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THE WHITE HOUSE
WASHINGTON
NATIONAL SECURITY COUNCIL
MEETING ON THE PANAMA CANAL

The Oval Office

Date: Wednesday, July 23, 1974 4:30 p.m.
From: Henry A. Kissinger

I. PURPOSE

To consider our strategy in negotiations with Panama over the Canal.

II. BACKGROUND, PARTICIPANTS AND PRESS ARRANGEMENTS

A. Background

Proposals

Following the NSC meeting of May 14, the Defense Department developed its suggestion to protract the Canal negotiations in a proposal which is contained at Tab A. It reaffirms the need to continue the negotiations, based on the Agreement of Principles of February 1974, but expresses the desirability of avoiding conclusion of a new treaty before the 1976 Presidential election. In order to do so it proposes that you

- invite General Torrijos to Washington to explain our political problem,
- convince him of our good faith in the effort to negotiate a treaty to be signed in early 1977,
- point out to him the importance of avoiding violence, and
- propose a number of negotiating positions and some unilateral actions we could take to accommodate Panamanian concerns in the interim.

On the negotiations, Defense suggests that you propose

- a "differential concept" for treaty duration, separating operation (for at least 25 years) from defense (for between 40 and 50 years);

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E.O. 12958 Sec. 3.6

MR 00-11 #38, NSC #26 4/27/00

By dall NAFA, Date 4/6/01

- Panamanian participation in Canal defense through a U.S.-Panama combined defense board; and,
- Panamanian-U.S. agreement on a mutual defense assistance accord for the post-treaty period.

On the unilateral steps, Defense proposes that we

- increase Panama's revenue from the Canal,
- expand the display of Panamanian flags,
- offer to use Panamanian license plates on vehicles in the Zone,
- scale down the United States Southern Command establishment,
- offer to lease certain land areas,
- increase employment of Panamanians, and
- turn over certain private and commercial activities to the Panamanians.

A second memo from Bill Clements to you (Tab B) underlines the rock-bottom nature of 40 years' duration and the present lands and waters proposal from Defense's point of view. It also emphasizes Defense's concern about the reliability of the Torrijos Government as a partner in Canal operation.

The State Department and Ambassador Bunker believe Defense's proposal would fail to avoid confrontation and damage our ability to satisfy our operational and defense requirements in an ultimate treaty. It is their view that we can get the most satisfactory treaty now. But an agreement will become increasingly costly and difficult as time goes on. They are convinced, as is the CIA, that time is running out on Torrijos in terms of how long he can control nationalist groups pressing for action, without some kind of concrete manifestation of U.S. willingness to conclude a Canal agreement. They doubt that domestic political forces would permit him to accept a promise by this Administration for performance by a U.S. administration to be elected in 1976.



In the memorandum at Tab C, the State Department asserts that

- Torrijos would recognize the purpose of the invitation and therefore refuse it;
- even if he came, he would reject the proposals because he cannot accept such a lengthy delay in reaching agreement on basic guidelines and because the proposals which would be offered are unsatisfactory to him, most of them having already been turned down by the Panamanians;
- even if he were to agree to the proposals, he would not be able to persuade political forces in Panama to accept them;
- any private understanding with him of the kind proposed would quickly become known and stimulate suspicion in the U.S., opening you to exaggerated charges, as well as subjecting Torrijos to accusations in Panama of "selling out";
- the proposal would not succeed in avoiding discussion of the issue domestically or internationally.

Ambassador Bunker contends, in a memo at Tab D, that the only way to avoid confrontation with Panama over this issue is to modify his negotiating instructions sufficiently to enable him to conclude a "conceptual agreement" rapidly, then either follow-up promptly with a signed (but not ratified) agreement, or try to postpone signature until 1976. By "conceptual agreement" he means an ad referendum understanding on the general lines of the remaining issues of a new treaty; issues that include duration, lands and waters, compensation to Panama for use of the Canal, and U.S. rights in case of Canal expansion. Informal, ad referendum agreements have already been concluded on other subjects including jurisdiction and operation. Together all these would constitute the basis on which treaty language would be drafted.

