

The Economic Club of New York

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The Honorable Henry Kissinger  
Former United States Secretary of State

The Honorable Sol M. Linowitz  
U.S. Ambassador

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Questioners: Peter G. Peterson  
Chairman and President  
Lehman Brothers

Lawrence E. Spivak  
Consultant, NBC News

## Introduction

Chairman Tim Dunleavy

Ambassador Linowitz, Ambassador Illueca of Panama, members of the Club and guests, good evening. I'm Tim Dunleavy. As your newly elected chairman of the Economic Club, I am very happy to welcome you here to the 279<sup>th</sup> meeting covering a span of 71 years. Following in the post so ably held by Jim Davant is quite a challenge. But I'm hopeful that when my tenure is finished, that I will have contributed to the growth of the Club itself. (Applause)

My duties tonight are simple, and consequently my words to you need only be few. But before the program begins, I would like to express our appreciation to a man who deserves more respect and admiration than we can ever convey. I'm talking about Dwight Eckerman who stepped down from this post of President of the Economic Club after 29 years of dedicated service. Dwight was sorry that he could not be here with us this evening, but I know that all of the members of the Club wish him well. (Applause)

I would like also to introduce our new president, Mr. Edwin Locke. Ed, would you stand up. (Applause) Ed is well-fitted to the tasks that lie ahead for this Club. And most of you have read the details of his career in the recent Club report. His experience in international diplomacy and government spans four administrations –from President Roosevelt to President Kennedy. His career in private industry includes finance, manufacturing, transportation, and trade association

management – most recently, as President and Chief Executive of the American Paper Institute.

Ed, all of us here tonight welcome you and pledge you our energetic support. (Applause)

And now on with the program. One of the major developments of the Carter administration and the topic of our discussion tonight is the controversial Panama Canal Treaty. Our two speakers are in a unique position to delineate not only the fine points of the treaty, but to analyze its chances of ratification by Congress and its potential relations within the Western hemisphere.

Normally, our Club practice has been that after both speakers have made their initial remarks, we have a question and answer period. But as one of our speakers tonight, Dr. Kissinger, has a very pressing engagement which will require his leaving early, we will change the format to permit him to speak and then respond to a series of questions immediately following his remarks.

As has been our policy for many years, all the questions will be asked by two panelists. And tonight we are especially pleased to have two people who have achieved the highest recognition in two quite different fields. Seated to my left is Peter G. Peterson, formerly Secretary of Commerce and presently Chairman and President of Leber Brothers...of Lehman

Brothers...(Laughter) Pete, I don't know whether that's a promotion or a demotion. (Applause)

I'm sure he'll get back at me for that. And to my right, Lawrence E. Spivak, who was moderator of NBC's Meet the Press for more than 30 years and is now Consultant to NBC News. Mr. Spivak. (Applause)

Opening the discussion tonight is a man whose name has become legend. Obviously, there is no need to indicate where he is seated on the dais. Henry Kissinger is one of those rare scholars who have not only written about history but who has actually made history. His accomplishments are legion. Singlehandedly, he has spread the fame of Harvard around the globe as he shuttled from point to point on nearly every continent. The only exception, it seems, being Antarctica. We could not believe he would consent to remain still in one place longer than ten minutes without at least trying to get someone to sign something. Some of our members have told me they were sure he never even sleeps, except on airplanes. We are pleased that Dr. Kissinger has taken time out of his busy teaching schedule at Georgetown University School of Foreign Service to join us tonight. Dr. Kissinger, the platform is yours. (Applause)

The Honorable Henry Kissinger

Former United States Secretary of State

Mr. Chairman, ladies and gentlemen, when I was invited to address the Economic Club, I accepted eagerly because I thought it would be a new experience for you to hear my views on economics. (Laughter) They have been used as an argument against universal suffrage. Then I learned that what you wanted to hear was my views on the Panama Canal. I would like to congratulate the Economic Club for representing so many points of view here tonight on this platform. You have every point of view on the treaty from A to B. (Laughter)

I know this is considered a nonpartisan forum and so I, as the last Republican Secretary of State, am very moved to be able to appear with my friend, Sol Linowitz. But I'm sure that my friend, if he can survive it, Jim Buckley, will be eager to tell you that my appearance alone is a bipartisan gesture. (Laughter)

I would like to explain to you why I have decided to support the ratification of the treaties so ably negotiated by Ambassador Linowitz. First of all, I believe that the fundamental change that American foreign policy faced in the late 60s was that henceforth the United States would have to conduct foreign policy – not episodically, but on a permanent basis. And a foreign policy based on some conception of permanent national interest. We can no longer have the illusion that there are final solutions to all problems or that we can engage ourselves or withdraw at our own choice. We need a conception of our role in the world that does not change with every administration and that is not perceived as a personal idiosyncrasy. Because if the United States changes its policy every four to eight years, no matter who is right, it is bound to become a destabilizing element in international affairs.

Now Sol Linowitz is in a much better position to explain to you all the details of the treaties. But it is a fundamental fact that since 1964, four successive presidents representing both political parties have concluded that a new treaty relationship was important for the long-term security and foreign policy interests of the United States. All four presidents have engaged in negotiations based on the convictions that a modernized relationship embodying shared commitment and

responsibility would best assure our basic interests in continuing access to an efficiently run, nondiscriminatory and secure canal. All four presidents have felt strongly that the present 1903 treaty does not adequately assure that interest.

They have come to this conviction because these treaties are not regarded by any country in the Western hemisphere as having been freely negotiated. The Panamanian side was represented by a Frenchman with a letter of authorization that I think it might be better not to test in an international court. So the fundamental arrangement, whatever its original validity, is perceived by most countries as representing an American imposition and therefore to reject these treaties would in effect say that the United States will rest its position in the canal on superior force. Of course, we will be able to do that. And, of course, we will be able to defend the canal against whatever the results of such a decision would be.

The question is whether the cost to the United States is worth it, if we can assure our fundamental interest in the canal by other means. Our fundamental interest in the canal is to have free, nondiscriminatory and neutral access that is guaranteed by an international instrument and that is assured by a treaty of neutrality. I believe that the two treaties negotiated by Ambassadors Linowitz and Bunker achieve this fundamental American objective. Not only is there a legal obligation for free, nondiscriminatory, expeditious, and neutral passage, there are specific provisions that define what is meant by this. Article IV of the Treaty of Neutrality gives the United States the right to guarantee that these provisions are observed so that these agreements

for a period of 23 years maintain the significant elements of the present direction. After the year 2000, the United States will continue to have the right to guarantee the canal's neutrality and impartial access to it. In other words, I believe that these negotiations have brought to a successful conclusion what four presidents over a period of 13 years have decided was in the American national interest.

