CHAPTER – V

THE COURSE OF TREATY NEGOTIATION
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Panama till the historic flag riot of 1964 was a classical case of the United States' colonial hangover. Beginning with masterminding the independence of Panama from the civil strife ridden Gran Colombia to guiding the country to the North American strategic designs of the second world war, and again, disengaging the Panamanian leadership from the provocative Suez crisis, the United States had so far successfully prevailed upon the geo-political course of Panama. To the chagrin of most of the vociferous advocates of the United States' 'manifest destiny' over the whole of Latin America and the Caribbean, the flag riot was a shattering development that signified the process of Panama's complete independence. In the face of the apparent failure of 'Alliance' grants in promoting the United States' image in Latin America, and the prospect of the communist ideological appeals threatening the already volatile political fabric of the region, the developments in Panama were a sign of political check mate to the over-riding American interest.
'Operation Sovereignty' otherwise also was a political time bomb for the United States. Unless defused immediately, it had a very threatening implication on the Presidency of officiating President Lyndon B. Johnson. Hardly had he settled in the White House after the sudden assassination of President Kennedy, did the trouble in Panama begin as an omen to his future Presidential election. President Johnson appeared to be politically trapped over the Panama issue. Hardliners in the Congress were more loud and clear in their demand for a tough action against Panama.

Senate Republican Minority leader Everett Dirksen, Illinois, complained that, "We are in the amazing position having a country with one third the population of Chicago kick us around. If we crumble in Panama, the reverberations of our actions will be felt around the world." Daniel Flood, Democrat, Pennsylvania, who had earlier organised an advisory vote of 380-12 against any concession to Panama, over the flag issue, declared that since the United States

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enjoyed total sovereignty in the canal zone, the President must stop making “accessions to unjustified demands from the mob dominated Panama government.” Flood believed that appeasement would only lead to “greater blackmail”. He also went a step further to declare that the Panamanian demands for control over the canal were “part of the audacious, cunning and far-reaching strategy of the Soviets.”2 Former President Harry Truman and a Republican presidential contender for the November election, Senator Barry Goldwater, Arizona observed that the zonian children were correct in raising the lone flag of the United States.3

Daniel Flood was a champion of the 1903 canal treaty and the concept of total sovereignty to the Americans over the isthmus of Panama. Many others who were equally vocal of the American rights and the privileges over the canal zone, were either drawing political mileage out of the present canal impasse or were dwelling on the happier memories of the days of the big-stick diplomacy. Flood, heralding the legacy of those days of pride, even urged the President to grab

2 Ibid. p.142.
3 Ibid. p.143.
additional land from Panama for the defense of the canal.

Caught in the cross fire of Congressional heavy weights and the embarrassing developments in Panama, President Johnson, as a matter of immediate reaction, ordered his personal aide, saying "get me the President of Panama - what's his name-on the phone". As reported, when the President was reminded that he has to follow certain protocol to talk to the President of any other country, he shouted back saying "why in hell can't I", come on now, get him on the phone". 4

Visibly disturbed over the flag issue but convinced that such small countries like Panama should not be allowed to create political troubles for him, he declared that the President of Panama, having failed through diplomacy with President Kennedy is now trying to corner me politically to extract certain concessions.

Apart from down playing the political developments in

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Panama, President Johnson sent his chief Latin American advisor Thomas Mann to confer with Roberto Chiari. Like President Johnson, Mann being a Texan, had similar opinion on the political culture of Latin America. Otherwise also, Mann had the dubious distinction of helping CIA to overthrow the communist regime of Guatemala in 1954 and was the same person who had masterminded the American intervention in the Dominican Republic in 1965. Mann’s perception towards the region was heavily loaded with the idea of the American ‘manifest destiny’ and he apparently believed that “these people (the Latin Americans) need the application of a little muscle and common sense”. He bluntly told the President of Panama to restore order.

Adding to Mann’s summarizing of how Latin American political affairs can be addressed, Secretary of Defense, Cyrus Vance also flew to Panama and declared that, as per the 1963 agreement, flags of both the countries would fly

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Also see Pope G. Atkins & Larman C. Wilson The Dominican Republic And the United States: From Imperialism to Transition (Athens, Georgia: 1998), pp. 119-42.
together in the zone and in a press conference, observed that the communist infiltrators trained in Cuba were largely responsible for the riot that took place. To play down the issue to a mere communist design and not as a mass reaction, after Vance, the entire American administration blamed the trouble on the communists. Interestingly however, not only Panama ridiculed the sudden discovery of 'communist' hand in the episode, even the 'Organization of American States' (OAS) fact finding mission declared that Fidel Castro has not played any role in the flag riot.

A group of State Department officials and few others who had a degree of understanding of the Panamanian affairs, gave a little more realistic explanation of the incident saying, the imperialistic mentality of the zonians played into the hands of the leftist agitators who were then able to

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6 Vance subsequently became the Secretary of State in President Carter's government and appreciated the necessity of drafting a new treaty with Panama so as to initiate building a good relationship with Panama and the whole of Latin America where suspicion to American policies had become the order. Intervention, operations against the so called export of communism had created a generic anti-American feeling in the region. For details see Walter LaFeber. Op.cit. pp. 141-45.

7 Throughout the 1960s and 1970s it had become a policy of the United States to identify a communist connection to any trouble anywhere in Latin America and Caribbean so that subsequent American actions in that country or any other country would be in the name of flushing out communists for the common good of the region. For the OAS report see Denison Kitchel, The Truth About the Panama Canal, op. cit., pp. 85-9.
embarrass such dependable Panamanians such as President Robert Chiari.

Richard Scammon, Director of the Commerce Department's Bureau of the Census and a contemporary political analyst, conveyed his concern to President Johnson that Panama could prove to be a potential political issue for his November election. More than the Presidential election in November, like many other political analysts, Scammon believed that, though the communists have not become so powerful in Panama to pose a threat; given the communist ideological appeal among the younger generation and a favourable castroite base among the students who have been taking the centre-stage of Panamanian struggle for greater control of the canal zone; the future is a series of trouble for the United States. More and more concessions to Panama have not resulted in building a mutually agreeable position. Therefore, further concessions to Panama, Scammon believed would give the Republicans their first real opportunity to hit at the present administration and the
whole thing might prove to be a "ready-made wrap-us-in the flag kind of situation".  

Scammon not only provided more appropriate explanation than most others who had other considerations to cover under the flag issue, but also influenced the Secretary of State Dean Rusk and even Vance to think similarly. President Johnson even bought Scammon's argument. Cuban missile crisis had exposed the degree of security vulnerability of the region. Based on similar perception, the canal zone was projected to be another area of vulnerability to a possible nuclear threat.

Evidently, the prominent considerations over the canal zone, from the American point of view were needed to be guided by factors like preventing Panama from slipping into a

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9 Cuban missile crisis indicated that in the event of any serious attempt to disrupt the American interests in Panama, the lock canal can be missile targetted. Vulnerability of the canal to missile or nuclear attack has well been appreciated in the American policy making circle. It has been discounted in many ways that a situation of such nature is unlikely to come excepting from sources like Cuba. That, again gathered as a means to prevent more ' Cubas' to emerge. For the nuclear and missile threat, see the United States status assessment papers on the subject of building a sea level canal in Panama where the recommendations of Department of Defense and Atomic Commission is enclosed. See "Memorandum From the Director of the Bureau of the Budget (Hughes) to Special Assistant to the President (Adams)' Foreign Relations, vol. VII, Op.cit., pp. 263-65.
leftist orientation and distancing the country from the possible contamination of Cuban communist influences, protecting the maximum American interests in the canal zone of Panama and containing the nationalist aspirations of the Panamanians so that in future, situations in the isthmus do not escalate into uncontrollable and embarrassing proportions. Developments in the canal zone had its impact on the United States relation with Latin America and the Caribbean too.

Keeping these considerations in mind and the approaching presidential election in view, President Johnson in a reconciliatory note, declared in February that "Our school children made a mistake in raising the United States flag without raising the Panamanian flag", but quickly balanced this with, "... but that does not warrant or justify shooting our soldiers or invading the zone."\textsuperscript{10}

Panama on the other hand had reached to a point of no return. Eversince the culmination of the second world

war, there was a growing Panamanian resentment over the United States equally expanding demands in the canal zone. The political leadership also used the canal issue as a very effective political tool to rally the Panamanians around. By 1960s, as a result of a series of political pulls and bargaining, the canal emerged as the epitome of Panamanian struggle. Political order and economic health of Panama were directly linked to a respectable solution to the canal problem. As a result, civilian as well as military governments in Panama took advantage of the sensitivity of the canal zone. Now not only the United States was heading for the presidential election, Panama also was in the election year.11

It is in the climate of approaching election, it was there in the interest of Panama to take full advantage of the flag riot. President Chiari therefore on the first day of full riot, broke diplomatic relation with the United States and termed

11 The Ambassador of Panama to Spain, Moises Torrijos Herrera in one interesting article describes the developments in Panama and what the Panamanians rightfully expected the outcome to be. For details see Moises Torrijos Herrera, "The Panama Canal - America's Canker Sore", Review of International Affairs (Belgrade: Dec. 20, 1976) Vol. xxvii, No. 641. Also see the article of the General Secretary People's Party of Panama, Ruben Dario Souza, "For Panama's Complete Independence", Problems of Peace and Socialism (New Delhi: 1978), vol. VI, No.1.

