

---

## **Panama and the Canal Treaties: An Update**

[The following is a reprint of a December, 1988 edition of *GIST*, a quick reference aid on U.S. foreign relations published by the Bureau of Public Affairs, U.S. Department of State.]

### **BACKGROUND**

On October 1, 1979, the two Panama Canal treaties entered into force. The first one, the Panama Canal Treaty with two agreements in implementation of Articles III and IV, governs the operation and defense of the canal by the U.S. through December 31, 1999. The second one, the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, guarantees its permanent neutrality in peace and war. Under this treaty, the U.S. has a permanent right to defend the Panama Canal against any threats to the passage of ships of all nations, and U.S. warships have the permanent right to transit the canal expeditiously and without conditions. Although the former U.S.-administered Canal Zone ceased to exist when the treaties entered into force, the U.S. retains the right to use areas and facilities necessary for the canal's operation and defense for the duration of the first treaty. U.S. primary responsibility for canal defense ends December 31, 1999; after that both Panama and the U.S. will have the right to act against any aggression directed against the canal.

The Senate ratified the treaties in 1978, and Congress enacted the legislation to implement them in the Panama Canal Act of 1979. This established a new U.S. Government Agency, the Panama Canal Commission, to manage and operate the canal until the end of the century. In addition, the act:

- Specified the basis for fixed tolls;
- Provided for U.S. participation in various bi-national bodies established by the treaties, including a Joint Commission on the Environment;
- Authorized an employment system covering Panama Canal Commission employees, including special retirement conditions and other provisions; and
- Directed the President to report annually to the Congress on the implementation of the treaties.

### **CANAL'S OPERATION AND DEFENSE**

Until the year 2000, the Panama Canal Commission, under the supervision of a board of directors composed of five Americans and four Panamanians, will operate the canal. During fiscal year 1987, the eighth year of operation under the treaties, the commission reported that ship transits through the canal and toll revenues increased moderately over the preceding year, demonstrating that the canal remains an important and efficient conduit for world trade. Continuing emphasis on maintenance and modernization insures its long-term effective operation. The commission is studying further expansion of the existing canal by widening the Gillard (Culebra) Cut.

As provided for by the treaty regime, military units of the U.S. Southern Command continue to operate from bases in Panama and to assure the canal's defense.

---

## STUDY OF ALTERNATIVES TO CANAL

In September 1985, the U.S., Panama, and Japan entered into an agreement creating a Commission for the Study of Alternatives to the Panama Canal to carry out a 5-year feasibility study of long-term alternatives to the existing canal system. These could include a sea-level canal, pipelines, conveyer systems, or a "land bridge" of container-carrying railways from port to port.

## U.S.-PANAMA RELATIONS

The Panama Canal Treaties were controversial in both Panama and the U.S. Implementation of the treaties had an important effect on reducing bilateral tensions, and hostility toward the U.S. presence in Panama declined markedly during the first years of treaty implementation. Since 1979, U.S. civilian and military officials have worked closely with Panamanian officials to ensure that the canal is managed and operated efficiently, in a manner benefiting the U.S., Panama, and all canal users. For Panamanians, however, management of the canal and other treaty implementation matters remain important political issues.

Since mid-1987, local Panamanian political events, distinct from treaty issues, have seriously disrupted U.S.-Panamanian relations. Panama's military leadership has proven unwilling to permit a full transfer of power to elected, civilian leaders. In an effort to retain power, the Panamanian military, its commander, General Manuel Antonio Noriega, and its civilian supporters have attempted to manipulate treaty issues to their own political benefit--for example, asserting that the U.S. does not plan to fulfill its treaty commitment to transfer the canal to Panama at the end of the century. The Panamanian people, however, have shown few signs of being taken in by the propaganda of the Noriega regime, and they retain their feelings of friendship for the U.S. Although the worsening of Panama's internal political crisis during 1988 has affected some binational treaty bodies negatively, and the Noriega regime has occasionally threatened to hinder the exercise of some U.S. treaty rights, the U.S. intends to continue exercising those rights and meeting its treaty obligations, including the canal's operation and defense.