Of course, there is the question whether these treaties will, in fact, be observed, and whether in making these treaties we do not get ourselves on a slippery slope in which no sooner are these treaties ratified that they'll be challenged, as happened, for example, in the case of the Suez Canal. I would say that the possibility that these treaties may be challenged cannot be discounted. But I would argue that if we have to defend our rights in Panama, we are infinitely better off internationally to defend them in the name of a 1977 treaty, freely negotiated, and signed in the presence of the heads of government of almost all of the Western hemisphere states, than to defend a 1903 treaty whose validity would be challenged by almost all of the countries in the Western hemisphere.

I would argue that the new arrangement improves our political capability to insist on our rights. For 23 years it will not affect our military capability to vindicate those rights. And after the year 2000, we must have enough confidence that the American president will be understanding enough of the fundamental American national interest – a neutral passage – to use the right that the treaties give him if there is a real challenge to their security.

But I would argue the case for the treaties beyond the immediate issue of Panama. These treaties are not a favor we do to Panama because vis-a-vis Panama we can rest our case on whatever predicate that we want. Of course, Panama cannot take the canal away from us. My basic concern, when I was in office and when I supported the negotiations that now came to fruition, was my concern that failure to make progress on the Panama issue would poison our entire Western hemisphere relationships. If these treaties are rejected, it would be difficult for our best friends in the hemisphere to support us.

During the signing ceremony, after the signing ceremony, one of the presidents of one of the larger countries invited me to call on him. And I said to him, if these treaties are not ratified, you of course will probably criticize us. He said, yes, but that's not the problem. The problem is that nobody in our country will be able to support you and that there will be no public opinion which would be willing to go along with the United States in defense of the consequences of a refusal to modernize the canal relationship. Rejection of the treaties would poison our relationship with all the countries in Latin America on other issues and leave us for the first time in our history facing the unanimous hostility of all the nations to the south of us in our own hemisphere.

Now, I am not arguing that every country would have urged us to make such a treaty privately. There are many countries in Latin America that would be quite content with the present situation. The fact is, however, that not one leader of any Latin American country has been able to say this publicly and this indicates that the canal could become, and would become a rallying point for all



anti-American sentiment. I'm not saying that if these treaties are ratified we will automatically have a brilliant relationship within the Western hemisphere. There will be strong anti-American forces in any event. But the failure to ratify these agreements would provide a focal point for all of the anti-United States feelings and it would lead to a gradual disintegration of our relationship in many countries, even where the leaders deep down in their hearts would not feel very passionately one way or the other. In other words, a creative Western hemisphere policy would become extremely difficult if not impossible under conditions of not ratifying these treaties.

I understand the reluctance and concern of opponents of the treaties. Many members of Congress to whom I have spoken tell me that they are tired of constant American withdrawals around the world. But this is not the issue on which to make a stand. I agree with the sentiment that for a decade, at least, America has been flagellating itself and has suffered unnecessary setbacks. Nobody can know this better than those who were in office during the tragedies of Vietnam and others in Africa and in the Mediterranean. But I'll repeat, on Panama there is no viable alternative. It is not a question of giving the canal to Panama. It is a question of the United States' ability to distinguish between symbol and reality, to plan for our future needs, and to preserve and, in fact, enhance our basic interest in the accessibility, neutrality, and security of the canal. Firmness in the defense of essential national interests is vital to any nation, but unreasoning adherence to the status quo has never been the test of an effective foreign policy. A nation assures its international position by understanding clearly what its interests are and by taking timely and effective action to safeguard those interests.

We have often acted on this principle. At the end of World War II, we embarked on a number of new initiatives that constituted a dramatic change from the course that we had followed in the past. We did so because we realized that the new circumstances of the post-War era called for new responses. I firmly believe that the new Panama Canal treaties should be viewed in the same light. They're a step forward over what has existed before. They present the Congress and the people of this country with an opportunity to modernize an outdated arrangement that has itself become a threat to the interest it was designed to protect.

I would like to stress a final point. These treaties represent the most important and serious international undertaking presented to the Congress by the administration of President Carter. A defeat of the Panama Canal treaties would weaken the president's international authority at the beginning of his term. It would jeopardize our entire Western hemisphere relationships. The undermining of presidential authority, after all we've been through, would be a demonstration of a fundamental weakness and a grave responsibility for the Congress to assume. I feel this all the more strongly because in my opinion we have every reason to consider that the new treaties are to our advantage. Therefore, I took advantage of this invitation to express my conviction that even though the administration has sometimes implied that creativity, moral insight, and history began together on January 20<sup>th</sup>, that on this event, history began before January 20<sup>th</sup>. And all those concerned with the national interest of the United States should support the initiative of the new treaties. Thank you very much. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN TIM DUNLEAVY: Thank you very much Dr. Kissinger. And now we'd like to turn the program over to Mr. Peterson and Mr. Spivak for the questions, and Dr. Kissinger for this answers. We're going to ask these gentlemen to move back to this table behind us so that you can see the questioners and Dr. Kissinger can make his replies a little better than if we tried to do it from the floor.

LAWRENCE E. SPIVAK: Dr. Kissinger, Nye Bevin, a British, so-called statesman, once said that in foreign affairs there are no moralities, there are only interests. Now without either endorsing or accepting that cynical statement, what are our vital interests in the canal?

THE HONORABLE HENRY KISSINGER: I believe that the United States has a vital substantive and an important symbolic interest in the canal. Our substantive interest is not the arrangement by which the canal is now operated. Our substantive interest is to make certain that we have free, unimpeded, and neutral access through the canal. These interests need now be protected by a new arrangement because the present arrangement would, over a period of time, so consume our energies in international fora, on the ground, and in Western hemisphere relationships that it would be counterproductive. Our symbolic interest is to make these adjustments before we are under such massive pressure that what we do will look as being imposed on us by necessity. And once the Panama, right now there's no question that we are

making this arrangement free of physical pressure and on the basis of a statesman-like assessment of the long-term risks and benefits. Ten years from now, after an extensive, political, and maybe military struggle, a similar arrangement might be taken as a significant American retreat. Therefore, for both of these reasons, I believe that we have, that we can safeguard our vital substantive and symbolic interests in the canal.

LAWRENCE E. SPIVAK: You once said in a speech that morality without security is ineffectual and that security without morality is empty. Now we've had this treaty since 1903. We don't seem to have had a great deal of trouble. There may have been dissatisfaction and the occasional riot. But we've had it for 74 years now and it's worked fairly well. Now why do you want to enter a new relationship that you're not sure of?

THE HONORABLE HENRY KISSINGER: Well, I am glad to support the treaties but I shouldn't be asked why I want to enter the new relationship. It was...

