

**POST-1999 U.S. SECURITY AND COUNTER-DRUG
INTERESTS IN PANAMA**

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POST-1999 U.S. SECURITY AND COUNTER- DRUG INTERESTS IN PANAMA

Thursday, July 29, 1999

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C.

The Committee met, pursuant to call, at 10:40 a.m., in Room 2172, Rayburn House Office Building, Hon. Benjamin A. Gilman (Chairman of the Committee) presiding.

Chairman GILMAN. The Committee will come to order. This morning we will be examining post-1999 U.S. security and counter-drug interests in Panama. I will be brief as we have two excellent witnesses who have been able to join us this morning.

At the end of this year, there will be no American troops in Panama for the first time since 1903. Yet, our own drug czar, General Barry McCaffrey, has called the narco-guerrilla crisis next door in Colombia a "serious and growing emergency". The United States military is turning over our facilities, valued at some \$5 billion, to Panama on schedule. The Panama Canal Treaties will be implemented to the letter, and that is appropriate.

What is not appropriate, however, is for the U.S. Government to turn our backs on Panama. Just as Panama is about to exercise full sovereignty over its territory, that country finds itself in a very dangerous neighborhood. The framers of the 1977 treaties could not have foreseen neighboring Colombia's drug-fueled agony; nor the sophistication of the drug cartels' corrupting, criminal reach. Nonetheless, under the treaties, our Nation will still protect the Panama Canal.

Although the treaties provide that the United States and Panama can extend the U.S. military presence in Panama beyond 1999, no agreement has been reached.

Howard Air Force Base was the crown jewel in our fight against narcotics. Panama is a critical choke point in a region that produces all of the world's cocaine and three quarters of the heroin sold in our Nation. Sitting on the drug-producing nation's doorstep, Howard's 8,500-foot runway saw 15,000 flights annually. That base could handle up to 30 helicopters and over 50 planes. Our Nation should not have put itself in a position of closing down Howard on May 1st. Our Government is now scrambling to conclude hasty agreements with the Netherlands Antilles and Ecuador for forward bases from which to deploy military and civilian antidrug forces. Quite simply, those plans cannot replace our strategic infrastructure in Panama.

I closely followed former Ambassador Ted McNamara's considerable efforts to conclude an agreement for a continued U.S. presence in Panama. Regrettably, those efforts did not result in the promised Multilateral Counter-narcotics Center, the MCC. Those negotiations became entangled in Panama's internal electoral politics. We even met with the Foreign Minister about a year ago, who assured us that he was supportive of trying to bring the MCC into Panama.

However, the Department of Defense, and in particular our Air Force, did not provide the support, the flexibility, and the creative diplomacy that were needed to secure this vitally important continued U.S. presence in Panama.

Last October, I introduced H.R. 4858, the United States-Panama Partnership Act of 1998, offering Panama the opportunity to join Canada and Mexico in forging a new, mature, mutually beneficial relationship with our Nation. In exchange, this legislation asked Panama to remain our partner in the war on drugs by continuing to be a host of our U.S. military presence after 1999.

I note it is not too late. We can and we should extend America's hand to forge a new partnership in Panama in the 21st century. [The statement of Chairman Gilman appears in the appendix.]

Chairman GILMAN. Today we will be joined by two distinguished panelists, who we will introduce in just a moment. I ask our Ranking Minority Member, Mr. Gejdenson if he has any opening remarks.

Mr. GEJDENSON. Thank you, Mr. Chairman. It is a pleasure to have Ambassador McNamara here, and General Joulwan. It is clear that there has been a change in the region; Panama is regaining its control of the canal and the assets in the region. I am with Senator Helms on this one. It is better to sign no agreement than to sign a bad agreement. I think that some of what you are seeing in Panama today is that they are figuring out maybe they should have been a little more accommodating in their negotiations.

I also understand that as we look at the options before us, that we will be able to handle in the plan that is presently before us between 110 and 120 percent of the operations that we previously had in Panama. So, I think that at the end of the day, we actually strengthen ourselves by broadening our positioning in the region, and by having the Panamanians recognize that they may have missed an opportunity here; that our ability to do drug interdiction will be just as strong; that we will, in future negotiations with the Panamanians, have Panamanians who recognize much more realistically the value of their assets. I think they thought we would pay any price and do anything they demanded in some kind of psychological panic over no longer controlling the area around the canal and having those assets.

I think that the kinds of decisions you made in this process are the ones that will strengthen us in long-term negotiations, and inevitably will give us a much better agreement and relationship with the Panamanians. Their new authority gives them the right to say no to us, but that also means that American military personnel will not be there spending the dollars that keep their economy moving, and they are going to miss that.

I look forward to hearing from our colleagues here and commend them on the work they have both done today.

Chairman GILMAN. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you, Mr. Chairman. The Panama Canal is still one of the world's key strategic waterways, and Panama itself is in a strategic position, and important to the United States of America in terms of our national security. However, the canal, for all practical purposes, is now, from what I can see, falling into the hands of Communist China through the Hong Kong-based Hutchison—and I think it is Whampoa—and I guess probably our witnesses will give me a good pronunciation of that company, which has close ties to the People's Liberation Army.

In a controversial under-the-table deal with the Chinese, they were granted a 25 year lease with an additional 25 year option for control of the canal's Atlantic and Pacific Ocean ports and other facilities. The Chinese are currently conducting major construction and port facility expansion in Panama. In addition, Chinese companies tied to the People's Liberation Army are becoming alarmingly active in Panama.

China's flagship commercial shipping fleet, the China Ocean Shipping Company, COSCO, is directly connected to the People's Liberation Army and the Chinese Communist Government. COSCO ships have served as carriers for massive smuggling operations around the world, including to the United States, where we have found weapons, automatic weapons, being smuggled into the United States by COSCO, drugs, even illegal aliens. This organization, COSCO, is deeply involved in the strategy in Panama.

