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~~SECRET~~

THE PANAMA CANAL

A "Give Away" or a "Throw Away"?

Presidential Candidate Ronald Reagan has stated that the United States should break off the negotiations with Panama and tell General Torrijos: "We bought it, we paid for it, we built it, and we intend to keep it." Reagan says the Canal Zone is sovereign U. S. territory every bit the same as Alaska.

Unfortunately, Governor Reagan's words so distort the facts and ignore the reality of the situation regarding the Panama Canal that his statements may do more to endanger America's ability to use the Canal than any imagined "give away" through the current negotiations.

What are the facts?

Negotiations between the United States and Panama to replace the 1903 Canal Treaty have been pursued by three successive American presidents. The purpose of these negotiations is to protect our use of the Canal over the long term and our national security interests, not to diminish them.

The issue before us is not between continuing the present treaty and negotiating a new one, but rather between successful negotiations and the consequences of no new treaty. Absence of a new treaty would mean confrontations with the people of Panama supported by Latin America and the rest of the world--including major users of the Canal like Japan.

A new treaty is needed because:

-- A cooperative arrangement with Panama is the only way the United States can safeguard its long term interests in an open, efficient and secure Canal.

-- Panama wants a new treaty. Without a new treaty, we will have a confrontation with a Panamanian government backed by a united people and the unequivocal support of all Latin American nations.

-- If the current opportunity is lost to achieve a treaty that satisfies the legitimate interests of both Panama and the United States, we can expect both a deterioration of our relations throughout the hemisphere and real dangers to the continuous operation of the Canal.

-- The current Panamanian government, which has been in power for eight years, is committed to a new treaty. It is prepared to offer terms which recognize our interest in the Canal's operation and defense. If this effort does not succeed, we can be sure the terms available next time will be less favorable.

-- A delay in negotiations risks increasing Panamanian frustration and a recurrence of the riots and confrontations that occurred in 1957 and those in 1964, in which over 20 Panamanians and 4 American soldiers died.

Furthermore, Governor Reagan's view that the Canal Zone is sovereign U. S. territory is totally wrong. Legal interpretations do vary, but there are clear limitations on U. S. jurisdiction. For example, not just any American can live in the Canal Zone and children born in there are not automatically U. S. citizens. But more importantly, Governor Reagan misses the point. The real issue is not our legal position in Panama, but how to find the best way to assure protection of our fundamental interest in the Canal. It is the rights granted and the relationship created by a 72-year-old treaty which now seriously offend the Panamanian people. If the relationship is not redefined and modernized, our jurisdiction over the Canal Zone may not prove to be the best means of protecting our greater interest in an open and secure Canal.

Despite these realities, Governor Reagan would handle the Canal issue by refusing to negotiate with Panama, by insulting its leaders, and offending our friends throughout Latin America. A breakoff of negotiations could lead to a closure of the Canal and serious damage to our relations with Latin America, the opposite of what he says he wants. He doesn't mention it, but his stance carries with it the commitment of large U. S. military forces to protect the Canal and the possibility of their being used in a prolonged anti-guerrilla, anti-terrorist campaign. It thus appears to be based on a willingness to protect our interests through military occupation.

A refusal to negotiate in good faith simply risks throwing away our ability to safeguard our real interests in the Panama Canal.

In contrast, President Ford is seeking a treaty which will create a mature relationship making the U. S. and Panama partners in the operation of the Canal and which protects the essential interests of the United States for the long term. The President has no intention of proposing to the Congress any agreement that would not protect our vital interests. Any treaty reached will be submitted to the full constitutional process, including Senate approval.

October 3, 1975

NOTE FOR: VERN LOEN
FROM: CATHIE BENNETT *CPB*
SUBJECT: The State Department Appropriations
Bill--Panama Canal Provisions

The House will consider the new Conference Report on H. R. 8121, the State Department appropriations bill on Tuesday, October 7-- probably the first order of business. The conferees new language on the Panama Canal, though undesirable, is acceptable and we should support its acceptance with no further revision or return to conference. The new language reads:

"It is the sense of the Congress that any new Panama Canal Treaty or agreement must protect the vital interests of the U. S. in the Canal Zone and in the operation, maintenance, property, and defense of the Panama Canal."

If the House does not agree to this compromise next week, Senator Pastore has indicated he can no longer defend the Administration's position in conference while numerous House Republicans continue to vote in favor of a Snyder-type amendment. The NSC will supply some talking points and other arguments in favor of the compromise and hopefully the President will make a brief statement to elicit GOP leadership support in the meeting Tuesday morning.