While host of other articles and books discuss the canal issue to explain how Panama utilised the developments to air the Panamanian grievances, Denison Kitchel has been critical about it.
the United States action as unjustifiable aggression and appealed to the United Nations to mount international pressure on the United States. In addition to asking for international support, Panama also appealed to the Organization of American States (OAS) so that adequate regional pressure can be built in favor of Panama. OAS did intervene in the matter to halt the tension from further deepening. At the insistence of a peace committee of the OAS, Panama and the United States agreed to undertake discussions of their mutual problems.\(^\text{12}\)

The agreement to undertake discussions of the mutual problems had different meanings for the conflicting parties. President Chiari declared that Washington is offering to renegotiate the 1903 treaty - an opportunity to discuss the fundamental problems that had divided both the nations for the last six decades. As far as Panama was concerned, it was indeed correct on their part to assume the opportunity for renegotiation as a scope to negotiate the basic problems. President Johnson however, was quick to deny any

\(^{12}\) Walter LaFeber, op.cit, p.140-45, Also see Denison Kitchel, op.cit, pp. 86-90.
agreement on the renegotiations issue and clarified that only ‘further discussion’ has been agreed to.13

In mid-March, in an attempt to come out of the deadlock, President Johnson announced that he is willing to review every issue that had divided the two nations. In the United States, many termed this declaration as a turning point and a politically suicidal development. Reportedly, the Panamanian President privately promised President Johnson that he would not press for a revision of the 1903 canal treaty.14

President Johnson’s declaration to review the dividing issues however, was not a unilateral package of concessions to Panama nor was it a display of the United States largesse to a tiny republic of the western hemisphere. The President,

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13 The United States blamed that Panama is not correctly interpreting the agreements and the problem might be due to the Spanish interpreter. See Walter LaFeber, p. 144.
14 It is interesting to note that, apart from the projected public postures, the leadership in Panama invariably has maintained double standards i.e. one view they held for the public consumption in Panama and the other one they would privately agree with the US administration for something else. The political compulsion of the leadership mostly had forced them to do so. As far as President Johnson’s declaration was concerned, the president though really departed from the traditional policy and as a matter of principle, declared to discuss or review the whole gamut of issues that had divided the two countries, it appears that it had nothing to do with presidents political benevolence. He combined the option with the possibility of digging a second canal so that Panamanian bargaining position would be weakened. See Walter LaFeber, Op.cit., pp.144-5.
along with the conciliatory measure, also punched his high bargaining card and declared that the United States would begin studies in Central America and Mexico for a new sealevel canal in the region. The high spirit of Panamanian nationalism that had more and more taken the Panamanians to a road of confrontation, suddenly found lost in the ocean of uncertainty and apprehension. Panama lost the total bargaining ability. Both the countries went to poll without Panama canal figuring as a political trouble spot for either of them. Panama was now thrown into the fear of losing the greatest economic asset of the country. Any other canal enterprise, coming up in the region would render the Panama canal redundant or leave it as a sinking ship.

**The Second Canal Option**

Digging out a second canal in the region has time and again surfaced as a result of growing shipping necessity and political requirement. As discussed earlier, in the initial days of canal survey, starting from the days of Alvaro de Saavedra, the Castilian engineer, four places namely, Tahuantepec in
Mexico, the Nicaraguan route, the present canal site and Darien in the southern Panama had already been identified as possible inter-oceanic canal sites for international shipping.\textsuperscript{15}

The digging of another canal when Panama canal is already functioning and is being considered as an engineering marvel of the time, however, had more political dimensions than the element of shipping necessity. Back in the days of the second world war, the United States needed more and more access to the territorially strategic locations in Panama so that an effective security mechanism can be built around the area for the monitoring of the war. The United States military bases and men in uniform grew in number and size in Panama.\textsuperscript{16}

It is the resentment of the Panamanians to the proliferation of the United States' bases in Panama that led to seriously exploring the second canal option in the region.

\textsuperscript{15} Denison Kitchel, Op.cit.p.31-3.
\textsuperscript{16} Previous chapter discusses the American interest in building extensive military facilities in Panama and the growing Panamanian resentment.
The United States, as the war indicated, not only required more military bases during the war period, but needed them permanently for future war requirements and for the monitoring and supporting the United States strategic requirements in Central and South America. Military bases in Panama were also needed to ward off communist threat in the western hemisphere as well as for the purpose of policing the region to discipline the governments and people of Latin America wherever necessary.

As the available sources indicate, in the face of growing Panamanian non-cooperation, the United States initiated a feasibility study for a second canal option. The first report in this regard was completed in 1947. In the height of the Suez crisis when Panama intensified her non-cooperation, the second canal option was again given a thought. However, the United States' administration never opened the option for public knowledge till 1964.

Given the technical difficulties the Panama canal suffers from, like the dependence of ships on the canal's locks that are instrumental in elevating and lowering the
ships at appropriate places in the canal, as well as the growing shipping requirements, the United States had initiated the study for a sea-level canal. As per the 1947 report, it was estimated to cost US $2.5 billion and anticipated a transit of 86.3 million net tonnage in the year 2000. The report was updated in 1955, and taking the value escalation into consideration, estimated an amount of US $3.6 billion for a sea-level canal construction. In 1955, the updated report however, noted that if structural changes and upgradation are done to the existing canal, the canal would be adequate to handle the traffic till the year 2000.

Opinion of various government departments of the United States also formed an important part of the report. Given below is the observations of different departments:

**The US Department of Defense**

According to the Joint Chief of Staff of the Department of Defense, Panama Canal is strategically important. It's uninterrupted use is necessary to the conduct of a war and
for the movement of troops and strategic commodities. However, conversion to sea level canal (if the same canal is considered) should be considered of lower priority than military projects and activities required for security of the nation. Entire question should be considered by Presidential Commission.

Atomic Energy Commission

A sea level canal with adjacent terrain appropriately graded would be less vulnerable to the effect of nuclear weapons than the present lock canal.

Department of Commerce

A sea level canal involved an increase in present tolls structure, there might be serious economic dislocations and it would be exceedingly harmful to the intercoastal segment of the American Merchant Marine Industry.
The State Department

Negotiations with Republic of Panama would be required if changes in boundary between that country and the canal zone are involved, but relations with other countries would not be significantly affected by the sea level canal project.

The State Department further added that, on the basis of information presently available, and particularly in the light of the views expressed by the joint Chiefs of Staff on relative priorities, "we do not believe that the Administration has an active interest in a plan for a sea-level canal at Panama at this time. Furthermore, since any decision to build a sea level canal would necessarily stem almost entirely from defense considerations, we believe that creation of a Presidential Commission, as suggested by the Joint Chiefs of Staff, would serve no useful purpose in arriving at the decision. If, however, a Presidential Commission is considered desirable for other reasons, the scope of the duties of the Commission should be limited to consideration of conversion of the present canal to a sea level waterway, taking advantage of data contained in the 1947 report."
As per the memorandum from the Director of the Bureau of the Budget (Hughes) to the special Assistant to the President on the subject of sea level canal in Panama sent on 1 March 1956, this information on the question of sea level canal was the latest. It seems, the Governor of the canal zone, at that time also, recommended the construction of the sea level canal. President Truman on 1 December 1947, seems to have submitted this report to the American Congress. However, the report was not published nor the Congress took any action on the matter. It appears that, the Bureau of Budget had also enclosed views of interested agencies alongwith the report that was submitted to the Congress. US administration also seriously worked towards a Nicaraguan canal route.\footnote{For details see, “Sea Level Canal”, Foreign Relations, 1955-57, vol. VII, Op.cit. pp. 263-65. Corroborating the initiative in this direction, on October 2, 1956 there was a memorandum despatched to Assistant Secretary of State for the Inter-American Affairs indicating that the US administration keeps exploring the option of a second canal. In the memorandum, the officer in charge of Central American and Panama Affairs explained that "... From the long range view point of possible serious interest in actual construction of the Nicaraguan canal, the proposal to proceed with an immediate survey of the proposed route across Nicaragua is both timely and desirable, Panama’s obvious design to reap advantages from the present Suez controversy appears to be momentarily stymied by an apparent uncertainty in what direction to proceed this time. She has clearly indicated her solidarity with Egyptian position in various ways ...." See “Memorandum from the officer in Charge of Central American and Panama Affairs (Sowash) to the Acting Assistant Secretary of State for Inter-American Affairs (Rubottom)”, Foreign Relations, 1955-57, Vol. VII, pp.313-15.}
Now after a gap of 17 years, again the concept of second canal was intelligently used as a bargaining point. After the presidential elections in both the countries were over, president Johnson, now the President elect, declared on 18 December 1964, his famous canal policy. In order to develop a consensus and to buy adequate support, President Johnson also publicly conformed his canal agenda with the former Presidents like President Eisenhower and President Truman. President Johnson thereafter, declared his canal policy which ostensibly agreed to seek an entirely new treaty with Panama which will terminate the 1903 agreement, recognize Panamanian sovereignty, and allow the United States to operate and protect the canal for a fixed time.  

At the same time he down played the long-run relevance of the Panama canal to the United States and declared that he would start negotiations with four governments of the region i.e. Colombia, Nicaragua, Costa Rica and Panama for a sea level canal route.  

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19 As discussed earlier, the second canal option was taken seriously, and accordingly, survey and economic cost of such a venture had by the time been obtained.
after this declaration, a tough United States negotiating policy was outlined by President Johnson's National Security Advisor, McGeorge Bundy. In a secret National Security Action Memorandum, Bundy highlighted the United States canal policy.20

Highlights of Bundy's Plan:

(a) Until the sea level canal was built, a new pact would have to govern the present waterway.

(b) The new canal treaty must give the United States full power to protect and operate the Panama canal until it is replaced.

(c) The United States would also recognize Panama's sovereignty over the canal and would provide for a termination date for the North American rights, but that date could only be after the sea-level canal opened.

(d) Even after the new canal began operations, the United States would retain a large military presence in Panama by negotiating a new defense facilities agreement.