The war in neighboring Colombia, in terms of Panama, against well-armed narco-terrorist forces with ties to Cuba is escalating, threatening to spread throughout the region. This makes Panama's role even more important. Panama does not have an army or a navy or an air force. The Panamanian Government doesn't have the military, but it does have an ongoing reputation for corruption and mismanagement. Chinese organized crime organizations are active, and there is all kinds of evidence of drugs and gun smuggling and, as I said, even large-scale illegal alien smuggling going through China. We also are aware that the Russian Mafia now is active in Panama, supplying weapons to Colombian narco-terrorists.

This is not a pretty picture, Mr. Chairman. What was an inspiring story in Panama of enterprise and achievement for the United States is very slowly but surely turning into a horror story of peril and danger for the United States of America. Mr. Chairman, when there is a vacuum left by the United States, it seems that Communist Chinese and other very active elements in this world are ever more ready and willing to fill that vacuum, and as we move out of the Panama Canal, and out of Panama, we cannot let forces that are hostile to United States, who would do us damage, fill that vacuum.

We can't even close our eyes to the fact that the corrupt nature of some of the deals that have been made down in Panama, that some people supposedly representing the Panamanian Government may actually be making deals that are contrary to the interests of

the people of Panama itself, and especially contrary to the national security interests of the United States and Panama.

We have had a very long history with the Panamanian people, and certainly I think that we have to consider the Panamanian people our friends. The alarm bells that I am sounding today are aimed as much at our security, but also at the security of the Panamanian people to control their own destiny. There are only a couple million Panamanians, and in trying to deal with forces as powerful and as wealthy as those within Communist China, and these narcotics terrorists down in Colombia, this is something that we should be very concerned about.

We are facing this peril now, not only from Cuba, where the Communist Chinese are involved with building communications and intelligence facilities right adjacent to the Russian massive electronic spy center in Lourdes, Cuba, but now here in Panama as well. So this is a long-term danger to the United States, and it is right here on our doorstep. I applaud you, Mr. Chairman, for holding this hearing and calling America's attention to the situation in Panama.

[The prepared statement of Mr. Rohrabacher appears in the appendix.]

Chairman GILMAN. Ms. Danner.

Ms. DANNER. Thank you, Mr. Chairman. I would very much like to associate myself with the remarks just made by Congressman Rohrabacher. I certainly agree with his comments. I question whether we have had, as a Nation, the forward-planning that some of the other nations have made with regard to their futures, not looking just at the present, but at the decades to come, and that is a concern that I have. So I am very pleased that we are going to be addressing that issue, and hope that we can find a solution that benefits not only those of us who reside here in the United States, but the global family as well. Thank you, Mr. Chairman.

Chairman GILMAN. Mr. Burr.

Mr. BURR. I thank the Chairman. I thank my colleagues for their comments. Mr. Chairman, I thank you for this hearing.

Welcome, General and Ambassador. I think the need for this hearing is evidenced from the comments of the Members of Congress and by your presence here today. Clearly this reversion of bases and the leaving of a military presence there is a challenge for us as it relates to our future in that region and how we handle the challenges that we know are present before us today, and those that are unforeseen today.

Clearly, Congressman Rohrabacher has raised a concern that I think most of us share about the Chinese presence in the canal. But I think that our long-term interest is with, in fact, the canal's use and the access that we and others have to it for commerce and for other issues. Clearly, if the Chinese intent is for something else, we need to look at that and follow that extremely close.

The comments, as they relate to the drug trafficking, are an issue that every American is concerned with. If, in fact, the Panamanian people would like to see U.S. military presence back in the region, I am hopeful that we can find something to accommodate that will of the Panamanian people. In the meantime, I know that we have not left any stone unturned where our presence can

be felt in the region for the purposes of preparedness and stabilization.

I hope that this will not be the last of the hearings that deal with Panama's participation or possible future participation in the trafficking of illegal drugs. There are many efforts—certainly General McCaffrey has spoken on them numerous times—but most importantly there is a will of the American people now to stop the use and the trafficking of illegal drugs. I hope, General and Ambassador, that you will use this Committee in any way that you feel is useful in the future to make sure that the U.S. presence in that region, and the U.S. interest in that region are, in fact, furthered through the use of this Committee and this Congress.

I thank the Chairman once again for his willingness to hold this hearing to bring this issue into the forefront of people's minds. I yield back.

Chairman GILMAN. Thank you, Mr. Burr.

Chairman GILMAN. As I indicated, we are joined by two distinguished panelists. Our first witness is General George Joulwan, who is a 1961 West Point graduate, a decorated two-tour Vietnam combat veteran, the former Supreme Allied Commander in Europe, and from 1990 to 1993 was the Commander in Chief of our U.S. Southern Command in Panama. When he retired from active duty, then Secretary of Defense William Perry called General Joulwan a warrior diplomat in the best traditions of General George C. Marshall. General Joulwan was instrumental in designing and implementing our Nation's Panama-based counter-drug strategy. We welcome his testimony before our Committee this morning. Please proceed.

**STATEMENT OF GENERAL GEORGE A. JOULWAN (RET.),
FORMER SUPREME ALLIED COMMANDER IN EUROPE,
FORMER COMMANDER IN CHIEF, U.S. SOUTHERN COMMAND**

General JOULWAN. Mr. Chairman, thank you for the opportunity to appear before the Committee on International Relations to discuss Panama's importance both to U.S. national security and U.S. counter-drug operations. Although it has been 6 years since I commanded U.S. forces in Panama, I will endeavor to give you my frank, candid and best views.

But first, Mr. Chairman, I want to thank you for your constant, consistent and tireless efforts in our Nation's fight against the flow of illegal drugs into our country. There is no greater threat to our national security, and you have been on the front lines of this war for many years. I urge you, and all on your Committee, to continue your fight not only here in the United States, but also throughout the entire drug zone at the source, in transit, and along our borders.

Mr. Chairman, as you know, over 14,000 drug-induced deaths were reported in the United States for 1996. Illegal drugs cost our society \$110 billion last year. Illegal drugs are addicting our young, terrorizing our neighborhoods, and threatening our potential as a nation. Unfortunately, I said those same words 7 years ago when I testified before congressional committees as a Commander in Chief of the U.S. Southern Command. At that time, 10,000 Americans a year were being killed by illegal drugs.

