic of Panama shall establish joint police patrols in agreed areas. Any arrests conducted by a joint patrol shall be the responsibility of the patrol member or members representing the party having primary jurisdiction over the person or persons arrested.

5. The courts of the United States of America and related personnel, functioning in the former Canal Zone immediately prior to the entry into force of this Treaty, may continue to function during the transition period for the judicial enforcement of the jurisdiction to be exercised by the United States of America in accordance with this Article.

6. In civil cases, the civilian courts of the United States of America in the Republic of Panama shall have no jurisdiction over new cases of a private civil nature, but shall retain full jurisdiction during the transition period to dispose of any civil cases, including admiralty cases, already instituted and pending before the courts prior to the entry into force of this Treaty.

7. The laws, regulations, and administrative authority of the United States of America applicable in the former Canal Zone immediately prior to the entry into force of this Treaty shall, to the extent not inconsistent with this Treaty and related agreements, continue in force for the purpose of the exercise by the United States of America of law enforcement and judicial jurisdiction only during the transition period. The United States of America may amend, repeal or otherwise change such laws, regulations and administrative authority. The two Parties shall consult concerning procedural and substantive matters relative to the implementation of this Article, including the disposition of cases pending at the end of the transition period and, in this respect, may enter into appropriate agreements by an exchange of notes or other instrument.

8. During this transition period, the United States of America may continue to incarcerate individuals in the areas and installations made

available for the use of the United States of America by the Republic of Panama pursuant to this Treaty and related agreements, or to transfer them to penal facilities in the United States of America to serve their sentences.

## ARTICLE XII

### A Sea-Level Canal or a Third Lane of Locks

1. The United States of America and the Republic of Panama recognize that a sea-level canal may be important for international navigation in the future. Consequently, during the duration of this Treaty, both Parties commit themselves to study jointly the feasibility of a sea-level canal in the Republic of Panama, and in the event they determine that such a waterway is necessary, they shall negotiate terms, agreeable to both Parties, for its construction.

2. The United States of America and the Republic of Panama agree on the following:

(a) No new interoceanic canal shall be constructed in the territory of the Republic of Panama during the duration of this Treaty, except in accordance with the provisions of this Treaty, or as the two Parties may otherwise agree; and

(b) During the duration of this Treaty, the United States of America shall not negotiate with third States for the right to construct an interoceanic canal on any other route in the Western Hemisphere, except as the two Parties may otherwise agree.

3. The Republic of Panama grants to the United States of America the right to add a third lane of locks to the existing Panama Canal. This right may be exercised at any time during the duration of this Treaty, provided that the United States of America has delivered to the Republic of Panama copies of the plans for such construction.

4. In the event the United States of America exercises the right granted in paragraph 3 above, it may use for that purpose, in addition to the areas otherwise made available to the United States of America pursuant to this Treaty, such other areas as the two Parties may agree upon. The terms and conditions applicable to Canal operating areas made available by the Republic of Panama for the use of the United States of America pursuant to Article III of this Treaty shall apply in a similar manner to such additional areas.

5. In the construction of the aforesaid works, the United States of America shall not use nuclear excavation techniques without the previous consent of the Republic of Panama.

ARTICLE XIII

**Property Transfer and  
Economic Participation  
by the Republic of Panama**

1. Upon termination of this Treaty, the Republic of Panama shall assume total responsibility for the management, operation, and maintenance of the Panama Canal, which shall be turned over in operating condition and free of liens and debts, except as the two Parties may otherwise agree.

2. The United States of America transfers, without charge, to the Republic of Panama all right, title and interest the United States of America may have with respect to all real property, including non-removable improvements thereon, as set forth below:

(a) Upon the entry into force of this Treaty, the Panama Railroad and such property that was located in the former Canal Zone but that is not within the land and water areas the use of which is made available to the United States of America pursuant to this Treaty. However, it is agreed that the transfer on such date shall not include buildings and other facilities, except housing, the use of which is retained by the United States of America pursuant to this Treaty and related agreements, outside such areas;

(b) Such property located in an area or a portion thereof at such time as the use by the United States of America of such area or portion thereof ceases pursuant to agreement between the two Parties.

(c) Housing units made available for occupancy by members of the Armed Forces of the Republic of Panama in accordance with paragraph 5(b) of Annex B to the Agreement in Implementation of Article IV of this Treaty at such time as such units are made available to the Republic of Panama.

(d) Upon termination of this Treaty, all real property, and non-removable improvements that were used by the United States of America for the purposes of this Treaty and related agreements, and equipment related to the management, operation and maintenance of the Canal remaining in the Republic of Panama.

3. The Republic of Panama agrees to hold the United States of America harmless with respect to any claims which may be made by third parties relating to rights, title and interest in such property.

4. The Republic of Panama shall receive, in addition, from the Panama Canal Commission a just and equitable return on the national resources which it has dedicated to the efficient management, operation, maintenance, protection and defense of the Panama Canal, in accordance with the following:

(a) An annual amount to be paid out of Canal operating revenues computed at a rate of thirty hundredths of a United States dollar (\$0.30)

per Panama Canal net ton, or its equivalence, for each vessel transiting the Canal, after the entry into force of this Treaty, for which tolls are charged. The rate of thirty hundredths of a United States dollar (\$.30) per Panama Canal net ton, or its equivalency, will be adjusted to reflect changes in the United States wholesale price index for total manufactured goods during biennial periods. The first adjustment shall take place five years after entry into force of this Treaty, taking into account the changes that occurred in such price index during the preceding two years. Thereafter successive adjustments shall take place at the end of each biennial period. If the United States of America should decide that another indexing method is preferable, such method shall be proposed to the Republic of Panama and applied if mutually agreed.

(b) A fixed annuity of ten million United States dollars (\$10,000,000) to be paid out of Canal operating revenues. This amount shall constitute a fixed expense of the Panama Canal Commission.

(c) An annual amount of up to ten million United States dollars (\$10,000,000) per year, to be paid out of Canal operating revenues to the extent that such revenues exceed expenditures of the Panama Canal Commission including amounts paid pursuant to this Treaty. In the event Canal operating revenues in any year do not produce a surplus sufficient to cover this payment, the unpaid balance shall be paid from operating surpluses in future years in a manner to be mutually agreed.