LAWRENCE E. SPIVAK: I speak to you on a bipartisan basis. (Laughter)

THE HONORABLE HENRY KISSINGER: Well, I think that every president, every president and every secretary of state since 1964, in assessing the pressures that he saw developing and weighing our interest in a creative Western hemisphere relationship against the costs of maintaining the present relationships, all of these senior officials have come to the same

conclusion. That if we could get a new relationship that would guarantee free, unimpeded access through the canal, we would be better off than with the existing relationship. And they came to this view precisely because they did not want for the demonstration to be made that the price could be very high. In foreign policy, the difficulty is that when the scope for action is great, the facts are often at a minimum. When the facts are in, it is too late to be creative. Once a guerilla war has started, once embassies start getting burned in Latin America, once industries start getting nationalized, and once Panama has become a rallying point for all anti-American sentiment throughout the hemisphere so that even our best friends and even those who don't much care about Panama, can't withstand it anymore. Then indeed it may be too late for this agreement to have an impact. And I repeat, I'm not predicting that we will not have major problems in Latin America anyway. I want to deprive our opponents there of one focal point around which to rally all our critics and all of those who wish us ill.

LAWRENCE E. SPIVAK: One last question before I turn it over to Dr. Peterson. You've negotiated, I think, for some four years or so...

THE HONORABLE HENRY KISSINGER: Did you say Dr. Peterson? (Laughter) There must be something in which I retain an advantage over my old...(Laughter)

LAWRENCE E. SPIVAK: Mr. Kissinger...(Laughter and Applause) why has this matter become suddenly so urgent? You say that four presidents have negotiated and have failed to come

forward with a treaty. Why has there been so little success up to now? And why has this matter now become so urgent?

THE HONORABLE HENRY KISSINGER: It's actually not correct to say that there's been so little success up to now. There has been a progression in the negotiation of these treaties. We inherited, when we came into office, some work that had been done in the Johnson administration. It was advanced by the Nixon and Ford administrations. And it had reached a point where the essential interests of the United States had been protected. Then Ambassador Linowitz and Ambassador Bunker achieved the important addition of Article IV of the Neutrality Treaty which gives us the right to guarantee unilaterally, even after the year 2000, the free access to the canal. And for us now not to proceed when all our essential objectives have been achieved and when the document that Mr. Linowitz has negotiated was 90% done in previous administrations (Laughter). So that...no, I'm just trying to say there was no untoward haste. There was last year maybe some untoward slowness due to unfortunate political developments in this country. (Laughter) But this is a question that can be asked whenever a treaty is concluded. Why didn't you wait another year or two?

LAWRENCE E. SPIVAK: No, I asked why did you take so long.

THE HONORABLE HENRY KISSINGER: We took so long because it was an extraordinarily complicated negotiation having to do with the disposition of geography, legal status of

Americans, the transfer of police and other functions, and because the Panamanians for a long time were not prepared to grant us, or to agree, to what we considered our absolutely essential conditions. On the other hand, those having been met, I also believe there's no longer any reason not to complete the agreement.

LAWRENCE E. SPIVAK: Pete...

PETER G. PETERSON: Larry, thank you. I might say I'm relieved that you referred only to my academic credentials. If you had made some reference to my obviously superior sex appeal, whatever equanimity that he has remain would have quickly been lost right here on the stage and that would have been embarrassing to all of us. (Laughter) Henry, you've recently characterized yourself publicly as being notoriously humble, I believe it was, (Laughter). In that spirit, I don't know whether to refer to you as Mr. Secretary or Your Excellency as you used to prefer. (Laughter) But you and I used to talk about constructive ambiguity that is present in many international understandings that are necessary for domestic political consumption. And on August 19<sup>th</sup>, the chief negotiator at home in Panama said publicly that the treaty did not give the United States the right to intervene. Now we can understand his wanting to say that at home. But is the right to guarantee neutrality, as the treaty provides, but not the right to intervene some acceptable constructive ambiguity? Or does it represent a serious substantive difference in view? And could you imagine a practical solution to this? That is, something that would reassure the Senate and the American people and still be politically acceptable within Panama?

THE HONORABLE HENRY KISSINGER: Secretary Vance and the president have both stated, as former Secretary Rusk and I, that we read Article IV to mean that we have the unilateral right to guarantee the unimpeded access and the neutrality of the canal as it is defined in the treaty in great detail, even after the year 2000. I would consider it perfectly appropriate for the Senate of the United States to express its support for that view of the president and the secretary of state and to make certain that its understanding is communicated to Panama so that there can be no misunderstanding on that issue. Our negotiators, our president, our secretary of state, and all of us who have dealt with these treaties interpret them; feel they can be interpreted in only one possible way. And anything that our Congress would do to make this interpretation unambiguous would not be a reservation nor a derogation of the negotiation. It would simply solidify what is, in our judgment, the correct interpretation of the crucial clause in Article IV.

LAWRENCE E. SPIVAK: Dr. Kissinger, there's one thing that has puzzled me about this whole question of Article IV. Why is it so necessary for us to guarantee free access and neutrality? In case of war, do we want that canal to be neutral? Do we want to allow other people's warships through?

THE HONORABLE HENRY KISSINGER: In the case of war, I think we ought to face the following fact. If we cannot keep hostile ships from reaching the canal, being able to wave a paper at them that keeps them out of the canal will not be...(Applause)



LAWRENCE E. SPIVAK: In short, what you're saying is we ought to be moral up to a point.

THE HONORABLE HENRY KISSINGER: I'm saying that in case of war, obviously the security interests of the United States would dominate and we would attempt to destroy hostile navies at sea. And the mere fact that they wish to go through the Panama Canal would not preclude us from destroying them. I interpret Article IV to give us the opportunity to keep other countries from blocking the canal in order to blackmail us or to engage in any discriminatory measures, perhaps not in wartime. I think in wartime, our ability to protect the canal depends on our ability to control the seas which is exactly the situation today.

CHAIRMAN TIM DUNLEAVY: Pete, Dr. Kissinger has just about two more minutes. I'm told he's leaving at 9:15, so you go ahead.

THE HONORABLE HENRY KISSINGER: Make it 9:00, I can't give an answer in two minutes.  
(Laughter)

CHAIRMAN TIM DUNLEAVY: Give him a good long question too.

PETER G. PETERSON: And I can't ask a question in less than four so we're in trouble. Henry, in June of this year four distinguished retired military men, Admirals Carney, Anderson, Burke, and Moorer wrote to the President of the United States to express their concern over this treaty. I

quote, they said, “Contrary to what we read about the declining strategic and economic value of the canal, the truth is that the waterway is as important if not more so to the United States than ever. The canal enables the United States to transfer its naval forces and commercial units from ocean to ocean. This capability is increasingly important now in the view of the reduced size of the United States Atlantic and Pacific fleets. As Commander in Chief, you will find the ownership and sovereign control of the canal indispensable during periods of tension and conflict.” Could you comment on that statement?