Attached is a tally sheet on the past votes on this issue in addition to a sheet indicating potential targets. State thinks the White House should contact the following:

John Anderson - ~~ES~~ - *ldrship intly*
Barber Conable - ~~EB~~ - *" "*
Bill Broomfield - *VL*
Tennyson Guyer - *VL*
Larry Winn - *CL*

PANAMA PROVISIONS IN H. R. 8121

In regard to the Panama Canal provisions in the conference report on H. R. 8121, the Administration has worked closely with House and Senate conferees to find language which would not undercut important and ongoing negotiations with Panama while at the same time permitting an expression of Congressional concern over the preservation of U. S. vital interests in the Panama Canal.

-- It is essential the Congress act cautiously and responsibly in incorporating provisions into legislation which could have severe impact on U. S. bilateral relations with another country as well as adversely affect the United States' own vital interests.

-- The original House-passed Snyder amendment to H. R. 8121 would, if enacted, seriously endanger U. S. relations with Panama and constitute an unfortunate precedent which could interfere with established constitutional processes. It represents an attempt to:

- Infringe on the President's responsibility under the Constitution to negotiate treaties with foreign governments;
- Preempt the Senate's constitutional prerogative to advise and consent as to treaties negotiated by the Executive.

-- The United States' commitment to negotiate the Canal issue is 11 years old. It was first made by President Johnson in consultation with former Presidents Truman and Eisenhower. It has been supported by Presidents Nixon and Ford. To abandon it without serious consideration of the product of these negotiations would seriously damage our credibility in foreign affairs with Panama, Latin America, and elsewhere in the world.

-- Whatever views one may have on the treaty, its consideration should await presentation to the Senate of the entire agreement with all its provisions. An appropriation bill is not an appropriate vehicle for such consideration, nor is this an appropriate time, before all the provisions can be considered.

-- Continuation of the negotiations is extremely important to our interests in Panama. Congressional action to suspend negotiations without consideration of a treaty on its merits would be viewed as a breach of faith and might stimulate an extreme reaction in Panama where at least a fair hearing on a treaty has always been assumed.

March 16, 1976

MEMORANDUM FOR: JACK MARSH
FROM: CHARLES LEPPERT, JR.
SUBJECT: Panama Canal

Pursuant to your request I met with Rep. Leamer Sullivan on Monday, March 15, on the Panama Canal Toll Rule changes.

The discussion by Mrs. Sullivan concerned mainly a "crisis atmosphere" in the Canal Zone and not the proposed toll changes.

Mrs. Sullivan contends that the situation in the Canal Zone is a "hot bed of discontent" which goes back as far as the Eisenhower Administration when Dr. Milton Eisenhower proposed a number of changes for the Canal Zone. She states that while Eisenhower created the problem the contrary settles on two central points:

- (1) the treaty and its renegotiation, and
- (2) the financial situation.

Mrs. Sullivan states that any thought of renegotiating a treaty which will give up U. S. rights or authority in the Canal Zone will not see the light of day in the U. S. Congress and she is committed to work against any such proposal. However, the driving force creating the tension and unrest is the financial situation.

The financial problems are tied to the treaty which requires that all revenues from the operation of the Canal to be available to meet all the expenses of operations, maintenance, and supporting functions. Mrs. Sullivan cites three main areas of concern which are as follows:

- (1) That legislation is needed to defer payment of the interest on the original debt of the Panama Canal Co. Mrs. Sullivan states that she is working on this type of legislation with the Canal Company and will introduce and pass such legislation as soon as she can do so;
- (2) That the order of the Secretary of the Army freezing the pay scale for Canal Company employees must be rescinded as



It is causing severe problems of discontent among the Company employees; and

- (3) That the order restricting eligibility on the wage differential for U.S. employees must be rescinded as it is also causing problems.

Mrs. Sullivan feels strongly that something serious is about to erupt in the Canal Zone over these issues and requests that something be done by the Administration as soon as possible. Mrs. Sullivan has met with people from the Canal Zone and requested that they not go on strike but give her some time to work things out. While talking with Mrs. Sullivan, she received a report from the Canal Zone that because of the tensions and discontent there was a 50% rate of employees reporting off work causing a work slow down on March 15. Mrs. Sullivan asked that I call you following her receipt of that report. I explained that you were in a meeting with the President at the time and that I would report her concern earlier and request to you upon my return to the White House.

