

SECRET

MEMORANDUM

THE WHITE HOUSE
WASHINGTONSECRET

August 6, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: HAMILTON JORDAN *H.J.*
WILLIAM G. HYLAND *W.G.H.*

SUBJECT: Status of Canal Negotiations

Ambassadors Linowitz and Bunker have drafted a status report on the negotiations for you, and it is attached at Tab A.

The provision on the sea-level canal, which Linowitz and Bunker recommend, was in fact drafted in Bogota last night by Torrijos and the Presidents of Venezuela, Mexico, Costa Rica, Columbia, and Jamaica. It may conceivably cause some problems with the Senate since it gives Panama the option of excluding the United States, and inviting other countries -- e. g., the USSR -- to join with Panama in building the canal. Our negotiators tried to get the Panamanians to give us a veto over third-country canal construction in Panama, along the lines of the following sentence:

no "No new interoceanic canal will be constructed on the territory of the Republic of Panama during the lifetime of this Treaty except as herein provided or as the two governments may otherwise agree."

Panama's negotiators said that the principle of reciprocity required that we, in turn, accept a prohibition from building a sea-level canal through any other country. Their suggested sentence, made with the strong support of the Presidents of Mexico, Venezuela, Colombia, and Costa Rica, is as follows:

no "During the lifetime of the canal treaty the United States will not negotiate with third countries any interoceanic canal through any other route in the territory of the Western Hemisphere."

SECRET**SECRET**

SECRET**SECRET**

2.

The 1970 Canal Studies Commission explored more than a dozen routes through Nicaragua, Colombia, and Mexico as well as Panama, and recommended the #10 route through Panama. There is little likelihood that if we chose to build a sea-level canal it would be anywhere else but Panama. Although it might be argued that the option to build a canal in a third country gives us added leverage over Panama, any hint of using such leverage would provoke such an adverse reaction in Latin America that, in effect, we couldn't use it.

We suggest you might want to speak directly with Ambassadors Bunker and Linowitz on this. Essentially, the question at issue is whether to adopt the provision in the status report or the proposed two additions (U.S. and Panamanian). We should add that the Panamanian Ambassador just told us that the four Latin American Presidents (of Venezuela, Costa Rica, Mexico and Colombia) "personally request" you to accept the Panamanian sentence (if we insist on ours), and that our refusal would lead to a break in the negotiations.

I am also attaching a copy of the latest vote count in the Senate, which the State Department did.

Hyland spoke with Brzezinski who believes that on-balance we can accept the original Panamanian position without adding any further sentences on veto rights or prohibition against a canal in other countries (i. e., the language as presented in the attached status report).

In any case, Ambassadors Linowitz and Bunker will need your guidance before they depart for Panama tomorrow (Sunday) at noon.

SECRET

SECRET

SECRET

August 6, 1977

Status of Negotiations

Last night Ambassadors Bunker and Linowitz, at the residence of Panamanian Ambassador Lewis, talked by telephone with Panamanian Negotiators in Bogota and in Panama City. These conversations lasted from about 6:30 to 11:30 p.m., involved discussion of all outstanding issues, and brought us even closer to agreement on a new treaty.

As the U.S. Negotiators leave for Panama, the status of negotiations is as follows:

1. Economic Arrangements: Panama will accept our proposal (including use of an appropriate U.S. inflation index applied to the 30¢ per ton annuity, and including the fixed payment of \$10 million per annum plus another \$10 million if available from Canal earnings, subject to making up deficits from surplus in future years).
2. Lands and Waters: Most issues have now been settled on the basis of our recent negotiating position. We have agreed to explore under the treaty, settlement of remaining issues which have been in our discussions, and expect no major difficulty in their resolution.
3. Sea-level canal: The Panamanians this morning proposed the following sea-level canal provision instead of the one we had put forward earlier. Bunker and Linowitz believe it to be acceptable.

ok

"The Republic of Panama and the United States of America, foreseeing the possibility that in the future a sea-level canal in Panama may have importance for international navigation, commit themselves, after the Panama Canal treaty enters into force and during its lifetime to study jointly the feasibility of a new interoceanic waterway on Panamanian territory. Therefore, if the parties agree that such waterway is necessary in the interest of the Republic of Panama, the USA and world commerce, both countries will undertake to negotiate mutually agreeable terms pertaining to the construction of the new waterway."

SECRET

SECRET

SECRET

SECRET

2

4. Miscellaneous: A few minor issues remain such as the display of flags, coordination of port management, etc. No major difficulties are expected.

The outlook is that, barring quite unforeseen problems, we will be able to reach conceptual agreement early next week and that an announcement to that effect will be made in Panama. The negotiation of treaty texts is also proceeding quickly, and final texts will be ready before long.

SECRET

SECRET