THE HONORABLE HENRY KISSINGER: Well, I would say, first of all, that I have never argued that we can afford to make such an arrangement because the canal is no longer important. The canal remains important and free access to it must be assured. I do not believe that the present arrangements are necessary to assure free access. On the contrary, I believe that over a period of time, the present arrangements could become an obstacle and could cost us out of proportion to what it would take to maintain them. All the more so, if you remember that the present arrangements, in any event, stay in effect for 23 years or until the year 2000. On the other hand, there are other military witnesses. There are some chiefs of naval operation, including one whom I can never bring myself to mention favorably, who have nevertheless supported this treaty. And then I must, it is an important fact that the Joint Chiefs of Staff and the Secretary of Defense, but all the military chiefs have testified before the Foreign Relations Committee on behalf of these treaties. Now I know the argument is made that they are under duress and that therefore they do not express their opinions. Those of you who have served in Washington know

that if the Joint Chiefs of Staff are unhappy with a decision, there are a million ways this fact becomes known and I've experienced all of them. (Laughter) There would be innumerable leaks and stories to that effect. Nobody believes, for example, that the Air Force was happy with the P1 decision. So in this case there are no – not only have all the military chiefs supported the agreement – there have been no leaks, rumors, planted questions with congressional committees, and all the million ways in which the military could make their views known. And before I expressed my support, I asked for an opportunity to have a private talk with General Brown and General Jones with whom I had worked closely, but not always in perfect agreement – a fact which to my distress became rapidly known in Washington. And they assured me that they were fully behind these treaties and they have done so, and they've repeated this before the congressional committees. So I would say that I agree with the four distinguished naval officers that you've mentioned, that the canal remains important. I simply believe that the present arrangements are not the best way to preserve the security of the canal. Even though, whether or not the treaty is ratified, we will be strong enough to defend our rights in the canal. But the treaties are a better way of doing it.

LAWRENCE E. SPIVAK: Dr. Kissinger, may I ask you one last question.

THE HONORABLE HENRY KISSINGER: You won't get an answer, but go ahead. (Laughter)

LAWRENCE E. SPIVAK: Well, the question won't answer itself. You'll have to answer it. The

most recent poll taken by the AP indicated that only 29% of those polled favored ratification of the Panama Canal treaties and almost 50% opposed it. Now in a democracy, don't you think that our representatives in the Senate should be guided by the fact that so few citizens favor ratification?

THE HONORABLE HENRY KISSINGER: Well, I think it is, right now public opinion is definitely against it. It will be necessary for the president and members of his administration to make a public, to make a major effort of education. And it's also incumbent on leaders of this country as represented in this room to do what they can, if they agree with what I have said here, to bring this, to carry this message. With respect to the senators, Burke, at the turn of the 19<sup>th</sup> century wrote a very reflective essay about the obligation of an elected representative, whether he should register simply the opinions of his constituency or whether he was elected on the basis of his judgment and would be held accountable by his constituency over a period of time for his judgment even if he did something that was temporarily unpopular. Now this is easy for a professor to lecture elected official on, but this is one of those issues in which I believe that public opinion has not yet fully understood all the implications in terms of our Western hemisphere relationships and in which I have great sympathy for the senators who have to make, who have to make this decision and where I must say that they deserve compassion and as much support as informed leaders of this community can get them. Thank you very much. (Applause)

CHAIRMAN TIM DUNLEAVY: Thank you Dr. Kissinger. And thanks also to your lovely wife,

Nancy, for having joined us here this evening. Nancy, thank you very much. (Applause) Our second honored guest tonight is one of the prime architects of the treaty, the Honorable Sol M. Linowitz. As one of the presidential ambassadors who negotiated the treaty, Sol Linowitz personally has continued to aid the president in seeking support for congressional passage.

Although Mr. Linowitz is currently a senior partner in the international law firm of Coudert Brothers, the ambassadorial role is hardly new to him. From 1966 to 1969, he served as U.S. Ambassador to the Organization of American States and the U.S. representative to the Inter-American Committee of the Alliance for Progress. At present, while a member of the board of directors of several major U.S. companies, he also chairs the Commission on U.S.-Latin American Relations and the National Council of the Foreign Policy Association. He is also a trustee of the Center for Inter-American Relations. Ladies and gentlemen, it is a great honor to introduce to you our second guest speaker, Ambassador Linowitz. (Applause)

The Honorable Sol M. Linowitz

U.S. Ambassador

Mr. Chairman, ladies and gentlemen, as you might suspect following Henry Kissinger on this platform is no easy assignment. A friend of mine had a similar task once and he said he felt like a dog act following a striptease. (Laughter) The only problem was that the fellow who followed him said it was the first time he had ever followed a dog act. So I won't try that ploy with you.

I must tell you at the outset how deeply grateful all of us are who have been working on the treaty for the warm endorsement and support of Secretary Kissinger. He's truly one of our great public servants – a man who made inestimable contributions which will be lasting in our history. With characteristic humility, Secretary Kissinger did not tell you that we were following the so-called Kissinger Tact Principles when we negotiated these treaties – principles which he and Foreign Minister of Panama, Tack, signed in 1974.

I ought also to tell you at the outset that while it is true, as Dr. Kissinger said, there has been continuity between the last administration and this one in a number of areas, there have been some minor modifications here and there. For example, Henry Kissinger's birthday is no longer a national holiday. (Laughter) Under the previous administration when there was a report that something had happened in international affairs and the source was a high governmental official, there was no mistaking who that was. Today, if you hear a similar report, that high governmental official may be a clerk in the State Department who had a few too many. The press has also become a bit wary since Henry Kissinger left. This was epitomized the other day in Washington when a fellow read in the local papers that he was dead. He telephoned and asked to speak to the reporter who had written the story and told him that it wasn't so. And as he reported it, there was a long pause at the other end of the phone and the reporter asked where are you calling from? (Laughter)

About seven or eight months ago, I was asked to join Ambassador Ellsworth Bunker in

negotiating these treaties. I told the president at the time that I felt like the youngster who had sat on the bench of his football team all season waiting to get into the game and finally at the last game of the year, the team well behind, the coach looked over and beckoned the youngster forward. He put on his helmet and came over breathlessly and said, what do you want me to do, coach? And the coach said, we've run out of timeouts, get in and get hurt. (Laughter) If you have been following the Panama Canal situation closely, you'll understand the analogy.

But I accepted with alacrity and enthusiasm and eagerness because during my stint as Ambassador to the Organization of American States and more recently during the past three years as Chairman of the Commission on United States-Latin America Relations, I have come to hold three very deep convictions about what we have at stake in the Panama Canal negotiations and why we had to deal with the matter on an urgent basis.

First, the issue of the Panama Canal is far more than an issue between the United States and Panama. As Dr. Kissinger has said, it involves the United States on one hand and all of Latin America on the other, because it's on this issue that all the countries of the hemisphere have made common cause. They've joined together in denouncing what they regard as this last act of colonialism in the hemisphere and are determined that they will stand together in order to arrive a new treaty which will be, in their judgment, fair to Panama and its aspirations.

So we ought to make no mistake about it, if we do not find a mutually agreeable basis for a new

treaty arrangement, we will confront not a little country of 1.7 million people, but most of the countries of the hemisphere. By the same token, if we go forward with these new treaties which are, we believe, mutually fair and appropriate, then we can be ushering in a whole new era in U.S.-Latin American relations.