Mrs. Sullivan called again this morning, March 16 to state that she had received a report that there was a 75% slowdown caused by employee failure to report for work.

Mrs. Sullivan repeated her request this morning for some Administration action in this matter and requests that either you or I get back to her with a report.

Attached for your information is a letter from J. J. O'Donnell, President of the American Federation of Government Employees in the Canal Zone and Mrs. Sullivan's response. She asked that I give these to you for transmittal to the President and as evidence of the tense situation that exists.

cc: Friedman
Loom
Lee/Mor
Rowley



March 11, 1976

Mr. James J. O'Donnell
Local No. 14, AFGE
Box 1703
Balboa, Canal Zone

Dear Mr. O'Donnell:

In the many years in which I have been in Congress I have always tried to pay special attention to the problems of the average worker, whether he be in my own Congressional District in Saint Louis, Missouri, or at the Panama Canal. And, as you know, while Chairman of the Panama Canal Subcommittee for fifteen years and Chairman of the House Committee on Merchant Marine and Fisheries for the last four years, I have given very special attention to the operation of the Panama Canal and the welfare of its employees. You probably realize that I have continually made retention of U. S. control of the Panama Canal one of my major goals as a legislator and, hopefully, as a leader in this country. As a result of my experience and beliefs about the importance of the Canal and the environment in which it operates, I am concerned and alarmed at your recent correspondence with respect to wage proposals recently made by the Canal Zone Personnel Policy Coordinating Board.

I am one who understands the relationship between employee morale and efficiency and the management and successful operation of the Panama Canal. I understand that the Canal employee has had to live in an atmosphere of uncertainty and apprehension for many years now, and that moves to change wage and compensation policies which might be disliked but tolerated elsewhere raise the deepest doubts and even suspicions in the present environment in the Canal Zone. Certainly the goal of good employee morale demands that we minimize as much as possible the doubts and problems of Canal employees.

As I stated in an open letter to Canal employees on March 5, I am against the proposal for a wage base freeze and I am working constantly against that proposal. I hope that you will have faith in my ability and in the ability of other Members of Congress who have long been interested in the Canal to eventually cause the Canal Zone Policy Board to somehow set aside these proposals and to find other ways to deal with the financial problems that have beset the Canal in recent years. I also hope that you will urge your fellow employees to avoid job actions such as a strike or a slowdown which will undoubtedly injure the very cause they would seek to promote.



Page Two
Mr. James J. O'Donnell

March 11, 1976

The Committee on Merchant Marine and Fisheries of the House of Representatives will attempt to do its part to resolve the current crisis resulting from the proposals of the Coordinating Board. We have met with your representatives of organized labor. We have talked with the Office of the Secretary of the Army and his subordinates. We are promoting activity leading toward a solution to this crisis. We will see the Panama Canal Subcommittee of this Committee hold hearings on the finances of the Canal in the near future and many of the concerns you raise in your correspondence, especially as to the motivation and substance of these proposals, will be raised by Members in the hearings. Finally, we intend to see whether there is some relief legislation for the Canal enterprise which might be in order.

I hope that all Canal employees will remember during these tense times that the relationship between the Canal employee and the Canal user should not be an adversary type of relationship but rather a cooperative one. The prosperous operation of the Canal is a matter of mutual interest of the shipping and employee communities. Admittedly an increase in tolls does provide a bigger pie for Canal employees to divide. But precipitous increases in Canal user fees are likely to result in a situation in which there is a smaller pie or none at all. It takes more to keep the Canal operating successfully. It also takes a reasonably good level of ship traffic.

In summary, let me assure you that I have attempted, along with the Panama Canal Subcommittee Chairman, to ensure that all our Committee Members are familiar with your problems in the Canal Zone and, further, despite the fact that the House Post Office and Civil Service Committee has the most direct legislative jurisdiction on wage and compensation matters, I have been working and will work continuously to solve these kinds of problems, especially the problems of the wage proposals put forward by the Canal Zone Personnel Policy Coordinating Board.

Sincerely,

Leonor K. (Mrs. John B.) Sullivan
Chairman

LKS:TMcr



JOIN



LOCAL No. 14

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Affiliated with the AFL-CIO—The Granddaddy of Canal Zone Locals

Serving Federal Employees at the Crossroads of the World

Chartered October 9, 1932

Box 1703
Balboa, Canal Zone

March 3, 1976

United States Congressman
House of Representatives
Washington, D. C.