#### ARTICLE XIV

##### Settlement of Disputes

In the event that any question should arise between the Parties concerning the interpretation of this Treaty or related agreements, they shall make every effort to resolve the matter through consultation in the appropriate committees established pursuant to this Treaty and related agreements, or, if appropriate, through diplomatic channels. In the event the Parties are unable to resolve a particular matter through such means, they may, in appropriate cases, agree to submit the matter to reconciliation, mediation, arbitration, or such other procedure for the peaceful settlement of the dispute as they may mutually deem appropriate.

#### ANNEX

##### Procedures for the Cessation or Transfer of Activities Carried out by the Panama Canal Company and the Canal Zone Government and Illustrative List of the Functions that may be Performed by the Panama Canal Commission

1. The laws of the Republic of Panama shall regulate the exercise of private economic activities within the areas made available by the

Republic of Panama for the use of the United States of America pursuant to this Treaty. Natural or juridical persons who, at least six months prior to the date of signature of this Treaty, were legally established and engaged in the exercise of economic activities in the former Canal Zone, may continue such activities in accordance with the provisions of paragraphs 2-7 of Article IX of this Treaty.

2. The Panama Canal Commission shall not perform governmental or commercial functions as stipulated in paragraph 4 of this Annex, provided, however, that this shall not be deemed to limit in any way the right of the United States of America to perform those functions that may be necessary for the efficient management, operation and maintenance of the Canal.

3. It is understood that the Panama Canal Commission, in the exercise of the rights of the United States of America with respect to the management, operation and maintenance of the Canal, may perform functions such as are set forth below by way of illustration:

- a. Management of the Canal enterprise.
- b. Aids to navigation in Canal waters and in proximity thereto.
- c. Control of vessel movement.
- d. Operation and maintenance of the locks.
- e. Tug service for the transit of vessels and dredging for the piers and docks of the Panama Canal Commission.
- f. Control of the water levels in Gatun, Alajuela (Madden) and Miraflores Lakes.
- g. Non-commercial transportation services in Canal waters.
- h. Meteorological and hydrographic services.
- i. Admeasurement.
- j. Non-commercial motor transport and maintenance.
- k. Industrial security through the use of watchmen.
- l. Procurement and warehousing.
- m. Telecommunications.
- n. Protection of the environment by preventing and controlling the spillage of oil and substances harmful to human or animal life and of the ecological equilibrium in areas used in operation of the Canal and the anchorages.
- o. Non-commercial vessel repair.
- p. Air conditioning services in Canal installations.
- q. Industrial sanitation and health services.
- r. Engineering design, construction and maintenance of Panama Canal Commission installations.
- s. Dredging of the Canal channel, terminal ports and adjacent waters.
- t. Control of the banks and stabilizing of the slopes of the Canal.
- u. Non-commercial handling of cargo on the piers and docks of the Panama Canal Commission.
- v. Maintenance of public areas of the Panama Canal Commission, such as parks and gardens.
- w. Generation of electric power.

x. Purification and supply of water.  
y. Marine salvage in Canal waters.  
z. Such other functions as may be necessary or appropriate to carry out, in conformity with this Treaty and related agreements, the rights and responsibilities of the United States of America with respect to the management, operation and maintenance of the Panama Canal.

4. The following activities and operations carried out by the Panama Canal Company and the Canal Zone Government shall not be carried out by the Panama Canal Commission, effective upon the dates indicated herein:

(a) Upon the date of entry into force of this Treaty:

(i) Wholesale and retail sales, including those through commissaries, food stores, department stores, optical shops and pastry shops;

(ii) The production of food and drink, including milk products and bakery products;

(iii) The operation of public restaurants and cafeterias and the sale of articles through vending machines;

(iv) The operation of movie theaters, bowling alleys, pool rooms and other recreational and amusement facilities for the use of which a charge is payable;

(v) The operation of laundry and dry cleaning plants other than those operated for official use;

(vi) The repair and service of privately owned automobiles or the sale of petroleum or lubricants, including the operation of gasoline stations, repair garages and tire repair and recapping facilities, and the repair and service of other privately owned property, including appliances, electronic devices, boats, motors, and furniture;

(vii) The operation of cold storage and freezer plants other than those operated for official use;

(viii) The operation of freight houses other than those operated for official use;

(ix) Commercial services to and supply of privately owned and operated vessels, including the construction of vessels, the sale of petroleum and lubricants and the provision of water, tug services not related to the Canal or other United States Government operations, and repair of such vessels, except in situations where repairs may be necessary to remove disabled vessels from the Canal;

(x) Printing services other than for official use;

(xi) Maritime transportation for the use of the general public;

(xii) Health and medical services provided to individuals, including hospitals, leprosariums, veterinary, mortuary and cemetery services;

(xiii) Educational services not for professional training, including schools and libraries;

(xiv) Postal services;

(xv) Immigration, customs and quarantine controls, except those measures necessary to ensure the sanitation of the Canal;

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(xvi) Commercial pier and dock services, such as the handling of cargo and passengers; and

(xvii) Any other commercial activity of a similar nature, not related to the management, operation or maintenance of the Canal.

(b) Within thirty calendar months from the date of entry into force of this Treaty, governmental services such as:

(i) Police;

(ii) Courts; and

(iii) Prison system.

5. (a) With respect to those activities or functions described in paragraph 4 above, or otherwise agreed upon by the two Parties, which are to be assumed by the Government of the Republic of Panama or by private persons subject to its authority, the two Parties shall consult prior to the discontinuance of such activities or functions by the Panama Canal Commission to develop appropriate arrangements for the orderly transfer and continued efficient operation or conduct thereof.

(b) In the event that appropriate arrangements cannot be arrived at to ensure the continued performance of a particular activity or function described in paragraph 4 above which is necessary to the efficient management, operation or maintenance of the Canal, the Panama Canal Commission may, to the extent consistent with the other provisions of this Treaty and related agreements, continue to perform such activity or function until such arrangements can be made.