The second point, from the beginning our only interest in the canal has not been who owns a particular piece of excavation or who has sovereignty over a particular piece of territory, but how can we assure a canal which remains open, secure, accessible, and neutral. That's why we put the canal in to begin with. And I submit to you that the greatest threat to that openness and security would be to try to insist on living with an anachronistic outmoded treaty whose provisions have triggered so much hostility and resentment in the past and can do so, so easily again in the future. Putting it another way, the surest way to preserve what we regard as important in the canal is to get the cooperation of the Panamanian people by entering into a new treaty arrangement.

That leads me to the third. If we are to get such a treaty, and we think we have in these terms we have reached, then we will have properly taken into account the just Panamanian aspirations and will have fully protected our own requirements in the canal. We think that the treaties which we have arrived at do indeed properly preserve our interests, guard them as they must be guarded, and at the same time properly take into account the Panamanian aspirations.

Now against the backdrop of those three points, I must tell you what you know so well, that this



Panama Canal issue is not always responsive to rational, logical argument. We've made it such an emotional, divisive issue in this country. It's almost Pavlovian. You say the words Panama Canal and get a reaction. You may have seen the cartoon of *The New Yorker* a few months ago. It shows two fellows leaning on the bar and one is saying to the other, "I don't know what's the matter with me. For 30 years, I never thought about the Panama Canal and now I can't live without it." (Laughter) Well, somehow we've got to get through, somehow we've got to get through rationally, logically, thoughtfully to the people who today can't live without it and ask them to reexamine their predilections at the moment.

What I propose to do with you is touch on three major points and then lay out for you briefly the terms of the treaties. First, how did we get where we are in Panama? Second, what are the main objections that you hear asserted most frequently against these treaties or against the new treaty arrangement? And third, what do the treaties provide?

First, how did we get where we are? And I want to say to you, this look back at history is not out of a sense of guilt or breast-beating, but because we need a sense of perspective to understand why the Panamanians feel so deeply, why Latin America feels as it does, why we have to do something about a new treaty arrangement.

In the middle of the last century, we began to recognize that we would need some kind of a canal to connect the Atlantic and Pacific Oceans across the isthmus. And this was dramatically

underlined when during the Spanish-American War, the battleship Oregon took 67 days to get from the West Coast to its battle station on the East Coast. Now some time before that, the French Canal Company had undertaken to put in a sea level canal in the province of Columbia, then known as Panama. And after many millions of dollars and thousands of lives and the countless agonies and frustrations of geography and technological challenge, the French quit – quit because of disease, quit because they couldn't manage to overcome these hurdles, quit because they ran out of money, and quit finally because they lost their will and morale.

At that point, an engineer working for the French Canal Company named Philippe Bunau-Varilla thought it would be a good idea for the United States to take over the work that had been carried on by the French Canal Company and complete the canal. So he came to Washington and talked to important people in our government such as Mark Hanna and eventually persuaded the United States to offer to Columbia a treaty whereby we could carry on the work of the French Canal Company. That treaty was unanimously rejected by the Columbian Senate. It called for 100-year term. It provided for \$10 million down and \$250,000 a year.

At that point, Mr. Bunau-Varilla had an even better idea. He said he had reason to believe that the province of Panama might be ripe for revolution. And if such a revolution occurred and if a new country of Panama came into being, he thought a favorable treaty could be negotiated. So on November 4, 1903, with the knowledge, if not the acquiescence of the United States, the province of Panama declared its independence from Columbia. Four days later, we recognized

the new country of Columbia. Twelve days later, Mr. Philippe Bunau-Varilla now Minister Plenipotentiary on behalf of the new country of Panama, signed a treaty with the United States called the Panama Canal Treaty. They signed it at night so that they might do it before the official representatives of the new Panamanian government would not be able to get to Washington in time and interfere.

The treaty provided for this. That it would be in perpetuity. It made the same financial arrangements as had been offered to Columbia, but instead of a six-mile wide swath through the country, it offered a 10-mile wide. And it said that the United States would have the rights, power, and authority it would have if it were the sovereign. Those words are important and I'll come back to them.

The treaty was ratified and in 1904 we started construction. And in 1914, the canal was opened. We had done the impossible. We conquered disease and the technological and geographical obstacles. We did what no other country in the world could have done, we thought, and we were deeply proud. And we had good reason to be deeply proud ever since. I don't know whether you've ever seen the Panama Canal, but you can't see it without a deep sense of pride. It's one of our superb and lasting accomplishments. It is truly our moon shot of the early 1900s. This intricate system of artificial lakes and hydraulics and ways of moving a ship upland for 50 miles from ocean to ocean is a dazzling performance – one that is lastingly a matter of pride for all Americans.

And there's something else we've had reason to be proud of – we've run it as a public service for the world. We haven't tried to make money out of it. We've fixed tolls at rates that would recover costs and return a very modest return and world shipping has benefitted. Just to give you an idea, when the canal was opened, the toll was \$1.20 per Panama Canal ton. Today it is \$1.29 per ton.

While the canal has been, however, this deep source of pride to us in the United States, it has also been something else. It has been a troubling and festering presence in Panama because in Panama, in this zone that we carved out for ourselves, we established our own courts, our own schools, our own police, our own fire systems. We assumed complete jurisdiction so that a Panamanian picked up for a violation in the Panama Canal Zone was tried by an American judge under American laws, sent to an American jail. In short, in the eyes of the Panamanians, we had carved out a large part of their country, 550 square miles, stamped it Made in the United States and asserted our control over it.

And predictably, the Panamanians resented it. So from time to time, this resentment burst into hostility and occasional violence and the worst was in 1964 when violence did take place and 24 people were killed – 20 Panamanians and 4 Americans. And it's at that point that President Lyndon Johnson recognized that we must at long last negotiate a new, a fairer Panama Canal Treaty. Negotiations have been going on ever since. This is almost 14 years that negotiations have been in progress. Ambassador Bunker was appointed in 1973 and I joined him about seven

or eight months ago.

Now, if that's the historical background, what are the arguments you hear most frequently about a new treaty? Why not enter into a new treaty? Let me touch on what I think are the three or four most, that you hear most and the reasons they are asserted. The first one, the sovereignty one, in other words, it's ours, we built it, we paid for it, we ought to keep it, we own it. You heard that during the presidential campaign last year.

What are the facts? Well, let's look at it objectively. Let me remind you that the treaty itself does not say that sovereignty is transferred to the United States, but certain rights, powers, and authority which the United States would have if it were the sovereign. I submit to you that if the United States had acquired sovereignty, you would never have needed those words. And we recognize that right from the beginning. The ink was hardly dry on the treaty before Secretary of War Taft wrote to the president that titular sovereignty over the canal has been preserved in Panama. In 1936, we entered into a treaty of friendship with Panama. And in it we said that this was territory of Panama under the jurisdiction of the United States. Ten years later, here at the United Nations, John Foster Dulles told the general assembly that Panama had never given up its sovereignty over the canal and the Canal Zone.

