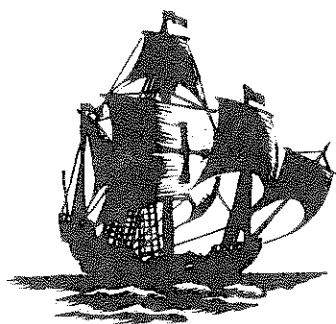


PANAMA CANAL REPORT

James L. Busey

\$1.00

Panama Canal Report summarizes the historical background of our presence in Panama, explains the legal status of the Canal Zone, mentions events which led up to the new proposed treaties, and explains their basic provisions. It discusses questions related to the defense of the canal, and asks whether we can depend on Panama and on the treaties to keep the canal open. The *Report* then summarizes problems that will be encountered whether or not the Senate ratifies the treaties, and discusses possible alternatives to the present dilemma.



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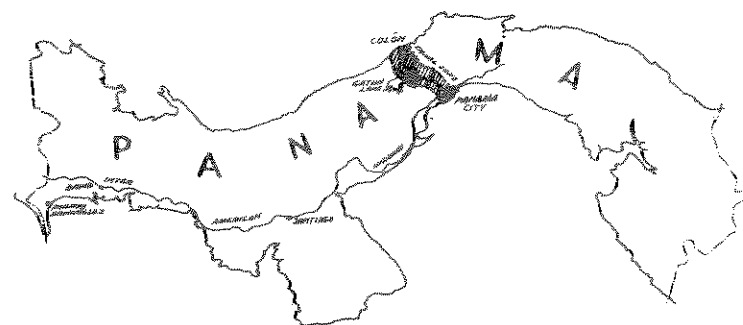
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PANAMA CANAL REPORT

It is quite clear that the question of the Panama Canal is of vital significance to the United States and its future. What is not so clear is whether the general population, or even leading commentators and political figures, know what the question is all about.

The purpose of this essay is to provide the factual knowledge so lacking from the present debate. Some proposals will also be made, but they will not suggest that the Senate should simply ratify or reject the treaties. A full understanding of the Panama problem leads one to the conclusion that either ratification or rejection, without other types of action, may be inimical to the best interests of the United States and the world.

The Historical Background

Our present rôle in Panama arises out of the Panama episode of 1903. Prior to November, 1903, Panama was a province of the republic of Colombia. Between 1879 and 1888, and again after 1894, a French company working under concession from Colombia undertook a heroic effort to excavate a canal across the 51-mile isthmus of Panama, but was defeated by poor planning, disease, and corruption. French interests, including especially Philippe Bunau-Varilla, a prominent engineer, stockholder, and representative of the bankrupt French company, were anxious to sell their assets. The United States, led by President Theodore Roosevelt, was no less anxious to put a canal across the isthmus. Just prior to 1903, the preferred route as far as this country was concerned seemed to be a canal which would have run along the southern border of Nicaragua, and would not have cut through the middle of any country.

To obtain rights to excavation of a canal at Panama, the United States would have to enter into a treaty with Colombia. On January 22, 1903, Secretary of State John Hay and Colombian Ambassador Tomás Herrán signed such a treaty. Though providing for a zone that would be only ten kilometers (six miles) and not ten miles wide, and for U.S. control over such a zone for 100 years and not for perpetuity, the Hay-Herrán Treaty was otherwise quite similar to the later treaty with Panama that became the basis for the subsequent U.S. excavation of the canal and control over its adjacent zone.

For various reasons that we need not elucidate here, on August 12, 1903, Colombia rejected the Hay-Herrán Treaty. Philippe Bunau-Varilla was frantic, and hurried from Paris to the United States. President Roosevelt was infuriated, and determined that the U.S. would not be frustrated by the politicians of Bogotá. Dr. Manuel Amador Guerrero, a prominent Panamanian physician and political figure, hurried to New York to meet with Bunau-Varilla, and returned with \$100,000, presumably paid out of the bankrupt enterprise.

On November 2, 1903, amidst rumors of an impending revolution in Panama, two United States cruisers arrived at Colón, on the Caribbean side of Panama. During the night, the Colombian ship *Cartagena* brought in 6,000 troops, who landed under the noses of American naval officers who had not yet received their orders to stop such landings. Colombian

General Juan B. Tovar demanded that he and his troops be transported quickly across the isthmus to Panama City, where the rebellion was to take place. Colonel James S. Shaler, American Army officer who was superintendent of the Panama Railroad (built by American investment, 1850-1855), got General Tovar and General Ramón G. Amaya across the isthmus in a fine parlor car, but managed not to get trains organized for the transport of their troops.

Upon arrival at Panama City, Generals Tovar and Amaya were soon arrested by revolutionaries on the Pacific side of the isthmus, under orders of General Estebán Huertas, a Colombian officer who had defected to the rebel side. On the Caribbean side, Colonel Eliseo Torres had been left in charge of the Colombian troops awaiting transport, and was enraged when he realized what had occurred. He threatened war against all the Americans, French and their cohorts in Colón; but Americans and others in that city managed to raise \$8,000, which they paid to Colonel Torres. His anger was soon spent, and he sailed away with his troops to Colombia.