20 Ibid., pp.147-48.
The Interim Agreement of 1967

It is in the background of these political developments, Panama went to polls in 1964. President Chiari's cousin Marco Robles won the 1964 Presidential election against the popular Panamanian 'Man of the Street' Arnulfo Arias. Elections being a political gimmick in Panama with the maxim 'he who counts, elects' again deprived the 'Man of the Street', to make it to the government. Matching the political confusion, Panamanian economy was also in a state of doldrums which became a priority agenda for the newly elected President. Marco Robles, incidentally being a banker, wanted to kick-start the Panamanian economy by pumping more resources through the foreign banking interventions. However, foreign banking initiatives essentially need an environment of political stability which Panama very much lacked at the time when Robles assumed office.

In order to create confidence among foreign investors, Robels ordered the Panamanian National Guard to restore peace. Also, in order to project his pro-student nationalist image, he declared that Panama's sovereignty over the canal.
zone must be recognized and the clause providing the Americans the right over the zone “in perpetuity” must be removed. It is interesting to note here the inherent conflicting positions, both the countries were pursuing. Since, Panama had been given the shock of the second canal option, the country, inspite of putting a brave front, however, remained inherently weak against the United States policy options. The United States position, as presented by Bundy was clearly representing Roosevelt’s legacy of carrot and stick policy where they had demanded full control over the existing canal zone till that time when the new canal could be operational. A theoretical sovereignty, of course, had been part of the on going debate since the 1903 canal treaty and depending on the suitability of the occasion, the Panamanians had been told to be possessing that imaginary sovereignty.

After eighteen months of talks and bargaining, in June 1967, both the countries apparently reached to an agreement on three treaty drafts, the highlights of which are given below:
- One of the treaty drafts outlined the arrangements for a possible sea level canal in Panama.

- The second treaty provided for the defense and neutrality of the present waterway.

- The third one outlined the new ground rules for operating the present canal.

- Within these treaties, it was agreed that the United States would pay more revenue to Panama.

- Recognise Panamanian sovereignty over the canal zone.

- Initiate the process to gradually integrate the canal zone to Panama.

- Finally, revert the canal to Panama in 1999.

As far as the gradual integration of the canal zone was concerned, Panama was given the opportunity to participate in the management of the canal zone. As per the Panamanian proposal, the canal was to be administered by a Commission. However, the Commission proposed to consist of five United States members against four Panamanian members. A dual court system was proposed to be established to try and deal with cases involving people of
North American origin and people of Panamanian origin. Finally the United States military bases were to continue till the year 2004 and they could be renewed if required.\footnote{For the 1967 understandings see Walter LaFeber, Op.cit. pp.147-48. Also see Denison Kitchel, Op.cit. p.87-89. Also see Moises Torrijos Herrera, "The Panama Canal – America’s Canker Sore", Op.cit.}

It is interesting to note here that, the United States line of negotiation pursued for 1967 interim canal agreement was also reflected in the subsequent years of canal negotiation. However, since the Panamanian position was badly weakened and compromised, the understanding was rejected by the people of Panama. Nevertheless, the flag riot of 1964 and the subsequent political squabbles that led to 1967 canal understandings were significant mainly for two reasons. First, it exposed a new bargaining position, the pursuance of which could effectively neutralize Panamanian demand for greater access to canal benefits. Second, it also equally highlighted the fact that a more organised and well directed political resistance to the United States can highly embarrass the United States thereby forcing her to come to
In addition, the 1967 treaty for the first time signified that sooner or later, the United States monopolistic control over the Panama canal will be over.

Change in Home Politics

1964 being the year of election for President Johnson as well as President Chiari, public opinion had cast crucial influence in the canal politics. Now when both the countries, after going through the pulls and pressures of public opinion, finally reached to the 1967 canal understanding, it was again election time in Panama. In the 1964 election, more than the canal considerations, the election result was apparently swayed by the ruling governments ability in controlling ballot boxes. Panama as well as the whole of Latin America were familiar with fraudulent electoral practices and

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22 Panamanian political resistance against the US was not only a bilateral affair but was creating very unfavourable political image for the United States in Latin America and the Caribbean. And such political troubles were more and more bringing out the difficulties and regional political alignment was being influenced by such moves.
there used to be an open secret practice i.e. "he who counts, elects". In this connection, the classical example in the electoral history of Panama was the presidential election of 1948. Marco Robles had owned the 1964 election with the public and private blessings of President Chiari.

Now however, when Panama was gearing up for the next year's election, the 1967 canal understandings came as an unfavourable development for the ruling party. Robles came under public criticism for two reasons, i.e., long term base holdings for the United States and the proposed constitution of the defeatist canal commission. Though theoretically, Panama got the right to participate in the canal management, in reality however, Panama only was allowed four members who would be voted out by the United States.

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23 In 1948 Presidential election, the Chief of National Guard Jose Remon had his direct interests on the outcome and was not wanting to see the Guard opposed Arias to win. Since the result went in favor of Arias, the Election Board therefore, at the instruction of Remon, caused Arias votes to disappear in favor of liberal party candidate Domingo Diaz. The National Guard thereafter suppressed the pro-Arias demonstration. In August 1949 Diaz however, died and the First Vice-President Daniel Chanis assumed presidential responsibility. Daniel Chanis wanted to uphold a Supreme Court ruling which declared some of the governmental business overtures to a joint venture of Domingo Diaz's son Temistocles, and Guard Chief Remon illegal. National Guard removed Chanis at gun point and the second Vice-President and Remon's cousin Roberto Chiari became the President. However, within a week's time Remon found Chiari unsuitable and removed him; and installed Arnulfo Arias, thearch rival, in power by rediscovering the pro-Arias votes of 1948 elections. For details see Walter LaFeber, Op.cit. pp.106-13.
five members leading to a minority participation for Panama.\(^{24}\)

For the ruling government, it was also difficult to convince the National Assembly. To make the problem more difficult, opposition candidates not only condemned but made a populist case by outrightly rejecting the 1967 understanding. More than anything, the candidature of Arnulfo Arias against the ruling party, threatened to create a compounded political problem for President Robles. Arias had time and again been toppled from Presidency and had been fraudulently denied his electoral victories. Having learnt the political lessons through hard ways, Arias by late 1960s had apparently changed his ideological leanings and had learnt to accommodate American interests in Panama. More than being charitable to the North Americans, Arias by this time had learnt to overcome the internal political difficulties and was also continuing to command popular acceptance and was symbolising to be the leader of common

\(^{24}\) Panamanian participation in the canal management was a long standing demand. Though in 1967, these type of participation was rejected by people, yet, in 1977 treaty similar provision was again incorporated. It is discussed in the next chapter.
man of Panama.

The mounting opposition to the 1967 canal understanding forced Robles to ask Washington for more concessions. President Johnson however, had played his high card and did not have any compelling reason to accede to any more demands from Panama. Apparently, General Robert W. Porter, Commander of the U.S. Southern Command in the Panama canal zone provided reasons for not yielding to any further concessions by declaring that to abandon Panama at this “most critical period in the fight against communism in Latin America, would be contrary to the best interests of Panama, the United States, and the free world”. Porter suggested that ‘not fewer’ bases but more bases are required for the United States.25 Apart from the strategic considerations, the Americans were also well within their bargain strength to pursue tough negotiating postures.

In May 1968 election, apart from the popularity and the North American acceptance of Arnulfo Arias, many other

things also went in his favor. President Robles, being a banker, had introduced tax reforms and had brought the oligarchy under the tax net and thereby had alienated himself from the oligarchs. The dollars that had been pumped into the Panamanian economy as Alliance grant had hardly been managed well excepting in the initial years and, hardly those dollars were used to build a healthy economy.\textsuperscript{26} People as a whole had been marginalised from any specific economic agenda except for a brief period in early 1950s when President Remon had embarked on a socio-economic programme targetting the lot of people in the rural sector.

After the elections of May 1968, the Panamanian National Election Board desperately struggled for over a week to get enough votes in favor of pro-ruling party candidate, David Samudio. Samudio’s supporters after going through the sporadic electoral violence seems to have dejectedly declared, “we can do away with 25,000 pro Arias votes but

On October 1, 1968, Arnulfo Arias became the President for the third time. His first act after assuming power was to neutralize the National Guard and its ever-increasing political ambition. The Guard which remained friendly this time and made him the president also retained the ability to topple him again at any given opportunity. To pre-empt this apprehension, he apparently worked a deal with the Guard Commander, General Bolivar Vallarino who stepped down from the National Guard in favour of a comfortable posting in the Panama Embassy at Washington D.C. Arias then tried a reshuffling of the Guard cadre by promoting his own favourites to sensitive positions so that the Guard will be a willing force under his command. He also eased out many senior Guard officers from their rank or sent them for postings elsewhere. The message was loud and the intentions were very clear. President Arias

27 Ibid, pp.155-56.
meanwhile started recruiting for a presidential guard which was to be exclusively under his command.28

Arias acted too fast against a force that was known for calling the final political shots in Panama for decades. Ten days after his Presidency, on October 11, a group of senior National Guard officers who had been the casualty of Arias restructuring, staged a coup. Arias fled into the canal zone. The thrice deposed president finally flew to Washington. Attempting a desperate move, he even reached the Panamanian embassy in Washington and then suddenly appeared before the OAS officials to demand the installation of the constitutionally elected government in Panama.29

The deposition of President Arias ended the concept of multi party democratic system of governance in Panama and heralded the beginning of an era of military rule in the country. Electoral process, people’s rights and all such

29 After taking over the embassy of Panama in Washington, he appeared before the OAS when the OAS meeting was going on to demand that OAS should take initiative in reinstalling him. After finding the OAS ineffective, Arias fled to Miami and that was the end of his political career though again Ronald Reagan and Arias were in touch in 1975-76 to mount pressure on the US Congress against a soft option for Panama. Though Reagan was talking of American national interest in Panama, Arias was interested to create political pressure against General Torrijos. See Ibid. 157-58 & 185-91.
democratic practices were rendered dysfunctional. In many ways however, the transition of political power from the elected civilian authorities to military junta alone, very effectively ended the decades long political confusion that had been created by civil-military combination to share the power. In the true sense of the term, institutions of state were not functioning as they should. Civilian authorities were the choices of the National Guard or were allowed to continue in office till they enjoyed, more than anything, the blessings of the Guard. It was a notorious combination of ambitious politicians and the power hungry Guard leaders which was managing the state craft of Panama. This combination had controlled the economy of the state and had promoted a corrupt and self serving mechanism to suit their own purposes. At times however, only military junta had governed the country like Jose Remon who after directing the political course of Panama from behind the scene, finally took the power to himself and ruled Panama between 1950 to 1955; and proved to be a popular leader of the country. Remon in fact had introduced agrarian reform programmes and reached to the rural Panamanians to legitimize his own
government as well as to provide them a semblance of governmental economic support.

