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U.S. Drags Heels As Panama Plans Canal Transfer Party

Diplomacy: Washington, Far From Thrilled About Handing Over Waterway,
Hasn't

Decided Whom To Send To Ceremony.

By Esther Schrader, Times Staff Writer

Washington -- When the United States agreed to give back the vast canal
that

it blasted through the Isthmus of Panama nine decades ago, the transfer was
envisioned as a powerful, symbolic end to a century of U.S. dominance.

But with less than two months to go before Panama is to assume control of
the waterway Dec. 31, the Clinton administration is loath to join the
celebration.

During a visit to Washington last month, Panamanian President Mireya
Moscoso

urged President Clinton to attend the ceremony. Clinton said he was still
considering it.

Vice President Al Gore, in the midst of a fierce presidential race, is not
about to fly down to Panama to turn over the canal to a country most

Americans know best as the homeland of former dictator Manuel A. Noriega.

And Secretary of State Madeleine Albright, the most likely choice to represent the United States, has yet to commit herself to being there.

Indeed, with conservatives making noise about what they view as new threats to a transportation route that handles 4% of the world's trade, senior

White

House officials say privately that they wish they could duck the ceremony altogether.

The apprehension in Washington is bad news for Panama. Not only is Panama saddled with the responsibility of running the canal in perpetuity and attracting international investors to the land the U.S. is leaving behind, but it also can't even send out invitations to its party without the name of

its American guest of honor.

Even the date of the ceremony is in question.

First, the Panamanians proposed holding it Dec. 31. But they forgot about Y2K. White House and State Department officials had to gently remind them that it wouldn't be a good idea for senior U.S. officials to travel on a day

when problems from computer malfunctions are feared.

Then Panama proposed Dec. 10. But that's the day Argentina inaugurates its president, and many of the heads of state that Panama wants to invite will be in Buenos Aires.

Their current offering, Dec. 14, hasn't yet had any takers.

"The Panamanians are waiting on us, but there are still many, many people in

the administration who are looking for a way out of this," said one

administration official.

"They say it will take too much effort to explain to the American people why

we're giving this canal away. And so we sit here gnashing our teeth and hopping up and down. But simple politics are holding this up for who knows how long," the official said.

The ambivalence should come as no surprise.

The plan, proposed by President Carter, to hand Panama the 550-square-mile Canal Zone was never popular in the U.S. The treaty signed by Carter and Panamanian President Omar Torrijos in 1977 gave Washington two decades to turn over control of the waterway. Under the treaty, the canal, locks and Canal Zone, which connect the Atlantic and Pacific oceans, revert to Panamanian control.

In Panama, the signing of the treaty was seen as a powerful assertion of national sovereignty that catapulted Torrijos to the status of national hero.

But in the U.S., critics of the treaty worried from the start that losing control of the waterway, an engineering marvel when it was completed in 1914, would compromise U.S. security and trade.

There were nine U.S. military bases in the Canal Zone, dating to the days when the canal was seen as a bulwark against what the U.S. feared was a Soviet desire to extend Communist naval power out from Cuba. In the 1980s, the bases were used for U.S. operations in Central American wars. The Canal Zone was home to the School of the Americas, where Latin American military officers were trained by the Pentagon and the CIA.

Until 1997, the bases housed the U.S. military's Southern Command, which coordinated U.S. counter-narcotics operations in neighboring Colombia and

other countries.

Still, much of the canal's allure faded with the end of the Cold War. The waterway isn't much of a prize financially either. Most of the approximately

\$545 million it brings in annually from tolls goes toward upkeep.

Negotiations between the U.S. and Panama that would have allowed 2,000 American military and civilian personnel to remain stationed on an isthmus air base as part of a continuing inter-American drug interdiction operation fell through last year. Washington did not want to pay what Panama was asking, officials said.

As if all that wasn't enough to make Washington edgy, conservative lawmakers

are suddenly warning of new threats to the waterway. In recent weeks, they have complained that a Hong Kong company that operates the container ports where cargo is handled at each end of the canal could help China seize control of the waterway.

Senior administration officials, however, say the Chinese are about as likely to take over the canal as is Cuban President Fidel Castro.

For their part, the Panamanians have less reason to celebrate the turnover than they once imagined they would. They hope to use the canal and the revenue it brings to shrink high unemployment and poverty rates in the country of 2.8 million people.

But along with the 50-mile passage that carries more than 13,000 ships and 190 million tons of cargo a year between the two oceans, the Panamanians are

inheriting headaches. While they need to increase tolls on the waterway to make it profitable, international shipping companies are resisting. The

Panamanians have already promised not to raise tolls at least until 2001.

Meanwhile, the Panamanians are obligated under the treaty to maintain the canal and shield its watershed from further deforestation. They also must guarantee the security of the canal, which has always been protected by U.S.

troops.

And the Panamanians must find a way to profit from the huge tracts of prime real estate being returned to their country.

With all those doubts flying about, it's no wonder the party in Panama is not exactly a hot ticket.

"It's hard enough to get people to do something at Christmas season that's not really fun, and the problem is, people are really divided about this," said Cynthia Riddle, spokeswoman for the Panama Canal Commission, a U.S. government agency that has managed the canal since the 1977 treaty. The commission is packing up to leave its small offices in Washington. As of Dec. 31, it will cease to exist.

"The transfer is something we know is going to take place. Americans are resigned to it," Riddle said. "But that doesn't mean they're exactly jumping all over themselves to turn over the keys."

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