Meanwhile, Dr. Amador Guerrero had returned to Panama City from New York and produced the \$100,000 paid to him by Philippe Bunau-Varilla. Of that sum, General Huertas received \$25,000 or more; each of the other Colombian officers who had defected, \$1,000 or more; and each of the soldiers, \$50. By November 4, a new Panamanian flag, designed by Señora Amador, was raised in Panama City; and in Colón, a similar flag was hoisted by Major Black of the United States Army. A lot of money circulated that day, everyone was happy, and a lot of people became quite drunk. On November 6, the United States extended diplomatic recognition to the new republic of Panama.

Shortly thereafter, a new ruling junta in Panama named Philippe Bunau-Varilla, the Frenchman already in New York, to be the first Panamanian minister to the United States. On November 18, 1903, just fifteen days after the outbreak of the revolution and twelve days after U.S. recognition of Panama, Secretary of State John Hay and Philippe Bunau-Varilla signed the Hay-Bunau Varilla Treaty which has subsequently served as the basis for U.S.-Panamanian relations at the canal.

The signing of the treaty by Hay and Bunau-Varilla occurred a few hours before special negotiations (Manuel Amador Guerrero and Federico Boyd) arrived at the Washington railroad station, presumably to enter into discussions with Secretary of State Hay regarding a canal treaty. It is said that when they discovered that the new treaty was already signed between the Frenchman and Hay, Amador almost swooned—but of course they should have thought of that when they named Bunau-Varilla to be minister to the United States.

Subsequently, the new Hay-Bunau Varilla Treaty was ratified by the Panamanian junta on December 2, 1903, and by the U.S. Senate February 23, 1904. Shortly after, the Congress appropriated \$40 million to be paid to the *Compagnie Nouvelle du Canal de Panama*. Philippe Bunau-Varilla returned to his beloved France, never again to set foot in the Western Hemisphere. As he put it, "To realize the Panama Canal and to

vindicate the honor of France, I was constrained to make myself responsible for the creation of a new independent state in Central America."

The events leading up to the treaty, and the ratification of the treaty itself, sparked an uproar in Colombia and throughout Latin America, that continues to the present day. In part, the treaties currently proposed by the Carter administration are designed to finally quell Latin American indignation, both about the means used to obtain the canal three-quarters of a century ago, and the continued presence of the United States in the middle of a supposedly independent Latin American republic.

Legal Status of the Canal Zone

The current debate about the proposed canal treaties has stimulated a huge amount of controversy relative to the exact legal position of the United States in the Panama Canal Zone, a strip generally ten miles wide which extends from ocean to ocean across Panama.

The key phrases on this point are to be found in the Hay-Bunau Varilla Treaty of 1903. According to 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. . . ." It is important to note that the treaty, unlike treaties of cession (Louisiana, Alaska, southwestern U.S.), does not clearly grant the land or territory to the United States, but only "the use, occupation and control" of a zone of land.

Even more significantly, Article III states that "The Republic of Panama grants to the United States all the rights, power and authority within the Zone mentioned in Article II . . . which the United States would possess and exercise if it were the sovereign of the territory. . . to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power or authority." In other words, the United States was to be granted all the rights she would possess *if she were sovereign*, but the treaty makes it clear that actual sovereignty over the zone would remain in Panamanian hands. Again, there is nothing like this phraseology in any cession treaty to which the United States or any other country is a party. All of them speak of "cession of territory" or "territories ceded" (e.g., Treaty of Guadalupe Hidalgo with Mexico, 1848), but never use the kind of language to be found in the Hay-Bunau Varilla Treaty of 1903.

Subsequently, Secretary of War William Howard Taft (1903), Secretary of State John Foster Dulles (1946), and the United States Supreme Court (1948) have all stated that the zone is Panamanian territory over which the United States exercises control. This was recognized in a 1936 treaty with Panama, and in decisions made during the Eisenhower administration to permit the Panamanian flag to fly in certain designated places in the zone. Philatelists will note that stamps from the zone never mention the United States — only "Canal Zone."

With good reason, Americans may now wish that the Panama Canal

Zone were actual territory of the United States over which this country would exercise full sovereignty as over the Virgin Islands or the District of Columbia — but this is not the way it is, and it does no service to U.S. interests to pretend otherwise.

Events Behind the Treaties

Relations with Panama were never entirely easy, and nationalist feelings in the republic were fanned by embarrassment over the manner whereby she secured her independence, the ubiquitous presence of the United States through the very heart of the republic, Panamanian dependence on the U.S. for all her major transportation routes, both along and across the isthmus, discriminatory policies and attitudes in the Zone, and of course agitation by highly emotional and volatile elements. New treaties were undertaken in 1936 and 1955 to try to meet many Panamanian complaints, and each one raised the annual rental to a new figure — in 1936, from \$250,000 to \$430,000, and in 1956 to \$1,930,000.

Panamanian riots of 1964, which erupted when students and others tried to hoist the Panamanian flag at the Balboa High School, and were driven back into Panama proper, resulted in the deaths of twenty-one Panamanians and three American soldiers. Panama broke relations with the United States with the charge that the U.S. had committed "acts of aggression" against Panama. The Organization of American States refused to accept this charge, but requested that the two countries settle their differences. On April 3, 1964, the U.S. and Panama agreed and announced that they would do whatever necessary to resolve their conflicts; and on December 18, 1964, President Lyndon B. Johnson, after consultations with ex-Presidents Harry S. Truman and Dwight D. Eisenhower, announced that he would propose an entirely new treaty to Panama.