In 1992, I reported to Congress that the narco-traffickers were penetrating the fragile democracies of Central America, and paying those assisting them in the transit zone not in dollars, but in cocaine. I warned of crack babies, corruption, and crime, imposed on fragile democracies ill-equipped to handle these threats. Today, unfortunately, our southern neighbors are experiencing the hard realities of an ever-increasing narco-trafficking threat.

There is no easy way, Mr. Chairman, to reduce this clear threat to our people, our national security, and, more importantly, to the stability of the Americas, North, Central and South. It will take a comprehensive strategy by the United States in order to reduce the American casualties caused by the illegal transit of drugs such as cocaine and heroin. It will take political will and bipartisanship. It will require partnership with our friends and allies. Most of all, it will take U.S. leadership and perseverance to prevail against the narco-traffickers.

It is against this backdrop of the counter-narcotic threat to our Nation that I want to address the issues before this Committee.

In my opinion, Panama has been, and still is, critical, not only to counter-drug efforts, but also vital to the global strategy of the United States.

Let me be more specific. I have already mentioned that Panama occupies a strategic location. It not only sits astride the transit routes used by the narcotics traffickers and other illegal drugs that come from the producing countries of the Andean Ridge in South America, in addition, Panama assists the United States in its global responsibilities by providing a water route for rapid reinforcement of most stable assets from either east or west coast facilities. During my 3 years as CINCSOUTH, I developed in Panama a very robust command and control capability at Howard Air Force Base in Panama. I would agree, Mr. Chairman, it is the crown jewel in our counter-drug efforts.

As I mentioned, Panama sits astride the transit routes used by the narcotics traffickers. Panama is also ideally suited to launch aircraft and other assistance to those source countries of the Andean Ridge—Colombia, Peru, Bolivia and Ecuador. No other country provides the same degree of location and infrastructure as Panama. My concern at CINCSOUTH was for both the mission and for the safety of our troops, and the base at Panama was the best option for supporting both.

During my time as CINCSOUTH, Mr. Chairman, it was clear to me that we had to attack the narco-trafficker simultaneously at the source, in transit, and along our borders. Concurrent with this simultaneous engagement, demand reduction, education rehabilitation and law enforcement had to be emphasized in the cities and streets of the United States, and the forward-deployed base in Panama was key in implementing this comprehensive engagement strategy. Early on in my tenure as CINCSOUTH, I concluded that success in the counter-drug fight would require cooperation among numerous U.S. organizations and agencies as well as the willing support from the host nations of Central and South America. The challenge was to recognize that the counter-drug fight was primarily a law enforcement effort. Law enforcement was the lead

agency, not the military, but military support was vital for success. Having a forward-deployed base in Panama played a key role.

I came up with the slogan, "One team, one fight," to emphasize the teamwork required if we were to be successful against the very robust, determined, well-resourced and brutal narco-trafficking organization. My intent was to facilitate cooperation among the disparate U.S. organizations; to focus the efforts in the region on the narco-traffickers, not on needless turf squabbles among U.S. agencies. Policy directives would come from the ONDCP and the departments in Washington, but execution and implementation would be coordinated, harmonized and directed from the forward base in Panama. Mr. Chairman, it worked. The DEA, CIA, State, Customs and numerous other organizations came together in Panama as we built the team, and it was impressive and effective.

Our first operation was called "Support Justice," and it exceeded all our expectations. We pooled our assets—DOD, CIA, Customs, DEA, State, and others—and we developed a clear footprint of narco air activity between the coca growing fields of Peru and Bolivia and the refining of cocaine in Colombia.

Chairman GILMAN. If I could interrupt you a minute. We will continue our hearing right through the votes. If our Members would go and come right back.

General JOULWAN. Working with our Ambassadors—and we briefed with maps and charts this narco air bridge to the political and military leadership of the Andean Ridge countries—the host nations then joined us in our efforts. Customs forward-deployed their aircraft in Panama and invited host nation militaries and representatives on board, as we did with our airborne reconnaissance aircraft, the ARL. U.S. radar teams were positioned in Colombia, Peru and Ecuador. Information was downlinked in Panama and provided to all participants in the drug fight. We shared intelligence through tactical analysis teams. In a short period of time that narco bridge was interdicted, the Andean Ridge countries participated in the end games, and the kingpins of the narco organizations came under attack.

The point I came to make is that this was a joint combined action, and that forward-deployed base in Panama was critical for its success. Not having that base, in my opinion, will reduce our effectiveness against the narco-traffickers. We also use the base for what we call fuertes caminos, our nation-building exercises where our reservists would come to Panama and Central America in order to train and build roads and bridges and clinics. These exercises built goodwill and allowed us to interact with the militaries in promoting democratic institutions and ideals.

I also, Mr. Chairman, worked with the Panamanians in developing a turnover of facilities. We respected their sovereignty, and it paid off. We gave every indication that the United States would comply with the Panama Canal Treaties. A 10 year timetable for reverting of the canal zone properties was provided to the Panamanians. This timetable included the turnover of key facilities such as Fort Amador and the headquarters on Quarry Heights. We also made it clear in the early days of this decade that the United States was willing to remain, if the Panamanians agreed, at a much reduced level to carry on the fight against the narco-traf-

fickers. Every indication at that time was that the Panamanian people overwhelmingly supported a continued United States presence beyond the year 2000.

Mr. Chairman, I am sure other alternatives will be found to offset the loss of the Panama base. Indeed, the fight against the narcotics trafficker must continue. But to be clear, losing the infrastructure and operating base at Howard Air Force Base in Panama will effect the prosecution of this country's war on drugs. Therefore, I urge, as you have stated, continued efforts to build the strategic relationship between Panama and the United States. It is in Panamanian and Latin America's interest, as well as the United States, to eliminate this insidious threat to the democracies and their hope for the future.

Mr. Chairman, Panama and the United States share common values and ideals, and in many respects a common history. Panama was, is, and will remain a strategic location for the United States. As such, it will be subject to threats from the border it shares with an unstable Colombia, from terrorism, from crime, corruption, and money laundering. Panama, as was mentioned, has no military and a fragile evolving police force. We, the United States, have every reason to do all we can to ensure not only the implementation of the Panama Canal Treaties, but the reforging of a strategic partnership with Panama based on mutual trust and respect for their sovereignty and their people.