In a comparative performance rating, the junta led governments had done better than the civilian authorities. Unlike the civilian authorities, the junta led government was not obliged to safeguard the interest of any particular group or section of society except the fellow men in uniform. Additionally, the junta not being a product of electoral mechanism, had tried to legitimize their rule by creating a more popular mass base through governmental programmes which the civilian authorities usually failed to do because of their own priorities and political compulsions.

In a scenario such as this, though people hardly played any role in deciding who should rule and who should not, Panama, in comparison to other Latin American countries, benefited more in having a uniformed leader than the corrupt civilian authority.

The coup of October 11, against the government of Arias was staged by a group of senior National Guard officers
who had been thrown off from their sensitive positions to less important postings. Colonel Omar Torrijos Herrera was one such National Guard officer who had been sent to El Salvador. Omar Torrijos and Colonel Boris Martinez along with other officers staged the coup. Immediately after the escape of Arias, they declared that the Guard would soon hold free elections and restore all the constitutional process in the country. Quickly also they moved to win the American support. To give credibility to their declaration of restoring constitutional process, the junta leaders appointed three civilians also to join the junta.

In March 1969, Omar Torrijos played his final trump card to consolidate his own position. Martinez, in a television speech to the country, declared many reform programmes including agrarian reform initiatives. Along with reform packages, he also declared that the Guard would not halt nationalist anti-American demonstrations. Torrijos, apparently with the blessings of the officers of the National Guard who, he alone had cultivated, took this opportunity to relieve Martinez from the Junta government to be posted in Washington. The civilian members participating in the junta
resigned in protest, accusing the junta of initiating a dictatorship.30

Torrijos consolidated his power. A new chapter in the political history of Panama began with the General's consolidation. By late 1960s, the oligarchy had lost its political control and value. The General was openly reluctant to anti-American postures of the nationalists. He was yet, not in favour of giving away Panamanian interests to the Americans nor was he interested to join hands with the nationalists. In the process of consolidating his own power, he very carefully conducted himself for all round acceptance. He had understood the political arithmetic of Panama very well.

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30 It is interesting to note that when Arias was deposed even the embassy of the US was reportedly caught unaware. Now, though they were unhappy to see Arias out, but found a better choice in Torrijos who not only was a better bait than Arias but a more favourable and capable leader who displayed the ability to staying in the power. In the background of the series of troubles in the 1960s, the US administration expected Torrijos to be cooperative which turned out to be so. The United States immediately released a grant of $15 million to Panama. See Ibid. p.162.
Torrijismo - The Balancing Game

General Torrijos, in the aftermath of the coup, began from a total political vacuum and the greatest task he had in hand was to consolidate his own position, not to antagonise the Americans; and yet take the nationalists along in their struggle towards a better canal deal. Above all, he also chalked out a suitable socio-economic programme for the people of Panama so that, his own leadership will be accepted in the home ground. It is this ground reality that set the political climate of the Torrijos regime and it was this difficult arithmetic of political balancing that fine tuned the policy priorities of what was called, the Torrijismo.

The General therefore, instead of immediately mounting a populist attack on the United States, carefully set the domestic agenda in place and in the initial years, kept the canal negotiation rather in a superficial plain. After 1970 only, the negotiation began to get a face lift.

Panama, as far as negotiating a new treaty was concerned, had nothing to lose. Any treaty would inevitably
be, at least, an improvement over the earlier treaties. The fundamental wrongs that had been done to Panama were bound to be negotiated. What Panama, on the other hand needed in 1970s, was a strong leadership to drive the course of canal negotiation so that, not only the basic wrongs are removed, but Panama gains the maximum. Omar Torrijos, a product of the Panamanian political confusion, yet a potential leader of the time was firmly in place of Panamanian leadership. He had the drive and the dynamism to lead Panama from out of the troubled waters of treaty negotiations. It is here, the General indeed put things in correct perspective both within the country, as well as the country’s foreign affairs. He fine balanced the situation and guided the country for a meaningful canal negotiation.

The United States position on the other hand was very weak. They were to lose everything they had so far managed to keep, not only as a matter of strategic and economic advantage but as a symbol of hemispheric

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31 Having agreed to review the basic problems that divided the two nations, the US virtually committed to surrender some of her powers in the zone. In that sense whatever may be the outcome of the negotiation, it will be the US who would be losing. It is of course another thing that it was mostly the genuine demands of the Panamanians.
leadership and the American national pride. It was in that light, status quo ante was the most favourable position for the Americans. However, having been dragged to a situation like 1964 flag war, it was clear that sooner or later, the United States would be required to review the whole gamut of the US-Panama relations, and address to the ground realities.

The National Guard staging a coup to oust Arias and the follow up developments where General Omar Torrijos showed the inclination to win over the American support, was inevitably a very favourable political development for the United States. It was perhaps the only soft option left for the United States to cultivate a friendly government in Panama so that negotiations can be favourable.

General Torrijos had different political compulsions. In the initial period, he needed help from everybody to keep him in power. But, as he settled down for the real governance, it became more and more clear that the 'canal zone' is a serious issue to be tackled in order to continue in power. The canal zone was not only the rallying point and the
aspiration of the people of Panama, but had assumed to be
the last hope to provide economic succour to the country so
as to make Torrijos government viable.32

Therefore, after establishing himself as the maximum
leader of Panama, he not only wanted the American
friendship and economic aid package but also wanted to
initiate, like President Remon, a process which will build
Panama from within i.e. creating right environment for the
socio-economic development of the country. To achieve that,
he advocated for massive governmental intervention in the
economy and also emphasized developmental priority on the
rural sector rather than urban area. Otherwise also, the
urban sector was pumped with oligarch's money and as
such, was functioning with the massive economic interests of
the oligarchs. Rural Panama was nobody's interest.

32 Apparently, Torrijos followed what Jose Remon did in 1950s and
accordingly embarked on a course of reforms. It also appears that he
had been influenced by Juan Peron of Argentina. Populist measures
involving peasants, workers, trade unions and the like were the real
target of Torrijos empire building. So he initiated reforms programmes
for these people. On the other hand, he had to keep the men in
uniform happy. In another front, he had understood the ability of the
United States in determining the political course of Panama. In the
bargain, General Torrijos had far greater forces to balance with than
Peron. In comparison to Remon, Torrijos exhibited far greater political
skills in handling the Panamanian politics in the 1970s. For details
see ibid.pp.160-216. Also see Graham Greene, The Country with Five
Frontiers', New York, Review of Books (New York: 1977), February 17,
pp. 10-11. Also see Graham Greene, Getting to know the General: The
An interesting letter written by General Torrijos to US Senator, Edward Kenedy in 1970 provides an insight to his ideas about the social reforms. In the letter he writes "After Castro, there was a new orientation. We had more contact with people. There was a preoccupation with social forces in officer training. After encountering John F. Kennedy and the Alliance for Progress, the military became well prepared professionals with good intentions, that speak, think and live the language of development which Kennedy inspired". Finally, General writes his revealing phrase "in studying Castro and Kennedy we came to the conclusion that there was a direct relationship between social justice and social violence." See Steven C. Ropp, 'Military Reformism in Panama: New Directions or Old Indications', *The Journal of Caribbean Studies* (Lexington: October 1972), Vol. XII, p.62.

Torrijos announced for land distribution, initiated farm collectives and agricultural institutions and agrarian bonds. Though he did not like the electoral process to certify and legitimise the position he enjoyed, in the rural sector he introduced self-rule for these agricultural collectives. As far as the governmental intervention to improve the economy was concerned, he embarked on a visionary scheme of redefining the labour and capital relationship, instituted a labour friendly, Ministry of Labour, regulated job conditions and fixed minimum wages and took many such measures that were beneficial to his political career as well as to the common masses.33

All reforms have their economic cost too. And it is the economic cost of reform that finally forced the General to

33 An interesting letter written by General Torrijos to US Senator, Edward Kenedy in 1970 provides an insight to his ideas about the social reforms. In the letter he writes "After Castro, there was a new orientation. We had more contact with people. There was a preoccupation with social forces in officer training. After encountering John F. Kennedy and the Alliance for Progress, the military became well prepared professionals with good intentions, that speak, think and live the language of development which Kennedy inspired". Finally, General writes his revealing phrase "in studying Castro and Kennedy we came to the conclusion that there was a direct relationship between social justice and social violence." See Steven C. Ropp, 'Military Reformism in Panama: New Directions or Old Indications', *The Journal of Caribbean Studies* (Lexington: October 1972), Vol. XII, p.62.
come to terms with the canal issue which initially the General was not so keen to accord priority to.\textsuperscript{34}

For the first time in 1970, he publicly declared that the 1967 canal understandings are dead and buried. People of Panama had indeed rejected them in the beginning and that apparently had been the reason for the defeat of the official presidential candidate of the 1968 election. General Torrijos, in the same year reportedly informed President Richard Nixon that the zone must be handed over to Panama at a definite date.\textsuperscript{35}

President Nixon in fact agreed to start discussion on the issue. However, the US government was agonizingly slow in moving towards further negotiations though Nixon allegedly had accepted his predecessor, President Johnson's line of agreement. Negotiations moved very slowly and in 1971-72, the United States agreed to remove the “perpetuity” clause and indicated to hand over the zone at a definite

\textsuperscript{35} Ibid.p.178.
future date to Panama. Also the Panamanians would receive a larger share of the canal revenue.\textsuperscript{36}

Inspite of a general agreement for the revision of the vexed issues, the United States did not take any serious step in this direction nor initiated any step to translate the same to moving towards an agreement. On the contrary, the United States role in appreciating the internal political confusion of Panama was enough to indicate that the United States was in no hurry to negotiate a new treaty. Apparently for this reason, Bundy's canal agreement package had included such tough negotiation postures to guarantee the United States engagement in the canal for long years. President Nixon demanded that Panama agree to give another fifty years to control the canal and if the sea level canal project is materializing, then the United States be given another eighty years to control and operate the present Panama canal.