Subsequently, the Congress established the Atlantic-Pacific Inter-oceanic Canal Commission, which was to undertake a thorough study of alternate routes and devices for solving the Panama question. Unfortunately, after an expenditure of \$22 million, the Commission came forth in 1970 with a 1010-page report devoted almost exclusively to non-political engineering studies, and recommended that a new canal be dug, parallel to the present canal, in Panama of all places!

Meanwhile, negotiations began with Panama for a new treaty. Such a pact was proposed in 1967, but President Johnson backed off because of concerns about U.S. interests. In 1968, Omar Torrijos overthrew elected President Arnulfo Arias, and rejected the treaties then under consideration by U.S. and Panamanian negotiators. In 1971, negotiations were resumed under guidance of Ellsworth Bunker, then our ambassador to Panama. He was joined by Sol Linowitz, and negotiations continued intermittently from that time to the ostentatiously ceremonial signing in Washington on September 7, 1977. A Panamanian plebiscite — a rarity under the present dictatorship, but conducted in an unusual atmosphere of free discussion — ratified the treaties on October 23, and as is well known they are now under consideration by the U.S. Senate.

Basic Treaty Provisions

The two treaties now before the Senate are (1) the Panama Canal Treaty, which covers relationships of the United States and Panama relative to the canal and present zone until December 31, 1999, when the treaty ends, and (2) the neutrality treaty, which carries the title, Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal.

Many Americans do not understand that though the Panama Canal Treaty provides for a gradual Panamanian takeover of actual operation of the canal, to become complete on December 31, 1999, occupation by Panama of the present Canal Zone is to occur only six months after formal exchange of instruments of ratification in Panama City—a ceremonial event which can occur immediately upon ratification of the treaty by the U.S. Senate. Thus, should the Senate ratify the treaty within the next three months, Panamanian occupation of the zone will occur before the end of this year. During a subsequent thirty-month transitional period, the United States is to exercise police and court jurisdiction over its own citizens—but basically, the Panamanian National Guard will be in control of the former zone.

Upon entry into force of the treaty, six months after ratification, the present Panama Canal Company and Panama Canal Zone Government are to be abolished. The management functions of the former are to be taken over by a new Panama Canal Commission, to be comprised of five Americans and four Panamanians; and, of course, the political functions of the present Canal Zone Government are to be assumed by the government of Panama. Until January 1, 1990, the administrator of the Panama Canal Commission is to be a United States citizen; after that, a citizen of Panama. Commentators usually neglect to explain that though membership of the Commission is to be divided five-to-four between Americans and Panamanians, the Commission is to be advised by a so-called Panama Canal Consultative Committee, whose membership is to be equally divided between citizens of the two countries. Thus, the Panamanian rôle in operation of the canal is to be larger from the beginning than most Americans suppose.

Much has been said about treaty provisions for payments to Panama, but there is little understanding of the actual sums involved or their implications for the successful operation of the canal. In evaluating these, it must be borne in mind that the present annual U.S. payment to Panama is \$2.3 million dollars. One should add that in addition to that formal rental payment, some \$260 million per year currently goes into the Panamanian economy as a result of employment and sales related to the canal.

Each year, the Panama Canal incurs a small deficit or earns a small profit, ranging up to \$7 million one way or the other. Profits are utilized to pay off former deficits, or for improvement of the waterway itself. In connection with what is to follow, it should be especially noted that total revenues in 1976 were \$134.3 million, with a deficit in canal operations of

\$7.4 million.

The new Panama Canal Treaty proposes, first, that \$10 million be paid to Panama for police, fire protection, street maintenance and lighting, cleaning, traffic management and trash collection in the areas and facilities associated with operation of the canal. This amount—itsself over four times the present figure of \$2.3 million—is to be paid out of revenues earned by the Panama Canal Commission, new manager of the Panama Canal—and the treaty provides quite specifically that this amount is “renegotiable,” presumably upward, every three years.

As a replacement for the present \$2.3 million, a second sum of \$10 million is to be paid annually by the Commission to Panama, again to be drawn out of canal revenues. In addition, there is to be a third sum of up to \$10 million, to be paid to Panama out of profits, if any—and if there are no profits (which is more than likely)—this third \$10 million is to be paid to Panama “from operating surpluses in future years in a manner to be mutually agreed.” Since the Panama Canal Commission is to be designated as an agency of the Government of the United States, it is not too difficult to figure out what will be the source of this third sum of \$10 million.

Nor is this all. In addition to the \$30 million as described above, the Commission is to pay Panama the amount of 30 cents per ton on vessels going through the canal. Present tonnages would indicate that this figure will come to at least \$40 million, for a grand total of \$70 million, by comparison with the present figure of \$2.3 million. Such a total would consume over half of the \$134.4 million in revenues earned in 1976, which themselves produced a deficit of \$7.4 million!

It is to be assumed, and has been freely admitted by Panamanian negotiators, that to meet these costs, canal tolls will have to be raised drastically. Shippers can then decide whether in some cases it might be more economical to go around the Horn or the opposite direction, through the Suez Canal or around the Cape of Good Hope. Such a development would do nothing to aid the financial affairs of the Panama Canal.