### AGREED MINUTE TO THE PANAMA CANAL TREATY

1. With reference to paragraph 1(c) of Article I (Abrogation of Prior Treaties and Establishment of a New Relationship), it is understood that the treaties, conventions, agreements and exchanges of notes, or portions thereof, abrogated and superseded thereby include:

(a) The Agreement delimiting the Canal Zone referred to in Article II of the Interoceanic Canal Convention of November 18, 1903, signed at Panama on June 15, 1904.

(b) The Boundary Convention signed at Panama on Sept. 2, 1914.

(c) The Convention regarding the Colon Corridor and certain other corridors through the Canal Zone signed at Panama on May 24, 1950.

(d) The Trans-Isthmian Highway Convention signed at Washington on March 2, 1936, the Agreement supplementing that Convention entered into through an exchange of notes signed at Washington on August 31 and September 6, 1940, and the arrangement between the United States of America and Panama respecting the Trans-Isthmian Joint Highway Board, entered into through an exchange of notes at Panama on October 19 and 23, 1939.

(e) The Highway Convention between the United States and Panama signed at Panama on September 14, 1950.

(f) The Convention regulating the transit of alcoholic liquors through the Canal Zone signed at Panama on March 14, 1932.

(g) The Protocol of an Agreement restricting use of Panama and Canal Zone waters by belligerents signed at Washington on October 10, 1914.

(h) The Agreement providing for the reciprocal recognition of motor vehicle license plates in Panama and the Canal Zone entered into through an exchange of notes at Panama on December 7 and December 12, 1950, and the Agreement establishing procedures for the reciprocal recognition of motor vehicle operator's licenses in the Canal Zone and Panama entered into through an exchange of notes at Panama on October 31, 1960.

(i) The General Relations Agreement entered into through an exchange of notes at Washington on May 18, 1942.

(j) Any other treaty, convention, agreement or exchange of notes between the United States and the Republic of Panama, or portions thereof, concerning the Panama Canal which was entered into prior to the entry into force of the Panama Canal Treaty.

2. It is further understood that the following treaties, conventions, agreements and exchanges of notes between the two Parties are not affected by paragraph 1 of Article I of the Panama Canal Treaty:

(a) The Agreement confirming the cooperative agreement between the Panamanian Ministry of Agriculture and Livestock and the United States Department of Agriculture for the prevention of foot-and-mouth disease and rinderpest in Panama, entered into by an exchange of notes signed at Panama on June 21 and October 5, 1972, and amended May 28 and June 12, 1974.

(b) The Loan Agreement to assist Panama in executing public marketing programs in basic grains and perishables, with annex, signed at Panama on September 10, 1975.

(c) The Agreement concerning the regulation of commercial aviation in the Republic of Panama, entered into by an exchange of notes signed at Panama on April 22, 1929.

(d) The Air Transport Agreement signed at Panama on March 31, 1949, and amended May 29 and June 3, 1952, June 5, 1967, December 23, 1974, and March 6, 1975.

(e) The Agreement relating to the establishment of headquarters in Panama for a civil aviation technical assistance group for the Latin American area, entered into by an exchange of notes signed at Panama on August 8, 1952.

(f) The Agreement relating to the furnishing by the Federal Aviation Agency of certain services and materials for air navigation aids, entered into by an exchange of notes signed at Panama on December 5, 1967, and February 22, 1968.

(g) The Declaration permitting consuls to take note in person, or by authorized representatives, of declarations of values of exports made by shippers before customs officers, entered into by an exchange of notes signed at Washington on April 17, 1913.



## CANAL TREATIES

(h) The Agreement relating to customs privileges for consular officers, entered into by an exchange of notes signed at Panama on January 7 and 31, 1935.

(i) The Agreement relating to the sale of military equipment, materials, and services to Panama, entered into by an exchange of notes signed at Panama on May 20, 1959.

(j) The Agreement relating to the furnishing of defense articles and services to Panama for the purpose of contributing to its internal security, entered into by an exchange of notes signed at Panama on March 26 and May 23, 1962.

(k) The Agreement relating to the deposit by Panama of ten percent of the value of grant military assistance and excess defense articles furnished by the United States, entered into by an exchange of notes signed at Panama on April 4 and May 9, 1972.

(l) The Agreement concerning payment to the United States of net proceeds from the sale of defense articles furnished under the military assistance program, entered into by an exchange of notes signed at Panama on May 20 and December 6, 1974.

(m) The General Agreement for Technical and Economic Cooperation, signed at Panama on December 11, 1961.

(n) The Loan Agreement relating to the Panama City water supply system, with annex, signed at Panama on May 6, 1969, and amended September 30, 1971.

(o) The Loan Agreement for rural municipal development in Panama, signed at Panama on November 28, 1975.

(p) The Loan Agreement relating to a project for the modernization, restructuring and orientation of Panama's educational programs, signed at Panama on November 19, 1975.

(q) The Treaty providing for the extradition of criminals, signed at Panama on May 25, 1904.

(r) The Agreement relating to legal tender and fractional silver coinage by Panama, entered into by an exchange of notes signed at Washington and New York on June 20, 1904, and amended March 26 and April 2, 1930, May 28 and June 6, 1931, March 2, 1936, June 17, 1946, May 9 and 24, 1950, September 11 and October 22, 1953, August 23 and October 25, 1961, and September 26 and October 23, 1962.

(s) The Agreement for enlargement and use by Canal Zone of sewerage facilities in Colon Free Zone Area, entered into by an exchange of notes signed at Panama on March 8 and 25, 1954.

(t) The Agreement relating to the construction of the inter-American highway, entered into by an exchange of notes signed at Panama on May 15 and June 7, 1943.

(u) The Agreement for cooperation in the construction of the Panama segment of the Darien Gap highway, signed at Washington on May 6, 1971.

(v) The Agreement relating to investment guaranties under sec. 413(b) (4) of the Mutual Security Act of 1954, as amended, entered into by an exchange of notes signed at Washington on January 23, 1961.