Again, Mr. Chairman, I thank you for your leadership in the war on drugs, and I am prepared to answer your questions. Thank you.

Mr. ROHRBACHER. [Presiding.] As you have seen, we have changed chairmen temporarily. When you have a vote on, you have to make these accommodations.

Ambassador McNamara, you may proceed. For the record, our Members will be coming back from the vote as you testify.

STATEMENT OF THOMAS E. McNAMARA, PRESIDENT, AMERICAS SOCIETY, FORMER U.S. CHIEF NEGOTIATOR IN PANAMA

Mr. McNAMARA. Thank you, Mr. Chairman. I also want to thank the Committee for the invitation to testify today. I hope I can assist you in some way in understanding the evolution of the negotiation in 1997 and 1998 that attempted to reach agreement with Panama for continued United States presence in Panama beyond the year 2000. This is a possibility that was envisioned in the 1979 treaties, but only provided that both countries negotiate an agreement for that continued presence.

My own role was a limited one at the time, both in time and scope. I was the last of several U.S. negotiators, and I took over late in the process, in what can accurately, I think, be portrayed as the final months before circumstances would preclude an agreement.

I came to the negotiations with the background of having participated in the first State Department study of the post-2000 presence in the early 1980's, and throughout the 1980's I worked on Panamanian and Central American political and military issues and counter-narcotics and counter-terrorism here in the hemisphere. I finished out the decade as the Ambassador to Colombia from 1988

to 1991, and I also served on the National Security Council and as Assistant Secretary of State before leaving government late last year. In those positions I also was involved in hemispheric political, military, counter-narcotics and counter-terrorism affairs.

Let me say, by way of introduction, that my understanding of the situation we faced in these negotiations begins with an understanding of a century of U.S. involvement in Panama. While the United States has solidly favorable remembrances of that involvement, Panamanians have very mixed feelings about it. Most Panamanians have friendly and favorable attitudes about Americans, and they realize that Panama owes much to the American involvement in the country. But many, even among those so favorably disposed, have strong unfavorable memories of times when a sovereign zone split their nation in half, and when Americans lived among them in a separate, privileged, and culturally segregated society. There is, therefore, a certain ambiguity and resentment about the American role in Panama, particularly among the educated elite of the country, and it is unfortunately true that Panama is a country where the political elite determine the outcome of important issues. In short, we cannot discount the century of intense, emotional, and complex history that is a part of any negotiation that we may undertake with Panama, in the past or in the future.

Hence, my first observation on the negotiation is that the Panamanian Government approached the table with a very ambiguous attitude about a continued United States presence in Panama after the year 2000. The political parties in the government coalition were divided. In particular, the lead party of the coalition, the Democratic Revolutionary Party, the PRD, was divided. Any attempt to negotiate a continued United States presence was bound to create powerful strains and conflicts within the party and within the government.

As for the public in general, despite years of unrelenting negative press coverage of the counter-narcotics center and similarly unrelenting negative coverage of the negotiations, despite the few and unenthusiastic statements of support made by the government during the course of the negotiations, despite all that, there was a very strong, stable majority of public opinion in favor of a continued American presence in Panama. The polls consistently showed from 65 to 80 percent of the public wanted a Multinational counter-narcotics center, an MCC, and a U.S. military presence that would be a part of that MCC.

This difference in attitude between the educated elite and the average Panamanian is not surprising. First, the average Panamanian saw the counter-narcotics center as a source of jobs and commerce which would provide substantial, reliable economic benefits for many years to come. Second, the average Panamanian distrusts Panamanian politicians, and a continued United States presence was thought to be, therefore, a hedge against the instability, conflict, corruption, and authoritarianism that have marked Panamanian political life, and which is resented and feared by the average citizen.

Opinion here in the United States was also divided, and there were different opinions about whether a continued presence in Panama was necessary or desirable. Outside the government, those

who opined on this issue were divided. Some saw little strategic interest to the United States and were willing to see the special relationship end. Others were supportive of a counter-narcotics center because of the importance of the counter-drug fight and the value of military monitoring and interception of drug flights.

Within the executive branch, the White House, the Department of State, and the Office of National Drug Control Policy were strong supporters of a counter-narcotics center and of the negotiations. The law enforcement agencies were agnostic. The attitudes in the military were more complex.

In large measure the attitude of the U.S. military, it seemed to me, was a result of the heavy focus in the negotiation on creating a drug center rather than a traditional military facility for the conduct of traditional military operations. SOUTHCOM, the operational command in the region, was strongly supportive because it saw the MCC as a very powerful tool in carrying out its mission in drug monitoring and drug interdiction, and, as General Joulwan mentioned, he was a very powerful and strong advocate of the position that we should have the drug center, as were his successors. Other elements of the military considered that they could accomplish the counter-drug mission without remaining in Panama. Still others wanted a wide range of missions performed from the center in Panama, or if that were not possible, then no presence in Panama. In the end, the U.S. military position was that they could fulfill their mission for less money by relying on U.S. bases and forward operating locations in the region as substitutes. It remains to be seen if this is a correct calculation.

Let me turn to the negotiating strategy briefly. In the summer of 1997, when I was asked to lead the negotiations, I concluded that time was short, but that it would be possible to negotiate an agreement. To be successful we would have to have very intensive talks that would finish before the end of the year 1997. There were two reasons for this: First, Panama was quickly approaching a referendum campaign that would determine whether President Perez Balladares could run for a second term of office. This national referendum was to be initiated by a vote in the Congress early in 1998. I believed that unless the Multinational counter-narcotics center was settled quickly, it would be interjected into that domestic political debate. The longer the negotiations continued, the greater danger of this happening.

The second reason for speed was that the United States had to make decisions on drawing down personnel and activities from Panama to comply with the 1979 treaties. Recall that no agreement meant that we must leave. That withdrawal would involve expenditures to build and modify facilities in the United States as well as other expenses, and the military wanted to move quickly on alternatives to Panama if it was to prove necessary to withdraw completely. I felt certain that as substantial funds were expended to withdraw, we would lose support for the Multinational Counter-Narcotics Center. We needed, by the end of 1997, a negotiated text demonstrating that a concrete solution that did not involve complete withdrawal was possible.