There has been much comment about an additional figure of some \$345 million to be provided via various credits and guarantees, though not by direct congressional appropriation, under auspices of the United States. In commitments aside from the treaties, the administration has agreed to provide Panama with \$200 million in Export-Import Bank credits, \$75 million in housing guarantees via the Agency for International Development, \$20 million in private loan guarantees for housing, and \$50 million for credits for purchase of military hardware.

Defense of the Canal

Again, there has been great misunderstanding about provisions of the treaties relative to future defense of the canal. In connection with this matter, it is important to repeat that the main treaty, the Panama Canal Treaty, terminates at midnight December 31, 1999. From that moment onward, therefore, Panama is in complete control of the canal, with

whatever institutions or arrangements she cares to provide. The neutrality treaty, on the other hand, is to remain in effect into perpetuity.

Also, it must be borne in mind that the present Canal Zone is one of three such sites for U.S. military bases in the Caribbean area. The others are at Guantánamo in Cuba and at Roosevelt Roads in Puerto Rico. In the entire Canal Zone, there are fourteen different U.S. military bases, so it is by far the largest and most significant such U.S. military site in the Caribbean area.

What, precisely, do the treaties say about defense of the canal?

The main treaty (to end in less than twenty-three years) provides that "the United States and the Republic of Panama commit themselves to protect and defend the Panama Canal." It also states that "For the duration of this Treaty, the United States of America shall have primary responsibility to protect and defend the Canal." Military matters are to be coordinated by a Combined Board, comprised of "an equal number of senior military representatives of each Party"; and the United States commits itself to maintain its armed forces at levels "not in excess of" those present in the Canal Zone just prior to entry into force of the treaty.

The neutrality treaty, which is to remain in effect indefinitely, provides for the general neutrality of the canal in peace and war, and guarantees that it shall be open to vessels of all nations at all times; and, that vessels of the United States may transit the canal "expeditiously," whatever that means. Nothing is said in either treaty about priority for U.S. vessels, whether in peace or war, though President Carter and Omar Torrijos claim to have entered into some agreements about this matter.

Finally, and more significantly for the question of defense, the neutrality treaty specifically provides that "After the termination of the Panama Canal Treaty, only the Republic of Panama shall operate the Canal and maintain military forces, defense sites and military installations within its national territory."

Those are the principal provisions relative to defense, and they provide little or no assurance to those concerned about the U.S. security at the canal, especially after termination of the main treaty at the end of this century.

This says nothing about the whole range of opportunities available to opponents of the U.S. in the realm of proxy warfare, imposition of a satellite government in Panama, and subversion of Panama in the interests of a hostile foreign power.

In April, 1959, a first order of business for the new revolutionary government of Fidel Castro, installed on January 1, 1959, was to land troops near the Panama Canal. These were removed under pressure from the OAS, and Castro claimed no responsibility; but it is notable that the landings were preceded about two weeks earlier by a rebellious diversionary movement undertaken at the far western or Central American end of Panama under direction of the extremely radical, nationalist-Marxist Federation of Panamanian Students, then led by its 52-year-old president.

During the mid-1976 visit of Omar Torrijos to Cuba, Fidel Castro

promised him "unconditional support in whatever circumstances or territory." Cuban troops totalling 25,000 or more are now serving Soviet purposes in Angola and Ethiopia. The Cuban constitution provides for Cuba's fraternal support to "revolutionary" movements everywhere. It would be astonishing if Soviet-Cuban ruling circles would neglect an opportunity for action in Panama, particularly after the withdrawal of the United States from the scene. Nor would they be discouraged by the Carter-Torrijos statement of October 14, 1977, to the effect that there will be no intervention by the United States in Panama—an act which is in any event prohibited by numerous inter-American treaties and by the OAS Charter itself.

Can We Depend on Panama?

