

DRAFT

NSC UNDER SECRETARIES COMMITTEE

CONFIDENTIAL
NSC-U/SM-136B

MEMORANDUM FOR THE PRESIDENT

Subject: Civilianization of the Canal Zone
Governorship

At my request, a study has been prepared for the Under Secretaries Committee which reviews the desirability and feasibility of appointing a civilian as Governor of the Canal Zone and President of the Panama Canal Company.

The Departments of State and Defense have divergent views on this question.

State favors appointment of a well-qualified civilian possessing the requisite diplomatic and management skills to deal with the delicate problems which are certain to arise as the United States moves to change the status quo in the Zone by treaty negotiations and/or unilateral actions.

While Defense acknowledges the feasibility of appointing a civilian governor, it believes that this is not a

CONFIDENTIAL

GDS

CONFIDENTIAL

2

significant issue in US-Panamanian relations. Defense believes that officers from the Corps of Engineers, who have served in positions requiring diplomatic skill and are especially qualified in engineering and management, should continue to be the primary source for administrators of the Canal Zone Government and Company.

The Under Secretaries Committee recommends that when a successor to the present Governor is considered, attention be given to the possibility of appointing a qualified civilian.

Kenneth Rush
Chairman

*awfully
wacky wacky*

CONFIDENTIAL

CONFIDENTIAL
Subject: "Civilianization" of the Canal Zone Governorship

I. THE PROBLEM

To study the desirability and feasibility of appointing a U.S. civilian rather than a military officer as Governor of the Panama Canal Zone and President of the Panama Canal Company.

II. BACKGROUND

By a convention of 1903, as amended in 1936 and in 1955, the U.S. has the right to Act "as if it were the sovereign," in perpetuity, over the 500 square miles of land and water comprising the Panama Canal Zone. This 50-mile-long, 10-mile-wide strip divides the Republic of Panama in two. The U.S. has formally acknowledged on repeated occasions that the Zone is the territory of the Republic, but territory under the absolute jurisdiction of the U.S.

For many years the Republic has been opposed to the continuing existence of this enclave in its present form. Since 1964, following riots in which American and Panamanian lives were lost, the U.S. has been trying to negotiate a new treaty with Panama designed to accommodate Panama's desire for a modernized treaty relationship which would eventually give Panama more effective sovereignty over the Zone while at the same time preserving U.S. control over the operation and defense of the Panama Canal. Panamanian frustration at the continuing failure of the negotiations has led to tensions, heightened by the advent of a markedly nationalistic government, which make the relationship between the U.S. and Panama a fragile one. Recent Panamanian initiatives have brought this unresolved issue between the two countries to the attention of the world and resulted in criticism of the "colonialist" character of the U.S. presence in Panama.

Three U.S. Government entities operate in the Zone. One is the U.S. Southern Command (SOUTHCOM), a unified command under the Joint Chiefs which embraces Army, Navy and Air Force components.

Another is the Panama Canal Company. It is a corporate agency of the U.S. Government established by Congress.

CONFIDENTIAL

CONFIDENTIAL

2

The sole stockholder is the Secretary of the Army, as the delegate of the President, and he appoints the Board of Directors. It operates the Canal and the commercial enterprises associated with it.

The third is the Canal Zone Government, also an independent agency of the U.S. Government established by the Congress, charged with governing the area in which the waterway is located.

The Company and Government are inextricably related in management, organization and operation. Both are supervised by the Secretary of the Army. That supervision is carried out by the Secretary of the Army as personal representative of the President and not in his capacity as Army Secretary. Both are directed by the personage who, appointed by the President with the Senate's consent, is at once the Governor of the Canal Zone and the President ex officio of the Company.

The Governor/President is by tradition (since 1907) an officer (in recent times a Major General) of the U.S. Army Corps of Engineers, and the Lieutenant Governor is by tradition an Engineer Colonel.

The Government and the Company are staffed by approximately 3,600 U.S. citizens and 10,500 Panamanian citizens who compare in terms of status and selection to career U.S. civil service personnel. Some 40 U.S. military officers on active duty are assigned to the Government/Company, six in executive positions and five in engineering ones. The remaining 29 are medical and dental officers assigned to Gorgas Hospital.

