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Defeat the Panama Canal Treaty!

Some months ago, when Panama dictator Omar Torrijos demanded that the United States pay him \$2 billion in addition to giving him our U.S. Canal, most Americans dismissed this as just oratory designed to feed the prejudices of his own leftwing constituency.

Now that the details have come out about how much the Carter Administration has agreed to pay him, it is apparent that what Omar wants, Omar gets -- and much, much more. The Carter Administration is not only trying to give Torrijos the U.S. Canal and Canal Zone, but to pay him to take it. The grand total promised by the Carter Administration in cash, credits, and various buildings and other structures, comes to approximately \$2 billion over the next 22 years. Here is how it adds up:

The Canal Treaty promises that Panama will receive between \$1.5 billion and \$1.8 billion in cash over the next 22 years. This includes \$10 million per year in guaranteed cash, plus \$10 million per year for police and utilities, plus a percentage of toll receipts estimated at between \$40 million and \$55 million, plus an additional \$10 million a year if revenues permit.

Under separate agreements, Panama will get \$345 million in loans guaranteed by the U.S. taxpayers. This total includes \$200 million from the Export-Import Bank, \$75 million from the Agency for International Development, \$20 million from the Overseas Private Investment Corporation, and \$50 million in military sales credits.

All this is on top of the gift of the land in the Canal Zone, which we bought at a high price from the individual landowners, in addition to millions of dollars worth of buildings, and in addition to the U.S. Canal itself into which the American taxpayers have poured \$7 billion.

For Whose Benefit?

The key to the solution of murder mysteries is popularly thought to be the stereotype coined by the French: *cherchez la femme* -- look for the woman. When it comes to money mysteries, however, the Latin maxim, *cui bono*, meaning for whose benefit, is a better formula.

What is the reason behind the State Department's determination to push a new treaty with Panama under which we would hand over our U.S. Canal to dictator Torrijos, and then force the U.S. taxpayers to sweeten

up this giveaway by hundreds of millions of dollars in guaranteed loans? Obviously, Torrijos would profit immensely. He is so jubilant about the new treaty terms that he declared a national holiday within hours after the concessions were agreed to by U.S. Ambassadors Ellsworth Bunker and Sol Linowitz.

But this doesn't explain why highly-placed Americans are pushing this costly plan to put a pro-Communist dictator and friend of Castro on the gravy train paid for by the U.S. taxpayers. Perhaps the answer to the question *cui bono* is contained in two advertisements run in the *Wall Street Journal* back in 1972 and 1973.

They reveal that ten of the largest banks in the United States joined with several foreign banks in lending \$135 million to Panama. The banks invested their depositors' money in the expectation that Torrijos would soon get a new treaty giving him access to the tolls from the U.S. Canal. The flow of U.S. cash to Panama was greatly accelerated after Secretary of State Henry Kissinger went to Panama on February 7, 1974 and signed a so-called "Statement of Principles."

Federal Reserve figures released in June 1977 show that outstanding U.S. bank claims in Panama now total \$2.9 billion. (This figure does not include claims in the Canal Zone itself since, for balance of payments purposes, the Zone is considered part of the United States. Also not represented are claims held between a bank's head office and its Panamanian branch.)

Torrijos' regime is now insolvent, its credit is exhausted, the economy is in a slump, and there is great unrest against Torrijos' dictatorial rule. Panama's national debt grew from \$167 million when Torrijos seized power in 1968 to \$1.5 billion in 1977. The government spends 39 percent of its annual budget on debt service (compared with 7 percent in the United States). It is unlikely that Panama can pay its American creditors unless Torrijos gets control of the U.S. Canal and the fees paid by the ships that use it.

Conflict of Interests?

Our chief negotiator on the new Panama treaty was Sol M. Linowitz who was a director and member of the executive committee of Marine Midland Bank in New York, which is one of the banks that made large loans to Torrijos. Marine Midland was also on the Federal Reserve Board's "problem list" of banks that overex-

tended themselves with large loans that may be uncollectable.