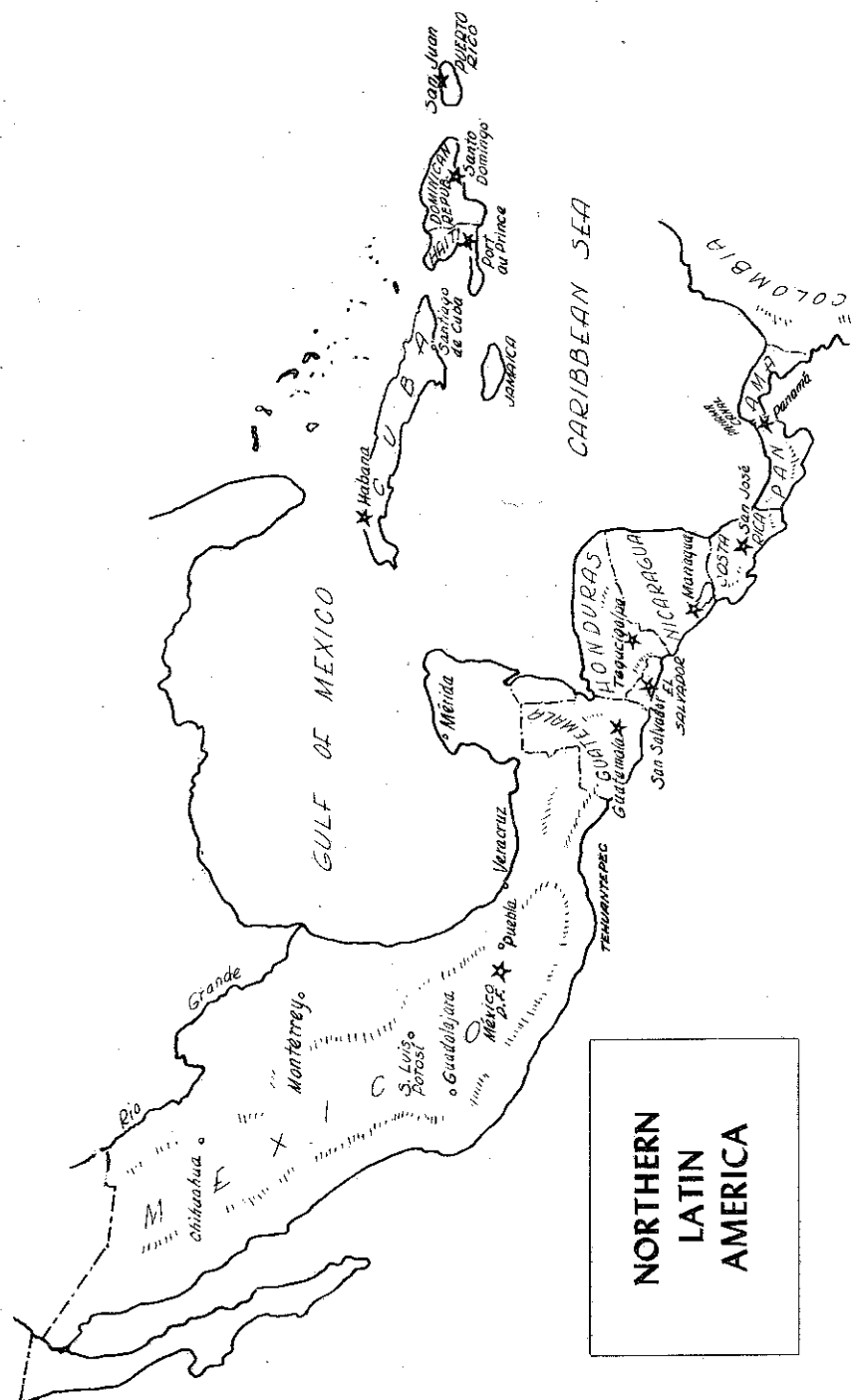
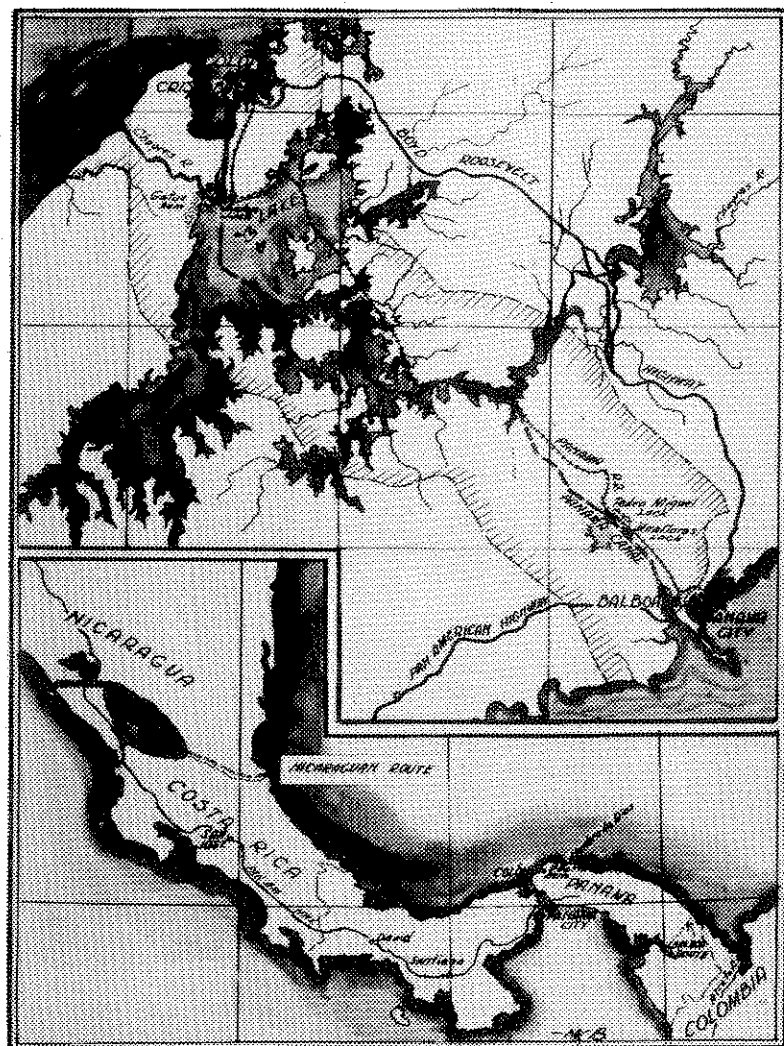
Critics of the canal treaties contend that whether or not we enter into pacts with Panama at this time, and even if Dictator Omar Torrijos is determined to comply with their provisions, the future of Panamanian politics is completely unpredictable. Torrijos could be overturned at any time, and in any event will not live forever. It is argued that under such conditions, and despite the obligation of governments to adhere to treaties entered into by their predecessors, there is no way to know what might happen to the canal under future Panamanian regimes.