Dear Congressman:

This is to inform you that the Panama Canal is in danger of being closed to world commerce. We urgently seek your assistance in preventing this danger from becoming a reality. My letter dated February 1, 1976 was to alert you to certain measures being contemplated by the Office of the Secretary of the Army that would have a disastrous effect upon the Panama Canal Organization and its employees. Two specific measures have now been made public which reveal a pattern of unbelievable shortsightedness on the part of that office which completely ignores the overwhelming importance of work force stability to the Panama Canal operation.

If the Panama Canal is not used properly, if it is not maintained properly, this artery of world commerce cannot continue to exist. It takes expertise to maintain the Canal and it takes expertise to use the Canal, and this expertise only comes with long experience. The Panama Canal has a world-wide reputation for dependability because the lives of its employees, both U. S. and Panamanian, are bound so closely to their work. It takes a commitment to work for the Canal, a turning away from the mainstream of life in the home country, and the Panama Canal Company has always recognized the necessity for incentives to encourage the making of this commitment. Above all, there was recognition that obtaining a commitment to a career with the Canal required a continuing stability in the incentives offered. If an employee could have faith that the Canal would take care of him, he could concentrate on taking care of the Canal. The record of efficiency of the Panama Canal is testimony to the value of that arrangement.

The most important of the two proposals announced recently adversely affects the pay of some 3,500 Federal employees on the Isthmus. The proposal would freeze the wages of the 3,500 at their present level, until a new, much lower wage scale, caught up to the frozen scale. For many, this would mean going for the next ten years or more without a pay increase. In these inflationary times the freeze will mean that the purchasing power of the employees will progressively diminish. More than two-thirds of those affected are Panamanian citizens, so our protest crosses all citizenship lines. Many of the affected employees are journeymen electricians, plumbers, and other skilled craftsmen.

We do in unity that which is impossible in disunity.

We have asked union lawyers to see if there might be a case for declaring such a proposal to be an agency-wide adverse action, similar in concept to the suit brought by 44 Federal judges that the ceiling on their salary constituted an unlawful diminution of their pay while in office. Such a declaration would permit many older employees to take advantage of early retirement. I think it extremely significant that when questioned about this, Governor Parfitt, while replying that he did not think it could be considered an adverse action, added that it would not be in the best interests of the Canal operation as he would lose too many of his good people; and, I quote, "We would have a hard time doing the job".

These new proposals do dishonor and discredit to the old understandings. The unilateral arbitrary manner in which they were presented is shameful. They irrevocably change the conditions which induced employees to commit themselves to a career with the Canal. They disregard any concept of equity toward employees already locked into their careers with the Canal, too young to retire, too old to start anew elsewhere, too specialized to compete in today's job market. The proposals strike at the basis of our whole lives and make us nothing more than indentured servants. Our ties to the Canal are deep-seated to begin with. Is it any wonder that our reactions to these incredibly shortsighted proposals is emotional?

I personally hope that employees will not engage in any sort of work slowdown, stoppage, or other job action. But the danger to the Canal is not in the deliberate act. It takes only an employee who no longer cares to go the second mile when the need exists. The Canal cannot operate without commitment. The proposals show a pattern of bad faith which will result in the loss of employee pride, enthusiasm and commitment, and ultimately perhaps, in the loss of the Canal to world shipping.

Is there logic in these proposals? There may be logic to applying them to new hires, but the dollar saving in their abrupt application to the 2,200 present Canal employees is estimated at but \$1 million per year. What false economy! One serious ship accident can cost the Panama Canal Company a much greater amount. And there are other expenses of the Panama Canal Company, such as the cost of providing service to the Government of Panama that are never paid for, that make the \$1 million saving small potatoes indeed for the Company and for the users of the Canal, while looming so large to the employee. And the \$1 million savings, which is a fraction of 1% of tolls income, won't balance the Company's budget nor even make a discernible dent in it.

We in the labor movement have gone along with management in various cuts to attempt to minimize the Company's budget deficit, but these latest proposals go too far toward forcing the employee to subsidize world shipping. Instead of raising toll rates to cover operating deficits, the Secretary of the Army is giving world shipping an enormous concealed subsidy in the form of unjustifiably low toll rates. Look at the facts!