I therefore spoke with my counterpart, and we agreed that both sides would benefit if a successful agreement could be concluded

before the end of 1997. We then outlined to each other the major issues which would have to be settled, and we agreed to a schedule of meetings and negotiation that would allow time to reach a conclusion.

Without going into the details of those negotiations, I can say that between early September and late December 1997, we had successfully negotiated all of the essential points of the agreement. When we broke for Christmas, on December 23, 1997, there were a few details that needed to be addressed, as well as some technical issues remaining. The largest issue unresolved was to decide how to transform a bilateral text into a multilateral agreement. Hence, there was no reason in December to think that the remaining details could not be settled. It was, in fact, on the basis of that December 23rd text that President Perez Balladares announced the following day that an agreement had been reached.

During the Christmas holiday period we understood that the negotiated text had been shown to government and other leaders in Panama, and that the reaction of some of them was strongly negative. By late January the government appeared deeply divided. Foreign Minister Ricardo Arias assured us that we should come to Panama nonetheless to initial the text and discuss it with other Latin American states he had invited to a meeting in Panama. Despite this assurance, at that meeting, on January 20th, the Foreign Minister refused to confirm the essential agreement or to initial the text.

In subsequent weeks, Panama suggested major changes that amounted to a renegotiation of the December text. The United States' position was that we were willing to consider small changes that would make the agreement acceptable to Panama, but we were not, at that late date, able to renegotiate a text that had been all but finally agreed. Indeed, we were all in the situation that I tried to avoid. The referendum campaign was in full swing by May, and the matter, it seemed to me, could not be successfully settled in the atmosphere that prevailed in Panama.

Let me mention a few miscalculations and some contradictory attitudes that had an influence on the negotiations. There were several. The Panamanian miscalculation was a virtually universal belief in Panama that the United States would never leave our facilities in Panama. Panamanians believed that we would pay an extremely high price to remain because we were totally committed to having a base in Panama. This led them, I think, to overestimate the leverage available to them to gain concessions from the United States. On the United States side there was a miscalculation prevalent, particularly among the military, that the Panamanians would, in the end, accept a large U.S. military presence despite the intense opposition within the ruling elite of Panama. Both of these miscalculations made negotiations more difficult.

The contradictory attitudes are also interesting because they tended to mislead the other side. Let me mention two. Initially there was a substantial amount of posturing in Panama to the effect that the United States must leave, that it was a matter of national pride and sovereignty that Panama have back the bases, and that all foreign forces, all U.S. forces, be out of Panama by the year 2000. Yet later, Panamanians took the position that the United

States could remain, and some form of bases might be possible if the United States paid rent.

Then, in June 1996 Panama suggested a multilateral counter-drug center to avoid the base and the rent issue. But, in fact, the residue of this inconsistency remained throughout the talks, and it caused some on the United States side to discount the seriousness of the opposition in Panama, and to think that Panama would go further than, in fact, it could.

The U.S. military also had a paradoxical position in the negotiations. They insisted that we must have a facility at the MCC that would be capable of a wide range of counter-drug and nondrug-related operations; that is, that we needed a large facility. We also told Panama and others that we could dispense with the facilities in Panama and operate from relatively small forward locations and from substitute facilities in the United States. This convinced the Panamanians that we could, in fact, do our drug-related operations from a small facility, but that we were driving them toward a base disguised as a counter-narcotics center so that we could conduct other missions and yet not have to pay rent.

There are several reasons, some of which I have outlined above, that caused these negotiations to fail. I want to emphasize the history of the relationship and the resentment that it left among a small but vocal minority of Panamanians that caused them to adamantly oppose any U.S. military presence. Additionally, as I have suggested, there was an unwillingness on the part of the Panamanian Government to support publicly and to explain to their public the course of the negotiations, the issues, the elements that were being discussed, and the ultimate outcome that could result. This left the field wide open to the opponents of an MCC, and it resulted in a correct perception of a lukewarm support by the Panamanian Government for an agreement. This was matched, of course, by the lukewarm support of the U.S. military for a continued military presence in Panama.

The bottom line, I think, is that maintaining an MCC in Panama was too difficult a political step for the Government of Panama to take. For the U.S. Government it was one of only several alternative ways of conducting military missions in the region.

Now, a suggestion. Having failed to reach agreement, I strongly recommend that both countries adopt a cooling-off period of several years before addressing again the issue of whether Panama would agree to the presence of U.S. military in the country. Both countries tried hard, came close, but failed. The political and military value of the presence was not strong enough to overcome the alternative of doing without it.

In that regard, I believe that the negotiations reflected the real world has evolved since the end of the Cold War. A continued United States presence in Panama would have been a beneficial outcome for both countries, but it was not essential to either. I see no value and much danger in one side or the other pressing, in the next few years, for another agreement. The Panamanians need to see that we will fully implement the 1979 treaties, that we will completely leave the country without any intention of returning. On the other hand, the United States must learn to function in the region in a very different way than in the past. Conditions have

changed. Having spent the money to move out of Panama, I think now we should do just that, leave. We must then commit whatever resources are necessary for the conduct of equally effective counter-narcotics missions from bases in the United States and from forward-operating locations in the region. As I said earlier in my remarks, it remains to be seen if we can.

That, Mr. Chairman, concludes my prepared statement.

Mr. ROHRABACHER. Thank you very much.

[The prepared statement of Mr. McNamara appears in the appendix]

Mr. ROHRABACHER. I will just assume—as I am the Chairman temporarily—I will just proceed as the Chairman until Chairman Gilman returns.

Mr. Ambassador, it sounds like what you are saying is that when you mentioned the lukewarm support of that, and the contradictory signals here and there that we were giving and the other side was giving as well, it sounded like this Administration wasn't paying much attention to this very serious negotiation.

Mr. MCNAMARA. I wouldn't say that. I got, as I said in my statement, very strong support from the White House, the State Department, from the Office of National Drug Control Policy. I also got support from the Office of the Secretary of Defense, very strong support.

Mr. ROHRABACHER. When you say strong support, do you mean strong support, or did you get guidance, the type of guidance you need and policy direction from these people, or did they just take you out to lunch at the White House mess?