There is no statutory requirement that the President/Governor be a military officer. The two must by statute be the same person, however.

For at least a quarter of a century, official records indicate, there has been interest in appointing a civilian to the position. The Hoover Commission, the General Accounting Office, individual members of the Congress and the Departments of Commerce and State have recommended such a change. In late 1965, the President decided to appoint a civilian Governor on the recommendation of the Secretaries of State and Defense and the U.S. treaty negotiators. A nominee acceptable to the President and both Secretaries was

CONFIDENTIAL

CONFIDENTIAL

3

not found in the course of a year, however, and the President appointed another general officer in 1967. The question was again reviewed in 1971 at the time of the appointment of the current governor but the traditional policy was continued pending the outcome of the new treaty negotiations.

III. DISCUSSION

The Departments of State and Defense have divergent views on the desirability of appointing a civilian to administer the Government/Company. However, all members of the Inter-Agency Group agree that appointment of a civilian Governor/President, if such is decided, should not be made before the end of the current incumbent's term.

A decision to appoint a civilian Governor/President would be considered as one of the unilateral actions contemplated within Option D and as such would be implemented by the Executive at such time and in such a way as the U.S. negotiators consider most appropriate.

Department of State's Views

The Department of State believes that appointment of a civilian to head the Panama Canal Government/Company would be an appropriate and desirable initiative as the U.S. moves to change the status quo in the Canal Zone by treaty negotiations and/or unilateral actions, as authorized by the President.

Civilianization of the Zone Governor, while in itself not sufficient to placate Panama's antagonism toward what it regards as the overwhelming U.S. military presence in the Zone, would nevertheless constitute a signal to responsible Panamanian officials that the U.S. is not insensitive to Panamanian feelings. Together with other measures aimed at reducing the U.S. military presence in the Zone to a point commensurate with the basic requirements of canal defense, a decision to appoint a civilian governor would help demonstrate U.S. interest in creating a more propitious climate for fruitful treaty negotiations.

The governmental functions of the Governor are essentially those of a mayor of a medium-sized municipality combined with those of a \$200 million per year industrial com-

SECRET

CONFIDENTIAL

4

bine. They require expertise not so much in engineering or military arts as in dealing with civil and urban problems, financial management, public and labor relations. In the delicate transitional period ahead, the Governor must have diplomatic skills of a high order if he is to cope adroitly and successfully with the myriad problems which are likely to arise between U.S. personnel in the Zone and hypersensitive Panamanian officials.

Today and in the future significant frictions with Panama tend to arise from the exercise of governmental functions by Canal Zone authorities. Friction has seldom been generated by the technical operation and defense of the Canal as such. Future problems with Panama will require resolution by accommodation and compromise. The period during which the U.S. begins changing the status quo in the Zone will be even more replete with frictions, and will challenge the patience, the sensitivity, accommodating nature and willingness to compromise of the Canal Zone authorities.

Zone residents will experience adjustments in their life style as the status quo changes. In managing this problem and the very delicate relationships engendered by jurisdictional adjustments with Panama, a civilian governor, if carefully selected, would be better equipped through prior experience in civil government to cope with the many tensions which are likely to arise. Although one of the Governor's assigned functions is to protect the canal, such protection is limited to the administration of police power. In event of a serious security problem in the future, a civilian Governor would continue to rely on the military commander of the Canal Zone who is responsible for and has the necessary forces to protect the security of the waterway. Indeed, from a practical viewpoint, a well-qualified and experienced civilian Governor would be a great asset in helping the military command insure that frictions between Panama and the Zone do not escalate to the point where they precipitate incidents that might result in a serious threat to the Canal.

In the Department's opinion the appointment of a civilian Governor would not adversely affect technical management of canal operations. The Lieutenant Governor could and should remain a qualified Corps of Engineers officer. Under supervision of the civilian Governor, he would continue to provide engineering expertise and whatever military skills might be required in running day-to-day canal operations.

