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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

6 February 1973

MEMORANDUM FOR:

Mr. David Mark, State (INR)

[Redacted]

Directorate

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for Estimates, DIA

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Boards and

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Estimates Division, NSA

The attached Memorandum on Panama is being given a limited distribution to the USIB Representatives in connection with a forthcoming oral contributions meeting on the Special National Intelligence Estimate for Panama (SNIE 84-73) scheduled for March. You will be receiving Terms of Reference for this SNIE shortly.

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JOHN HUIZENGA /

Director

National Estimates

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cc: Colonel T.L. Morgan, USA (ACSI)

Captain Jerome Henderson, USN

Lt. Colonel Donald Ralph, USAF (AF/INA)

State Dept. review completed

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

2 February 1973

MEMORANDUM

THE UN SECURITY COUNCIL MEETS IN PANAMA:

IMPLICATIONS FOR THE CANAL TREATY NEGOTIATIONS

Since he came to power in a coup by the National Guard in October 1968, General Omar Torrijos has steadily increased his personal and political stake in freeing Panama from the 1903 canal treaty with the US. Fairly early in his regime it became clear that a new partnership arrangement, like that worked out in negotiations on the draft treaties of 1967, would not satisfy Torrijos' more ambitious objectives: full Panamanian jurisdiction over the Canal Zone as early as possible and a definite limit on the duration of a new treaty, after which the canal itself would revert to Panama. The latest round of negotiations, begun in June 1971, has been stalled since early last year, and despite some recent re-definition of each side's position, the impasse continues.

We believe the 1971-1972 effort at compromise is now as dead as the 1967 draft treaties. As we see it, Torrijos' demands for early and full Panamanian sovereignty over the canal will harden in the wake of the Security Council meeting. Torrijos will be amenable to accommodation with the US on secondary issues, but the prospects for an early overall settlement appear bleak. Amidst his government's stepped-up public attacks on the US, the chances for anti-US incidents, always a potential prelude to violence, will be appreciable. In short, we expect new strains, possibly leading to another major crisis, in US-Panamanian relations.

This paper has been discussed with other components within CIA, but has not been formally coordinated.

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Background

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latter part of 1972, it became clear that, as part of this facing up process, Torrijos had decided to stage a major campaign to drum up international support for the Panamanian position on the canal. He now probably views the March meeting of the UN Security Council in Panama City, under Panamanian chairmanship, as the capstone of this campaign.

2. When Panama first made its bid to hold the Council meeting in Panama it was hard to see just what Torrijos expected to gain from the event. Clearly, the presence of the UN in Panama at this delicate stage in the US-Panamanian treaty talks would only serve to increase tensions between Panama and the US and dim further the prospects for progress in the negotiations. Then, in mid-December, Torrijos' strategy took more definite shape: In an indelicately detailed speech by a principal advisor on the negotiations, the Panamanians for the first time publicly revealed both the Panamanian and the US positions on key issues in the

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talks. One obvious and immediate effect was to make it exceedingly difficult for the US to move toward further compromise, particularly with a wary and much-concerned US Congress watching from the sidelines. The disclosure also served to freeze Torrijos politically into an uncompromising position on key issues. And it provided a convenient standard for enlisting international sympathy for Panama's struggle against US "colonialism." In these respects, the Council meeting signals a shift in Torrijos' strategy from bilateral negotiations to international pressure.*

* *The US and Panamanian negotiating positions on key issues, as they emerged during the 1971-1972 talks, may be summarized as follows: The Panamanians are asking for a new treaty which would terminate no later than 1994. They want full jurisdiction over the Canal Zone no later than five years after the signing of a treaty. Beyond that period, they would grant the US land and water areas for the exclusive purpose of operating, maintaining, and protecting the canal. Panama would have primary responsibility for the protection of the canal, in cooperation with the US. No US forces would be permitted which were not needed strictly for the defense of the canal. The canal would be declared a permanently neutral waterway. The new treaty would stipulate a five year limitation on an option for the US to build either a sea-level canal or a third set of locks. Finally, Panama would expect greatly expanded financial and economic benefits from the canal under the new treaty (Panama's negotiators have hinted at \$50 to \$100 million a year).*