According to Congressman George Hansen, Linowitz was given the job of negotiating the treaty with Panama under a special short-term appointment "allowing him to bypass the scrutiny of the U.S. Senate and avoid disclosure of any conflict of interest." When Congressman Robert K. Dornan of the House Merchant Marine Committee tried to ask Linowitz about his Marine Midland connection, Linowitz resigned from the bank board.

Some of the banks that have loaned money to Torrijos are the same banks that unloaded their own holdings of New York City bonds onto an unsuspecting public before New York's insolvency was generally known. Is the real purpose of giving the Canal and its tolls to Panama to force the U.S. taxpayers to bail out the big banks from their bad loans to Torrijos?

Congressman Philip M. Crane urges that "a complete disclosure of Panamanian indebtedness to the United States, any U.S. bank's special interest in the Panama Canal treaty, and possible conflicts of interest of the U.S. negotiators themselves (be) laid on the table. Until these crucial questions have been answered, this document is a highly suspect one."

Strategic Importance

Four high-ranking retired Naval admirals recently signed a joint letter to President Carter in which they said: "Loss of the Panama Canal, which would be a serious set-back in war, would contribute to the encirclement of the U.S. by hostile naval forces, and threaten our ability to survive." This letter, signed by Admirals George Anderson, Arleigh A. Burke, Robert B. Carneyn, and Thomas H. Moorer, also pointed out that "the present Panamanian government has close ties with the present Cuban government, which in turn is closely tied to the Soviet Union."

There is no legal or moral reason for us to surrender our \$7 billion Canal to Torrijos, much less to pay him many millions of dollars for accepting it. Giving away one of our greatest national assets makes no sense whatsoever -- unless we just want to force the American taxpayers to bail the big bankers out of their foolish loans to dictator Torrijos.

The Panama Treaty Terms

If we had lost a war to Panama and had to tender an unconditional surrender, the peace treaty wouldn't read much differently from the treaty that President Carter voluntarily signed on September 7, 1977 and now asks the Senate to ratify. Here is what the terms mean:

1. We immediately give Panama sovereignty over the U.S. Canal Zone that we bought and paid for at a price higher than the total price we paid for the Louisiana Purchase, Arizona and Alaska combined. All Americans in the Canal Zone will become subject to Panama law.

2. We immediately give Panama title to the land in the U.S. Canal Zone, which we bought from private landowners in addition to buying sovereignty from Panama. Present residents may continue to occupy their property only by paying rent to Panama.

3. We give Panama total ownership of the U.S. Canal in 22 years, and we start giving away "the man-

agement and protection and defense" of the U.S. Canal immediately and "increasingly."

4. After 22 years, the United States is prohibited from any action whatsoever to defend the Canal, and may not have any "military forces, defense sites and military installations" at the Canal.

5. The United States gives up all right to build or even to negotiate for a new interoceanic canal anywhere in the Western Hemisphere without Panama's permission.

6. The United States agrees to pay Panama \$10 million per year from the Canal tolls, plus 30 percent of the Canal tolls (estimated at \$40 to \$55 million per year) and another \$10 million per year if revenues permit. This makes a total of \$60 to \$75 million per year.

7. American citizens in the Canal Zone are prohibited from engaging in "any activity incompatible with the spirit of the treaty," and the United States pledges to "take all measures" to "ensure" that this provision is complied with. (This means that the United States promises to abridge the First Amendment rights of Canal Zone Americans.)

Immediate Transfer of Power

The impression cultivated by the Administration that we will keep the Canal until the year 2000 is not accurate. Here is the way that transfer of the U.S. Canal to Panama will begin immediately:

1. The United States is prohibited from increasing our armed forces at the Canal over the number presently stationed there.

2. We immediately turn over the defense of the Canal to "a combined Board comprised of an equal number of senior military representatives" of the United States and Panama, who can take action "in concert" with each other.

3. We immediately give Panama control of the "police, fire protection, street maintenance, street lighting, street cleaning, traffic management, and garbage collection" for the Canal operating areas, promising to pay Panama \$10 million per year for such services, but not requiring any satisfactory performance of such services by Panama.