Well, people say to you if we do this, next we're going to be giving up Alaska and Louisiana. Again, let's look at that. In the case of Alaska, Louisiana, and Texas if you will, we acquired

property rights. We acquired title to territory. In the case of Panama, we got rights as if we were sovereign and the distinction is fundamental. In the other cases, we paid them a sum down as a purchase price. In the case of Panama, we made a down payment and an annual payment which has been going on every year.

Something else you ought to know. If a child is today born to non-American parents in the Panama Canal Zone, he's not an American. For purposes of mail, when you write a letter to the Panama Canal, the Panama Canal Zone, you're writing to a foreign country. For customs purposes, the Panama Canal Zone is foreign territory. So even though we have indeed had jurisdiction over the Canal Zone from the beginning, we don't have sovereignty today and have never had it.

The second argument that you hear, aren't we going to be impairing our national security if we enter into these treaties? And that's a perfectly proper and indeed very significant question. Let me just tell you on that score, every step of the way in these negotiations, the Chiefs of Staff and the Department of Defense have been intimately involved. There is no provision in these new treaties affecting national defense and security that did not have the approval of the Joint Chiefs and the Department of Defense before they were put into the treaty drafts.

If you were watching television a couple of days ago, you would have heard the Secretary of Defense and the Chairman of the Joint Chiefs and the Chief of Naval Operations and the Head of

South Common Panama all say the same thing – that under these new treaties, not only do we preserve our national security interests, we enhance them. And that comes to you from the people who have been most intimately involved and who are charged with the responsibility of our national defense.

The third point, won't it have an adverse effect on us economically? Well, again let's look at that. With the passage of time, the canal has become of course less important to us economically. Supertankers can't go through anymore than large aircraft carriers and so forth. Large vessels simply can't get through the canal. To give you an idea of its usefulness today, 7% of our international maritime trade goes through the Panama Canal, 4% of the trade between the East Coast and the West Coast traverses the canal. So you can see that even though it still does have some economic significance, to a very substantial extent the canal is economically obsolescent even though we know that in the next several years there will be large shipments probably of Alaskan oil coming through the canal.

Now the fourth point that is frequently asserted, if we're going to have a new canal treaty, why do we want to have it with this government? Why do we want to have it with General Torrijos who was not duly elected, democratically in his country? In the first place, as you will soon learn, the treaty provides, the Panama Canal Treaty provides that we are maintaining full responsibility for operation and control until the year 2000.

The second point, what General Torrijos and his government have been asserting is what every Chief of State of Panama has been saying almost from the time the treaty was negotiated. These are the aspirations of the Panamanian people. These are concerns that have been expressed by them through every leader they have ever had. And if General Torrijos were today replaced by somebody else, he would be asserting precisely the same concerns and the same requirements. Moreover, you ought to know that these treaties will be submitted to a plebiscite in Panama next month and the United Nations has been invited to send observers to assure that the plebiscite is properly conducted and that the people of Panama have a free opportunity to express their will.

Now against all that, let me now tell you a bit about what the treaties actually say, and I'll do it very briefly. There are, as I say, two treaties. One, the new Panama Canal Treaty. It runs for 23 years and it says during that 23-year period the United States shall have primary responsibility for the defense of the canal. There's a status of forces agreement which we have negotiated which we have negotiated exactly the same as the status of forces agreements we have where we have troops anywhere else in the world.

Second, during that 23-year period from now until the year 2000, the United States is responsible for the operation, maintenance, and control of the canal. This will be asserted through a United States agency. That agency will have a board of nine members, all to be appointed by the United States – five United States members and four Panamanian. From now until 1990, the administrator operating the canal under that board will be an American and the deputy will be a



Panamanian. From 1990 to the year 2000, the administrator to be appointed by the United States will be a Panamanian; the deputy will be an American. And that is the way the canal will be operated and defended from now until the year 2000.

We've also worked out agreements with reference to jurisdiction. We'll be turning that over to Panama over the three years after the treaties are put into effect. And we have, we think, very carefully worked out proper protection for the rights – criminal and civil – of all Americans in what is now the zone.

In connection with the economic arrangements, we have agreed to pay to Panama substantially more than she has been getting for the use of her territory. We are now paying \$2.3 million a year and that's up considerably as you see from \$250,000 with which we started. But \$2.3 million a year comes to \$6 an acre and we have long recognized that we had to pay much more than that if we were properly to compensate Panama for the use of its land.

So we have a three-part arrangement. First, we're going to be paying – and everything I'm going to tell you now must come out of the operation of the canal – there is not to be a cent of appropriation required in order to make these payments to Panama. First, \$.30 per Panama Canal ton, for every ton that goes through the canal. Second, an additional sum of \$10 million per year. And third, if the canal earns it, another \$10 million but no higher than that. But that, again as I want to emphasize, means that these additional payments will be paid to Panama out of the

operations of the canal.

In addition, we have worked out, or there has been worked out, separate from the treaty, an Economic Arrangements Package, and I want to mention it to you because even though it's not part of the treaty, you and the American people ought to know about it. Arrangements have been made for some \$300 million in economic help through...through loans or guarantees – loans or guarantees to Panama from the Export-Import Bank, from the Housing Investment Guarantee of AID and from OPIC. Some \$300 million over a 10-year period as loans or guarantees, not one cent of grants. In addition, there will be a \$50 million Military Assistance Program over the next ten years also on credit as a loan to the government of Panama to help them defend the canal when the time comes.

One other point that I ought, two other points I ought to mention to you, the employees, the U.S. employees in the zone, you know about the Zonians. You know about their concerns. I say to you that we have, in excellent measure, preserved their rights. The Americans now working for the Canal Company will be assured of remaining on their jobs there in the zone at the same pay with the same privileges with a few minor modifications until the end of the Panama Canal Treaty. If they leave their jobs, they get priority for other governmental jobs. New employees coming in, new Americans coming in will be rotated every five years. But in general, they have been well-protected we think, and the AFL-CIO which has been involved with us in advising of the negotiations fully approves the terms we worked out.

One other point in the Panama Canal Treaty itself, the sea level canal about which there's been so much discussion, the treaty provides that the United States and Panama will together undertake a feasibility study regarding a new sea level canal. If that study suggests that it's necessary and desirable, then we'll negotiate mutually agreeable terms and conditions. We have the commitment of Panama not to negotiate with any other country for such a sea level canal during the term of the treaty. And in turn we have agreed with Panama that we will not negotiate with any other country in the hemisphere for such a sea level canal. Those are the essential terms of the Panama Canal Treaty.