The US is willing to abrogate the 1903 treaty and devise a new treaty relationship. It wants a treaty that would last about 50 years, with options to extend it 35 more years after third locks

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Torrijos' Game Plan

3. The factors which have moved Torrijos to harden his position and shift to the international stage are complex and difficult to sort out. But at least three major influences appear to be at work: There is, first, Torrijos' growing impatience. Increasingly in recent months he has expressed frustration over his inability, after years of on again-off again negotiations between the US and Panamanian governments, to make the US accept Panama's basic demands: the establishment of effective Panamanian sovereignty over both the canal and the Canal Zone within a relatively short

are built or 40 more years after a sea-level canal is built. But it wants an open option (1990 or later) to expand the capacity of the canal either with third locks or with a sea-level canal. In any case it wants continued rights to operate, maintain, and protect the waterway during the life of the treaty. Panama would gain immediate jurisdiction in criminal and civil cases involving Panamanians in the canal area, but most other types of jurisdiction would be passed to the Panamanians over a transition period of 15 years, e.g., joint patrols with the National Guard during the transition period, after which Panama would get exclusive police authority. The US would still retain the right to maintain security guards around US property, employee residences, and canal operations. There would be a substantial reduction in land and water areas used by the US in operation, maintenance, and protection of the canal, but Panama could not unilaterally determine the extent of the canal area or the kind of future activities authorized therein. The US would retain the right to defend the canal in peace or war, the power of decision in this area remaining with the US. Finally, there would be a substantial increase in financial benefits to Panama from the operation of the canal, i.e., some \$20-25 million annually (compared with a \$1.9 million annuity at present) and the expectation of steady growth in income to Panama during the life of the treaty.

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period of time. The mounting frustration is no less real for the fact that the current impasse in the talks is due partly to Torrijos' unwillingness to come to grips with hard decisions and specific issues and to his vacillation over just how forcefully he could afford to press his demands at any given moment.

4. Second, there is the fact that, while his *personal* frustrations vis-à-vis the US have increased, Torrijos' *political* position within Panama has been strengthened considerably over the past year or two. The transformation from a provisional military junta to a constitutional government via an elected (albeit rigged) National Assembly last fall has not only enhanced Torrijos' sense of legitimacy as a political leader but it has in fact created a more stable government. Torrijos now believes that he and his government have a clear mandate to rule; and indeed his opponents have all but abandoned hopes of overthrowing him. The net result has been to bolster Torrijos' feeling of confidence in taking a harder position in dealing with the US.

5. This is not to suggest that public support for Torrijos, or for his demands on the US over the canal, have grown apace. In fact, Torrijos' success in generating backing from students and other groups has been meager and transitory. To be sure, Torrijos appears to be widening his personal appeal in certain quarters,

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particularly among younger businessmen and among campesinos. Still, the sense of enhanced power is probably attributable more to the feeling that he is in a stronger position to control events to suit his purposes than to any sharp increase in popular support for his government and policies. Clearly also, his frustration over lack of success in the negotiations with the US is more a matter of psychological pressures building within Torrijos than it is a product of public discontent with the course of the talks.

6. Third, Torrijos perceives growing opportunities to generate international interest in, and ultimately support for, Panama's side on the canal issue. He appears to have concluded that in present circumstances he will not be able to get concessions from the US which will satisfy his basic requirements -- requirements which, as we have indicated, have become even less negotiable following their public disclosure. He apparently now feels that the combined pressure of weightier actors on the international stage might give him the additional leverage he needs to influence US public opinion in his favor and to force the US government to accept his terms.