It was in the interest of Panama to push for

negotiations. General Torrijos flatly refused for any such concessions like extending the American control for the next fifty years or eighty years if the second sea level canal venture would take up. Torrijos also refused to allow the United States to control the canal beyond 2003 A.D. which would complete a century old American involvement with the canal zone of Panama. The negotiation deadlocked and the bilateral relation also received serious set backs. Subsequently, news reports appeared that there were plots to eliminate General Torrijos.\(^{37}\) It is important to note here that, from 1968 to till this time, both the countries were consolidating their own negotiating positions so that the future canal dealings could be influenced favourably.

**Momentum in Negotiation**

Negotiations till 1973 continued with occasional exchanges of demands, counter demands but nothing tangible did appear. In early 1973 however, negotiations took a different mode. In response to persistent Panamanian

\(^{37}\) Newsweek(new York: 1973), June 18, p.22.
demand, the United States House Merchant Marine and Fisheries Committee which was exercising considerable influence in the canal affairs, rather in a hostile tone, declared that the United States must retain “undiluted sovereignty” in the canal zone and recommended that a special radio station be established to initiate a propaganda mechanism on the so called virtues of the American control of the canal zone. 38

Meanwhile, a notable development in the early 1970s was the feasibility report on the second canal venture. After the 1964 stand off, the United States had successfully used the possibility of digging a second canal to pre-empt the Panamanian bargaining position. In an attempt to project the second canal concept as a credible proposal, the United States, vide a Congressional legislation, instituted a canal study group i.e. Atlantic-Pacific Interoceanic Study Commission to make a feasibility study for opening a second water way in this region. Robert Anderson – a notable personality for his familiarity with the topography of the region and the political terrain of Panama was appointed the

Chairman of the Study Commission. He was also involved in the canal negotiation during the post flag war period that had led to the 1967 understandings. In 1970, Anderson study’s final report was submitted to the Congress. The report studied the feasibility and identified five possible locations for the project. Out of the five locations, two sites were identified in Panama only. But the best possible location, as per the study report, was a site closer to the present canal in Panama. It was therefore understandable for the Panamanians that, even if there will be a second canal, it will entirely be a new ball game and Panama will be one of the active players for this game. Furthermore, the cost involved in going for such a mammoth canal would involve not the United States unilateral decision alone but open the venture for a multilateral initiative. Japan, the second highest user of the present canal in Panama apparently had extended techno-economic assistance in this direction for ostensible reasons.\(^{39}\)

\(^{39}\) As per the Anderson Report and all other initiatives in the direction of second canal, the US Congress had been informed that such a venture would not cost less than $5 to $6 billion. In 1970, after Anderson’s final report therefore, the option did not attract major action. See Denison Kitchel, Op.cit. pp.99-100.
The Panamanian bargaining position, which was lost in the post flag war period; by early 1970s therefore had improved considerably and accordingly, Panama opened initiative for a new canal treaty. It is in the light of this development, when the United States official agencies provocatively spoke of the United States undiluted sovereignty in the zone, the whole perspective of canal negotiation received further set back. The proposal to establish a radio station to propagate pro-American voices in Panama also back fired and proved to be too provocative to the Panamanians.

General Torrijos could have organised massive protest rallies in Panama to counter the American provocation. Explaining the course of action left for him, he observed subsequently that if a mob marched to the zone, two alternatives would be available to him, "to smash it or lead it, and I am not going to smash it." 40 Keeping the option of public demonstration open, he however played his high card of diplomacy. General Torrijos in an effort to draw

international support to the Panamanian position, persuaded the United Nations’ Security Council to hold a meeting in Panama instead of New York. In March 1973, for the first time the bilateral disputes between Panama and the United States went beyond the regional mediation like OAS intervention to multilateral international forum like the UN for discussion. General Torrijos carefully avoided block politics of the cold war and as far as possible, wanted to draw maximum international public opinion in favor of Panama. On March 21, thirteen of the Security Council’s fifteen members supported a moderately phrased resolution accepting the Panamanian viewpoint of the canal issue. Great Britain i.e. the fourteenth member abstained and the United States being cornered and embarrassed, killed the resolution by veto. The U.S. representative, John Scali rebelliously declared that his government wanted to continue negotiations with Panama but, it refuse to be "subjected to this kind of outside pressure". The Resolution more over, ignored Washington’s so called legitimate interest
in the canal zone. 41

**Keesinger-Tack Agreement**

The Security Council resolution really introduced an element of seriousness in the United States negotiating postures and finally resulted in an eight point preliminary understanding between Henry Kissinger, the Foreign Secretary of the United States and the Panamanian Foreign Minister, Juan Tack. The Kissinger-Tack understanding is an important development in the bilateral sphere of canal negotiation which largely set the framework of future negotiation. Further, Keesinger-Tack agreement, in order to

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41 The Security Council meeting was a major embarrassment for the United States and Washington had to cast veto to kill the resolution. The veto in Panama, incidentally was the third veto of the United States since the second World War. It was a classical triumph of a third world country over the mighty United States. The President of Venezuela, Carlos Andres Perez later exemplified that triumph by saying “How can the United States, which is a leader of democracy in the World, take a colonial stance on the Canal issue”. He further added that “unless it was settled rapidly, very bad relations will develop between the two Americas, North and South, Caracas had the interest of taking advantage of the excellent international banking network of Panama for the oil resources of Venezuela. However, Venezuelan support to Panama was very useful and timely. For details see the article of Former External Affairs Minister of Panama, Oyden Ortega Duran, “The Panama Canal in the light of Panama’s National Interest”, The Review of International Affairs (Belgrade: March 5, 1996), vol. xxxvii.

Also see Congressional Research Service, Committee on Foreign Relations United States Senate, A Chronology of events relating to Panama Canal (Washington: 1977)p.9. Also see the next chapter.
ensure an uninterrupted future canal negotiation, clearly stated the areas and items to be negotiated in future i.e.

- A fixed termination date against the perpetuity clause;
- Recognition of Panama's sovereignty over the canal zone;
- The transfer to Panama of jurisdiction and control over the zone;
- Joint operation of the canal till the final termination of the treaty;
- Increase in the economic benefit to Panama from the canal revenue;
- Joint defense of the canal; and
- Provisions for new projects in the canal to improve the canal's handling capacity and overall performance profile of the canal.

These broad understandings only set the outlines of the future canal negotiations and Panama had the stupendous task of carrying forward the negotiation for a complete treaty.
The Security Council resolution not only gave what General Torrijos wanted to achieve but at the same stroke, highlighted the sensitivity in which Latin American countries view the United States' policy approaches towards the region. 1973, in that direction was one of the disastrous years as far as the US-Latin American relations were concerned. Not only Panama had been a victim, the dubious military involvement of the United States to free Chile from communist regime and the consequent serious developments created a mutual alienation between the two Americas.

**The New Dialogue**

As a result of the Latin American growing suspicion over the United States policy approaches, it was felt necessary, particularly in the US State Department circle to review the policy approaches towards Latin America. It is in this background, Secretary of State, Henry Keesinger leading this vision of US policy changes, called upon the hemispheric nations to, what he termed, a 'new dialogue'. It was a US State Department sponsored policy approach
which incorporated a drastic change of policy as well as the language of diplomacy towards the southern neighbours so that the growing Latin American run away tendencies can be contained and the lost ground regained.

The series of political developments though had caused considerable alienation between the two Americas, Panama instantly became the ideal ground and a test case for the visions of the ‘new dialogue’ to manifest. Apart from the 1964 flag riot and the follow up embarrassment, as the US-Panama problem intensified, very significantly, the regional opinion also began to go in favour of the Panamanian cause. Notable in this direction, is the Foreign Ministers meet in October 1973 in Bogota, Colombia. Very interestingly, in the Bogota meet, the Latin American Foreign Ministers had eight agenda points and the resolution of the Panama canal issue was one of them. As a show of regional support, the Foreign Ministers meeting not only discussed the Panama canal problem but reaffirmed their solidarity with the republic of Panama. The new dialogue may have had larger connotation to Latin America. Panama however, armed with the regional
support, got a shot in the arm and became the immediate beneficiary of this new US policy approach.\textsuperscript{42}

Contrary to the high tides of gun boat diplomacy or Thomas Mann's approach towards Latin American problems, now in early 1970s, it was a situation where the United States wanted the Latin Americans more and more than anything else and through the 'new dialogue' wanted to arrest the United States declining image in the western hemisphere. As a result of these developments, the post flag war bargaining position of the United States considerably lost its bargaining power and gradually wanted to accommodate Panamanian demands. Therefore, paving the way for a liberal negotiating approach, the Kissinger-Tack statements of canal understanding set the ball rolling for an entirely new treaty to be agreed upon in 1977 after nearly seventy five years of Panamanian struggle.