Mr. MCNAMARA. No, I got very strong support in the sense of policy guidance and instructions. In fact, it was strong enough for us to reach a conclusion to actually negotiate an essential agreement with the Panamanians. I do not think the essential problem was the inability of the Administration to formulate a policy or to implement the policy. The critical element that caused this agreement to fail was internal Panamanian politics.

Mr. ROHRABACHER. Your suggestion that 70 percent—and actually I am not sure exactly what—what was your specific—

Mr. MCNAMARA. It ran from 65 to 80 percent. The public polling that was done supported a continued United States presence, yes.

Mr. ROHRABACHER. So we have a situation where 70 to 80 percent of the people of a country are supporting basically a position that would be positive toward the United States, but we were not able to handle the diplomacy of the situation with the powers that be to get a more favorable result.

Mr. MCNAMARA. I would contest whether it was diplomacy that failed, but rather it was internal politics within the Panamanian Government.

Mr. ROHRABACHER. Let's focus on the internal politics for a moment. Do you think that—most politicians in the United States, when they see a poll and it says 70 to 80 percent of the people are on one side of an issue, they would generally tend to go in that direction. Now, I know you described the cultural manifestation of, I guess, the need to demonstrate one's independence from the United States in Panama. Do you think that bribery played a role in this or other negotiations dealing with the facilities or bases, or

the agreement with the United States? Was there any foreign bribery or domestic bribery going on with the Panamanian officials?

Mr. MCNAMARA. Not that I am aware of in these negotiations. I can't talk about other negotiations or other situations, but in this one I do not believe there was any indication of either domestic or foreign bribery playing a role.

Mr. ROHRABACHER. General, do you know, are you—do you calculate that there was some type of skullduggery going on behind the scenes that might have played an outcome and what we are now having as a total withdrawal of American presence in Panama?

General JOULWAN. Chairman, I am not privileged to that sort of information. I will tell you that, as you have stated, the vast majority of Panamanian people—and that did not include just those who wanted to have us there for money—there was a genuine, I think, desire by both the elites and the people to continue to have a strategic relationship with the United States. Somehow, that desire was not able to manifest itself in an agreement. But that support is there, still there, today.

Mr. ROHRABACHER. I certainly understand people's willingness, or unwillingness I should say, to cast aspersions on the motives of people you have been negotiating with. But this seems to me to be a very alarming situation. But it is a fairly alarming result when you have the support of the population in a country like Panama, that—and we have a country that is strategically so important, both the canal and the location of the country as a choke point between the Americas—that we have a result that seems to be detrimental to the United States and our ability to exercise influence in that part of the world. Somewhere there seems to be a breakdown. Please feel free to comment.

Mr. MCNAMARA. Mr. Chairman, yes, I don't refrain from being critical of those I negotiated with. In fact, if I have a criticism, it is that the Government of Panama did not undertake to build the support for the policy that it was following with respect to the negotiations; that is, a policy of attempting to construct a counter-narcotics center. As I said in my remarks, by not trying to build that national consensus and understanding about what it was doing in the negotiations, it left the field open to the naysayers and the negative.

To the extent—

Mr. ROHRABACHER. On that point, let's just look at it. We are talking about an anti-narcotics center that would also serve as a United States presence in terms of our military presence, something that was considered vital by many people fighting the drug threat here in the United States. We have billions of dollars of money being made in profits from drugs with the terrorists right next door in Colombia. We have got what I pointed out in my opening statement as what seems to be a demonstrable Chinese influence going on down there. You don't think that these forces played a role in the outcome of these negotiations as well as other agreements that were made that determine the future of the Panama Canal and the Panamanian Government?

Mr. MCNAMARA. I don't mean to discount a whole range of influences that played a role in this, including the ones you are men-

tioning. I think the overwhelming influence, the overwhelming factor that in the end caused these negotiations to fail, was the split within the government on grounds, essentially, of nationalism, that is whether or not Panama needed to, as some of them referred to it, "cut the umbilical cord", establish its own identity, separate itself from the United States in order to demonstrate that it was capable of functioning without a United States presence.

There were a whole series of attitudes in Panama. They were generally referred to, or sometimes referred to, as the dependency syndrome and that there needed to be a break. Even some of the opponents were willing to see, after a lapse of unspecified length, a return to examine the possibility of the United States coming back into Panama. But among the very hard-core opposition within the government, within the parties that made up the government coalition and, above all, among that political elite that was the vocal minority, there was a powerful, very, very powerful national sentiment that said we must break, we must comply with the 1979 treaties. When one examines the situation, I think that was the overwhelming factor that led to the situation we are now in.

Mr. ROHRABACHER. With the indulgence of the Chairman, who has just returned, I have two more questions to ask. General, what do you believe would be the minimal useful U.S. security and counter-narcotics presence in Panama, and do you believe that we should continue to seek a United States presence at Howard Air Force Base, Rodman Port, and Fort Sherman?

General JOULWAN. What I described back in 1990, in this 10-year plan we developed, was a location around Howard and an estimate between 2,000 and 2,500 personnel. This would operate the air field and be able to coordinate the activities of all the other agencies. Remember, we had Customs, DEA, and other agencies that were involved in the drug fight. The coordination of these organizations is what needs to be understood as to why Howard Air Force Base was so important. But about 2,000 to 2,500 military personnel.

Mr. ROHRABACHER. *Let me just state for the record, when you have a situation where 70 to 80 percent of a population is supportive of a United States presence, and we have an outcome that has been so abysmal to our country and abysmal in the sense that we no longer will have a presence in what was considered one of the most strategic important areas of our country—for our country, this area that ties both the Pacific and the Atlantic together, this area that—it is the choke point between North and South America. The fact that we had the support of 70 percent of the population and now we are not going to have that presence, I would suggest that the outcome was not just based on some sort of historical anomaly of ego. I would suggest that what we are talking about here is the corruption of a small number of elite politicians in that country and the determination by narcotics traffickers and terrorists from Colombia and elsewhere, as well as the Communist Chinese, to influence what was going to happen in that country, and we were paying much more attention to it than our own Administration.*

So with that rather hefty statement, I will return the Chair to the Chairman.