7. Thus far, his efforts to enlist support in the international arena have not been particularly successful. Despite an

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energetic propaganda and diplomatic campaign in various Latin American capitals in recent months, governments in the region have generally shied away from open support for Panama's position on the canal. Torrijos nonetheless may feel, with some justification, that this is just the beginning -- that eventually Panama's cause will gain more tangible backing among countries who are seeking to assert their own independent nationalist positions, separately and where feasible in concert, against the US. The fact that Panama's proposal to convene the Security Council in Panama won the unanimous approval of the Latin American group in the UN and that it was endorsed outside the region by nations as politically disparate as the Soviet Union, France, India, and Austria has probably led Torrijos to conclude that there is indeed a large international reservoir of potential support for Panama's cause waiting to be tapped.

Build-up for the Council Meeting

8. Torrijos' personal frustrations, strengthened internal political position, and perception of growing international attention will almost certainly work against attempts to resolve the impasse in the treaty talks between now and March. Instead, over the next couple of months we can expect mounting efforts by the Torrijos government to air the whole gamut of Panama's grievances

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against the US. These efforts will almost certainly include sharpened attacks on the US in the public media and carefully organized rallies to publicize Panama's grievances; they may also include the staging of small anti-US incidents. All these activities would be designed to dramatize the existence of the Canal Zone "government within a government" and to challenge US rights derived from the 1903 treaty.

9. Torrijos' feel for how far he can push these tactics without losing control seems to have been sharpened by experience, however, and his basically realistic political sense will probably keep him from triggering a chain of events which might lead to serious new trouble with the US before the Security Council meeting. Indeed, we would judge that in his preparations for the meeting, he will make every effort to convey an image of Panamanian maturity, legitimacy, and responsibility in the face of what he portrays as a US "colonial enclave" across the middle of his country.

During the Meeting

10. While the Council is in Panama the Torrijos government will probably continue to embellish anti-US themes in a major lobbying campaign aimed at delegates and observers, particularly

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those from other Latin American countries. To this end Torrijos has invited the foreign ministers from all Latin American countries to attend the meeting. Though most of them are likely to decline, enough can be expected to show up to provide a respectable audience for Torrijos' purposes. There are even reports (unconfirmed) that efforts are underway to get Premier Fidel Castro from Cuba, President Salvador Allende from Chile, and President Juan Velasco from Peru to attend and add nationalist revolutionary luster to the gathering.

11. Panama's lobbying campaign is likely to include, in addition to the normal corridor buttonholing, a heavy schedule of personal meetings between Torrijos and the delegates and guests, meetings between delegates and carefully rehearsed student and other groups, and heavy media replay of all foreign statements of sympathy for Panama's cause. The objective would be to create the image, if not the reality, of strong international backing for Torrijos' demands on the canal issue.

12. Within the Security Council itself, the Torrijos government is likely to revive Panama's earlier charges in the UN that continued US jurisdiction over the canal constitutes a potentially explosive situation which threatens international peace and

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security.* In pressing this theme, it will probably push strongly for the adoption of a resolution supporting its general objective of full Panamanian sovereignty over the canal. It is also likely to press for resolutions against neo-colonialism, on the rights of nations to be sovereign over their natural resources, and for regional disarmament -- all subjects which bear on key issues in the canal negotiations. There is a good chance that it will ask for Council endorsement of the canal's neutrality, thus buttressing Panama's position that no US military activities should be permitted in the canal area which are not approved by Panama and related directly to the protection of the waterway. In view of Torrijos' likely reluctance to do anything which might lead to a permanent breakdown of the bilateral treaty talks, however, we would not expect him to press for UN action on the specific issues Panama's dispute with the US.