\textsuperscript{42} Ibid. p.10.
The Jigsaw of Final Treaty Negotiation

In the United States, President Gerald Ford had succeeded President Nixon after his resignation owing to the exposure of the scandalous 'Watergate'. Ford had a difficult time at hand. It was not quite easy for the administration to reach to an amicable agreement over the Panama canal and yet satisfy the American public opinion. Far more difficult were the inherently opposed 'Congressmen' who quite predictably were to go to any extent to stall the passage of any treaty that would give away American privileged rights over the isthmus of Panama.

Eversince the question of reconciling the American interest in the zone emerged, there also emerged a strong Congressional lobby to resort to scathing public criticism of the move and advocate for the continuance of the status quo in the zone. Now in the 1970s, when as powerful a nation like the United States officially began to talk of possible relinquishing of the US rights over the strategic canal zone, it was bound to snow ball politically.

Evidently, there was a strong lobby within and outside the Congress that was working towards preserving greater
control over the zone. Outside the Congress, it was the Pentagon which was the leading source of opposition to any treaty that proposed to surrender the American strategic position and give away the defense of the canal to a country like Panama which has no indigenous credible defense mechanism. Along with other committees and governmental agencies, Pentagon, therefore had already put strong resistance to any concession and accordingly the 1967 understanding had demanded for fifty or eighty more years of American control.43

43 The State Department and Pentagon had diametrically opposite views on the Panama canal issue. From the military considerations, the zone is of strategic advantage. Other political questions for Pentagon was meaningless as they were viewing the zone from the angle of war requirements. State Department's compulsions were however, different. Therefore, now when both the departments were to work in tandem, it was not possible. More so, after the Kissinger-Tack declaration when the opinion in the Congress appeared to be divided and strong anti-concession voices surfaced, Pentagon became more active to influence the course of negotiation in favor of Pentagon's recommendations. It was therefore in the interests of the anti-concession lobby group in the Congress to work with Pentagon or work mutually to put down the State Department's influence in the negotiation. Bunker, being aware of the division between State Department and Pentagon, apparently had made a condition of the two departments agreement for his heading the negotiation in Panama. However, the differences were so vast that after President Ford supported Kissinger, Secretary of Defense, James R. Schlesinger resigned. Kissinger and Schlesinger had already locked horns earlier and finally again loosing in Panama, apparently became the reason for Schlesinger's resignation. Subsequently attempt was made to bring agreement between the two departments; and to orchestrate the two departments agreement, General George Brown, Joint Chief of Staff and Deputy Secretary of Defense, William P. Clements flew to Panama along with Assistant Secretary of State William Rogers and met General Torrijos and publicly declared their support to Bunker's negotiation. Subsequently Lt. General W.G. Dolvin, a distinguished retired army officer was appointed as Chief Deputy for defense of the canal negotiation team. For details see Denison Kitchel, Op.cit.pp 96-7. In another development, the former Chief's of Services while opposing to any concessional treaties with Panama, wrote one joint letter to President Carter on 8 June 1977 to urge him not to yield to any strategic concessions. See the letter in Appendix D.
Inside the US Congress, the scenario was highly unpredictable excepting the predictability that the passage of the new treaty would be a tough task for the administration.

Other than President Ford and Henry Kissinger, the American canal negotiating team was now headed by the Ambassador at Large, Ellsworth Bunker who also was known as a trouble shooter for the United States during the Vietnam fiasco. Bunker was also the United States representative to the OAS council that intervened in the post flag riot in Panama to bring the two countries into further negotiation. The Secretary of State, because of his involvement in all the countries of Latin America, had a broader understanding of the political undercurrents of the region and had accordingly viewed the Panamanian negotiation to proceed. Panama for Kissinger was one part of a bigger problem and needed to be addressed in the context of building a new US-Latin American policy. Bunker, having shared the State Department perceptions and with closer knowledge of the developments in Latin America in general and Panama in particular, virtually was speaking the similar language that Kissinger was speaking. However, being the Chief negotiator,
Bunker had a difficult task at hand. He had to understand the domestic political implication of the negotiations and at the same time had to balance varying perceptions of different governmental agencies of the United States. By the same token, he took it upon himself to protect the maximum interest of the United States in the canal zone so that the internal opposition to the possible concessions can be neutralised.

Accordingly, Ellsworth Bunker began from the Kissinger-Tack understanding. However, being aware of the pressures and lobby groups, Bunker began advocating for a minimum of forty to fifty years of extension of the US control over the canal. He also proposed the renewal of this provision so that the U.S. interests can be well protected. Panama was adamant that nothing can be extended beyond the year 2003. Secondly, both the countries failed to agree as to how much of land the United States bases would occupy during the life of the treaty. It may be noted in this connection that when Torrijos initiated his agricultural cooperatives and agrarian reform programmes, it was one of the grievances of the Panamanians that the United States is
holding sizable amount of land under her control and does not utilize them either for canal purposes or for military requirements though very often these were the pretext of the United States for land grabbing. Panamanians noted that 51% of the zone or over 250 sq. miles area remain unutilized. The United States had employed only 4% of the land for the canal purposes and 37% for the military bases. Now coming to deciding the quantum of land to be retained by the United States till the expiry of the treaty, it was the time for the Panamanians to harden their demand so that additional land could be released to them forthwith.

In another front, both the countries failed to agree on the specific duration of the North American control over the zone. Bunker, in the face of internal pressure, could not agree to lower the American predominant position over the zone. Negotiation in the leadership of Bunker and Tack again deadlocked.

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44 The United States was holding a total of 500 sq. mile of area in Panama which was approximately 2% of the total land area of Panama. For details see Bonn International Center for Conversion Conversion Survey 1996: Global Disarmament, Demilitarization and Demobilisation (New York: 1996), p. 190.
In 1975 two other prominent developments profoundly influenced the negotiations. First that the canal negotiation appeared to be an effective political tool for many political actors either to promote themselves to the center stage and get media attention or to neutralize their opponents. Although, the Ford administration pursued the negotiation carefully, the opponents in the Congress gathered to stall any move towards a new treaty or atleast towards a treaty which will be sacrificing the so-called interests of the Americans. Republicans particularly wanted to exploit the scenario more. However, some democrats also, cutting across party line, favored 'no concession' stance. Region wise, as a whole, the canal negotiation evoked very strong reactions from the southern and south western legislators.

More than the House of Representatives, where favourable opinion was more, in the Senate, the whole opposition began to manifest itself in a serious political check mating. Senator Strom Thurmond, Republican, South Carolina, gathered signatures in favour of preserving the
sovereign rights of the United States in the canal zone of Panama. He in fact got endorsement from many Republicans who were powerful and were heading many committees. Thurmond, in these preliminaries supported his move by declaring that the United States had purchased all the canal lands. He also produced documents showing that US $163,718,571 had been paid to the Panama Canal Company to obtain the lands, the rights and title over the Canal.45 Senator John McClellam, Democrat, Arkansas, joined Strom to declare that since Panama "...has seen 59 Presidents or different governments in the past 70 years ...", it was doubtful that the country possessed the stability to operate and defend the canal. He also reminded the U.S. government that since they bear the burden of defending the western hemisphere, they cannot afford to compromise with the security interest in the region by losing control over the Panama Canal.46

Another leading opponent Gene Snyder, Republican, Kentucky, argued that "our sovereignty over the canal zone is

46 Ibid.
as legitimate as our owning New York city". He blamed Torrijos for being influenced by Fidel Castro and the Quebec liberation movement. Going further to obstruct the negotiation, Snyder amended a State Department appropriation bill so that funds would not be released for canal negotiation and on 26 June, without the committee hearings or significant debate, it passed the appropriation bill by 246 to 146.\textsuperscript{47} This vote was widely interpreted as a strong negative development.

The second important development was from no other than the Secretary of State, Kissinger. While replying to questions from the Governor of Alabama, George Wallace, the Secretary of State, outlined the blueprint of the United States future role in the region. While keeping the scope and purpose of 'new dialogue' intact, in the case of Panama, Kissinger declared that, the United States must maintain the right to unilaterally defend the Panama canal for an indefinite future. Kissinger being the architect of the 'new

\textsuperscript{47} Snyder's move was a serious obstruction in the path of canal negotiation and was a significant show of Congressional sentiment. See 95th Congress, 1\textsuperscript{st} Session, "Committee on Foreign Relations United States Senate", Op.cit., p.11.
dialogue', so far was talking of a language of US-Latin American cooperation and believed that in the case of Panama, unless a new canal treaty was quickly completed, mobs would endanger the US interests in Panama. Suddenly however, the whole canal negotiation perspective changed.48

48 On March 1, 1975, Kissinger delivered a major policy speech in Houston, Texas where he spoke of a new relationship with Latin America, "based on the principles of non-intervention, the sovereign equality of nations and mutual respect among partners, particularly on major issues, including the status of the Panama Canal. Recognising that the challenges are to reconcile the security needs of the United States with Panama's national honour and sovereignty, he affirmed that the talks had moved forward rapidly in the previous year and a half and expressed the belief that an agreement on terms fair to all is possible."