There is much validity to this argument. Though certain previous Panamanian regimes have been marked by instability, the country has never endured a dictatorship so long or so illegal as the present one. On October 12, 1968, the national guard threw out constitutionally elected President Arnulfo Arias, who had taken office only twelve days previously. General Omar Torrijos, chief of the National Guard, became "Maximum Leader of the Panamanian Revolution" and Chief of Government; but it is the inconspicuous Demetrio Lakas who occupies the ceremonial position of President of Panama.

It is alleged by critics that Torrijos is a Communist, or Marxist. He is a demagogue, an opportunist, and leads a so-called "People's Party" which includes Marxist elements. Since coming to power, Torrijos has been loudly nationalist, anti-U.S., and addicted to extreme leftist verbalization. There is no evidence, however, that he is a Communist, or that he supports any particular philosophy except that of his own political advancement.

Whatever might be the ideological persuasion of Torrijos, if any, a treaty entered into with his regime, much less a set of extra-legal oral or written agreements, provides a very thin reed upon which to rely. In Panama during 1978 and future years, anything can happen, including capture of power by a pro-Soviet, Cuban style proxy regime—or, a regime of exactly the opposite persuasion.

Whether or not we can rely on the Panamanian political system, can we depend on Panama to run the canal? It is argued by some critics that Panama is a very small country and lacks the pool of technological personnel adequate for the operation of an engineering marvel so complex as the Panama Canal. It is said, further, that the Panama Canal, with



its intricate machinery and especially its locks, requires far more engineering competence than does the Suez Canal. The sea-level Suez Canal is basically a cut through the desert sands, which need only to be kept dredged and cleared.

It seems evident that Panama will either run the canal, which is essential to her economy, or she will secure technical assistance from abroad to help her do so. The question, therefore, is not so much whether she can keep the canal functioning as how she will do so — whether by herself, or with aid from elsewhere. In part, this is a political question. Under a pro-U.S. regime, she will obtain technological assistance from the United States. If not anti-U.S., but anxious to emphasize her independence from United States influence, she will get help from other advanced countries, such as Japan, Germany, France or even Brazil. If under an anti-U.S., pro-Marxist or actual Communist regime, she will seek assistance from Cuba and the Soviet Union, perhaps even from China. Therein, of course, lies a perfectly legitimate reason for concern on the part of critics of the proposed treaties.

President Tomás de la Guardia of Panama, 1956-1960, may have had something of this sort in mind when he said, "The nationalization of the Panama Canal is not a public issue in Panama. In a world subject to bitter rivalries between great powers, Panama could not realistically think of operating and protecting the canal alone."

Will the Treaties Keep the Canal Open?

Probably the strongest and most reiterated argument in favor of ratification of the treaties is that without them, there is grave danger that political disturbance in Panama, and increased tensions with the United States, may very likely lead to a closure of the canal—whether because of terrorism, guerrilla warfare, encouragement to nationalists by the Panamanian government, or for whatever other causes. It is also stated by proponents of the treaties that essentially the whole Western Hemisphere expects the United States to ratify the treaties; and that if the treaties are rejected, and Panamanian territory is thus not returned fully to Panama, immense hostility against the United States will sweep Latin America, possibly even the world. In such a pattern of world tension against the U.S., it is doubtful that the United States could continue to defend the canal or keep it in running condition.

Administration circles, including the active (though not the retired) military elements, reiterate two basic aims: (1) keep the canal open, and (2) reduce the possibility of friction.

These objectives lie behind the immense financial largesse to be handed over to Panama. To put it bluntly, Panama is to be paid from \$70 million to \$415 million as a bribe to induce her to have a peaceful, friendly attitude toward the United States.

Citizens must bear in mind that this is the United States after its first great defeat in international warfare. Admiral Elmo Zumwalt, speaking on October 10, 1977, is reported by news dispatches to have said, "I believe it is possible the Soviets will gain control of the canal as United

States military power continues to deteriorate; but I believe it will take them longer to gain that control if we ratify the treaties than if we do not."

Secretary of Defense Harold Brown refers to the dangers to the canal if Panama and Latin America become hostile to the United States. Admiral James Holloway urges that defense will be facilitated if there is cooperation with local interests. He stated recently: "Our adherence to those treaties . . . will substantially contribute to a friendly and cooperative attitude among all Latin Americans toward the United States on the Panama Canal issue."

Innumerable other statements to the same effect have been made by negotiators Ellsworth Bunker and Sol Linowitz, Secretary of State Cyrus Vance, and President Carter himself. It is this argument which is at the core of support for the treaties, and it has a great deal of substance that must not be lightly tossed aside.

Americans unfamiliar with the Latin American scene are hardly conscious of the hemispheric, even worldwide, outburst of rage that would greet rejection of the treaties. It is perfectly true that much of this hostility would be fanned by anti-U.S., pro-Soviet Communist elements; but it is also true that much of it would arise out of genuine Latin American nationalism, and would present a terrible obstacle to the realization of other aims of U.S. foreign policy.