The House vote in support of the Snyder amendment to the State Department appropriation bill which would deny funds for "negotiating the surrender or relinquishment of any U.S. rights in the Canal Zone" brought to a head need for action in this matter.



The Panamanians had been disturbed by the Thurmond Resolution opposing a treaty (signed by 37 Senators) and by our three and a half month delay in negotiations. The 246 to 164 vote on the Snyder Amendment and a subsequent Miami Herald story that the White House had abandoned plans to conclude an agreement this year shook them further. The Senate may get to the bill anytime though possibly not until after the August recess. Were it to pass the amendment, our continuation of the negotiations would be difficult and Panamanian reaction would be strong. Even a vote of over one-third in favor of it would create a difficult problem, and the Panamanians would look to you to indicate your intentions with regard to continuation of negotiations. Without a clear statement from you on this matter, there would be a deterioration in our relations leading to possible abandonment of negotiations in favor of confrontation by the Panamanians.

B. Participants

See list of participants at Tab E.

C. Press Arrangements

None. The meeting will not be announced.

III. TALKING POINTS

1. Henry, would you please outline for us the issues and options as you see them at this stage?
2. First, with regard to the Snyder Amendment and its handling in the Senate: it must be defeated if the negotiations are to continue. Can this be done?
3. On the longer-term strategy: as I understand it, we all agree that we must keep the negotiations going and that we need to demonstrate to the Panamanians our willingness to do so without delay. Is this correct?
4. Isn't it possible for State and Defense to get together and agree on what would be an adequate offer to make in terms of these unilateral concessions?

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5. Let's get the paperwork done promptly to amend the negotiating instructions so that Ambassador Bunker can get back down to Panama right away to demonstrate to Torrijos that we are serious about continuing the negotiations. Then later I can take a look at what is worked out between the two Departments on accommodations.

Attachments:

- Tab A: Defense Department Memorandum
- Tab B: Memorandum from Bill Clements
- Tab C: Memorandum from State Department
- Tab D: Memorandum from Ambassador Bunker
- Tab E: List of participants



TALKING POINTS

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1. There are two questions to consider, the tactical one of how we treat the Snyder Amendment denying funds for further Canal negotiations, when it reaches the Senate this week, and the broad strategic question of how we handle our continuing negotiations with the Panamanians over the Canal itself.

Snyder Amendment

2. If we are to continue the negotiations, and no one I know has suggested that we abandon them, this Amendment must be defeated in the Senate. Besides this, of course, it has a broader implication of interfering with the President's constitutional responsibility to negotiate treaties with foreign governments. We have been told by our friends in the Senate that the Amendment has a chance of passing unless it is opposed by the Executive as a whole. That means a clear signal from you, Mr. President, and from the Defense Department. This should be forthcoming within the week.
3. Defeat of the Snyder Amendment in the Senate would permit us to continue the negotiations. It would not prejudice the substance of an ultimate agreement, or the timing of conclusion of such an agreement.

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By dal NARA, Date 4/6/01

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Options

4. We have three options available to us in pursuing the negotiations.

- (1) Continue the negotiations at a slow and deliberate pace, modifying the negotiating instructions only a little bit at a time in an effort to drag the process out as long as possible. Initial a "conceptual agreement" at the negotiators' level at the latest possible date which would still avoid confrontation--probably during early 1976.

This option would have the advantage of delay. Furthermore, it does not propose making any unilateral concessions which inevitably detract from our bargaining leverage in an ultimate treaty. It does not involve optics of a visit in either direction.

However, it probably does not give the Panamanians enough to get them to agree to draw out the negotiations to the end of 1976 and thus avoid confrontation.