When the Panama Canal Company was reorganized in 1951, the toll rate was 90¢ per ton. Since that time, the cost of everything has gone up, including Panama Canal toll rates which have increased some 20% to \$1.08. However, this percentage increase is far below the increases experienced elsewhere in the economy over that period. Some examples of other increases, ranging from the broad to the narrow follow:

Based on a nationally recognized inflation factor, overall U. S. costs have increased some 121%. On this basis, an equitable toll rate per ton today would be \$1.99 rather than \$1.08.

Ocean freight rates, (between the U. S. and the Isthmus) exclusive of the bunker surcharge, have increased some 251%. On this basis, an equitable toll rate today would be \$3.16 rather than \$1.08.

Ocean freight rates, (Between the U. S. and the Isthmus) inclusive of the bunker surcharge have increased some 292%. On this basis, an equitable toll rate per ton today would be \$3.53 rather than \$1.08.

Closer to home, Congressional salaries have increased some 240% and should probably have increased considerably more. On this basis, an equitable toll rate per ton today would be \$3.06 rather than \$1.08.

There is, then, considerable logic for a tolls increase to cover the effect of inflation on Panama Canal costs rather than taking it out of the skin of the employees without whom the Canal could not function.

But logic and dealing in good faith have apparently gone out the window. The Secretary of the Army has assumed much greater power over the Panama Canal than was ever contemplated by Congress.

One mechanism by which the Secretary of the Army has done this is through the Canal Zone Civilian Personnel Policy Coordinating Board, a supposedly independent board originally set up to coordinate personnel policies among the Federal agencies operating in the Canal Zone. Originally consisting of two members (The Governor and the Commander-in-Chief of the military forces in the Zone), the composition of the board was radically and fatally changed on January 20, 1975, when the then Secretary of the Army, Howard Callaway, unilaterally changed the law by administrative regulation (40 F. R. 3213), expanding the Board to three members and placing the naming of the Chairman in the Secretary of the Army's hands. This obvious usurpation of authority over personnel matters is being used to circumvent the limitation Congress intended on the Secretary of the Army's authority; or at least that is what is happening with the present chairman, Mr. Victor V. Veysey. As he is abusing that office, we can only admire the judgment of Mr. Veysey's former constituents, the people who knew him best, who, in their wisdom, declined to return him to his seat in Congress.

Decisions are thus made that place the interest of the Department of the Army ahead of those of the Panama Canal Company, which Congress intended to be an independent agency, and not an adjunct of the Department of Defense. Instead of recognizing the special career nature of employment with the Canal organization, dim visioned Department of Army big wigs are trying to force Canal employees into the mold of Department of Defense civilian employees, subservient to the military, uprootable, and interchangeable throughout the world, when not one of these is appropriate to the best interests of the Panama Canal operation or its employees.

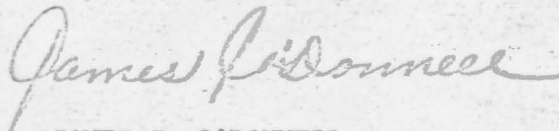
As I mentioned in my previous letter, the law specifically provides that in terms of the Panama Canal, the Secretary of the Army shall act as the direct representative of the President of the United States and not in his capacity as head of the Department of the Army. By stealing control of the Canal Zone Civilian Personnel Policy Coordinating Board, and naming a member of his staff to the chairmanship, the Secretary can and does exert authority not contemplated by Congress, and without any corresponding responsibility. Since that grab, the agencies with 22% of the civilian-employees in the Canal Zone i.e., military agencies, have 66% of the vote on the Coordinating Board. Anyway it is cut, the deck is stacked against the Panama Canal employees. The Governor is not only outnumbered two to one, but to make things worse, like the Commander in Chief, U. S. SOUTHCOM, owes his appointment to the Secretary of the Army. Not only is it an intolerable situation

it is an unhealthy situation with "Catch 22" overtones.

Because of the dangers to the Canal as outlined above, we believe that the Congress, shippers, and every other person interested in the continued efficient functioning of the Panama Canal should make every effort to halt the overstepping interference of the Secretary of the Army in Panama Canal affairs. Organized labor in the Canal Zone asks you to use your influence to this end, and to call for an investigation of the propriety of the Secretary of Army's role in Panama Canal affairs. We are certain that once the irregularity of his role is made public, logic will have to prevail, and the long-time former policy of Panama Canal Company recognition of the value and essentiality of a stable workforce will be reinstated. This union will support management in belt-tightening measures which must be taken to improve operating efficiency, but I cannot and will not fail to protest when shortsightedness and the overstepping of authority threatens the very fabric of our members' lives, and through them, the Panama Canal itself.