Mr. GEJDENSON. Mr. Chairman.

Chairman GILMAN. [Presiding.] Mr. Gejdenson.

Mr. GEJDENSON. I would hope that our colleague from California, if he has evidence of these allegations, would share them with Members of the Committee and the Administration. Others may have this evidence. Lots of people may have these suspicions, but it seems to me that when you are a Member and you make these kinds of allegations that are very serious, and if you have the evidence, you ought to make it available.

Mr. ROHRBACHER. Would the gentlemen yield? I would be very happy to share this evidence, and I would suggest that people who are deeply involved in that part of the world know what is going on, and they just will not state in public hearings what is happening. So I would share that evidence.

Mr. GEJDENSON. If the gentleman would get that to this Member in a timely manner.

I think we have this syndrome in America, trying to figure out who lost China and trying to figure out who to blame for losing China. I am not sure China was ours. I am not sure Panama was ours. I think it is not surprising that the political structure in Panama may have some resistance or some desire, frankly, to have that separation that you talked about, to kind of have a concrete expression of their separation. I am hopeful, as there is popular support by most people's estimates for an American presence there, that the leadership, once they have exercised their independence, will feel less threatened by an American presence, and we will return there.

I guess my question is that so much of what we do here deals with interdiction. Interdiction is an important part, but the demand is what keeps these folks running drugs in our direction, and the paths that they deliver the drugs here are so variable in a sense, should we be simply putting more of our effort into trying to reduce demand? Are we adequate in the interdiction effort, recognizing that in an open society like ours it is easy to get stuff in here, sadly to say, especially when there is this kind of demand? Are there things that we should do on interdiction that we are not doing? Are there goals we ought to be seeking, are there activities that we could undertake, whether it is from Panama or elsewhere, that would give us an ability to be more effective in interdiction? Gentlemen, I ask both of you.

General JOULWAN. I can take a try at that, Congressman. I looked very hard at that question when I went to Panama in 1990, and I am looking very hard at it again today. As I said in my statement, I truly believe you need a comprehensive strategy. Demand reduction alone is not going to work. The figures tell us that despite interdiction, 700 metric tons are unaccounted for. That is a hell of a lot of cocaine that is getting into the United States.

In the analysis I did in trying to come up with this strategy I used a very simple analogy. What happens when the coca paste goes from Peru and Bolivia to Colombia and is refined into cocaine. The drug cocaine is then distributed many different ways, as you say, to come into the United States and elsewhere. I asked, do you go after the bees or the beehive? I think you need to do both, but just going after the bees is not going to solve the problem. We have to attack the beehive—and we know where the beehive is. It is very

limited in area and scope. We need to get the affected nations—Colombia, Peru, Bolivia, Equador—to join us in this fight, and it is tough work to do so.

We have had very good success in Peru. They are working well with us, but we have seen some back-sliding now. I am not sure whether that is linked to the lack of command and control out of Panama or not, but it needs to be looked at. But if you don't have a comprehensive strategy at the source, in transit, and interdiction, and on-demand reduction, I really don't think you are going to attack the problem.

Mr. MCNAMARA. I concur quite heartily with what General Joulwan has just said. It is, as we all know, the law of supply and demand. It is not the law of supply, and it is not just the law of demand. The demand element is a major factor in the drug trade. If we can't reduce the demand, if we can't, ourselves as a country and as a Nation, and our citizens individually and collectively, exercise some self-control and bring that demand under control, then the supply will always be there.

As you noted, we are an open society. We can't close the borders, but that doesn't mean that, in fact, we shouldn't go after the supply, because, in fact, if we don't go after the supply, one of the most—as I have observed over the last 15 to 20 years of deep involvement in the counter-narcotics effort—that the single most important element in whether or not a drug is used, any drug, whether it is aspirin or cigarettes or cocaine, is availability.

Mr. GEJDENSON. Let me just ask you, my time is running out, General McCaffrey has suggested \$1 billion for Colombia to try to wipe out the source of some of this. \$1 billion, is that realistic? Does it take that kind of money? If we wipe it out in Colombia, will we just end up destabilizing the next country where they move to or—

Mr. MCNAMARA. Congressman, I think that \$1 billion in assistance for Colombia, if properly distributed to a number of programs in a number of ways, is a realistic amount, if the Congress can find that within the budget parameters that it has to work with. But it is not just Colombia. It is also Mexico and the other Andean countries besides Colombia. It is a plague that is affecting those countries. It happens at the present time, as a result of an unfortunate 4 year period in Colombia when they had a President of, at the very best, third-rate capabilities in this regard, that Colombia is suffering more than some of the other countries. I think President Pastrana is fully committed to working to end, to the best of his ability, the narco-trafficking in Colombia. I think we ought to join him in that effort.

General JOULWAN. If I could just comment briefly, again, I think putting money into Colombia is important. But—and I am a soldier—however so, I will say that diplomatic, economic, political, as well as military elements of this strategy need to be developed. When you look at how the narco-trafficker operates, you need a comprehensive strategy. You need all the nations in the region to come together to understand that this is a clear threat to their security, to their children, as well as to the United States. That is why you need, I think, all the nations to understand that, because

if you put the heat on in Colombia or Peru, and they slip out through Brazil, illegal drugs are still getting out.

So it is that comprehensive approach, Congressman, that I think is needed, and we need it for the long haul, not for 1 year or one President's term. It needs to be a constant effort, and that is why I applaud what Congressman Gilman has been trying to do in keeping the pressure on. Because it is going to take perseverance and persistence as well as money in order to end this threat. It is a fight.

Chairman GILMAN. Thank you, Mr. Gejdenson.

Mr. Ballenger.

Mr. BALLENGER. Thank you, Mr. Chairman.

And, General Joulwan, I am with you 100 percent, as the Chairman here.

The one thing I would like to ask each of you, you were there, obviously the problem was still there—I mean, it was, I guess, just before Samper that you were there, General, or, Mr. Ambassador, and somewhere along the line were we doing anything to fight it except being organized, as you said, General, before Samper came in? Just a question.