CONFIDENTIAL

CONFIDENTIAL

5

Both politically and psychologically, the tradition of having a U.S. military Governor exercising absolute governmental powers over the Canal Zone is increasingly objectionable to the Panamanians and is reminiscent of a colonial era which has since vanished in other areas of the world. In Panama's view the U.S. military's control of all three entities in the Zone - the Canal Zone Government, the Company operating the Canal and the Southern Command with its responsibilities for hemispheric as well as canal defense, represents an "overwhelming U.S. military presence on Panamanian territory." In recent years, it has become an important symbol contributing to Panama's charge that a significant part of their country is in effect under U.S. military occupation.

Indicative of Panama's growing antipathy toward what it considers a "military" Governor is the fact that senior Panamanian officials of the Torrijos government have often refused either to deal with the Governor officially or to recognize formally the existence of the Canal Zone Government which he heads.

Recent statements by Panamanian officials clearly indicate that a U.S. initiative in appointing a civilian Governor would be welcomed. On January 20, 1973, Foreign Minister Tack told the American Ambassador in Panama that, in the Ambassador's words, a change to a civilian Governor "would help considerably" to improve the relations between the two countries. In July Torrijos himself reportedly told his Ambassador to the U.S. that a civilian "mayor" in the Zone would help improve relations with the U.S.

In the face of Panamanian and international sensitivity toward the symbolic significance of a military governor, there no longer seem to be any compelling reasons - in contrast to the conditions of 1903, 1917, and 1941-which would justify continuing the practice of appointing a military officer as Governor/President of the Canal Zone.

During the United Nations Security Council meeting in Panama City (March 15-21) members of the Council as well as other governments participating in the meeting deplored U.S. insistence in retaining an unnecessarily large U.S. military presence in a territory which the U.S. has recognized as Panamanian. The fact that the Canal Zone Governor

CONFIDENTIAL

CONFIDENTIAL

6

is also a military officer served to intensify their criticism of the "colonialist" nature of the U.S. administration. As the United Kingdom's representative commented, "It all seemed like India 50 years ago except that in India the Governor would have worn his uniform."

The domestic political reaction to appointing a civilian Governor is, of course, an important consideration. Leading members of the House Merchant Marine and Fisheries Committee would support the concept of a civilian as Governor. As noted earlier, the appointment of a civilian has been seriously considered on numerous occasions since the 1930s - most recently in 1971 - when the present Governor was appointed. In the House, the Chairman of the Merchant Marine and Fisheries Committee, who is the primary Congressional overseer of the Canal Zone operations, has herself recommended such a change and her views on any Canal Zone-related subject also carry weight in the Senate. Although hard-core congressional opponents of any U.S. concessions to Panama might question this change as they would any other, it is not the kind of measure which would provoke them into frenetic opposition especially since Canal operation and defense would not be impaired.

Recapitulating, civilianization of this position would have significant foreign-policy benefits as well as benefits in terms of civil administration of the Canal Zone.

- It would ease the painful transition over time from total U.S. control of the Zone to increasing Panamanian participation in the Zone's activities.
- As a notable gesture of good-will toward the present Panamanian government -- and one that government has sought -- it could contribute to lessening day-to-day tensions in U.S.-Panama relations, and thereby contribute to improving the climate for successful treaty negotiations.
- It would help reduce international criticism of the U.S. "military government" on Panamanian soil, and thereby help restrain further criticism embarrassing to the U.S.
- It has been proposed since the early 1950s and would probably be politically acceptable to most members of the present Congress.

CONFIDENTIAL

CONFIDENTIAL

7

Department of Defense Views

The Department of Defense believes that it is feasible to appoint a civilian to head the Panama Canal Government/Company, but as there are no proven advantages to be gained therefrom, there is no cogent reason for changing an arrangement that has worked so well for so long.

Although senior Corps of Engineer officers have headed the Government/Company throughout its 60 years of operation, there is no reason that a qualified civilian could not perform as Governor/President in a satisfactory manner. However, as is evident by the 40-year consideration of civilianization, the difficulty lies in finding a civilian who has the combination of necessary skills and is willing to serve at a relatively modest salary in a position where he will be required to carry out U.S. policies that might well subject him to strong Panamanian and U.S. public criticism to the detriment of any personal political ambitions. U.S. Army Corps of Engineers officers are a source of highly professional engineers, both skilled and experienced in management. In 1907, after accepting the resignation of the second civilian head of the Canal organization -- who was an outstanding engineer, manager, and leader -- the President decided to appoint a military officer who could not leave until he was relieved.