In closing, I respectfully request that you write directly to IEG Dennis P. McAuliffe, Commander-in-Chief, U. S. Southern Command, Quarry Heights, Canal Zone and to the Canal Zone Governor Harold R. Parfitt, to get all the facts regarding this intolerable situation in which the Panama Canal employee now finds himself.

Sincerely,



JAMES J. O'DONNELL
President
Local 14, AFGE



RED TAG

March 12, 1976

MEMORANDUM FOR:

RUSS ROURKE

FROM:

CHARLES LEPPERT, JR.

SUBJECT:

Panama Canal Tells Rules Changes

I have arranged a meeting with Rep. Lester Sullivan on this matter for Monday, March 15 at 10:00 a.m.

Mrs. Sullivan could not meet with me on Friday, March 12 even in view of the time constraint of the action memo.

I am returning herewith the action memo and will report the results of my meeting with Mrs. Sullivan.

cc: Max L. Friedersdorf



CONGRESSMAN GENE SNYDER
2330 Rayburn House Office Building
Washington D.C. 20515
Contact: Nicholas Nonnenmacher
(202) 225-2099

April 13, 1976
FOR IMMEDIATE RELEASE

President Ford personally has issued written instructions to the State Department to negotiate away the Canal Zone and the Panama Canal itself, Congressman Gene Snyder today asserted.

Snyder said that during secret testimony before the Panama Canal Subcommittee on April 8th, it was unanimously agreed that he could make public his line of questioning of Ambassador Ellsworth Bunker, Chief U.S. Negotiator with Panama, and his aides. (pages 30, 34 and 112 of April 8 transcript.)

Following is a brief excerpt from the record:

Ambassador Bunker. Mr. Congressman, we are proceeding to negotiate under guidelines established by the President, both by President Nixon and President Ford.

Mr. Snyder. I do not think that is responsive to my question. I want to know what directive or directives the State Department has received from President Ford to do this?

Ambassador Bunker. We have been directed to proceed with the negotiations on the basis of the guidelines --

Mr. Snyder. To give it up? To give up the Canal Zone over a period of time?

Ambassador Bunker. To give up the Canal Zone after a period of time, that is correct.

Mr. Snyder. And the Canal over a longer period of time?

Ambasssador Bunker. Longer period of time.

Mr. Snyder. Longer period of time. And what are the directives? Are they written memorandums?

Ambassador Bunker. The directives are in written memorandum.

Mr. Snyder. Signed by the President?

Ambassador Bunker. Signed by the President.

Mr. Snyder. Under what date?

Ambassador Bunker. Varying -- various dates.

Snyder declared:

"I am shocked that Mr. Ford as President, now is not only going along with, but is actually directing an even more shocking settlement than the one he opposed as House Minority Leader (President Johnson's draft treaty with Panama). The situation in the Caribbean is far worse today than when Mr. Ford voiced his strenuous opposition in 1967.

The soft underbelly of the United States from Texas to Florida, the East Coast, and, in fact, the whole country east of the Mississippi, is threatened by nuclear armed Soviet U-boats that berth in Cuban submarine pens less than 100 miles from our border. Some 12,000 to 15,000 Cuban troops have received actual combat training under fire in Angola."

STATEMENT OF THE HONORABLE GENE SNYDER, MEMBER OF CONGRESS
FOURTH DISTRICT OF KENTUCKY, APRIL 13, 1976 on
THE FUTURE OF THE CANAL ZONE AND THE PANAMA CANAL

It is incumbent upon President Ford to immediately try to explain to the American people the validity of whatever reasons he has for directing the Department of State to surrender the Canal Zone and the Panama Canal to a foreign power in the relatively near future.

I make this statement on the basis of State Department testimony before the Panama Canal Subcommittee of the House Merchant Marine and Fisheries Committee last Thursday, April 8th. The bulk of that testimony was in closed session, with Mrs. Leonor K. Sullivan, the full Committee Chairman, presiding. The Subcommittee, however, agreed unanimously that my line of questions and the answers to them would be on the record unless the Department witnesses specifically wanted them off. No such request was forthcoming from those witnesses regarding what I state here or any other question of mine.

Those of us in Congress opposed to this giveaway which has absolutely no Congressional mandate, long have been critical of the State Department for its intention. We have, however, not been at all clear as to the President's ultimate thinking or decision when a treaty would be drawn.