If the United States rejects the treaties, intensification of anti-U.S. animosity around the hemisphere and world is inevitable. Also, if the United States rejects the treaties, it is possible that the canal might be closed.

Is it important that the Panama Canal be kept open and operational?

On this question, treaty proponents talk out of both sides of their mouths — on the one hand, claiming that the canal is "obsolete," and therefore unimportant to the United States; and on the other, arguing that it would be a disaster if the canal were to close.

There can be no question about the tremendous continuing importance of the Panama Canal to world trade. Commerce through the artery almost doubles every twenty years. We hear a great deal about a few huge tankers and aircraft carriers that cannot squeeze through the locks; but these constitute only 4 per cent of the total of 63,000 ocean-going vessels engaged in world trade. The tankers and carriers that cannot wedge through the canal are built with that fact in mind, and with no plans to utilize the canal.

In terms only of her commercial interests, it is conceivable that the United States could survive without the canal. Only 16 per cent of the total export-import tonnage of the United States passes through the canal. But it is doubtful that the economies of the nations of western South America (Ecuador, Peru, Chile), or of Central America or Colombia (which depend on the canal to move goods between their two coasts) could survive in their present forms without the canal. Other countries that use the canal for a very large proportion of their shipping are Japan, New Zealand, the Philippines, Britain, Germany, France, and others.

This leads us to a very central point: It is important that the canal be kept open; but from the standpoint of the United States it is even more important that it *not be kept open under auspices of an opposing power, such as the Soviet Union or her client state, Cuba*. Under authority of a Panamanian proxy government wherein the United States could not intervene, and with the aid of Soviet or Cuban technicians, this is precisely what could occur.

In such an event, the nations dependent on the canal to maintain their present economic levels, or even for their economic survival, would have to do business and come to terms with the U.S.S.R., not with the United States. The impact of such a development on the whole balance of power in the Western Hemisphere could be catastrophic to the national interest of the United States.

The Panama Canal can be put out of commission for about seven years by the placing of explosive devices at Gatun Dam, which would drain away Gatun Lake through which vessels must pass in transit across the isthmus. It is quite possible that hostile attitudes arising from rejection of the treaties might encourage anti-U.S. elements to sabotage the canal; but is also possible that such an event would be preferable to letting the canal fall into the hands of enemies of the United States.

To Ratify or Not to Ratify

So, the U.S. Senate now faces the terrible dilemma: To ratify or not to ratify the treaties on the Panama Canal.

If the United States does ratify the treaties, we have lost control over the Panama Canal to quixotic, unpredictable, shifting political forces, including quite possibly indirect Soviet-Cuban control over the isthmian artery. It is no exaggeration to claim that in such an event, the very survival of the United States as an independent nation would be placed in jeopardy.

If the United States rejects the treaties, or accepts them only with demands for drastic revisions, one can predict with some confidence that there will be an outburst of indignation throughout the Western Hemisphere, the Third World and elsewhere, of proportions never known in previous anti-U.S. agitation. One can expect that the General Assembly of the United Nations, and that of the Organization of American States, will pass resolutions bitterly denouncing the U.S., perhaps including resolutions calling for diplomatic and economic sanctions and attempting to put this country into a pariah status similar to that now suffered by Rhodesia and South Africa. One can anticipate that there will be violent riots in Panama, accompanied by many deaths. Hundreds of thousands of protesters may march on Washington and undertake mass demonstrations before the Senate. Though it would not be in the interest of Panama to hamper passage through the canal, it is possible that some uncontrolled elements may try to sabotage it. As is pointed out above, this may not be the very worst event that could occur, especially if it

would take several years to get the canal back into operation.

We can expect, in short, that rejection of the treaties by the U.S. Senate will contribute to a tremendous gain in prestige for our opponents around the world, especially those inspired by the designs of the U.S.S.R. for world hegemony.

It is useless to say that much of this anti-U.S. agitation and demonstration would be Communist inspired, or that preparations for the encouragement of anti-U.S. animosity are now far advanced in Moscow. All this is undoubtedly true; but the fact is that, whether Communist inspired or not, it would exist, it would be very real, and it would be very damaging to the interests and policies of the United States.

Dictator Torrijos, much given to demagogic hyperbole, stated to massed Panamanians after conclusion of the treaty signing in Washington, "We were perfectly clear that if the negotiations failed, a generation would immolate itself so that another generation might live." Remarks of this sort are full of emotional exaggeration, but they illustrate the heat generated by the question, which the U.S. disregards at its peril.

Are There No Alternatives?

In the Panama question, it appears that U.S. interests are in jeopardy no matter which way the Senate turns. In part, this is true because of past events over which present generations have no control. Had Teddy Roosevelt been more patient with Colombia, and waited until a treaty could be agreed to by both sides, Panama would not have been uncereemoniously sliced off from Colombia and a canal would not have been excavated by foreigners through the very heart of an erstwhile independent country. Or, had Roosevelt not moved so precipitously toward excavation at Panama, a canal might have been dug along the southern edge of Nicaragua — a much better route from the political if not the engineering standpoint, but still quite feasible even from the latter point of view.

Now, these alternatives seem to be cut off by the irreversible facts of history. Also, the Panama Canal Treaty itself provides that "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 otherwise agree."