4. We immediately allow Panama to select and control four of the nine members of the Panama Canal Commission.

5. We immediately allow Panama to select and control the Deputy Administrator of the Panama Canal Commission. At the end of 12 years, Panama is given the right to select and control the top Administrator.

6. Panamanians are given job preference over Americans for Canal jobs. We are required to recognize all professional licenses issued by Panama and to institute training programs to qualify Panamanians to take over Canal jobs. Any non-Panamanian may be retained in a job only five years.

Ronald Reagan was right. The Carter Administration "doesn't know the difference between being a diplomat and a doormat."

Tax Exemption for Americans in Panama

The "Agreement in Implementation of Article III of the Panama Canal Treaty," Article 15, states that U.S. citizens in Panama and their dependents "shall be

Panamanian Negotiator Tells What Treaty Means

Dr. Romulo Escobar Bethancourt, who was the chief Panamanian negotiator on the Canal Treaty, made a speech before the Panamanian National Assembly on August 19, 1977, (reported in the Panamanian newspaper, *Matutino* on August 20).

Dr. Escobar specifically refuted President Carter's contention that the terms of the treaty ensure the Canal's neutrality, the expeditious passage of U.S. warships, a guarantee by Panama that the Canal would not be closed, and the right of the U.S. to intervene to defend the Canal if necessary. In his speech before the Panamanian National Assembly, Escobar summed up the neutrality aspect of the treaty:

"This is the reality of the facts, that with the neutrality pact, *we are not giving the United States the right of intervention. What we are giving is an assurance that the Canal will be permanently neutral*, that we are not going to close the Canal so that their ships will not go through, or that this ship will not go through or this other ship." (Emphasis added.)

Congressman Philip Crane, in referring to Escobar's remarks, stated on September 7: "Mr. Escobar's explanation of the treaty's provisions raises the real possibility of double dealing on the part of the Carter Administration. The President owes the American people a full and immediate explanation of the discrepancy between his interpretation and Mr. Escobar's."

Here is a brief summary of the points made by Escobar in his speech:

1. The United States originally proposed a military pact that would operate after the year 2000. Panama opposed this proposal and the U.S. withdrew the idea of a military pact.

(Continued from page 2)

exempt from any taxes, fees, or other charges on income" derived from sources inside or outside of Panama. While at first reading this appears to apply only to employees of the Panama Canal Commission, Article 1 Section 2 allows the United States and Panama to agree on "other categories of persons."

Some have tried to claim that this preferential U.S. income tax exemption for Americans in Panama was just a "mistake." However, the same loophole appears a second time in the "Agreement in Implementation of Article IV of the Panama Canal Treaty," Article 16, which provides the same broad exemption from all U.S. taxes for members of the U.S. Armed Forces in the Canal Zone and their dependents.

The full Treaty is 32 pages of tabloid-size newspaper and carefully drawn to the most minute detail. The more likely explanation is that the smart lawyers who drafted the treaty wanted to create a tax-free enclave for the Panama branches of the large U.S. banks, and hoped that the loophole would remain unnoticed until it was too late to change it. When a treaty is ratified, it becomes part of "the supreme law of the land."

Write your U.S. Senators and Congressmen and ask them to vote NO on the Panama Canal Treaty. The House should vote in addition to the Senate because Article IV, Section 3 of the U.S. Constitution gives Congress (both Houses) the power to dispose of the territory belonging to the United States.

2. The United States originally proposed a bilateral declaration between Panama and the U.S. to declare the neutrality of the Canal, with the U.S. as guarantor of the neutrality. Panama opposed this proposal and the U.S. withdrew the idea of a bilateral agreement with the U.S. as guarantor.

3. The United States originally proposed that Panama be obliged to keep the Canal permanently open and neutral. Panama opposed keeping it open in the case of natural causes (an earthquake), temporary causes (a landslide), and in the case the Canal was not making money. The U.S. accepted the first two reasons, but in the case of the third proposed that, if the Canal was not making money, Panama could ask for funds from the U.S. or some other countries. Panama opposed this proposal, and the U.S. agreed to eliminate the article about keeping the Canal open, thus eliminating that obligation for Panama.