(w) The Informal Arrangement relating to cooperation between the American Embassy, or Consulate, and Panamanian authorities when American merchant seamen or tourists are brought before a magistrate's court, entered into by an exchange of notes signed at Panama on September 18 and October 15, 1947.

(x) The Agreement relating to the mutual recognition of ship measurement certificates, entered into by an exchange of notes signed at Washington on August 17, 1937.

(y) The Agreement relating to the detail of a military officer to serve as adviser to the Minister of Foreign Affairs of Panama, signed at Washington on July 7, 1942, and extended and amended February 17, March 23, September 22 and November 6, 1959, March 26 and July 6, 1962, and September 20 and October 8, 1962.

(z) The Agreement relating to the exchange of official publications, entered into by an exchange of notes signed at Panama on November 27, 1941 and March 7, 1942.

(aa) The Convention for the Prevention of Smuggling of Intoxicating Liquors, signed at Washington on June 6, 1924.

(bb) The Arrangement providing for relief from double income tax on shipping profits, entered into by an exchange of notes signed at Washington on January 15, February 8, and March 28, 1941.

(cc) The Agreement for withholding of Panamanian income tax from compensation paid to Panamanians employed within Canal Zone by the canal, railroad, or auxiliary works, entered into by an exchange of notes signed at Panama on August 12 and 30, 1963.

(dd) The Agreement relating to the withholding of contributions for educational insurance from salaries paid to certain Canal Zone employees, entered into by an exchange of notes signed at Panama on September 8 and October 13, 1972.

(ee) The Agreement for radio communications between amateur stations on behalf of third parties, entered into by an exchange of notes signed at Panama on July 19 and August 1, 1956.

(ff) The Agreement relating to the granting of reciprocal authorizations to permit licensed amateur radio operators of either country to operate their stations in the other country, entered into by an exchange of notes signed at Panama on November 16, 1966.

(gg) The Convention facilitating the work of traveling salesmen, signed at Washington on February 8, 1919.

(hh) The Reciprocal Agreement for gratis nonimmigrant visas, entered into by an exchange of notes signed at Panama on March 27 and May 22 and 25, 1956.

## CANAL TREATIES

(ii) The Agreement modifying the Agreement of March 27 and May and 25, 1956 for gratis nonimmigrant visas, entered into by an exchange notes signed at Panama on June 14 and 17, 1971.

(jj) Any other treaty, convention, agreement or exchange of notes, portions thereof, which does not concern the Panama Canal and which is force immediately prior to the entry into force of the Panama Canal Treaty.

3. With reference to paragraph 2 of Article X (Employment with the Panama Canal Commission), concerning the endeavor to ensure that the number of Panamanian nationals employed in relation to the total number of employees will conform to the proportion established under Panamanian law for foreign business enterprises, it is recognized that progress in this regard may require an extended period in consonance with the concept of a growing and orderly Panamanian participation, through training programs and otherwise, and that progress may be affected from time to time by such actions as the transfer or discontinuance of functions and activities.

4. With reference to paragraph 10(a) of Article X, it is understood that the currently applicable United States law is that contained in Section 8336 of Title 5, United States Code.

5. With reference to paragraph 2 of Article XI (Transitional provisions), the areas and installations in which the jurisdictional arrangements therein described shall apply during the transition period are as follows:

(a) The Canal operating areas and housing areas described in Annex A to the Agreement in Implementation of Article III of the Panama Canal Treaty.

(b) The Defense Sites and Areas of Military Coordination described in the Agreement in Implementation of Article IV of the Panama Canal Treaty.

(c) The Ports of Balboa and Cristobal described in Annex B of the Agreement in Implementation of Article III of the Panama Canal Treaty.

6. With reference to paragraph 4 of Article XI, the areas in which the police authorities of the Republic of Panama may conduct joint police patrols with the police authorities of the United States of America during the transition period are as follows:

(a) Those portions of the Canal operating areas open to the general public, the housing areas and the Ports of Balboa and Cristobal.

(b) Those areas of military coordination in which joint police patrols are established pursuant to the provisions of the Agreement in Implementation of Article IV of this Treaty, signed this date. The two police authorities shall develop appropriate administrative arrangements for the scheduling and conduct of such joint police patrols.

DONE at Washington, this 7th day of September, 1977, in duplicate, in the English and Spanish languages, both texts being equally authentic.

**TREATY**  
**CONCERNING THE PERMANENT NEUTRALITY**  
**AND OPERATION OF THE PANAMA CANAL**

The United States of America and the Republic of Panama have agreed upon the following:

**ARTICLE I**

The Republic of Panama declares that the Canal, as an international transit waterway, shall be permanently neutral in accordance with the regime established in this Treaty. The same regime of neutrality shall apply to any other international waterway that may be built either partially or wholly in the territory of the Republic of Panama.

**ARTICLE II**

The Republic of Panama declares the neutrality of the Canal in order that both in time of peace and in time of war it shall remain secure and open to peaceful transit by the vessels of all nations on terms of entire equality, so that there will be no discrimination against any nation, or its citizens or subjects, concerning the conditions or charges of transit, or for any other reason, and so that the Canal, and therefore the Isthmus of Panama, shall not be the target of reprisals in any armed conflict between other nations of the world. The foregoing shall be subject to the following requirements:

(a) Payment of tolls and other charges for transit and ancillary services, provided they have been fixed in conformity with the provisions of Article III (c);

(b) Compliance with applicable rules and regulations, provided such rules and regulations are applied in conformity with the provisions of Article III;

(c) The requirement that transiting vessels commit no acts of hostility while in the Canal; and

(d) Such other conditions and restrictions as are established by this Treaty.

