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COUNTRY ANALYSIS AND STRATEGY PAPER

PANAMA

PART I

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Statement of Rationale and Basic Strategy

1. Despite its small size and negligible influence in world affairs, Panama occupies a unique position of importance in terms of U.S. interests in the Western Hemisphere. These interests, primarily geopolitical and strategic in nature, derive directly from (a) the existence of the present Canal and (b) the possibility that an interoceanic sea-level canal may at some future date be constructed through Panamanian territory. The present Canal has brought with it a wide range of U.S. civilian and military activities which are important not only because they relate to the maintenance and operation of the Canal for the benefit of world commerce but because they also contribute to the fulfillment of U.S. global strategic needs and, more specifically, to the maintenance of the U. S. position in Latin America. Thus, U.S. policy toward Panama fundamentally seeks to promote political and economic stability in the country, not only as one of our basic worldwide objectives, but, more particularly, so that U.S. installations on the Isthmus can efficiently and safely execute their assigned functions. Given the possibility of eventual construction of a sealevel canal, U.S. policy also seeks to create an appropriate political and economic climate which will permit both the building of a sea-level canal and the establishment of mutually acceptable arrangements for its ownership, operation and defense.

2. Fundamental to any consideration of the Panama problem is recognition of the fact that over the long run it would be costly and difficult to hold an enclave by military force in hostile territory. The best assurance, therefore, for the proper functioning and defense of the Panama Canal would be a treaty arrangement that both countries consider satisfactory. The primary U.S. objective in concluding with Panama a new treaty for the Panama Canal, a treaty under which a sea-level canal might be built in Panama, and a defense agreement covering United States bases and forces in Panama, is to eliminate or at least reduce the principal causes of political tension and conflict between our two countries. This conflict has at times erupted into serious violence and is not only prejudicial to the operation and defense of the Canal, but also adversely affects the United States position in the Hemisphere and the rest of the world. The new canal treaty arrangement will meet at least some of Panama's long standing canal aspirations for recognition of her sovereignty over the canal, and assure Panama greater income from the canal and participation in its operation. This recognition of Panamanian aspirations should permit the maintenance of the United States presence in Panama required for the efficient operation and defense of the present canal and any new canal which might be built in that country.

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In the meantime and pending conclusion of the treaty negotiations, the United States, as part of its effort to lessen political and social tensions in Panama itself, is supplying assistance in the country's economic and social development and in the modernization of the country's economic and social institutions. In support of these goals, the United States is encouraging a more equitable distribution of income and the more efficient use by Panama of both its own resources and the financial and technical assistance available to it under the Alliance for Progress. To help assure the stability necessary for the fulfillment of these political and economic goals, the U.S. has supported the development of a limited Panamanian paramilitary capability which performs normal police and internal security functions and may help "contain" disorders and violence directed against U.S. installations in Panama. The U.S. psychological and cultural effort concentrates on making Panamanians aware of U.S. efforts in support of Panamanian economic and social development and on convincing the Panamanian people that the U.S. presence on the Isthmus is both necessary and compatible with Panama's own national interest. In sum, the U.S. hopes to be effective in contributing to reductions of political, economic and social tensions, thereby promoting an atmosphere in which Panamanian susceptibility to extremist and anti-U.S. doctrines will be markedly reduced and in which Panama will be encouraged to get on with the job of development and modernization in a responsible manner.

3. The influence of the U.S. in Panama is extensive. In the minds of many Panamanians, it has been overwhelming. Panama seeks through new Canal treaties to limit the exercise of U.S. power and to establish a "Panama for Panamanians" by ensuring its political and economic "sovereignty" over its own resources. "Successful" treaties -- those which will result in the achievement of Panamanian goals without the compromising of the basic U.S. national interests -- will probably mean that Panama will continue to remain receptive to the U.S. influence, although more nearly on Panamanian terms and more nearly as an equal than in the past. The ties of history, education, and commerce are strong; generally, the Panamanians admire the democratic functioning of U.S. political institutions, and Panamanian acceptance of the principles and many of the practices of the Alliance for Progress suggests a slow but positive trend toward the goal of economic democracy. If, however, the draft treaties fail to satisfy Panamanian aspirations, the always latent, and sometimes active, antagonisms of many Panamanians toward the U.S. can be expected to erupt in various forms. The ability of the U. S. to exert diplomatic influence in the country would in that case be seriously limited.

4. It is strategically important that the U.S. presence in Panama continue in some form for the foreseeable future. There is therefore a practical and urgent need to devise arrangements which will facilitate the on-going cooperation and joint undertakings of the two countries by recognizing the psychological and emotional needs of the Panamanians for "independence" while at the same time protecting our own fundamental and special interests in the country. Panama might, for example, seek to

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strengthen its ties with other Latin nations, both in the light of eventual new treaty arrangements and as a partner in the movement toward hemispheric integration. Such actions would not be incompatible with U.S. strategic and political interests in Panama and the hemisphere, provided they do not assume an anti-U.S. discriminatory character or do not become the vehicle for injecting the political considerations of other countries into what are essentially bilateral problems concerning the Panama Canal and the U.S. military installations in the Zone. U.S. policy toward Panama should constantly seek to encourage (1) the country's own growth and development and (2) its future participation as a full and adult member of the Latin American community of nations. However, U.S. policy toward Panama must also allow for the occasional precedence of the imperatives of shorter-run bilateral problems over the desired attainment of longer-range goals such as regional integration. It will be a difficult but essential task of U.S. diplomacy and policy formulation to make those distinctions which are so important to our position on the Isthmus.

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