While highlighting a reconciliatory posture between the US national security interests and Panamanian national honour in March; in a strange development in September, Kissinger spoke of the United States perpetual right in maintaining the security of the canal unilaterally. Two prominent factors explain why the change in Kissingers policy came. One, is the next years Presidential election that was beginning to cast its impact and various election preparations and positioning were gradually taking shape. Secondly, apparently there had been a broader understanding between the US and General Torrijos on this direction. A very interesting factor to be noted in this direction was, the behind the scene private understandings of Panamanian leadership with the US administration. Though at a point of time there were apprehensions that the US might act to depose Torrijos in favour of a pliable leader in Panama, it is quite evident by 1975, that Torrijos was maintaining double standards. On one hand, he projected himself as a nationalist and accordingly led the country for a canal negotiation. On the other hand, ground realities were far different. By 1975, the populist socio-economic programmes the General had initiated in the initial days of his coming to power had been the casualty of overall economic morbidity accompanied by the Torrijos administrations own corruption, favouritism etc. which had further drained the Panamanian exchequer to near bankruptcy. To tide over this economic demands, Torrijos opened a very liberal banking net work where foreign banks could operate in Panama with the minimum restrictive laws possible as a result of which foreign banks proliferated in Panama. The foreign banks not only provided opportunity for certain degree of economic recovery, they also allegedly functioned to park money laundered through drug peddlings etc. Secondly, Torrijos also kept a private door open with the US administration where he allegedly promised the US government to protect the US interest in Panama in favour of economic benefits.

The sequence of developments within the Congress; Bunker's demand for fifty years of renewable lease of the canal zone and Kissinger's focussing the United States future role in the canal zone broadly outlined the U.S. expectations out of the negotiations. Another prominent indication was that the United States governmental machinery was wanting a treaty that can easily be accepted by the people of America i.e. a treaty on the American terms, no matter what it means to the Panamanians.

Panama responded to Kissinger's reference of 'indefinite future' with massive public demonstrations and the American institutions in Panama, including the US embassy was attacked and damaged. General Torrijos, it is interesting to note, was guiding the political course in a rather different way. General, apparently had chosen to direct the Panamanian national feelings against the United States and had taken all suitable steps to project himself as the champion of Panamanian demands. On the other hand however, General was reluctant to antagonize the United States too much by means of violent public protests and other such measures. Though his role in guiding the
negotiation appears to be a departure move from the earlier Presidents, he however, deliberately preferred diplomacy over tensions. By the end of 1975 it became more and more clear that it would not be easy going for the Panamanians to go away with a new treaty at the cost of American interests.49

The whole negotiation headed for a further political polarization in the United States, thanks to the Presidential election due in 1976. Supporting or opposing canal negotiation gradually emerged as a profitable political game plan. In the name of protecting American interests abroad, everybody spoke of a populist language.

**The Surge of Hard-liners**

When Panama was fluctuating between the newly found strength of regional as well as a degree of international

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49 Panama had a very strong case for demanding a better deal. Support to the Panamanian cause, particularly from Latin American countries were encouraging. Yet, it became clear that the new treaty would not come easily and even if it comes, the United States would not give up all the rights that Panama demands. The veil of secrecy that surrounded the negotiation explains in this direction that what was explained outwardly for public consumption was not all the inside story. Another prominent factor by 1975 was the Panamanian economic deterioration, corruption charges against General Torrijos and the requirement of more and more money appears to have done the 'dirty under the table' trick. See for the economy of Panama and the administrative performance of General Torrijos, Walter LaFeber, Op.cit.pp.195-202.
support and the ground reality of over seven decades of dependency on the US, the approach of 1976 presidential election in the US, indeed added a different dimension to the on going canal negotiation. Apart from Strom Thurmond, John McClellon, Gene Snyder who had already raised the banner of 'no concession' to Panama, from September 1975 onwards, the hard-liners band wagon in the US emerged as a serious political obstacle towards a bilaterally acceptable canal treaty. Now that the Presidential election approached, the canal negotiation began to assume intense political tone and divided the presidential aspirants in their support or opposition to canal negotiations.

One such presidential aspirant and the former Governor of California, Ronald Reagan found the Panama canal issue as a ready made fortune to catapult him to the centre stage of national politics. Aspiring to secure Republican nomination, he had to directly confront with Gerald Ford, a strong contender for Republican nomination.
and a champion of no concession move. Gerald Ford had already emerged as one such leader who would go to any extent to see that the Americans do not surrender any of their rights in Panama. But the only difference between Reaganian approach and Ford canal campaign was that, Reagan began consolidating more and more as the champion of no new treaty with Panama. On the other hand, President Ford having headed a negotiation process which had already made some preliminary break through, was fluctuating between a very hard line approach like Reagan's to a compromising posture depending on the possibilities.

Ronald Reagan who subsequently became popular for his tough foreign policy approaches like military intervention in Grenada, engaging the Central American republics in violent civil war situations and the like, began his anti treaty slogan by declaring Torrijos as a 'petty dictator' and the canal zone as a sovereign United States territory, just the same as Alaska is and as the part of Texas that came out of

\footnote{Though initially president Ford agreed with Kissinger with his new dialogue approach, as the election approached, he gradually shifted to a hard line position in the hope that he can counter Ronald Reagan. See ibid.}
the Gadsden purchase. The zone, Reagan declared 'is ours and we intend to keep it.'

Aware of the Southern states obsession over the canal zone, Reagan in fact began to win some Republican preliminaries by using his orchestrated pro-American rights stand. More than anything, Reagan wanted to reassert the pride of the Americans by extolling the glory of the country and at the same time, he also reminded the American people of the series of setbacks in Vietnam, Panama, Dominican Republic, Cuba etc. that has eroded the American leadership.

President Ford, in an effort to enhance his electoral prospect against Reagan, began shifting to a more hard-line approach and even went to the extent of contradicting Bunker's negotiating postures to which he was a party and declared emphatically that the United States will never give up its defense rights to the Panama canal nor will she ever give up its operational rights as far as Panama is

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concerned.  

**Keesinger-Carter win over Reaganites**

Away from the radical Congressmen and also different from the vasculating Ford’s canal policy, there also emerged a third front which adopted a more balanced view on the canal issue and carried the elements required for wider acceptance. The third front to the canal negotiation provided for a more realistic and apolitical approach and came from the State Department which was building up to take a pragmatic approach so that the policy adopted in Panama would confirm to the political realities of the time and yet protect the United States interests abroad to the maximum extent possible. The United States declining image in Latin America being the single most concern, Kissinger combined his new dialogue with the political realities in Panama and while protecting the United States interest in the zone,

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52 Ellsworth Bunker apparently had informed Congressmen privately that Ford in writing had agreed to give up the canal zone after a long spell of transition period. Now after Reagans apparent success in the Republican primaries, Ford began to contradict his own negotiating positions. See Walter LaFeber, Op.cit.p.191.
advocated this new front of canal negotiation. Jimmy Carter, the Democratic aspirant, translated this reality to a political course. Speaking to the New York Foreign Policy Association, Carter, presented an effective and balanced view of the scenario by saying that Americans do not recall ".... That Theodore Roosevelt's treaty spelled out that Panama should have sovereignty over the Panama canal zone, that we should have control as though we had sovereignty. I would never give up full (sic) control of the Panama canal as long as it had any contribution to make to our own national security, I believe the Panamanians will respond well to open and continual negotiations and sharing of sovereignty and control, recognizing their rights in that respect. I would certainly look with favor on the possible reduction in the number of bases... possibly a reduction in the number of military forces we have there."\(^{53}\)

Significantly, Carter spoke of three fundamental positions that were to guide the United States future course of canal negotiation. First he spoke of continuation of

\(^{53}\) Ibid.p.192. For a detailed account of Carters approach to the canal issue, also see "Carters Panama Triumph - What It Cost", U.S. News & world Report (Washington: 1978), vol. LXXXV, No.6, March 27.
American involvement in the canal zone as long as the zone itself is of any contribution to the Americans; secondly, he spoke of sharing sovereignty; and thirdly, he spoke on the degree or quantity of American involvement in the zone. In a televised speech, Carter summed up “I could never give up complete control of the Panama Canal zone, but I would continue to negotiate with Panamanians.”

Carter’s views promised what most Americans would possibly want and at the same time neutralized the radicalism in the Congress. Many people in the United States in fact were in favor of redefining American involvement in Panama beyond the monopolistic 1903 canal treaty which was drafted entirely in a different world of realities than that existed in the mid 1970s. Carter after being elected, pursued this approach to its logical conclusion by taking the negotiation to 1977 treaty signing. However, in order to keep the negotiation strong in hand, he also declared that the U.S. will keep the second canal option
As far as the United States position was concerned, in addition to protecting the American interest in the isthmus of Panama and ensuring the continuance of the United States active role in the region, President Carter had the biggest responsibility of creating the necessary environment to pursue further negotiation and to reach to an amicable treaty understanding. Panama being aware of the fate of a second canal in the region, would not agree to anything short of a profitable treaty that will match to the political and economic expectations of the nation. The magnitude of the internal opposition to any new treaty was so strong that the

While agreeing to give away whatever is possible, Carter however pulled the string of negotiation by declaring that he would keep the second canal option open. Infact, when General Torrijos, visited Japan next year, he was presented a detailed project report of a second canal to be constructed in Panama. Chairman, Shigeo Nagano of the Japanese Chamber of Commerce & Industry and President of Industrial Bank of Japan, Kissaburo Ikeura presented the report to Torrijos and suggested that it will be an ideal economic cooperation of Japan with Latin America. This new plan was the sixth alternative canal plan and was an improvement of Anderson Report. Called "Pentagon Plan" as it was prepared by Penta Ocean Construction Co., the largest dredge reclamation specialist in Japan with the successful Suez canal expansion project to its credit. As per the Pentagon plan, the second canal were to be 20 kms. to the south west of the present canal and will run from Puerto Caimito on the Pacific to Lagarto on the Atlantic via Lake Gatun with a total length running to 98 kms. With a 58 kms inland course and 35 kms. shiplane in the Pacific coastal area and 5 kms. in the Atlantic. Total estimated construction cost was $8,300 million, of which a considerable part was to be borrowed from the World Bank. Upon completion of this new canal, mammoth tankers of upto 500,000 tons will be able to make a shortcut at flow tide and up to 300,000 tons can go in ebb tide as against only 40,000 tons capacity of the present canal. For details See "Second Panama Canal Concept Calm Reception of Ford-Toyo Kogyo Tie Up", The Oriental Economist (Tokyo: July 1979), vol. 47, No. 825.
canal negotiation emerged as one of the most politically sensitive affair of the time.