**ARTICLE III**

1. For purposes of the security, efficiency and proper maintenance of the Canal the following rules shall apply:

(a) The Canal shall be operated efficiently in accordance with conditions of transit through the Canal, and rules and regulations that shall be

## CANAL TREATIES

, equitable and reasonable, and limited to those necessary for safe navigation and efficient, sanitary operation of the Canal;

(b) Ancillary services necessary for transit through the Canal shall be provided;

(c) Tolls and other charges for transit and ancillary services shall be reasonable, equitable and consistent with the principles of international law;

(d) As a pre-condition of transit, vessels may be required to establish clearly the financial responsibility and guarantees for payment of suitable and adequate indemnification, consistent with international practice and standards, for damages resulting from acts or omissions of such vessels when passing through the Canal. In the case of vessels owned or operated by a State or for which it has acknowledged responsibility, a certification by that State that it shall observe its obligations under international law to pay for damages resulting from the act or omission of such vessels when passing through the Canal shall be deemed sufficient to establish such financial responsibility;

(e) Vessels of war and auxiliary vessels of all nations shall at all times be entitled to transit the Canal, irrespective of their internal organization, means of propulsion, origin, destination or armament, without being subjected, as a condition of transit, to inspection, search or surveillance. However, such vessels may be required to certify that they have complied with all applicable health, sanitation and quarantine regulations. In addition, such vessels shall be entitled to refuse to disclose their internal operation, origin, armament, cargo or destination. However, auxiliary vessels may be required to present written assurances, certified by an official at a high level of the government of the State requesting the exemption, that they are owned or operated by that government and in this case are being used only on government non-commercial service.

2. For the purposes of this Treaty, the terms "Canal," "vessel of war," "auxiliary vessel," "internal operation," "armament" and "inspection" shall all have the meanings assigned them in Annex A to this Treaty.

### ARTICLE IV

The United States of America and the Republic of Panama agree to maintain the regime of neutrality established in this Treaty, which shall be maintained in order that the Canal shall remain permanently neutral, notwithstanding the termination of any other treaties entered into by the Contracting Parties.

### ARTICLE V

After the termination of the Panama Canal Treaty, only the Republic of Panama shall operate the Canal and maintain military forces, defense bases and military installations within its national territory.

## ARTICLE VI

1. In recognition of the important contributions of the United States of America and of the Republic of Panama to the construction, operation, maintenance, and protection and defense of the Canal, vessels of war and auxiliary vessels of those nations shall, notwithstanding any other provisions of this Treaty, be entitled to transit the Canal irrespective of their internal operation, means of propulsion, origin, destination, armament or cargo carried. Such vessels of war and auxiliary vessels will be entitled to transit the Canal expeditiously.

2. The United States of America, so long as it has responsibility for the operation of the Canal, may continue to provide the Republic of Colombia toll-free transit through the Canal for its troops, vessels and materials of war. Thereafter, the Republic of Panama may provide the Republic of Colombia and the Republic of Costa Rica with the right of toll-free transit.

## ARTICLE VII

1. The United States of America and the Republic of Panama shall jointly sponsor a resolution in the Organization of American States opening to accession by all States of the world the Protocol to this Treaty whereby all the signatories will adhere to the objectives of this Treaty, agreeing to respect the regime of neutrality set forth herein.

2. The Organization of American States shall act as the depository for this Treaty and related instruments.

## ARTICLE VIII

This Treaty shall be subject to ratification in accordance with the constitutional procedures of the two Parties. The instruments of ratification of this Treaty shall be exchanged at Panama at the same time as the instruments of ratification of the Panama Canal Treaty, signed this date, are exchanged. This Treaty shall enter into force, simultaneously with the Panama Canal Treaty, six calendar months from the date of the exchange of the instruments of ratification.

DONE at Washington, this 7th day of September, 1977, in duplicate, in the English and Spanish languages, both texts being equally authentic.

## ANNEX A

1. "Canal" includes the existing Panama Canal, the entrances thereto and the territorial seas of the Republic of Panama adjacent thereto, as defined on the map annexed hereto (Annex B), and any other inter-oceanic

## CANAL TREATIES

waterway in which the United States of America is a participant or in which the United States of America has participated in connection with the construction or financing, that may be operated wholly or partially within the territory of the Republic of Panama, the entrances thereto and the territorial seas adjacent thereto.

2. "Vessel of war" means a ship belonging to the naval forces of a State, and bearing the external marks distinguishing warships of its nationality, under the command of an officer duly commissioned by the government and whose name appears in the Navy List, and manned by a crew which is under regular naval discipline.

3. "Auxiliary vessel" means any ship, not a vessel of war, that is owned or operated by a State and used, for the time being, exclusively on government non-commercial service.

4. "Internal operation" encompasses all machinery and propulsion systems, as well as the management and control of the vessel, including its crew. It does not include the measures necessary to transit vessels under the control of pilots while such vessels are in the Canal.

5. "Armament" means arms, ammunitions, implements of war and other equipment of a vessel which possesses characteristics appropriate for use for warlike purposes.

6. "Inspection" includes on-board examination of vessel structure, cargo, armament and internal operation. It does not include those measures strictly necessary for admeasurement, nor those measures strictly necessary to assure safe, sanitary transit and navigation, including examination of deck and visual navigation equipment, nor in the case of live cargoes, such as cattle or other livestock, that may carry communicable diseases, those measures necessary to assure that health and sanitation requirements are satisfied.

## PROTOCOL

### TO THE TREATY CONCERNING THE PERMANENT NEUTRALITY AND OPERATION OF THE PANAMA CANAL

*Whereas* the maintenance of the neutrality of the Panama Canal is important not only to the commerce and security of the United States of America and the Republic of Panama, but to the peace and security of the Western Hemisphere and to the interests of world commerce as well;

*Whereas* the regime of neutrality which the United States of America and the Republic of Panama have agreed to maintain will ensure permanent access to the Canal by vessels of all nations on the basis of entire equality;

*Whereas* the said regime of effective neutrality shall constitute the best protection for the Canal and shall ensure the absence of any hostile act against it;

The Contracting Parties to this Protocol have agreed upon the following:

#### ARTICLE I

The Contracting Parties hereby acknowledge the regime of permanent neutrality for the Canal established in the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal and associate themselves with its objectives.

#### ARTICLE II

The Contracting Parties agree to observe and respect the regime of permanent neutrality of the Canal in time of war as in time of peace, and to ensure that vessels of their registry strictly observe the applicable rules.

#### ARTICLE III

This Protocol shall be open to accession by all states of the world, and shall enter into force for each State at the time of deposit of its instrument of accession with the Secretary General of the Organization of American States.

