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### 439. Information Memorandum From the Acting Assistant Secretary of State for Inter-American Affairs (Sayre) to Secretary of State Rusk<sup>1</sup>

Washington, June 27, 1967.

#### SUBJECT

Panama Canal Treaties

President Johnson and President Robles announced June 26 that the negotiating teams of the United States and Panama had reached agreement on the details of three new treaties relating to (a) the present Lock Canal, (b) a possible Sea Level Canal in Panama, and (c) the Defense of the Panama Canal and its Neutrality. The announcement, copy attached,<sup>2</sup> states that the Treaties are being submitted to the representative Governments, that arrangements will be made for signature after approval by the two Presidents, and that the Treaties will then be presented to the two countries legislative body for consideration in accordance with their constitutional processes. Neither the texts nor details of the Treaties are being made available to the press or public at this time.

The following are the major points in the three treaties:

#### 1. *The Lock Canal Treaty*

- (a) *The Treaties of 1903, 1936, and 1955* with Panama are terminated as are all other agreements or treaties which are inconsistent with the Lock Canal Treaty.
- (b) *The Administration.* A United States–Panama binational entity, called the “Joint Administration of the Panama Canal”, would be established and would operate the Panama Canal and administer the “Canal Area”. The Administration would assume control of the Canal and Canal Area not sooner than six months nor later than twenty-four months after the Treaty enters into force. The Administration would be governed by a Board of nine members, five appointed by the President of the United States and four appointed by the President of Panama. The Board acts by a majority vote unless otherwise provided in the Treaty. The Chairmanship of the Board would alternate annually between a United States and a Panamanian member. In order to carry out its [Page 935] responsibilities and functions, the Administration would have numerous express rights and powers, including the right and power to promulgate a statute of laws, to establish a court system, and to establish a police force. Some Panamanian civil laws would apply in the Canal Area and some Panamanian criminal laws may apply in the Canal Area. The Panamanian courts would have some jurisdiction in the Canal Area.
- (c) *The Canal Area.* The “Canal Area” is delimited in the Treaty and includes land and water areas which comprise the present Canal Zone. Land and water areas in the present Zone which are no longer necessary for the

operation of the Canal would be returned to Panama.

- (d) *Employees.* The Administration would have all rights and powers relating to employment policies and labor relations with its employees. Persons presently employed by the Panama Canal Company and the Canal Zone Government would be transferred to employment of the Administration under conditions established in the Treaty. Such persons would receive the same compensation they presently receive; would be guaranteed increases in minimum wages; would receive salary increases to offset any possible increase in the cost of living or other net financial disadvantage through their transfer; and would continue to receive the benefits of the United States Civil Service retirement law and all other protections and benefits equivalent to those in effect prior to the transfer.
- (e) *Taxation.* The Administration would be exempt from all Panamanian taxes, with the exception that the Administration would pay Panamanian taxes on certain retail or other commercial enterprises it may continue to operate.
- (f) *Tolls.* The Treaty provides that the Administration will operate the Canal to provide to Panama and the United States a fair return “in the light of their contributions to the creation and maintenance of the Canal and in the interest of world commerce”. The Administration, in its first year of operation, would pay to Panama seventeen cents per long ton of commercial cargo transiting the Canal, and that annual payment would increase by one cent for five succeeding years, the annual payment to Panama thereafter being twenty-two cents per long ton. In fiscal 1969, seventeen cents per long ton would, according to present predictions, be approximately sixteen million dollars. The Administration would, in its first year of operation, pay to the United States eight cents per long ton of commercial cargo, and that annual amount would increase by one cent for two years, the annual payment to the United States thereafter being ten cents per long ton.
- (g) *Neutrality and Non-Discrimination.* The Panama Canal would remain neutral and would be open to vessels of commerce and of war of all nations on terms of entire equality and non-discrimination.
- (h) *Termination.* The Treaty would remain in force until December 31, 1999; however, it would be superseded by the Sea Level Canal Treaty if the United States constructs a sea level canal.

## 2. *Sea Level Canal Treaty*

The Sea Level Canal Treaty in effect provides that the United States has an option, which it must exercise within twenty years, to construct a Sea Level Canal on the site of the present Lock Canal or in the Darien region of Panama. The Sea Level Canal would be operated by an “Inter-Oceanic Canal Commission”. The Commission would be governed by a Board consisting of nine members, five appointed by the President of the United States and four by the President of Panama. The United States, after consultation with Panama, may offer others the right to participate in the financing of the Canal, and, in this case, those who participate in the financing might be represented on the Board. The Board would have numerous express powers to operate and maintain the Sea Level Canal; however, the “Canal Area” would be abolished and the Commission therefore would have no powers with respect to court, laws, and law enforcement. The Treaty would terminate sixty years from the date the Sea Level Canal is opened, but not beyond 2067.

## 3. *Defense Treaty*

Both the Lock Canal Treaty and the Sea Level Canal Treaty provide that Panama and the United States shall provide for the defense, security, neutrality, and continuity of operation of the Canal in a Defense Treaty signed on the same date. Under the Defense Treaty, the United States retains certain defense areas in which it may maintain its Armed Forces. The Treaty provides that “In case of an international conflagration or the existence of any threat of aggression or any armed conflict or other emergency endangering Canal defenses,” Panama and the United States “would take such preventive and defensive measures necessary for the protection of and common interests in effectuating purposes of the Defense Treaty.” The United States may act unilaterally in the Defense Areas or in the Canal Area. The United States would be able to use the Defense Areas for “related security purposes” and would consequently continue other military activities, such as training. The Defense Treaty contains extensive provisions relating to the status of our forces similar to other status of forces agreements.

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1. Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 33–3 CZ. Confidential. Drafted by Clark and R.A. Frank (L/ARA).↵
2. The statement that Johnson and Robles announced on June 26 was attached, but is not printed. For text, see Department of State *Bulletin*, July 17, 1967, p. 65, or *American Foreign Policy: Current Documents, 1967*, p. 660.↵