- (2) Continue the negotiations but attempt to get an understanding from Torrijos to postpone signature of a treaty until early 1977, modifying negotiating instructions to make new proposals and offers of unilateral accommodation as well as some optics in the form of visits. I see two variants under this option.

- (A) The first was proposed by Bill Clements and the Defense Department. It involves a visit by Gen. Torrijos and a number of revenue producing and land leasing proposals.



This variant is based on the assumption that Torrijos can derive political capital from a visit to Washington and that he would accept our offers of accommodation in the place of conclusion of a treaty before 1977. The State Department does not believe that he can afford such a visit politically or that the accommodations proposed are sufficient to get his acquiescence.

- (B) Another variant along the same lines would be to amend the negotiating instructions so as to permit Ambassador Bunker to return to Panama at the earliest possible date to assure the Panamanians that the negotiations are continuing. He would have to make some proposals on duration and Canal expansion. In the meantime, our experts could begin work on an agreed position between State and Defense on some meaningful accommodations in areas like military presence, jurisdiction and revenue. Bunker would indicate that we are reviewing the matter and expect to have some proposals by September. Then either Bunker would present them as needed, along with an explanation of our need to protract the negotiations until 1977, or we could send down a special emissary. The point of such a visit would be to reassure Torrijos that the highest levels of the government are committed to negotiating an agreement by 1977.

This variant might be acceptable to the Panamanians.



It of course has the disadvantage of making some unilateral concessions which could not then be used in the treaty negotiations themselves.

(3) Conclude a "conceptual agreement" shortly which would require a modification of Presidential instructions both on our duration and our lands and waters proposal. Then, either

(a) Proceed rapidly to translate this into a treaty text for signature and publication; or

(b) Protract negotiations on a treaty text as long as possible, which would probably be about the Spring of 1976, when we would have to explain to the Panamanians our dilemma and seek their cooperation in protracting it further until 1977.

This would provide Torrijos with what he claims is the minimum he can accept, i.e., a firm agreement on the Canal. As an ad referendum understanding, its provisions would not have to be made public. No agreement would be submitted to the Senate. However, its existence would have to be announced and pressure to make its provisions public would be difficult to withstand, raising all the attendant problems.

Discussion

5. These three options and their variants have a number of points in common:



- They are all based on continuation of the negotiations, now ten years old, recognizing that to suspend them would precipitate a confrontation which could seriously damage our interests.
- All options require a modification of currently existing Presidential instructions. In order to get a conceptual agreement, State feels that duration for defense purposes must be less than forty years. Defense does not believe our security interests can be adequately protected with anything less than forty. Present instructions are to seek fifty years for both operation and defense.
- Finally, options two and three, supported by State and Defense, are in agreement that we must have some kind of an understanding with Torrijos, whether an informal kind, as proposed in the second option; or the more formal conceptual agreement proposed in option three.

6. It might be helpful to view the negotiations as a continuum which began in 1964 and extend through a concluded agreement sometime in the future. We moved some distance from their inception with the 1967 agreements and further along when we signed the Statement of Principles in 1974. The question we face is how much farther we want to get in the next year and a half.



7. The governor on this progress and its speed is the degree to which you modify the Presidential instructions. We are virtually certain that the Panamanians will reject 25 years for operation, 40 for defense and no change in our lands and waters proposal. If you give Ambassador Bunker only this much flexibility, he will have to come back to you shortly and ask for further relaxation in instructions, in order to keep the negotiations going. On the other hand, if you were to give more, we might make some further progress towards an agreement and assure the Panamanians of the seriousness of our purpose in continuing to pursue the negotiations.



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THE WHITE HOUSE

WASHINGTON

MINUTES

NATIONAL SECURITY COUNCIL MEETING

Date: Wednesday, July 23, 1975

Time: 4:50 to 5:45 p.m.

