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THE WHITE HOUSE
WASHINGTON

August 12, 1977

To The Members of the United States Congress

As you know, Ambassadors Bunker and Linowitz have reached an agreement in principle with the Government of Panama on the Panama Canal Treaty, and have now reviewed the terms with me, the Acting Secretary of State, the Secretary of Defense and the Joint Chiefs of Staff. It was the unanimous conclusion of us all that our national interests will be advanced by the terms of this agreement. The Joint Chiefs have been represented in the negotiations, and give their unqualified support to the terms of the agreement.

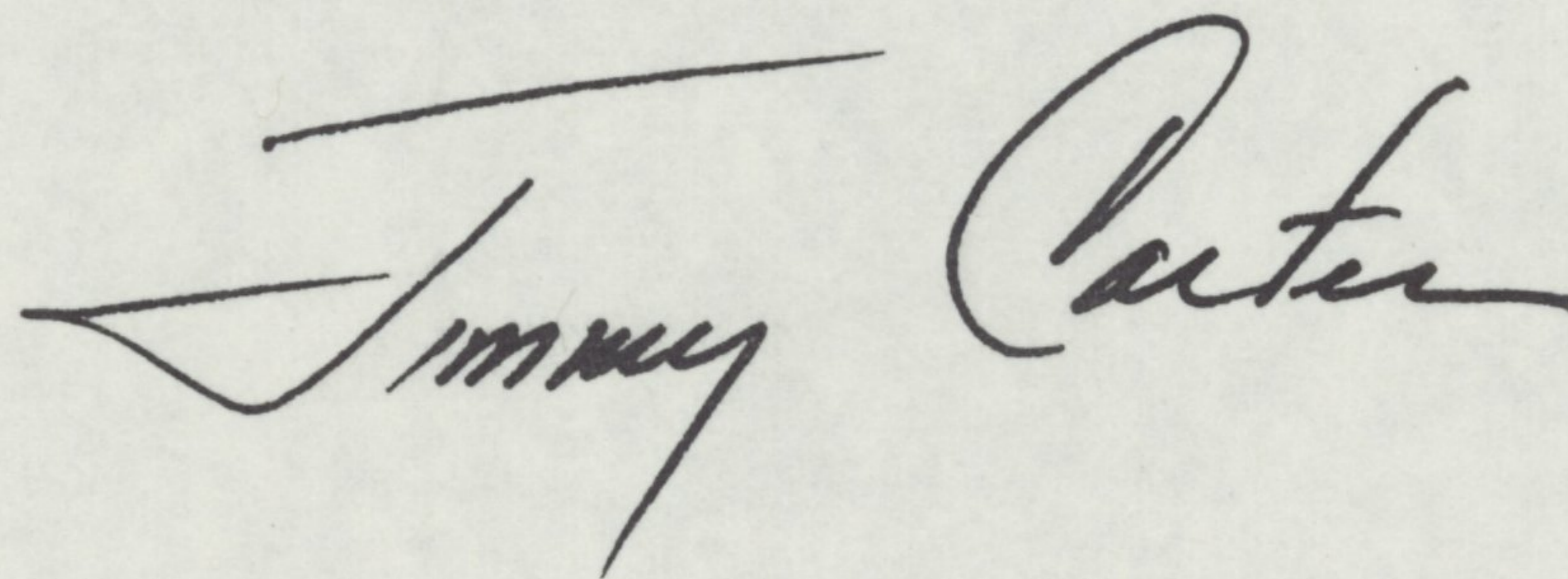
I will continue my review of these principles, and I expect to authorize the completion of the formal treaty drafting.

This is a difficult political question, and I need your help during the coming weeks.

I am convinced that the treaties are essential to ensure the continued effective use of the Canal for American commercial and security needs.

You can call us directly with specific questions, but in the meantime I am enclosing for your use a short summary of the agreement in principle.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned below the typed name "Jimmy Carter".

Defense and National Security

Under the new treaties the U.S. will be able to guarantee the security and defense of the Panama Canal:

-- The U.S. will have the permanent right to defend the neutrality of the Canal from any threat, for an indefinite period;

-- U.S. warships will have the permanent right to transit the Canal expeditiously and without conditions, for an indefinite period;

-- For the rest of the century, U.S. military forces will have the primary responsibility to protect and defend the Canal; the Government of Panama guarantees the U.S. the right to station troops in Panama and to use all lands and waters necessary for the Canal's defense.

Canal Operations

The United States will maintain control over all lands, waters and installations -- including military bases -- necessary to manage, operate, and defend the Canal. A new agency of the U. S. Government will operate the Canal. This agency, which replaces the Panama Canal Company, will assure United States control of Canal operations for the rest of the century. The Canal will be open to all shipping on a non-discriminatory basis.

On the effective date of the treaty, Panama will assume general territorial jurisdiction over the present Canal Zone, and may use portions of the area not needed for the operation and defense of the Canal. At the end of 1999, Panama will assume control of the Canal operations.

Economic Factors

Difficult financial negotiations have produced a fair and equitable package, which will not involve any Congressional appropriations. Panama will receive exclusively from Canal revenues:

- a share in tolls - 30 cents per Panama Canal ton;
- \$10 million per year from toll revenues;
- up to an additional \$10 million per year only if Canal traffic and revenues permit.

In addition, the United States has pledged its best efforts, outside the treaty, to arrange for an economic program of loans, loan guarantees and credits:

- up to \$200 million in Export-Import Bank credits;
- up to \$75 million in AID housing guarantees;
- a \$20 million Overseas Private Investment Corporation (OPIC) loan guarantee.

This 5-year package will contain standard "Buy American" provisions that will greatly benefit U. S. businesses which invest in and sell goods and services to Panama.

Rights of U. S. Employees

All U. S. civilians currently employed in the Canal can continue in United States Government jobs until retirement. They will enjoy the rights and guarantees extended to all U. S. Government employees overseas.

New Sea Level Canal

The agreement envisions the possibility of building a new sea level canal. The U. S. and Panama will jointly study its feasibility. If they agree that such a canal is desirable, they will negotiate the terms for its construction.

Treaties

There will be two treaties: (1) a treaty guaranteeing the permanent neutrality of the Canal, and (2) a basic treaty governing the operation and defense of the Canal through December 31, 1999.