4. The United States originally proposed that the Neutrality Pact be between Panama and the U.S. and no one else. Panama opposed this proposal. The United States changed the proposal to be only between the U.S. and the OAS countries, but not Cuba. Panama opposed, saying that all countries of the world including any Communist country that wished should be invited to join the pact. The United States changed and agreed that all countries of the world, including Communist countries, could join the Pact.

5. Panama proposed that the United Nations be the depositor of the Pact. The United States opposed and proposed instead that the OAS be the depositor. Panama accepted provided that the OAS have nothing to say about who could or could not join the Pact.

6. The United States asked for preferential right of way for U.S. warships in time of war and in time of peace. Panama opposed this proposal. The United States changed and asked for preferential treatment at least in time of war. Panama opposed. The United States changed and asked for at least expeditious passage (as prompt and rapid passage as possible). Panama accepted saying that in any case it would want to give as prompt and rapid passage to *any* warships from any country. (i.e., U.S. gets no preferential rights.)

7. The United States originally proposed a bilateral declaration of neutrality. Panama opposed this and proposed a unilateral declaration by Panama only. The United States changed and accepted that Panama only would make a declaration of neutrality.

8. The United States originally proposed that the declaration of neutrality be for the Panama Canal only. Panama opposed and said that neutrality had to be for the whole country of Panama including the Panama Canal. The United States changed and agreed that it would be for the whole country of Panama.

9. The United States originally proposed that it be the guarantor of the neutrality. Panama opposed, and said that all the nations signing the Pact act as guarantors with no special role for the United States. The United States withdrew its proposal and agreed that all the nations signing the Pact act as guarantors.

10. The United States originally proposed that the neutrality be upheld in all circumstances. Panama opposed saying that it could not uphold the neutrality of the Canal in the case of internal disorder in the country of Panama, or in the case of a third country attacking the Canal. The United States withdrew its proposal so as to avoid an article saying Panama would not uphold the neutrality in the case of internal disorder in Panama.

11. The United States originally proposed that Panama have an option to build a sea-level canal with a date and commit herself so that the United States would have the exclusive right to construct a sea-level canal in Panama. Panama opposed with the support of the countries participating in the Bogota Conference. The United States withdrew its proposal and accepted Panama's proposal that the two countries agree only to study the possibility of a sea-level canal.

Excerpts from Panama Canal Treaty

Article I(3)

The Republic of Panama shall participate increasingly in the management and protection and defense of the Canal, as provided in this Treaty.

Article III (3)

Pursuant to the foregoing grant of rights, the United States of America shall, in accordance with the terms of this Treaty and the provisions of United States law, carry out its responsibilities by means of a United States Government agency called the Panama Canal Commission, which shall be constituted by and in conformity with the laws of the United States of America.

(a) The Panama Canal Commission shall be supervised by a Board composed of nine members, five of whom shall be nationals of the United States of America and four of whom shall be Panamanian nationals proposed by the Republic of Panama for appointment to such positions by the United States of America in a timely manner.

(b) Should the Republic of Panama request the United States of America to remove a Panamanian national from membership on the board, the United States of America shall agree to such a request. In that event, the Republic of Panama shall propose another Panamanian national for appointment by the United States of America to such position in a timely manner. In case of removal of a Panamanian member of the Board at the initiative of the United States of America, both parties will consult in advance in order to reach agreement concerning such removal and the Republic of Panama shall propose another Panamanian national for appointment by the United States of America in his stead.

(c) The United States of America shall employ a national of the United States of America as Administrator of the Panama Canal Commission, and a Panamanian national as Deputy Administrator, through December 31, 1989. Beginning January 1, 1990, a Panamanian national shall be employed as the Administrator and a national of the United States of America shall occupy the position of Deputy Administrator. Such Panamanian nationals shall be proposed to the United States of America by the Republic of Panama for appointment to such positions by the United States of America.