### STATEMENT OF UNDERSTANDING

October 14, 1977

Under the treaty concerning the permanent neutrality and operation of the Panama Canal (The Neutrality Treaty), Panama and the United States have the responsibility to assure that the Panama Canal will remain open and secure to ships of all nations. The correct interpretation of this principle is that each of the two countries shall, in accordance with their respective Constitutional processes, defend the Canal against any threat to the regime of neutrality, and consequently shall have the right to act against any aggression or threat directed against the Canal or against the peaceful transit of vessels through the Canal.

This does not mean, nor shall it be interpreted as a right of intervention of the United States in the internal affairs of Panama. Any United States action will be directed at insuring that the Canal will remain open, secure and accessible, and it shall never be directed against the territorial integrity or political independence of Panama.

The Neutrality Treaty provides that the vessels of war and auxiliary vessels of the United States and Panama will be entitled to transit the



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## CANAL TREATIES

Canal expeditiously. This is intended, and it shall be so interpreted, to assure the transit of such vessels through the Canal as quickly as possible, without any impediment, with expedited treatment, and in case of need or emergency, to go to the head of the line of vessels in order to transit the Canal rapidly.



OFFICE OF EXECUTIVE PLANNING  
Panama Canal Commission  
Historical Reports

RT: Panama Canal Traffic - Oceangoing Commercial  
FY 1915 - FY 1993

DATE: 11/16/93  
RPT NO: TRA 1-3

Year	Transits	Long Tons of Cargo	Tolls Revenue
1915	1,058	4,888,400	\$4,366,747
1916	724	3,093,335	\$2,403,089
1917	1,738	7,054,720	\$5,620,800
1918	1,989	7,525,768	\$6,428,780
1919	1,948	6,910,097	\$6,164,291
1920	2,393	9,372,374	\$8,507,939
1921	2,791	11,595,971	\$11,268,681
1922	2,665	10,882,607	\$11,191,829
1923	3,908	19,566,429	\$17,504,027
1924	5,158	26,993,167	\$24,284,660
1925	4,592	23,956,549	\$21,393,718
1926	5,087	26,030,016	\$22,919,932
1927	5,293	27,733,555	\$24,212,251
1928	6,253	29,615,651	\$26,922,201
1929	6,289	30,647,768	\$27,111,125
1930	6,027	30,018,429	\$27,059,999
1931	5,370	25,065,283	\$24,624,600
1932	4,362	19,798,986	\$20,694,705
1933	4,162	18,161,165	\$19,601,077
1934	5,234	24,704,009	\$24,047,133
1935	5,180	25,309,527	\$23,307,063
1936	5,382	26,505,943	\$23,479,114
1937	5,387	28,108,375	\$23,102,137
1938	5,524	27,385,924	\$23,169,889
1939	5,903	27,866,627	\$23,661,021
1940	5,370	27,299,016	\$21,144,675
1941	4,727	24,950,791	\$18,157,740
1942	2,628	13,507,444	\$9,752,207
1943	1,822	10,599,966	\$7,356,685
1944	1,562	7,003,487	\$5,456,163
1945	1,929	8,603,607	\$7,243,602
1946	3,747	14,977,940	\$14,773,693
1947	4,260	21,670,518	\$17,596,602
1948	4,678	24,117,788	\$19,956,593
1949	4,793	25,305,158	\$20,541,230
1950	5,448	28,872,293	\$24,430,206
1951	5,593	30,073,022	\$23,906,082

OFFICE OF EXECUTIVE PLANNING  
Panama Canal Commission  
Historical Reports:

REPORT: Panama Canal Traffic - Oceangoing Commercial  
FY 1915 - FY 1993

DATE: 11/16/93  
RPT NO: TRA 1-3

Fiscal Year	Transits	Long Tons of Cargo	Tolls Revenue
1952	6,524	33,610,509	\$26,922,532
1953	7,410	36,095,349	\$31,917,515
1954	7,784	39,095,067	\$33,247,864
1955	7,997	40,646,301	\$33,849,477
1956	8,209	45,119,042	\$36,153,649
1957	8,579	49,702,200	\$38,444,128
1958	9,187	48,124,809	\$41,795,905
1959	9,718	51,153,096	\$45,528,728
1960	10,795	59,258,219	\$50,939,428
1961	10,866	63,669,738	\$54,127,877
1962	11,149	67,524,552	\$57,289,705
1963	11,017	62,247,094	\$56,368,073
1964	11,808	70,550,090	\$61,098,312
1965	11,834	76,573,071	\$65,442,633
1966	11,925	81,703,514	\$69,095,129
1967	12,412	86,193,430	\$76,768,605
1968	13,199	96,550,165	\$83,907,062
1969	13,146	101,372,744	\$87,423,430
1970	13,658	114,257,260	\$94,654,468
1971	14,020	118,626,906	\$97,380,036
1972	13,766	109,233,725	\$98,764,959
1973	13,841	126,104,029	\$111,032,088
1974	14,033	147,906,914	\$119,422,568
1975	13,609	140,101,459	\$141,898,218
1976	12,157	117,212,266	\$134,204,402
TQ	3,037	30,888,300	\$35,272,300
1977	11,896	122,979,795	\$163,826,571
1978	12,677	142,518,288	\$194,773,111
1979	12,935	154,110,866	\$208,376,741
1980	13,507	167,214,935	\$291,838,590
1981	13,884	171,221,762	\$301,762,600
1982	14,009	185,452,332	\$323,958,366
1983	11,707	145,590,759	\$285,983,605
1984	11,230	140,470,818	\$286,677,644
1985	11,515	138,643,243	\$298,497,802
1986	11,925	139,945,181	\$321,073,748