The Panama Canal is a major engineering and transportation activity that requires strong and competent management and leadership, not only to keep it operating but to cope with technical and operational changes which lie ahead.

Government/Company governmental functions are dissimilar from that of a city mayor in that the Governor has the equivalent of Federal, state, and local government responsibilities over a nonvoting population which is entirely associated with the operation and defense of the Canal and where all facilities and housing are government owned.

In the present political environment even if some indefinable advantage vis-a-vis Panama were to be gained, the gain would be offset by loss of the technical advantages the traditional practice has provided to the primary mission of the Panama Canal, that is, to operate and maintain a water-

CONFIDENTIAL

CONFIDENTIAL

8

way for the transiting of ships from one ocean to the other in peace and war. This mission has the dual purpose of serving both national defense and interoceanic commerce. The appointment of technically qualified Corps of Engineers officers to head the Canal enterprise, usually after an earlier tour of duty with the Canal organization, has contributed significantly to the successful accomplishment of that task. Additionally, the presence of a military officer has also greatly facilitated the Canal's protection through coordination and integration of assets for the defense of the Canal during times of local and international crises.

Significant frictions with Panama do result from the exercise of governmental functions by Canal Zone authorities in territory which Panama contends should be under its full and effective jurisdiction. What is at issue for Panama are the functions, powers, and title of a Governor as head of a Canal Zone Government, and not whether his origin is civilian or military. Panama objects to a "colonialist enclave" manifested in the exercise of governmental functions in the Canal Zone by a U.S. official who bears the title "Governor." For these reasons Panama has in recent years been reluctant to use the title "Canal Zone Government" or "Governor" in official correspondence or contracts. The low-key Panamanian preference for a civilian governor made by Foreign Minister Tack on 20 January 1973 to the American Ambassador and the statement reportedly made in July by General Torrijos to the Ambassador to the U.S., are of little significance when viewed in the context of vociferous and voluminous Panamanian complaints about the basic issue of the exercise of U.S. governmental and military functions in the Canal Zone. Rather this appears as an item Torrijos hopes to use to gain some fancied propaganda advantage. In fact, Torrijos told Ambassador Robert Anderson two years ago he preferred dealing with a military man rather than a civilian. On 25 August 1973 Torrijos made a statement, which was carried in Panamanian news media, critical of the Governor's action in the pilots slowdown. Although harsh terms were used, Torrijos did not mention in any way the Governor being a military man.

During the period ahead in which the U.S. seeks to establish a new relationship with Panama with regard to the Canal and at the same time provide for its continued efficient operation and security, the head of the Canal organization must be an individual with exceptional personal qualities and

CONFIDENTIAL

CONFIDENTIAL

9

varied skills. The essence of the problem is to find a civilian possessing the necessary qualifications who is also willing to accept the position.

U.S. Army Engineer Corps officers are specially qualified in engineering and management. This is an unquestionable fact as evidenced by the manner in which the Corps has performed its civil works mission in the U.S. and its possessions since 1824 to the present. Many of the Corps' officers have served in positions requiring diplomatic skills. Traditionally Canal Zone Governors have been selected from among officers who served in the Government/Company at some earlier time. With the Secretary of Army retaining responsibility for Governor appointments, the management of the Canal can be facilitated and prior experience of personnel exploited. This will serve to provide stability of leadership and continuity of operations which could not be assured with a civilian appointee who is free to resign at any time.

Recapitulating, a military officer as head of the Canal Zone Government/Panama Canal Company is not a significant issue in U.S.-Panama relations. This notwithstanding, individuals selected for the post should be chosen on the basis of their personal attributes and skills. While civilians having the requisite qualities could fill this position, the President should continue to look to the Corps of Engineers as the primary source for qualified Government/Company administrators.

CONFIDENTIAL