(5)

The Panama Canal Commission shall reimburse the Republic of Panama for the costs incurred by the Republic of Panama in providing the following public services in the canal operating areas and in housing areas set forth in the agreement in implementation of Article III of this treaty and occupied by both United States and Panamanian citizen employees of the Panama Canal Commission: police, fire protection, street maintenance, street lighting, street cleaning, traffic management and garbage collection. The Panama Canal Commission shall pay the Republic of Panama the sum of ten million United States dollars (\$10,000,000) per annum for the foregoing services. It is agreed that every three years from the date that this treaty enters into force, the costs involved in furnishing said services shall be re-examined to determine whether adjustment of the annual payment should be made because of inflation and other relevant factors affecting the cost of such services.

Article IV (3)

In order to facilitate the participation and cooperation and defense of the Canal, the United States of America and the Republic of Panama shall establish a combined Board comprised of an equal number of senior military representatives of each party. These representatives shall be charged by their respective governments with consulting and cooperating on all matters pertaining to the protection and defense of the Canal, and with planning for actions to be taken in concert for that purpose.

Article V

Employees of the Panama Canal Commission, their dependents and designated contractors of the Panama Canal Commission, who are nationals of the United States of America, shall respect the laws of the Republic of Panama and shall abstain from any activity incompatible with the spirit of the treaty. Accordingly, they shall abstain from any political activity in the Republic of Panama as well as from any intervention in the internal affairs of the Republic of Panama. The United States of America shall take all measures within its authority to ensure that the provisions of this article are fulfilled.

Article XI (1)

The Republic of Panama shall resume plenary jurisdiction over the former Canal Zone upon entry into force of this treaty and in

accordance with its terms.

Article XII (2)

(b) during the duration of this Treaty, the United States of America shall not negotiate with third states for the right to construct an inter-oceanic canal on any other route in the Western Hemisphere, except as the two Parties may otherwise agree.

Article XIII (1)

Upon termination of this Treaty, the Republic of Panama shall assume total responsibility for the management, operation, and maintenance of the Panama Canal, which shall be turned over in operating condition and free of liens and debts, except as the two Parties may otherwise agree.

(2)

The United States of America transfers, without charge, to the Republic of Panama all right, title and interest the United States of America may have with respect to all real property, including non-removable improvements thereon.

(4)

The Republic of Panama shall receive, in addition, from the Panama Canal Commission a just and equitable return on the national resources which it has dedicated to the efficient management, operation, maintenance, protection and defense of the Panama Canal, in accordance with the following:

(a) An annual amount to be paid out of Canal operating revenues computed at a rate of thirty-hundredths of a United States dollar (\$0.30) per Panama Canal net ton, or its equivalency, for each vessel transiting the Canal, after the entry into force of this Treaty, for which tolls are charged. The rate of thirty-hundredths of a United States dollar (\$0.30) per Panama Canal net ton, or its equivalency, will be adjusted to reflect changes in the United States wholesale price index for total manufactured goods during biennial periods.

(b) A fixed annuity of ten million United States dollars (\$10,000,000) to be paid out of Canal operating revenues. This amount shall constitute a fixed expense of the Panama Canal Commission.

(c) An annual amount of up to ten million United States dollars (\$10,000,000) per year, to be paid out of Canal operating revenues to the extent that such revenues exceed expenditures of the Panama Canal Commission including amounts paid pursuant to this Treaty. In the event Canal operating revenues in any year do not produce a surplus sufficient to cover this payment, the unpaid balance shall be paid from operating surpluses in future years in a manner to be mutually agreed.

Excerpts from Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal Article V

After the termination of the Panama Canal Treaty, only the Republic of Panama shall operate the canal and maintain military forces, defense sites and military installations within its national territory.

Excerpts from Agreement in Implementation of Article III Article 15

2. United States citizen employees and dependents shall be exempt from any taxes, fees, or other charges on income received as a result of their work for the Commission. Similarly, they shall be exempt from payment of taxes, fees or other charges on income derived from sources outside the Republic of Panama.

3. United States citizen employees and dependents shall be exempt from taxes, fees or other charges on gifts or inheritance or on personal property, the presence of which within the territory of the Republic of Panama is due solely to the stay therein of such persons on account of their or their sponsor's work with the Commission.

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