OFFICE OF EXECUTIVE PLANNING  
Panama Canal Commission  
Historical Reports

REPORT: Panama Canal Traffic - Ooceangoing Commercial  
FY 1915 - FY 1993

DATE: 11/16/93  
RPT NO: TRA 1-3

<u>Fiscal Year</u>	<u>Transits</u>	<u>Long Tons of Cargo</u>	<u>Tolls Revenue</u>
1987	12,230	148,690,380	\$328,372,714
1988	12,234	156,482,641	\$337,866,211
1989	11,989	151,636,113	\$327,850,613
1990	11,941	157,072,979	\$353,725,982
1991	12,572	162,695,886	\$372,279,573
1992	12,454	159,272,618	\$365,716,456
1993	12,086	157,703,910	\$398,232,479
<b>TOTAL</b>	<b>643,515</b>	<b>5,351,093,050</b>	<b>\$7,587,124,633</b>

Fiscal Year	Transits	Long Tons of Cargo	Tolls Revenue
1994	12,337	170,538,437	419,218,757
1995	13,459	190,303,065	462,754,053
1996	13,536	198,067,990	486,688,265
1997	13,158	189,864,205	493,385,737

In fiscal year ending September 30, 1997, 14,747 ships of all sizes transited through the Canal. Oceangoing commercial transits by flag included 2,672 Panamanian; 1,561 Liberian; 1,370 Bahamian; 688 Greek; 885 Cypriot; 517 Norwegian; 328 US; 265 Philippine; 443 Malta; 255 Denmark; 262 German; 239 Latvian; 231 Chinese.

Note: This part of the material is collected from the Internet.

## **APPENDIX - G**

### **WORLD OPINION OVER THE US INTERVENTION IN PANAMA**

#### **The Developments in the United Nations**

The very day the invasion took place the matter was immediately brought to the notice of the United Nations Security Council by Serrano Caldera, the Permanent Representative of Nicaragua. In a letter dated December 20, 1989, he requested the President of the Security Council Penalosa, to include in the agenda of the Council the topic "THE SITUATION IN PANAMA" for discussion. The Permanent Representative of the United States Pickering in a letter also referred the matter to the Security Council. The Council met at 8.00 a.m. on December 20, 1989. Nicaragua which was not a member of Security Council at the time, was allowed to participate without a vote. Nicaraguan Representative, Serrano Caldera came down heavily on the United States action in Panama. He referred Article 1(2) and Article 2(4) of the United Nations Charter to condemn the US action in Panama. He also highlighted the principles of non-intervention as enshrined in the Charter of the O.A.S. under Articles 18 and 21. Referring to some of the resolutions he said that the United States has violated the principles of non-intervention reaffirmed in various decision of the United Nations, including General Assembly resolutions 2131(xx), Declaration on the Inadmissibility of Intervention in the Domestic Affairs of States and the Protection

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of Their Independence and Sovereignty. The United States, he further observed, has violated the resolution 78, of April 21, 1972, of the General Assembly of O.A.S. He further observed that the United States has violated Article 4 of the Convention of December 23, 1936, of which United States is a signatory and has violated Article 1 and 3 of the Rio de Janeiro Treaty of Non-Aggression and Conciliation of October 10, 1933. By its invasion of Panama, the government of the United States has also violated the Convention on the Maintenance, Preservation and Restoration of Peace in December 23, 1936, which has been in effect and binding on the United States since August 25, 1937, he observed.

Serrano referred the earlier interventions of the United States in the western hemisphere and condemned the Monroe Doctrine and called on the UN Security Council to "condemn this outrage" (as he defined) against the conscience of the civilized peoples of the world and demanded immediate withdrawal of the invading troops from Panamanian soil.

The Representative of Soviet Republic Belonogov expressed his governments concern saying "The news of the invasion of Panama by the United States troops was received with great concern in the Soviet Union. Whatever arguments the American Administration uses to try to justify that step, it is a flagrant violation of the elementary norms of international law and the United Nations Charter, and it must be condemned by the international community". He further said: "in fact, they are no more convincing than would be an explanation by a cat that it was chasing a mouse because it absolutely had to protect itself against it". He criticised the concept of "World

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Policeman" and warned that whoever takes it upon itself, the role is but a dangerous anachronism in modern times. It may be recalled that the Soviet Union at that time did not have diplomatic ties with Panama.

The Chinese Representative, Li Luye, expressed his government's shock and condemnation on the aggressive actions of the United States. It called on the United States to solve disputes through dialogues and demanded immediate withdrawal of its troops.

The Representative of France, Blanc, however supported the American action. He regretted the deplorable law and order situation prevailing in Panama during the regime of Noriega. He observed: "My Government, which has noted the absence of institutional legitimacy from General Noriega's regime, considers that the Panamanian people must be able to decide, in a sovereign manner, freely and democratically on their own leaders". He expressed his Government's full and total support for the struggle against drugs and its firm support for democratic movements through out the world."

The United Kingdom whole heartedly supported the American intervention. Richardson, the Representative of UK, observed "The British government welcomes the establishment of democratic government in Panama". He observed that it was almost an unanimous decision in condemning the Noriega regime which declared the "May 7, 1989 election as null and void". He made it very clear that the decision of O.A.S. to condemn Noriega for his allegedly illegal decision of annulling the election which was won overwhelmingly by the opposition



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party, restricted options for the people of Panama to return to democracy.

Mr. Fortier, the Representative of Canada, said that intervention by force in the affairs of another country is regrettable. However, "The United States relied on force as a last resort, and only after the failure of numerous attempts to resolve the situation in Panama peacefully".

Yugoslavia, the champion of non-aligned movement, however, criticised the American intervention. Pejic, the Representative of Yugoslavia observed: "Non-aligned countries have always considered as unacceptable any foreign intervention, especially military intervention, under any pretext, since it represents a gross violation of sovereignty.... We express our firm objection to that act, which constitutes a violation of and disregard for the independence, sovereignty, territorial integrity of Panama". It may be recorded that Panama is a non-aligned country. The Co-ordinating Bureau of the Non-Aligned Countries on December 20, 1989, called on the United States to cease immediately all military operations and withdraw its troops.

Finland which did not accept intervention, called for the Security Council to help facilitate a cease-fire. However, it projected the lawlessness of the Noriega regime and stated that all the mechanism available to solve a bilateral dispute had been exhausted.

Besides the Security Council Members, some other countries of the western hemisphere were also allowed to participate in the discussion of the council by request and they voiced their opinions on the issue.