Now the Neutrality Treaty, the other treaty about which there has been such considerable discussion particularly in the questioning of Secretary Kissinger earlier. Three important points you should know about the Neutrality Treaty. It's permanent. It goes on forever. It provides for the United States and Panama to maintain the neutrality of the canal permanently. Under the Neutrality Treaty, and particularly Article IV that reference has been made, the United States is in a position to take such action as it may deem necessary to assure the continued neutrality of the canal against a threat or attack from any source. That's the clear meaning, the clear intention of Article IV of the treaty. Second, the United States is assured of expeditious passage of its war vessels and auxiliary vessels in peace or war whenever it's necessary. Third, this treaty, the permanent Neutrality Treaty will be presented for adherence and approval to all of the countries of the world at the OAS. All the countries in the world will be asked to adhere to the treaty, to endorse its terms, and in effect to commit themselves to abide by its neutrality provisions. That's

the essence of the Neutrality Treaty.

I must tell you candidly we're very proud of these treaties. We think they're fair. We think they're equitable. We think they fully preserve our interests. We think they take into account the concerns of Panama and do so on a basis that does us both honor and pride. If we go forward with these treaties – and we may be at a unique time not only in this hemisphere but indeed in world affairs – we may be able now to show the world how a large nation and a small nation can together resolve a long-festering problem and do so with mutual respect. We're going to be able to show how at long last the United States is going to be willing to enter into a new arrangement which the other countries of the hemisphere believe to be in our mutual best interest. And we're going to be able to show, as Bill Buckley has well said, how a great nation should act.

I think Theodore Roosevelt, with whom it all started said it very well. He said the United States does not have an option as to whether it will or will not play a great part in world affairs. Fate has made that determination for us. The only question is will we play that part well or badly.

Thank you. (Applause)

#### QUESTION AND ANSWER PERIOD

CHAIRMAN TIM DUNLEAVY: Thank you Ambassador Linowitz. And we'll now turn it back to Mr. Spivak and to Mr. Peterson.

PETER G. PETERSON: Mr. Ambassador, within eight months after taking office, Ambassador Bunker and yourself brought 14 years of treaty negotiations to a final conclusion. Now perhaps this was solely the result of brilliant negotiation and knowing you and your great record, perhaps that's the case. But I think, Sol, a fair question might be were there also some new foreign policy considerations? Were there some new pressures? And were there some new concessions that helped bring about that quick action? And I don't know whether you can answer this presumptuous question but I guess what I'm asking you is in what specific ways was this agreement different than those that preceded it that were in effect unacceptable to one party or the other?

THE HONORABLE SOL M. LINOWITZ: There's some aspects of this which I can't discuss here obviously but I can merely say this to you. The Neutrality Treaty was a major breakthrough. When we found that we could enter into an arrangement with Panama which would give us permanently the right to play a role in assuring the continued neutrality of the canal, then we knew that we were on our way toward a new treaty arrangement. We had never had that indication from Panama before. Neutrality is defined in the treaty as meaning a secure, open, accessible, efficient canal. And when we were given that as part of the terms which Panama would find acceptable, we were able to move further than we had before. Second, we had insisted that before we could really come to terms on a number of the other aspects which had been the subject of intensive discussion, debate, and disagreement for past months, we would have to know that the United States' responsibility for defense of the canal and the operation and

control of the canal, until an indicated date, which we agreed should be the year 2000, would be clearly and unmistakably recognized. When that too happened, we were able to move much more quickly. So what really happened, Pete, I think was that the timing was propitious, both countries made clear their willingness, their determination to find a basis for a new treaty, and in that atmosphere we were able to make a great deal of progress and eventually reach agreement.

LAWRENCE E. SPIVAK: Ambassador Linowitz, on the one hand you say that the canal is obsolescent which suggests that in 20 years it may be obsolete. And on the other hand, you say we have perpetuity to protect ourselves. Which is it? Is the canal going to be of no use at the end of 20 years to us? Or is it of very little use to us now as you seem to indicate? Or do we need the right to protect it forever and ever and ever.

THE HONORABLE SOL M. LINOWITZ: Mr. Spivak, we don't know what the situation will be in the year 2000. What our charge was, was to assure that if it is important to us, if it has usefulness, that our rights will be fully preserved. It may be that by the year 2000 there will be a new sea level canal and this canal will not have that kind of significance. But we don't think we would be fulfilling our responsibility if we took that chance. So what we have done is preserve to the United States whatever rights it might require after the year 2000 if the canal is still of any significance to us.

LAWRENCE E. SPIVAK: Ambassador Linowitz, don't you think that one of the things that has

aroused the enmity of people towards the ratification is the fact that you and others refer to our relationship with the Panama Canal as the last vestige of colonialism. Now do you believe that we have committed some moral wrongs in what we've done in Panama? Isn't Panama one of the richest countries in Latin America per capita? Haven't we poured millions and millions of dollars and haven't we an installation now that's worth about \$6 billion to \$7 billion that we're going to turn over to them? Why do you and others say that we've been guilty of this immoral act in the years that we've been there?

THE HONORABLE SOL M. LINOWITZ: I didn't, Mr. Spivak. I'm just amused. I remember Sam Goldwyn used to say, for your information, I'll ask a question. (Laughter) But let me just say what I did say. I said that Panama and countries in Latin America look upon this as a vestige of colonialism.

LAWRENCE E. SPIVAK: How do you look upon it?

THE HONORABLE SOL M. LINOWITZ: I don't look upon it as colonialism.

LAWRENCE E. SPIVAK: Why do you quote them then?

THE HONORABLE SOL M. LINOWITZ: Because that's what we have to understand if we're going to understand why there is such impatience, why there is such a high feeling, and why

there is the danger that if we don't make a new arrangement, we're going to find ourselves in a troublesome situation.

LAWRENCE E. SPIVAK: Well, if that is the case, why do wait 20 years? Why don't we get out now?

THE HONORABLE SOL M. LINOWITZ: Because we don't think that the time is right. Panama will have to be trained to be able to take over the canal and operate it efficiently. We want to be sure that when that transfer takes place, they will be able in every respect to defend, operate, maintain the canal.

LAWRENCE E. SPIVAK: How sure are you that they're going to be able to do that in 20 years?

THE HONORABLE SOL M. LINOWITZ: We're going to do our best to make it happen, together.

LAWRENCE E. SPIVAK: Suppose, yes, but suppose they're not. What then?

THE HONORABLE SOL M. LINOWITZ: Mr. Spivak, we'll have another session of the Economic Club then, we'll talk about it.



LAWRENCE E. SPIVAK: I won't be here.

THE HONORABLE SOL M. LINOWITZ: I really don't know.

LAWRENCE E. SPIVAK: No, I just, you've made a great deal about the question of maintaining neutrality as though that was a matter of importance to use. What in the heck do we care whether somebody else in times of war uses it so long as we do, and keep them out. Henry said a few minutes ago that it would serve us right if we didn't keep them out long before they got anywhere near the canal. But why has this issue of neutrality become such an important one in our right to intervene? And your statements that Article IV gives us that right, I don't read it – to be perfectly frank with you – I don't read Article IV that way at all. And I wonder whether that oughtn't be clarified.