It is obvious that Panama, with good reason, does not want any competing canals. It should be equally obvious that competing canals are precisely what the United States most needs if she is to have any independence at all from the caprices of future Panamanian politics.

It may be that ratification is the only possible course, though fraught with the immense dangers that have been delineated above. If ratification of the treaties is inevitable, it would seem that the new order of things at the Panama Canal, unsatisfactory as they will be, can only be made palatable if the United States is permitted to deal with other states for the construction of alternative arteries across the isthmus. This would require elimination of Article XII, Section 2 (b) of the proposed Panama

Canal Treaty, which was quoted above. This is the one minimal change upon which the United States should insist before proceeding to ratification.

However, if the Senate does *not* ratify, it is imperative that political devices be utilized to reduce Panamanian intransigence and pull the plug from hysterical anti-U.S. agitation in the Western Hemisphere and elsewhere.

One such device would be to close the canal for repairs, or to turn the other way if someone wants to blow up the Gatun dam. During the years required to refill the lake from the waters of the Chagres River, the Panamanian economy would suffer drastic reverses which might conceivably reduce the level of fury over continued U.S. control over the canal—in other words, diminish the intensity of political agitation, and even induce important political changes in Panama.

However, such measures may be extremely dangerous and could induce unforeseen backlashes. For one thing, it would be obvious that the U.S. would be playing political judo; and closure of the canal would deal cruel blows to the economies of several Latin American republics, who could not be expected to forgive the United States for such underhanded tactics.

In the event the U.S. does not ratify, more feasible alternatives with more predictable consequences would be to immediately undertake serious negotiations with other countries for help with new waterways or other arteries of transport from one sea to the other.

One of those countries would be Mexico. With improvement of the harbors of Salina Cruz and Coatzacoalcas, and modern trackage and ballast across the Isthmus of Tehuantepec, containerized cargo can be shipped from one ocean to the other in four hours. This compares favorably with the present twelve to sixteen hours that it takes to get a ship from one end to the other of the Panama Canal, from first arrival to final exit—and of course, Tehuantepec is much closer to the United States.

Another, of course, is Nicaragua, where the canal should probably have been dug in the first place. A Nicaraguan canal would utilize the San Juan River and Lake Nicaragua, both of which lie close to the Costa Rican border. Though the length, 167 miles, is over three times that of the Panama Canal, it would have the immense political advantage of lying at the edge of a Latin American republic, not right through the heart of it. The 1970 report of the Atlantic-Pacific Inter-oceanic Canal Study Commission estimated that at that time the construction of such a canal, with about the capacity of the Panama Canal, would cost about \$4 billion.

A third is Colombia herself, the republic most abused by the events of 1903. Most people do not know that at this moment Colombia is excavating a canal, only adequate for use by small vessels, through the lowlands of the Atrato River, in the northwestern part of the country near her border with Panama, to connect the Caribbean with the Pacific. There is no doubt that with sufficient financial and technical assistance, the Atrato canal can be widened, deepened and improved for the transit

of vessels as large as those that presently pass through the Panama Canal.

In 1978, the United States cannot hope to directly work on, much less control, canals or other modes of transit running through Latin American republics such as Mexico or Colombia; and the uncertainties of future Nicaraguan politics should counsel us against such activities in that country. What the United States can very well do, however, is to make credits available to Mexico, Nicaragua and Colombia so that those countries can on their own initiative undertake such excavations and improvements. This can be accomplished indirectly, through the Inter-American Development Bank and the International Bank for Reconstruction and Development (World Bank); or, if nationalist sensitivities permit, more directly through the U.S. Export-Import Bank or the Agency for International Development.

It will be noted that I speak of making such credits available to *all three* countries—that is, Mexico, Nicaragua and Colombia, *at the same time*.

Without taking the position that the U.S. should or should not ratify the treaties as they stand, I am proposing that if the Senate does ratify, it must insist that at the very least Panama consent to removal of the prohibition against U.S. negotiation with third states for construction of alternate transisthmian arteries. Or, if the Senate does not ratify, it must simultaneously—that is, right now—instruct the President to undertake the preliminary diplomatic contacts with all the countries named, with a view to ultimate indirect or direct assistance in improving the Tehuantepec railway system, excavating the Nicaragua canal, and helping Colombia with her Atrato canal.

Such measures would be designed to reduce or eliminate the bitter intransigence of Panama and induce a salutary sense of caution into her attitudes toward the United States; improve our political relations with other Latin American republics; and make of the Panama Canal but one of several possible routes from one ocean to the other. At present, the Panama Canal is a one-artery bottleneck which gives to Panama a political bludgeon which she can use against the interests of the United States. The creation of other alternatives can dramatically transform that unfortunate fact of contemporary world relations.

Monies spent for such alternatives would run into several billions of dollars, and be far more than the \$345 million in loans plus some \$70 million in direct payments that are presently planned for Panama. The strain on the U.S. budget would be immense. A decision would have to be made as to whether such a huge expenditure would be appropriate to the interests of the United States, or whether ratification of the treaties is an acceptable course of action.

As we have seen, either ratification of the treaties as they stand, or their non-ratification without the exercise of acute political judgment, can quite conceivably set the stage for the grand finale of this nation as an independent republic.

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