13. In his lobbying campaign Torrijos will be careful to avoid actions which might lead to harassment of individual delegates or disruption of the Council's proceedings. There is a

* *The canal issue was first raised by Panama in the UN after the student riots in Panama in 1964 and the subsequent break in US-Panamanian relations. It is still officially on the agenda and hence open to discussion by the Council.*

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chance, nevertheless, that an anti-US demonstration might trigger a violent incident which would inflame Panamanian passions and lead to a new crisis in US-Panamanian relations. Given the presumed strong concern of the Torrijos government to maintain an image of responsibility and the proven ability of the National Guard to keep a firm lid on public demonstrations, however, the likelihood of this type of incident does not appear great.

14. In some respects the Council meeting is likely to be a disappointment for Torrijos. Many Council members will be reluctant to involve the UN in bilateral issues between the US and Panama which do not appear to pose an immediate international crisis; some will remain neutral for fear of offending the US. Thus, in the end, the meeting is unlikely to give Torrijos the strong and lasting international leverage he wants for dealing with the US on the canal.

The Outlook after the Council Meeting

15. The Council meeting can nonetheless be expected to set the stage for an even more difficult period in the treaty talks and for generally heightened tensions in US-Panamanian relations in the months ahead. Regardless of the likely reticence of most

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of the delegates to speak out on the specific issues involved in the negotiations, Torrijos will undoubtedly interpret any and all expressions of sympathy generated by the meeting as evidence of new international backing for Panama's cause. He is likely to conclude that the legitimacy of his rule and the rightness of Panama's struggle against the US have now been formally recognized by the international community. And he will probably see sustenance in this for continuing to adhere to his principal demands, even over a protracted period. He would hope that, in such circumstances, world opinion would swing increasingly toward support of Panama's position.

16. With these considerations in mind, Torrijos is likely to try to keep the canal issue open as an active agenda item in international forums and to enlist further expressions of support from communist as well as non-communist nations. Within the hemisphere he can be expected to step up efforts to get other Latin American nations, particularly those with nationalist revolutionary governments such as in Peru and Chile, to identify more closely with Panama's cause. In these endeavors he will probably see advantages in closer ties with Cuba, particularly if, as seems likely, other nations continue the trend toward normalizing relations with the Castro government. As long as the treaty talks hold out some

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hope of ending eventually in Panama's favor, however, we would expect Torrijos to stop short of any close alignment with Castro which might seriously offend the US and jeopardize Panama's chances in the talks.

17. Having committed himself and his government firmly to the proposition that the US presence in Panama must be removed completely, Torrijos is likely to become even more inflexible in negotiations with the US on the basic issues of jurisdiction and duration of a new canal treaty. At the same time, however, he will continue to see advantages in accepting or proposing accommodations on secondary issues, e.g., increased Panamanian use of zonal territory and facilities, elimination of some of the more visible symbols of the US presence like the zonal border fence and US-owned commercial enterprises, or the establishment of joint US and National Guard patrols in the Canal Zone. Torrijos would be particularly interested in any deal which included increased financial or economic benefits needed to relieve his government's continuing budgetary strains. In such an event, he might even be willing to tone down his anti-US campaign for a while.

18. Arrangements such as this would enable Torrijos to point to continued progress in Panama's struggle to reduce and eliminate

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the US presence. But in such settlements Torrijos would be careful to avoid any indication that he was giving up on his basic demand for full Panamanian sovereignty over the canal. Indeed, as his commitment to this objective hardens, he may become increasingly wary of any deal which might convey an impression of weakness or compromise in his determination to attain his primary goal.

19. In sum, Torrijos will probably be receptive to offers on secondary matters, but we now see little chance that he will accept a package agreement like that presented by the US during the 1971-1972 negotiations. He will want to keep the negotiating door open to test periodically US willingness to accommodate him on his basic demands. But he is likely to believe that ultimate victory lies in greater pressure not in compromise. His public attacks on the US and its "colonial enclave" will increase in frequency and intensity. In the increasingly nationalistic atmosphere, the chances for new incidents, perhaps violent as in 1964, will be appreciable. Whatever Torrijos' present desires may be to avoid a serious confrontation with the US, the growing strains could lead to another major crisis in US-Panamanian relations.

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