### Cuban Reaction

Referring to the earlier military despatches of the United States to Panama, the Cuban Representative, Oramas Oliva said "For more than two years now we have been warning in every international forum of the possibility of a Yankee intervention in Panama. The United States has conducted a constant policy of destabilisation, coercion and the threat of the use of force against the State of Panama. On December 20, 1989, the President of Cuba, Fidel Castro, in a letter to the Security Council's President had condemned the intervention. Referring Article 51 of the UN Charter he said that the aggressors themselves take the pretext of "self defence". He condemned the intervention as flagrant violation of international law.

### Peru

The Representative of Peru, Luna, condemned the intervention as flagrant violation of international law. However, Peru which claims to have a functional democracy in Latin America focussed more attention in highlighting the undemocratic practices that were going on under the Noriega regime. He observed "...my country... has condemned the undemocratic practices of the forces of General Manuel Antonio Noriega. Therefore, our condemnation of this invasion can in no way be construed as supporting a dictatorial Government which we have repeatedly denounced. Peru has infact in a number of multilateral forums, initiated a number of actions aimed at ensuring the sovereign will of the people of Panama". He also said "We consider that any effort aimed at eliminating an

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authoritarian and usurping power is legitimate, provided that the foundation of international relations is not undermined.

### **Columbia**

Colombian response assumes greater importance at the present context because Panama and Colombia shared the common history, until 1903.. Immediate neighbour and a major drug producing country in Latin America, Colombia, in the light of sensitiveness on drug trafficking, should perhaps have got a more alarming message from the intervention than any other Latin American country. Penabosa, the Representative of Colombia, who was also the President of the Security Council during the invasion period, took almost the same stand like Peru. He characterised invasion as flagrant violation of international law and of the independence, sovereignty and territorial integrity of States. However, he highlighted the bankruptcy of legality of the Noriega regime and hoped that democracy will be restored in Panama.

### **El Salvador**

Castaneda, the Representative of El Salvador seems to have totally supported the intervention. He highlighted the inalienable right of Panamanian people to choose democratically their representative which was by force annulled by Noriega. He said "El Salvador is unreservedly in favour of the legitimate Government of Panama presided over by Guillermo Endara".

## Brazil

Brazilian Government just after the intervention, issued a declaration on the subject. Brazil showed a mild reaction on the issue and expressed its hope that a "prompt and peaceful solution to the crisis be found, based on respect for the principles of self-determination and non-intervention."

In the Security Council the intervention was perceived by its members as violation of international law. In Latin America, the majority opinion was clearly against the United States intervention. However, unlike the opinion from the outside world which was more focussed and was crystal clear in the tone of condemnation of the US action, some of the Latin American countries took an opportunistic stand to protect their own ties with the US. Such countries did not approve of the US action but diluted their disapproval by condemning the Noriega regime. However they affirmed their hope for the restoration of democracy in Panama. So far as the question of leadership in Panama was concerned, most Latin American countries, showed their genuine respect for the decision of the Panamanian people through the verdict of May 7, 1989 election.

Cuba, however, after the American intervention declared that it would not recognise the Endara government.

"The Cuban government does not recognise any legitimacy in the self styled government which claims to have assumed power in the Republic of Panama", observed the Cuban Foreign Ministry note.

On the draft resolution under the title "SITUATION IN PANAMA" a vote was taken. After hearing the views of all the members and invitees, the resolution was put to vote. 10 were

in favour and 4 against. However, as the three permanent Members of the Council voted against it, the draft resolution could not be adopted.

### **UN General Assembly**

In the General Assembly of the United Nations the issue was taken up for discussion on December 28, 1989. Thirty five speakers were heard during the two plenary meetings. On December 29, the Assembly demanded "the immediate cessation of the intervention and the withdrawal from Panama of the armed invasion forces of the United States".

It also strongly deplored the intervention, calling it "a flagrant violation of international law and of the independence, sovereignty and territorial integrity of States".

In resolution 44/240, adopted by 75 votes to 20 with 40 abstentions, the Assembly demanded full respect for and strict observance of the letter and spirit of the Torrijos-Carter Treaties on the Panama Canal.

The Assembly also called upon all states to uphold and respect the sovereignty, independence and territorial integrity of Panama.

In the recorded vote on the Resolution 44/240, however, Dominican Republic, El Salvador and Panama were the countries of Latin America who voted against. Costa Rica, Grenada and Honduras preferred to abstain. The Panamanian envoy, Leon Anbadi, supported the new government in Panama headed by President Endara.

### **Organisation of American States (O.A.S.)**

The Organisation of American States (O.A.S.) on December 20, 1989, voted in favour of a resolution "deeply deploring" the Panamanian invasion and called for the withdrawal of the US troops and for the "right of the Panamanian people to self-determination without outside interference".

The resolution was adopted by 20/1 votes. Only the US voted against the resolution. Costa Rica, Honduras, El Salvador and Guatemala abstained from voting joined by the island state of Antigua and Barbuda.

Nicaragua sought to introduce a resolution condemning the US action and calling for an immediate withdrawal of all foreign troops. However, Ambassadors from other nations abstained from participating in the discussion telling that they don't have the necessary instruction from their respective government. However, the O.A.S. accepted the Representative of General Noriega in the special meeting of O.A.S. instead of Representative of the Endara government.

### **Other Reactions**

President Alan Garcia of Peru, who was a strong critic of Noriega, withdrew his Ambassador to the US. Though in the UN Security Council, Peru's Representative, devoted more time in criticising the Noriega's government still, President Garcia told that he would not attend the drug summit to be held at Cartagena, Colombia, in February 1990, where leaders from the US, Colombia, Bolivia and Peru were scheduled to meet. It was reported the following day that the government of Peru was persuading the US to temporarily suspend its coca eradication programme.

Mexico reacted very mildly. The Mexican official reaction said, it "publicly censured the conduct of Mr. Manuel Antonio Noriega, and reiterated the need of radically facing the problem of drug smuggling." But added, "the combat of international crimes cannot be a motive for intervening in a sovereign nation", and declared, "The Panamanian crisis must be resolved only by the Panamanian people."

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