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THE WHITE HOUSE

WASHINGTON

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January 8, 1965

NATIONAL SECURITY ACTION MEMORANDUM NO. 323

SUBJECT: Policy toward the present and future of the Panama Canal

TO: The Secretary of State
The Secretary of Defense
The Director, Central Intelligence Agency
The Chairman, Atomic Energy Commission
The Director, Bureau of the Budget
The Director, U. S. Information Agency

1. Basic policy toward the present and future of the Panama Canal has been set forth by the President in a statement on December 18, 1964, of which an authentic copy is attached. This statement makes it U. S. policy to work toward a new sea level canal and to propose renegotiation with Panama of the existing Panama Canal Treaties.

2. The Secretary of State is requested to begin discussions as appropriate with the Governments of Panama, Colombia, Nicaragua, and Costa Rica, with respect to the possibilities of a sea level canal. The Secretary is requested to determine which of these governments would be interested in the possible construction of a sea level canal through its territory. The United States is prepared to begin negotiations with interested governments on the terms and conditions for the construction and operation of a sea level canal. Depending on the results of these negotiations, it is expected that we would proceed with selected site surveys.

3. We have in mind a treaty for a sea level canal in which sovereignty over the canal area would remain in the country or countries through which the canal would pass. The United States would be authorized, at its option, alone or with others, to undertake construction. Financing would be the primary responsibility of the United States Government, but the door could be left open for it to accept contributions from other sources, both public and private.

4. The United States Government has no final position on the exact form by which interested governments might join in operation of a sea level canal. There are advantages and disadvantages in an international commission which might include representatives of

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By MEE NARS, Date 6/6/78

users or of financing groups or of the Organization of American States. There are equally advantages and disadvantages in bilateral operation by the United States and the country through which the canal might run. Moreover, it is possible to think in terms of two layers of responsibility, one bilateral and the other broadly international. Final decisions on these matters will be made by the President in the light of further advice and recommendations from the Secretary of State and the Secretary of Defense.

5. It is expected that the defense of the new canal would be the responsibility of the United States and the country or countries through which the canal runs. We should seek treaty terms which give to the United States the necessary rights and freedom of action to ensure the effective security of the canal regardless of the actions of the other country or countries.

6. The tolls for a sea level canal would be fixed in such a way as to put the canal on a self-sustaining basis, to pay an annuity to the host government, to amortize this investment and to serve the interests of world commerce. Like the present canal, the new interoceanic canal would be open to the vessels of all countries on the basis of equality.

7. Whatever treaties are agreed upon would, of course, be subject to approval and ratification in accordance with the constitutional procedures of the United States and the other country or countries involved.

8. With respect to the negotiation with Panama, the following principles will guide our negotiators:

(1) We are glad to join with the Government of Panama in searching for solutions which are compatible with the dignity, responsibility and sovereignty of both nations. It is clear that we must make provision for the continued protection and operation of the existing canal by the United States until it is replaced.

(2) We are prepared to negotiate a new treaty with Panama governing the present lock canal, based on the retention by the United States of all rights necessary to the effective operation and protection of the canal, including administration of the areas required for these purposes. This treaty would replace the 1903 Treaty and its amendments. It should recognize Panama's sovereignty. It should provide for a termination date for rights retained by the United States based on

the operational date of a sea level canal wherever it might be constructed. It should provide for the effective discharge by the United States of its responsibilities for hemispheric defense. The present treaties would, of course, remain in effect until a new agreement is reached.

(3) The new treaty for the existing canal should include adequate provisions to ensure continuation of our military bases and activities in the Canal Zone until the closing of the existing canal, without loss of necessary rights or freedom of action. The treaty should make no distinction between the use of bases for purposes of protection of the canal or for hemispheric security. The agreement should contain appropriate acknowledgment of Panama's contribution to hemispheric security under these arrangements. In addition, arrangements should be included to continue existing U. S. military base rights in the Republic of Panama outside the Canal Zone and to create appropriate status of forces provisions for U. S. servicemen when outside the Zone.

(4) Upon the closing of the existing canal, our military rights under the new treaty as discussed in the preceding paragraph will terminate. Therefore, negotiations should also be started for a base rights and status of forces agreement with Panama, related to hemispheric security, to come into effect upon the closing of the present canal. This new agreement should provide for continuation of U. S. military bases and facilities in the present Zone and outside the Zone in the Republic of Panama, with such changes as are needed. The agreement should also cover whatever new arrangements are needed in connection with the security and defense of the new canal wherever it is located.

(5) Wherever the new canal is built it will create new opportunities. To be sure, closing of the present canal would cause economic problems for Panama, but these would be offset to a great extent by those new opportunities which would be created if the sea level canal were built there. Panama would benefit not only from the actual construction of such a canal, but would also continue to enjoy the benefits of the present canal until the new one were completed. We are prepared to consider now with Panama a program of how best to take advantage of these opportunities and to meet these problems. The efficient employment of Panamanian workers employed in the present canal whose services would not be needed in the operation and maintenance of the sea level canal will form a major topic of our discussions with Panama.

(6) We will also take every possible step to protect the employment rights and economic security during the transition period of United States citizens now employed in connection with the operation, maintenance, and defense of the present canal. We shall do what is necessary to find them employment fitting their skills and experience and by providing retraining where this is called for.

9. In summary, the President's new policy sets three principal tasks before the United States Government, in order to satisfy the requirements of the present and the future:

(1) Working out satisfactory arrangements for the construction and operation of a new sea level canal;

(2) Providing a new treaty framework for the interim period to govern the operation and administration of the present lock canal; and

(3) Agreement on the terms of arrangements for facilities for defense of the existing and sea level canals and for the security of the Hemisphere.

These three problems are intimately interrelated and to the maximum degree practicable, should be addressed simultaneously.

10. NSAM 152 dated April 30, 1962, and NSAM 164 dated June 15, 1962, are rescinded; except paragraph 6 b and c (2) of NSAM 152.

McGeorge Bundy

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