Place: Cabinet Room, The White House

Subject: Panama Canal Negotiations

Principals

The President
 Secretary of State Henry A. Kissinger
 Secretary of Defense James Schlesinger
 Chairman, Joint Chiefs of Staff General George S. Brown
 Director of Central Intelligence William Colby

Other Attendees

State: Deputy Secretary of State Robert Ingersoll
 Ambassador Ellsworth Bunker

Defense: Deputy Secretary William Clements

WH: Donald Rumsfeld

NSC: Lt. Gen. Brent Scowcroft
 Stephen Low

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 DECLAS - Date Impossible to Determine
 BY AUTH - Dr. Henry A. Kissinger

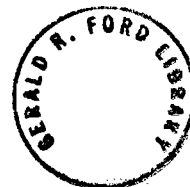
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MR 98-34 #29, NSC letter 2/10/99

By lt NARA, Date 5/25/99



President: Henry, would you outline the options as you see them?

Kissinger: As things now stand, negotiations are stalled and everyone is getting itchy. We have not been able to let Bunker go back to Panama since March because he has exhausted his negotiating instructions. Unless we give him new instructions, the stalemate continues. Torrijos is under increasing pressure to take more vigorous action against us. The other Latins are getting into the act. As I pointed out to you this morning, you have a personal letter from the President of Costa Rica, who said he and the Presidents of Colombia and Venezuela together with Torrijos would march arm-in-arm into the Canal Zone as a symbol of Latin American solidarity if it is necessary. It is not difficult to foresee that unless we begin the negotiations again there will be increasing unrest and eventually all Latin Americans will join in and we will have a cause celebre on our hands.

As I see it, you have three strategic options to choose from: first, to pronounce that we have reached an impasse and see no point to continuing the negotiations; second, tell Bunker to resume negotiations within the limits of his existing instructions; this would lead simply to stalemate. We can sweeten each of these two options by giving a little more flexibility on lands and waters and duration--that would have the advantage of making the situation more tolerable, but it would have the disadvantage of giving away things which we will need to bargain with later on. The third option would be to return Bunker to the negotiations with new negotiating instructions. We would have to consider the political situation here in the United States; in the first place, there is a strong feeling in the Congress against a treaty, and second, there is probably a feeling in the country in opposition to a treaty. Wherever I go I get unfriendly questions on the Panama Canal. We can handle the negotiations in such a way that the political considerations are mitigated.

(Discussion was interrupted for a few minutes while the President went out of the room.)

The question is, if you want a treaty, can we conduct negotiations in such a way that they do not come to a



conclusion before the end of 1976? I think we can do so. We have to make some progress but not necessarily conclude an agreement. We can get an understanding with Panama that we reach certain conceptual agreements on various items, but no final agreement. Our negotiations would continue and progress during 1976 but they would not be concluded. It will not be easy to do but we think we can. If you want to go that route, it would be a mistake to give away anything just to keep the lid on things. The instructions have to be changed. As they now stand Bunker is required to negotiate 50 years for both operation and defense. We recommend a substantial reduction for operations to 25 years and defense to 45; then, as a fallback, to go not lower than 40 years for defense and 20 years for operation. We're not insisting on exact details. The questions are, first, do you want a treaty? and do you want the negotiations to go forward? Second, will you agree to change the instructions? Then, third, what is the minimum beyond which we should not go?

President:

It is my feeling that yes, we want a treaty, if it is something we have bargained for which will protect our rights. We don't want a blow-up here in the United States or down there, either. We want the situation under control here and certainly not a renewal of the fighting from 1964 there where people were killed and we had a hell of a mess.

I've looked over the papers you sent me, including suggestions from the Defense Department. Jim, do you have anything to add to this?

Schlesinger:

The important question you have to answer is, do you want a treaty? In my judgment we would give away 85 percent of what is most important to us in giving away sovereignty. We will be out of the Canal in 15 years whether we get 40 or 35 years' duration. Our experience in the Philippines is an example. In 1947 we got base rights for 99 years. That was reduced to 55 years in 1966 and now they may let us remain as their guests. That is the reality. I sympathize with Ellsworth. If we want a treaty, we have to be willing to give up a little more. The question is, do you want a treaty?

