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STAT

O R 281725Z SEP 77
FM AMEMBASSY PANAMA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 388
INFO RULPALJ/PANCANAL
RULPALJ/USCINCSO
BT

DIRECTOR'S OFFICE

L & R

EXEC REG

UNCLAS PANAMA 7014
FOR ARA/PAN - AMBASSADOR JORDEN AND KEITH GUTHRIE
E.O. 11652: N/A
TAGS: PBR, PN

SUBJECT: ESCOBAR ON CANAL, PANAMA'S OBLIGATION TO KEEP CANAL OPEN PERMANENTLY

1. THE FOLLOWING IS AN EXCERPT OF THE SPEECH MADE BY NEGOTIATOR ESCOBAR AUGUST 20 BEFORE THE NATIONAL ASSEMBLY.
2. PANAMA "COULD NOT PROMISE TO MAINTAIN THE CANAL PERMANENTLY OPEN FOR THREE REASONS: FOR NATURAL CAUSES, WE EXPLAINED TO THEM THAT THERE COULD BE AN EARTHQUAKE, FOR EXAMPLE, WHICH WOULD CLOSE THE CANAL AND PANAMA COULD NOT BE OBLIGATED TO MAINTAIN IT OPEN, WE EXPLAINED THAT THERE COULD BE TEMPORARY CAUSES--THERE COULD BE LANDSLIDES AND IT WOULD BE NECESSARY TO CLOSE IT TO REPAIR THOSE LANDSLIDES, AND THIRD, IT COULD HAPPEN THAT THE CANAL WOULD NOT BE PROFITABLE FOR PANAMA AND THAT PANAMA COULD NOT HAVE THE OBLIGATION OF KEEPING OPEN A CANAL WHICH DID NOT MAKE ANY MONEY, THEY ACCEPTED THE FIRST TWO POINTS, NATURAL CAUSES AND TEMPORARY CAUSES, BUT DID NOT ACCEPT THE THIRD CAUSE, LACK OF PROFITABILITY, THAT ALSO HELD UP THE NEGOTIATIONS FOR A LONG TIME.
3. "THEY SAID THAT IN CASE IT WERE NOT PROFITABLE PANAMA COULD GET MONEY FROM THE UNITED STATES TO KEEP IT OPEN--OR FROM THE OTHER USER COUNTRIES, WE TOLD THEM THAT WHEN THE TREATY WITH THE UNITED STATES ENDS, WE DID NOT WANT AN OBLIGATION, EITHER DIRECT OR INDIRECT, OF GOING TO THE UNITED STATES TO ASK FOR MONEY OR TO ANY OTHER COUNTRY, IN ORDER TO MAINTAIN THE CANAL OPEN. THE TWO COUNTRIES MAINTAINED THEIR POSITIONS FIRM UNTIL WE ARRIVED AT THE FOLLOWING AGREEMENT: THEY SAID, WE CANNOT PRESENT TO OUR CONGRESS AN ARTICLE WHICH SAYS THAT YOU CAN CLOSE THE CANAL BECAUSE OF LACK OF PROFITABILITY, AND WE TOLD THEM THAT WE COULD NOT PRESENT

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State Dept. review completed.

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AN ARTICLE WHICH PERMANENTLY OBLIGED US TO MAINTAIN OPEN A CANAL WHEN WE DID NOT KNOW IF THAT CANAL SOME DAY MIGHT NOT BE PROFITABLE. WE ARRIVED AT AN AGREEMENT TO ELIMINATE THE ARTICLE, SO THAT PANAMA GOT RID OF THAT OBLIGATION, THAT IS OF MAINTAINING THE CANAL PERMANENTLY OPEN. THE NEGOTIATIONS THEN CONTINUED EXCLUSIVELY ON THE PROBLEM OF NEUTRALITY."

4. THE ABOVE IS OUR TRANSLATION FROM "MATUTINO" OF AUGUST 20. EBIS/PANAMA HAS AGREED TO TRANSMIT TO WASHINGTON ALL OF THE PORTIONS OF THIS SPEECH WHICH WERE LEFT OUT OF THEIR EARLIER TRANSMISSION. GONZALEZ

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TO: AC/DAD		
ROOM NO.	BUILDING	
REMARKS: Note last graf. Did Panama excerpt originally? Yes, all note attached Ped		
FROM:		
ROOM NO.	BUILDING	EXTENSION

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TO: [] E&PS			
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FROM: <i>A/</i> Chief, Daily Reporting Division			
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