As of last Thursday, there is no more question. Ambassador Ellsworth Bunker, Chief U.S. Negotiator with the Republic of Panama, in answer to my direct questions, flatly declared that President Ford has directed the Secretary of State and the negotiators to come up with a treaty with the Republic of Panama by which we will give up the Canal Zone entirely after a period of time, and the Canal over a longer period of time. My further questions disclosed that the directions are in writing, over President Ford's signature. Later, the Subcommittee requested that it be supplied the documents.

The following brief exchange is quoted directly from the record:

Mr. Snyder. On whose specific authorization is the State Department pursuing its stated goal of yielding the Canal and the Zone to the Republic of Panama?

Ambassador Bunker. Negotiations are being carried out on the authorization of the President.

Mr. Snyder. Madam Chairman, at this point I would like to ask unanimous consent to include all of the newspaper article from the Chicago Tribune of July 8, 1967. I will not read it all, but its story is headlined "New treaty perils canal: Ford."

The item is sub-titled "Terms found shocking by GOP leader." And the headline on the carry-over story on another page: "Canal treaty terms to shock U.S. public Representative Ford warns."

Now, the article is consistent with the headlines if not more so.

In my opinion a comparison of the proposed 1967 treaty as printed in the Chicago Tribune on July 15, 1967, and the eight points Secretary Kissinger agreed to February 7, 1974, convinces me that the current proposal envisions a more complete

surrender of the Zone than did the 1967 draft.

In view of then Congressman Ford's very vehement opposition to President Johnson's treaty, what directive or directives has the Department of State received from President Ford saying he desires you to negotiate turning over to Panama the Canal, or supporting the Department seeking this end purpose, within some period of time?

Ambassador Bunker. Mr. Congressman, we are proceeding to negotiate under guidelines established by the President, both by President Nixon and President Ford.

Mr. Snyder. I do not think that is responsive to my question. I want to know what directive or directives the State Department has received from President Ford to do this?

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Mr. Snyder. Signed by the President?

Ambassador Bunker. Signed by the President.

Mr. Snyder. Under what date?

Ambassador Bunker. Varying -- various dates.

The time periods involved in this giveaway are not way off in the future. The press in this country and in Panama has already reported that we would abolish the Canal Zone government probably some six months after treaty ratification, and give up all jurisdiction over the Zone within three years. The surrender of the Canal and its operation would take place probably during a twenty five to fifty year period, a term still not agreed upon by the negotiators.

I am shocked that Mr. Ford as President, now is not only going along with, but is actually directing an even more shocking settlement than the one he opposed as House Minority Leader. In that same 1967 news story, Mr. Ford was further quoted in these words:

With Cuba under control of the Soviet Union via Castro and increased communist subversion in Latin America, a communist threat to the canal is a real danger. . . Any action on our part to meet a threat involving the national security of the United States should not be ham-strung by the need for time-consuming consultation with a government that might be reluctant to cooperate in the defense, or possibly be in opposition to our best interests.

The situation in the Caribbean is far worse today than when Mr. Ford made those remarks in 1967. The soft underbelly of the United States from Texas to Florida, the East Coast, and, in fact, the whole country east of the Mississippi, is threatened by nuclear armed Soviet U-boats that berth in Cuban submarine pens less than 100 miles from our border.

Some 12,000 to 15,000 Cuban troops have received actual combat training under fire in Angola.

Cuban schools of subversion have trained thousands of students from every Latin American country and our own, in guerrilla and sabotage techniques, as well as in all aspects of Marxist-Leninist philosophy, agitation and propaganda.

Panamanian dictator, General Omar Torrijos, who recently exiled nearly a dozen top Panamanian business leaders whose opposition he feared, has been playing footsie with Castro for several years. Castro promised Torrijos when he visited Havana in January, to give him every help to gain control of the Canal Zone. Torrijos himself has boasted repeatedly he would lead an assault on the Zone, if necessary, to gain that control, if we did not surrender it.

In my opinion, the President has the immediate responsibility to make a clean breast of his intentions regarding the Canal Zone. The Nation has the right to know the full truth.

Our citizen-taxpayers to date have invested some \$7 billion in the outright purchase of this unincorporated territory of the United States; in the excavation of the canal linking the Caribbean and the Pacific; and in the civil and military installations vital for its continued operation, maintenance and defense. And all of this has benefited, not only ourselves, but Panama and the entire world for some 62 years.

There is nothing to prevent Torrijos, should he gain control of the Canal Zone, from inviting the Soviet Union in to protect it.