President:

You say we don't want a treaty?



Schlesinger: I've tried to stay out of this but I'm reluctant to give up sovereignty.

Kissinger: Then none of these things we're talking about makes any difference.

Schlesinger: I tried to indicate that. The flexibility you're seeking here is a moot point, because the length you stay in the Canal will be determined by what the Panama Government decides to do ten years from now. It will not be something we can protect.

President: Bill, what's your view?

Clements: I don't feel as strongly as Jim. He is consistent in his desire not to give up sovereignty. The world we live in today is not the world of Teddy Roosevelt; those circumstances just don't exist today. If we want to maintain our relationships with South America, and they are important, we need to have a more enlightened view than that of trying to maintain our sovereignty over the Panama Canal. If we work at it, and the Army will do so, if we give them the right framework to work in, we can maintain the right relationship. If we go down there and apply ourselves and make it worth their while, give them a stake in keeping the Canal going, then I think we can look forward to long tenure and the betterment of our position in Latin America.

President: Then you feel we can achieve the two objectives--of keeping an explosion from occurring in Panama, and the situation under control here in the United States? If we can agree on terms to protect our interests, we can proceed to an understanding.

Clements: Yes, sir. It won't be easy and it's complex, and will require your help. You'll have to inject yourself in a moderating sense; you'll have to say, "These things are happening under my direction."

President: If we show good faith, and they act in a sophisticated way, we can achieve our purposes. We have a problem with the Americans in that area. I have been involved



for a long time in this question from back in 1953 and 1954. They have a sinecure down there which they don't want to give up. I'm not going to let them dictate American policy. There is a long history of Americans who have a good life down there. But they are not going to decide this. Bill has indicated a reasonable approach, and it coincides with Henry's view. Can it be handled, Ellsworth?

Bunker: Yes, we will need to reach some conceptual agreements by

President: The spring of '76?

Bunker: I think by January of 1976, when they have the anniversary of the riots. But there won't be any treaty writing. We can complete the agreement in late 1976, early 1977, sign it in December of 1976 or January of 1977. Torrijos would go along. He understands our problems.

President: George, what are your views?

Brown: The Chiefs are agreed with the Clements paper which was sent to you. We need 40 years-plus on defense. Personally, I agree with Jim. We are committed, and you can't be half-pregnant. We are committed through proposals that have been made earlier. Everyone who has communicated with us about this is dead-set against it, but we're already started down the road and we can't back out now.

President: Do you think 45 and 25 years is defensible?

Brown: Yes, and the Chiefs do too. We've looked at lands and waters this morning with Bill Clements and I looked at it again this afternoon; this is key and we need to be forthcoming. The management of defense at the turn of the century required lands that we don't need now. But we don't want to give any more than the Ambassador has already been authorized.

Bunker: But the Panamanians have turned that down.

Kissinger: Have you offered them everything that the Chiefs have authorized you to?



Bunker: I have offered everything and have been turned down.

Kissinger: I have a suggestion: would it be possible, after you have made a decision that you want to go ahead with this, to see whether State and Defense can sit down to write up where they agree and where they disagree and come to you for the decision with pro's and con's. I have never studied this thing really. On duration I agree with Jim-- once you decide you want a treaty of a determinate length, a few years one way or another don't make much difference. On lands and waters, I have not studied this myself and I couldn't give you an opinion on whom I support; I don't know the State or the Defense position. State and Defense and the Joint Chiefs and the CIA could get together in a week and have ready for you on your return the issues in the negotiations. If there is agreement, we can submit it to you by paper. If we disagree, then we can have another meeting.

Clements: I'd like to make one comment. Our attitude is as important as anything else. There's a lot of cosmetics in a thing like this.