THE HONORABLE SOL M. LINOWITZ: Can I take them one at a time?

LAWRENCE E. SPIVAK: You can take the last one first.

THE HONORABLE SOL M. LINOWITZ: Alright, so if I take the last one first...

LAWRENCE E. SPIVAK: Take Article IV first.

THE HONORABLE SOL M. LINOWITZ: Article IV provides that the United States and Panama agree to maintain the regime of neutrality established in the treaty so that the permanent neutrality of the canal may be maintained. Neutrality is defined in the treaty as an open, efficient, secure, neutral canal. There's not the slightest question but that the interpretation of that language is precisely what I've indicated. If there were, then General Torrijos would not have said what he did when he was here in the United States, in Washington, for the signing of the Panama Canal Treaties on September 7. And let me quote you what he said exactly. He said, "Under this neutrality pact, we are placing ourselves under the protective umbrella of the Pentagon. This pact, if not administered judiciously by future generations, can become an instrument of permanent intervention." And he's exactly right.

LAWRENCE E. SPIVAK: But what about the chief negotiator, Dr. Escobar, who says that that's not so at all, that we have no right of intervention, and he negotiated the treaty.

THE HONORABLE SOL M. LINOWITZ: Mr. Spivak, Ambassador Escobar made his comments on August 19. General Torrijos said what he did on September 7. To make sure you keep the record clear, Ambassador Escobar works for General Torrijos. (Laughter) And I think that you must recognize that – and this is a very important point for us to know in this country – Panama is going to have a difficult time with the plebiscite. There are many people in Panama who feel that the terms that were negotiated were too generous to the United States and the ambassador here can confirm that to you because it's taking place in Panama right now. There

are dissident voices. There are groups. There are students. There are others in the country who are asserting their objections to these new treaties because they say too much was given.

Therefore, in the course of the deliberations and the discussions and the debates, it is not unlikely that in the future, as in the past, we will hear voices of people who are trying to sell the treaty and put the best face on it possible for purposes of assuring requisite ratification by the plebiscite. I can only say to you that in the words of General Torrijos and in our own understanding, there is no mistaking what that article means.

PETER G. PETERSON: Sol, since this is the Economic Club, I suppose I should ask you a couple of questions on economics instead of national security and high politics. I have two brief ones. First, as I understand it, the tolls are expected to increase by 30% or thereabouts, and I'd like to know what you believe to be the domestic economic impacts on various ports in the United States, various products such as Alaskan oil and so forth. Secondly, as I read the agreement with regard to future escalation, we seem to have accepted a principle of indexing as a way of increasing the tolls in the future. Now is that all that much different from what the Shah of Iran is talking about on oil? And do you think there's any possibility that this agreement, which is after all an international one, might undercut our arguments on oil and other commodity agreements that are currently very controversial?

THE HONORABLE SOL M. LINOWITZ: If you think you're going to get me into that...

PETER G. PETERSON: Listen, Sol, you and Kissinger are from A to B and he and I are supposed to represent X to Z or something...

THE HONORABLE SOL M. LINOWITZ: Let me come back to your first one, or do you want me to start with the second one?

PETER G. PETERSON: Either one.

THE HONORABLE SOL M. LINOWITZ: Let me come back to your first one about the tolls and what the effect is going to be. We don't yet have a calculation of how it will affect all the specific ports, but there have been very careful studies made of how much of a toll increase can be made effective without affecting adversely passage through the canal. We are assured that this kind of an increase, 30%, will not have any significant impact on passage through the canal. We don't know what the effect of the Alaskan oil will be except that we anticipate it will make a considerable difference. Some estimates have been that it will mean \$25 million a year more in tolls as a result of the Alaskan oil. We don't know what the figures are. All these will have to be calculated before we really are in a position to decide what the toll increase should be, but at the present time it looks like it will be 25% or thereabouts, 30% perhaps. Now on the indexation, it's distinguishable, I think, from any other kind of a negotiation. We're talking here about how to preserve for Panama what is in essence the \$.30 per ton we are agreeing to pay in today's dollars. Obviously, it would not make sense for either of us if inflation in the future should cut that \$.30

down to \$.10. So we have agreed that the wholesale price index will be – for manufactured products – will be used and we will take a look at it. We will wait five years and then every two years thereafter we'll take a look and see whether there ought to be any change in the toll one way or the other to affect what has happened to the wholesale price index for manufactured products.

LAWRENCE E. SPIVAK: Now I ask you...we were given a 10:00 deadline, now I ask you two last questions. One, the Panama Treaty signed by the president, we're told were in the national interest and should be ratified by the Senate. Now of all the arguments for the treaties, which do you consider the most compelling in the national interest?

THE HONORABLE SOL M. LINOWITZ: Mr. Spivak, there's only one reason why the American people and their representatives ought to approve these treaties – if they are convinced that it's in our highest national interest to do so. If that case is not made, they should be rejected. I deeply believe that they are in our highest national interest. First, because they will assure us of the kind of canal we need – an open, secure, efficient, accessible canal, for as long in the future as we may require it – far better than to try to live with this old treaty. Second, because they put us in the position of working in a far better relationship with all the countries of Latin America in developing a hemispheric policy which will pay dividends in countless ways in the future once we have resolved this long smoldering issue. Third, because it is in the highest interest of the United States when circumstances change and times change to reexamine its commitments, to

reexamine its treaty arrangements, and to do what seems to be best for the United States. We've done that in the past. We've embarked on new undertakings when we thought it was important for the United States to do so. The time has come – indeed it has passed – when the Panama Canal Treaty needs to be reexamined, renegotiated, so that we can feel good about it ourselves. In short, the Panama Canal Treaties that we have now compacted, I think, are in our highest national interest because our highest national interest is in dealing to preserve that which is important for us, to take into account what the other country to a dispute feels it's important to it, and to do so in a manner that becomes a great nation.

LAWRENCE E. SPIVAK: Now public sentiment is still pretty heavily against you. What argument of your opponents has been giving you the most trouble? And after you've stated it, you can answer it.

THE HONORABLE SOL M. LINOWITZ: I think I really, Mr. Spivak, tried to deal in my opening remarks with the issues that I thought were the most important ones to deal with. The sovereignty issue has to be dealt with. The security issue, I think, is probably the most important because it generally concerns and should concern most people. I think if I were to place my finger on the one that really needs to be made clear to the American people, it's that with these new treaties, we are not diminishing in any respect our national security, but are enhancing it. This message, I think, has to be communicated and the American people have to believe it because I think once that happens, then we'll get the support we need and I think ratification will

be assured. (Applause)

CHAIRMAN TIM DUNLEAVY: On behalf of the Economic Club of New York, I would like to express our sincere gratitude to both Dr. Kissinger and Ambassador Linowitz for giving us such a lively, provocative evening, and to Mr. Peterson and to Mr. Spivak for their thoughtful questioning. Now, ladies and gentlemen, I declare this meeting adjourned.