There is no way in the world he could defend it -- or his own country, for that matter -- against a Cuban conquest, even without Moscow supporting Castro in such an attack.

In either event, Soviet submarines, missiles and bombers would soon be in place, capable of striking at our heartland from another outpost, which, unless the American people force Mr. Ford to reverse his position, will soon

be within our enemy's grasp instead of remaining our own.

Neither Ambassador Bunker nor his aides were able to substantiate in the slightest degree the claim they have been making around the country in public speeches that a phrase in Article III of the 1936 treaty of friendship with Panama refers to the Canal Zone as "territory of the Republic of Panama under the jurisdiction of the United States." They have cited this to support their argument that we do not have sovereignty over the Zone. Deputy Negotiator Morey Bell did so in a letter to me last December.

Under my insistent questioning seeking substantiation, the claim -- which the American Law Division of the Library of Congress had already reported to me was refuted by Article XI of the same treaty -- was merely repeated.

I feel obligated by my office to further demand that President Ford publicly substantiate this State Department claim -- which I consider to be absolutely without legal grounds, and totally false -- or order the Department publicly to immediately retract the claim and to desist from using it.

To my knowledge, President Ford has not made the claim of which I speak. He may not even realize the State Department is making it in order to promote the Canal Zone giveaway among the American people.

He is now on notice, however, and has the duty to thoroughly explore the matter. The Supreme Court has declared the Canal Zone belongs to the United States, specifically stating it had been ceded to us by Panama in a duly ratified treaty.

The President and the State Department have a right to argue their case on its merits.

To lie to the American people is nothing less than malfeasance in office.

The President cannot allow this serious business of the Canal Zone's future to be decided without the support of the American people whose very security is involved.

Neither can he allow falsehoods to play a role in trying to secure that support in spite of their better judgment.

I hope Mr. Ford will publicly come to grips with this entire question in the very near future.



DEPARTMENT OF STATE
AMBASSADOR AT LARGE
WASHINGTON

MAY 27 1976

May 26, 1976

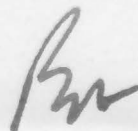
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We were informed last week that Gene Snyder may attempt to add an anti-Panama negotiation rider to the State Department Authorization Bill when it hits the floor next week. Last year we defeated him only by watering down his language in conference. We have to do better this time by either mounting so strong a counter force as to dissuade him from offering a resolution or beating him on the floor if he does so.

I attach some talking points. I would hope you could draw on them to brief the President should he plan to meet with the House leadership early next week. It also would be helpful if you could get some of the key House Republicans to fight for the Administration on this issue. I am thinking specifically of people like John Rhodes and Bob Michel. You may have others you would like to approach as well.

I would appreciate your help and advice.

Regards,


Robert J. McCloskey

Mr. Max Friedersdorf,
The White House.



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-- Any effort to inhibit the President's ability to exercise his responsibility for conduct of foreign affairs would also be an attempt to undermine the constitutional role of Congress in judging a concluded treaty on its merits.

-- If a treaty can be negotiated which the President believes will amply protect U.S. interests, it will be submitted to the Congress for review and approval.

-- Meanwhile, the House should resist legislative maneuvering aimed at limiting the President's freedom to negotiate.

-- Any attempt by the Congress to limit the President's flexibility could lead to a costly confrontation in Panama which would not only jeopardize canal operations but undermine U.S. relations with all of Latin America.

-- In view of the important U.S. interests at stake, hope House will reject ill-considered political maneuvering and withhold judgement on new treaty until it can be negotiated, debated and submitted for ratification.

5/26/76

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DEPARTMENT OF STATE
AMBASSADOR AT LARGE
WASHINGTON

June 1, 1976

Mr. Max Friedersdorf,
Congressional Liaison,
The White House,

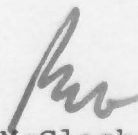
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The disturbing word I am getting is that those Members facing tough election battles in states where Reagan showed strength are very leary of supporting us on this issue. The Alabama delegation voiced that view to us, and I think their concern may be shared by other Members.

All of this argues for a note of urgency emanating from the White House to the conservative Members of the House. I am fairly optimistic that the moderate and liberal elements who supported us last time will support again. But we can't afford much defection among the conservatives.

Regards,


Bob McCloskey

Attachment:

As stated.



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Bell (R-Calif.)

Clawson (R-Calif.)

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~~Burgener (R-Calif.)~~

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AMBASSADOR AT LARGE
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