Altogether forty two public opinion polls were conducted during the entire negotiation process in the United States to gauge the public response to the canal negotiation. Public opinion most of the time sounded alarm against the concessional approach and accordingly influenced the Congressional support or opposition to the ongoing negotiation. In the face of a hostile political scenario therefore, President Carter, while keeping the second canal concept open, declared his administration's intention of pursuing the negotiation to obtain a new treaty by June 1977. At the same time, while projecting the line of negotiation, Secretary of State, Cyrus Vance, in a Senate Foreign Relations Committee hearing in January 1977, indicated that he personally subscribed to the Kissinger-Tack

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55 Atleast 42 nationwide surveys, fielded by ten different pollsters provide the insight to the American attitude towards the Panama canal issue in the period 1975-78. The final ratification of the treaty was immensely influenced by these public opinion polls and at different stages of negotiations it influenced the course of negotiation. For details see Ted J. Smith III & J. Michael Hogan, "Public Opinion And The Panama Canal Treaties of 1977", Public Opinion Quarterly (Chicago: 1987), vol.51, pp.5-30.
understanding of 1974 and hoped that the remaining areas of bilateral concern will be promptly negotiated. 56

White House and State Department worked hand in hand for a new treaty and its smooth passage in the Congress. Soon after Vance expressed his appreciation of Kissinger-Tack understanding, on 31 January 1977 Vance and the Foreign Minister of Panama, Auguilino Boyd in a joint Statement, in Washington, pledged to continue the negotiation on the basis of 1974 Kissinger-Tack understanding and also pledged to put sustained effort to conclude a new treaty. 57

Carter-Torrijos Settle the Canal Course

By early 1977, both the countries had virtually agreed on broad areas of canal understanding. However, the major areas yet to be negotiated were, the exact termination date of the new treaty, the defense of the canal during the new

57 Ibid.p.25.
treaty's time and more importantly, the state of defense of the canal after the expiry of the United States treaty rights over the canal. Another area that needed considerable negotiation was the amount of share Panama will receive from the canal revenue during the time of the new treaty.

The most formidable disagreement however, was the United States role in the canal after the expiry of the new treaty. It appears that by March 1977, it had apparently been understood that 2000 A.D. would be the termination point for the United States direct management of the canal. Though the negotiators in Panama denied any such agreement, the famous and publicized telephone reply of President Carter in March 1977 very categorically spoke of the United States' role in the canal zone after 2000 A.D. In an “Ask President Carter” telephone call programme, President explained that the 1903 treaty “gave Panama sovereignty over the Panama canal zone itself. It gave us control over the ... zone, as though we had sovereignty”. The current negotiations were seeking “to phase out our military operations in the Panama canal zone, but to guarantee that even after the year 2000 that we would still be able to keep
the Panama Canal open to the use of American and other ships".\footnote{President Carter had moved away considerably from his earlier, pre-election stance of United States unilateral control of the Panama canal, as long as the canal has any contribution to make. Now, at this stage of negotiation, he made revealing remarks by saying that, in the interest of the international shipping, the Americans should possibly be the guarantor of the canal's future neutrality. This posture helped the Americans to bargain for permanent treaty access to the strategic canal zone and opened the way for the Americans to retain an unilateral position in the canal zone. See Ibid.p.26.}

On the pretext of keeping the canal zone open to international shipping and to provide an uninterrupted and trouble free passage through the waterway, it was the United States who highlighted the Panamanian inability in undertaking such a responsibility and volunteered, through a treaty understanding that the canal, under the leadership of the United States, provide such a regime after the year 2000A.D.\footnote{In response to the doubts cast on the ability of Panama to operate, maintain and guarantee safe and neutral shipping, Panama's National Guard staged a 5 day tactical maneuver in May to demonstrate that they are in position to undertake the responsibility after the year 2000 A.D. See Ibid. P.28.}

President Carter, while engaging the Panamanians through almost day to day basis negotiations, round after round discussions both in Panama and in Washington, also had opened another line of campaign within the United
States to persuade, who ever mattered, about the virtues of a new treaty. A massive public information campaign to inform both public and the peoples representatives; and provide them with sufficient facts about the canal issue had also been initiated by the administration so that a favourable public opinion can be generated for the new treaty.60

The Panamanians however, had difficulty agreeing to the United States continuation in the canal zone beyond 2000 A.D. After nearly seventy-five years of unholy alliance with the United States, it was not amazing for the Panamanians to understand that the continuation of the United States defense mechanism in the canal zone beyond 2000 A.D. would, in course of time, translate into interference in the internal affairs of Panama and at times the US would even actually stage military interventions in violation of established procedures of international law. General Torrijos, as far as the “regime of neutrality” of the canal zone was concerned, was of the opinion that Panama is capable of providing a permanent regime of neutrality to the zone. He however, being apprehensive of the United States

motives, suggested that, in the event of permanent regime of neutrality being such a compelling reason for the United States to continue in the canal zone after the year 2000, he would rather like the canal's neutrality being put to a multilateral framework under the United Nations than surrender the sensitive defense of the canal to a super power like the United States.\textsuperscript{61}

By June 1977, both the countries had virtually reached to agreements on most of the important issues including termination date of the new treaty, gradual phasing out of American military personnel, return of land occupied by the United States to Panama and a possible agreement on the defense of the canal after 2000 A.D. However, the financial equations like revenue sharing etc. and most other issues were finally agreed in August; and both the negotiating parties on 10 August 1977 announced that finally they have agreed in principle on two new Panama canal treaties.

\textsuperscript{61} Panama preferred firstly to take the entire responsibility alone and failing which, preferred either United Nations guarantee or Latin American countries guarantee through OAS. See 95\textsuperscript{th} Congress, 1\textsuperscript{st} Session, “Committee on Foreign Relations United States Senate”, Op.cit., p.23.
US-Panama Sign the Historic Treaty

Panama and the United States, on 7 September 1977 signed the historic Carter-Torrijos treaty that abrogated all other treaties that had ever been signed governing the Panama canal. President Carter and the Panamanian leader General Omar Torrijos signed two treaties in an elaborate ceremony at the House of the Americas which was witnessed by host of American and Latin American leaders. The first treaty dealt with the operation, maintenance and management of the canal zone till the time the United States would have direct control over the zone. It also provided the detailed procedure of Panama's gradual participation in the canal management and gave a reasonably favourable time frame to Panama to integrate in the business of the canal and finally highlighted the financial distribution and sharing of the canal revenue till the year 2000 A.D.

The second treaty was on the 'Permanent Regime of Neutrality' of the canal. It declared that the canal as an international transit water way, shall be permanently neutral in accordance with the regime established in this treaty and
also added that the same regime of neutrality will be applicable to any other water way that may be built in future in Panama. The treaty of neutrality, departing from the demand of ensuring the defense of the canal under the United Nations supervision after the year 2000 A.D., provided that the United States will have the unilateral right of the defense of the canal.

President Carter and the host of negotiators of the United States finally prevailed on General Torrijos and ensured the continuance of the United States legal right over the canal zone even after the year 2000 A.D. It is interesting to note that it was not an easy ride for the Carter administration to win over the expectations of the Panamanians. Apart from the publicized demands and exchanges of views, opinions and so on, a host of prominent visits also played an influencing role. The first lady of the United States Rosalyn Carter also visited Panama to influence the course of negotiations. Notable visits and diplomacy apart, many unreported, under the table factors and political compulsions also played a vital role to mellow down General Torrijos to a posture that will give the
Americans what they want -- a permanent active role in the canal so that the uncertain future of international politics can be addressed suitably from a water zone of strategic importance.

Understandably the economic morbidity of Panama at the time of final negotiation, the reluctance of General Torrijos to confront the so powerful United States and many other privately tendered political promises helped the Carter administration to find a friend in General Torrijos. It was therefore striking to note that, at the nick of the time of crucial negotiation, General Torrijos replaced his tough negotiator and the known anti-American champion who had led demonstration to canal zone to protest the imperialist presence of the United States in Panama, the Foreign Minister, Aquilino Boyd. The fire brand was replaced with a thirty-one year old Nicholas Gonzale who then was the Panamanian Ambassador to Washington and was not only educated in the United States but was also a former
employee of First National City Bank of the United States. 62

Apparently, by yielding to the American pressure, General Torrijos seemed to have compromised the long term political interests of the country. However, in lieu of political losses, General Torrijos was rewarded very well in the economic terms. Panama’s share of canal revenue received a quantum jump which perhaps would not have happened had the General been difficult to crack.

The United States Senate ratified the treaty on 18 April 1978 after a long and rousing debate extending for a period of thirty eight days. The massive public information campaign alone did not help the President to win over the Senators. President Carter personally pleaded with Senators to help ratify the treaty. In addition to such measures, the President also was accused of opening his Presidential

62 General Torrijos’ initial zeal of agrarian and economic programmes had lost its popularity as the govt. gradually became General Torrijos’s personal enterprise. His relatives assumed important postings at home and abroad and there was massive corruption that ruined the economy further. Though the desire to bail Panama out of this mess was one of the reasons for General Torrijos to move to canal issues, that also became the important reason to depend on foreign dollars and consequently bank on American government as well as private financial support.
largesse and dispensing with favours to key Senators in favour of the Panama canal treaty ratification.

Panama ratified the two new canal treaties in a plebiscite and ended an era of seventy five long years of bitter and conflicting association with the United States. Now with the new treaties, Panama again looked forward for a new, just and dignified relationship with the United States for the remaining quarter of the century.