President: You said it the way I feel and better.

Clements: There are a lot of things we can do down there to assist Ellsworth.

Brown: It's not the way the U.S. citizens are treated but the Panamanian employees. Their schooling is different, their treatment, their pay, the facilities available to them.

President: Exactly--the same job but different pay. I know from my experience on the committees that they can be very vocal and have a disproportionate influence from their numbers. Somewhat like the Greeks.

Kissinger: Much greater.

Schlesinger: There are only 17,000 Zonians.

President: It's the Zonians who go on from one generation to another.



Kissinger: My mail is 100 percent against a treaty.

President: I think it's similar in the White House. This is a delicate problem. It has to be handled with skill. Going back to 1954, when I think payment for the Canal was about \$456,000, and President Eisenhower increased it to several million, there was a hullabaloo. That was first modification of the treaty.

Bunker: I believe there were amendments in 1936 and 1954.

President: There was a real hullabaloo raised then. Most of the objections came from the Zonians.

Schlesinger: No one else really cares about the financial transactions.

President: We all agree this is a very sensitive subject. Jim has a different view, but I am sure we agree that this is very sensitive. It is incumbent on us, with the sensitivity that this problem has, that we keep our differences, if any, to an absolute minimum, and certainly avoid public differences. Any discussion of what we talk about here could be misinterpreted. Since we all understand, it is mandatory we keep it to the eight or nine who are here and we work with Ellsworth.

Schlesinger: There is a former Secretary of the Army who has some very strong views--I'd like to make three points: first, you may want to talk to Bo Callaway, your campaign manager, about this; he has some very strong views, and he is supposed to be supporting you. Second, a point of intelligence. I don't agree with the general tendency of the intelligence analyses of the Latins' attitudes on this.
.....
..... Third, on the matter of duration: whether it's 40 or 35 years, we are creating a phantasm in that once they control operations, then they can stop the Canal. Defense would be moot. I'd like to ask the Committee to see if 30 years for each would not make more sense. Under those circumstances, we might have rights but couldn't keep the Canal open.



Colby: On the intelligence point, I agree with you, Jim, when you are talking about Ecuador, Peru and Chile, which are directly affected by this. But there are many other Latin Americans--in the Caribbean and elsewhere--who are chiefly concerned about the political issues and are not so directly involved.

Kissinger:
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Schlesinger: I agree that on the surface there is no support for the U.S., but under the surface there is much more.

Colby: Whatever deal we work out, 40 or 30 years, someone will come around in ten years to raise the issue again. The relationship between us is the important thing.

Kissinger: I agree that when you give up sovereignty you move into a new era. The question is whether you can hold on to it at an acceptable cost. I think we probably could maintain our sovereignty if we wanted to, but not at an acceptable cost. It would become a major propaganda point; it would engulf even the moderates and our friends. People like the Brazilians at these conferences support the Panamanians totally. In six years another President will face the same problem again. I agree with the dangers which Jim has outlined, but it would be a little more manageable if we could get ahead of the curve.

Schlesinger: You are in a difficult position, once President Johnson decided to modernize our relationship. To go back on that is difficult. The position of President Nixon was tougher than the one in 1967.

Kissinger: Even the position of Nixon didn't go to the heart of Jim's point. It was tougher than LBJ's but 40 or 60 years are not ultimately the question, as long as there is a limit.

President: As I remember Bob Anderson talking to me in 1966 and 1967, what we talked about was more forthcoming than what we are talking about now.

Schlesinger: The present position is quite a bit tougher.



Kissinger: It's one of the liabilities we're working under, if you add the ten years which have elapsed--our position automatically becomes more difficult.

Schlesinger: Mr. President, I think you're facing three choices: you can acquiesce, you can recant, or you can procrastinate.

Clements: Opportunity is another choice.

President: We want to be sure that the method we select is the right one.

Kissinger: They should get together. We won't do anything until they get together--
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