Mr. MCNAMARA. Let me address the Colombia aspect of that. The answer is yes. In fact, Chairman Gilman and I met for the first time in Bogota, Colombia, in 1989, when he came with a congressional delegation and witnessed the terrible devastation that the mafia was wreaking on the country of Colombia. I think President Barco and President Gaviria, the two predecessors of President Samper in Colombia, did an extraordinary job and, in fact, turned around the country psychologically, and in many other ways during the period I was there to confront the problem of narco-trafficking.

When I arrived in Colombia, in fact, when I left the United States to go to Colombia, both in the United States and in Colombia the general attitude was finger-pointing. The Colombians were saying, it is your fault up in the United States because you people are consuming these drugs; and the people in the United States were turning to the Colombians and saying, it is your fault because you are supplying them. By the time I left 3 years later, the Colombians had come to recognize that the drug supply operations that were going on in Colombia were destroying their society, and I think that, thanks to Mrs. Reagan starting with her very simple but effective "just say no" campaign which followed in succeeding Administrations, the United States recognized that, in fact, the consumption of drugs is part of the problem, and we have to face up to that.

I thought the turning point was probably just about 1990, more or less the time that Chairman Gilman was in Colombia.

Mr. BALLENGER. You were building an effort at that time. I don't know, it sounds like both you all did a terrific job, and all of a sudden we just cut out and forgot the whole damn thing.

General JOULWAN. What was impressive to me is what I mentioned in my opening remarks. To attack this we had all these different U.S. agencies working together. We brought them together, and Howard was the key point, Howard Air Force Base. When I went to Colombia with Ambassador McNamara, we went in to see the President, and I rolled out this map that showed what our

AWACs had picked up of narco aircraft tracks that went back and forth from Colombia, Peru, and Bolivia. I would say: Mr. President, it is not the Americans that are violating your sovereignty, it is being violated every day by these narco-traffickers. These narco-plans have no flight plans, and they are bringing paste back into your country that is made into cocaine.

I did that with President Fujimori, with the President of Ecuador, Venezuela, et cetera, and they started to see the problem. I made it clear that it was in their interest to protect their sovereignty, and we started to get very good cooperation, particularly with the Peruvians. The Peruvians really started to attack the narco planes, and it had a dramatic impact on this air bridge. Therefore, the coca leaf and paste in Peru started to stack up, and it couldn't get through, and the price, therefore, went down, and therefore the price of cocaine in the United States started to go up. So we started to have that effect.

But it takes perseverance. But in my view our military is not enamored with this mission. It never has been. That is part of the challenge in the post-Cold War period. I think we need to get military support for this as a clear mission that affects 14,000 deaths every year in this country caused by a chemical called cocaine.

Mr. BALLENGER. The reason I was asking this point of both of you—because you were there—obviously there was an effort on your part and our Government's part to do something about the trafficking, the drug problem and in protecting the Panama Canal and so forth, but it appears it didn't take about a year, and Samper gets elected, and the whole kit and caboodle got thrown out. This is no longer our problem. We are not going to take care of it.

Our Administration, I wouldn't say they cut and run, but they just decided that we aren't going to be involved down there. Sadly, General Joulwan, you had a great effort on our part, on the part of our Government in Bosnia, at the same time we are making no effort in Panama or Colombia. It is just a sad situation to be able to say I wish somebody somewhere had cared a little bit.

The one thing I noticed differently, Congressman Gilman and I have been working on this thing for 2 or 3 years, but I have never seen anything in the news media anywhere that showed that the situation was going on until last week on Washington Week in Review they finally brought a reporter in that said Panama is a disaster; we have got to do something about it. I only wish that somewhere along the line the two of you all had stayed in office and we had backed you up. It is water over the dam now, but we are going to have to go back from where we started from with you guys.

I was down and met President Pastrana, and maybe he made a mistake in trying to do something with his land giveaway. Maybe it was an effort on his part to buy some time. But somewhere along the line we are going to have another war, and whether it involves Panama or Colombia or both of them or us, we have a very sad, as far as I can tell, something to look forward to as far as that area of the world is concerned. I don't know if that strikes you all. I think my time has run out.

Chairman GILMAN. Thank you, Mr. Ballenger.

Dr. Cooksey.

Mr. COOKSEY. Thank you, Mr. Chairman.

Ambassador McNamara, I would like to pose two questions to you and then one to you, General Joulwan. Would you clarify for me the legal entity or commercial entity or government entity from China that is going to have a presence in the Panama Canal zone; and supposedly for shipping purposes, and since the PRC, the People's Republic of China still has a Communist political model and a Socialist economic model, convince me that this Chinese shipping entity is not a part of the Chinese Government or the Chinese Army.

First, General Joulwan, and you can space this time accordingly, how can we know that our commercial and military shipping will have access to the Panama Canal for purposes of transit? And how important is the Panama Canal to the U.S. military from a global strategic standpoint with today's means of transportation in terms of aviation and shipping? Ambassador McNamara.

Mr. McNAMARA. I am afraid I am not quite the one to ask the question about the legal and commercial structure of the Hutchison-Whampoa organization and the relationship between it and the Chinese Government, except that I know enough to know that there is such a relationship and that it is a—if you will, a parastatal type organization, that is to say a commercial organization in which the Government of China has a major and possibly a controlling interest. But I am not expert enough to be able to go beyond that rather general statement.

Mr. COOKSEY. Who is Hutchinson? Who are they as players? Are they just Chinese with English names?

Mr. McNAMARA. If I am not mistaken, there is a Hong Kong connection, and I believe Hutchison—I would have to refresh my memory, but I believe it is a Hong Kong corporation or a Hong Kong entity with that name, and that is where the English name comes from, but I am not 100 percent certain.

Mr. COOKSEY. If you, as the Ambassador, if you are not the source of that knowledge, who would be able to get this information?

Mr. McNAMARA. I was not the Ambassador in Panama, I was simply the Ambassador for the negotiations. I had other duties and responsibilities here in Washington at the time. I would say that either our Ambassador in Panama or possibly someone in the Department of Commerce, Department of Treasury, or Department of State that is now intimately involved in looking at Chinese commercial operations around the world.

Mr. COOKSEY. Thank you, General.

General JOULWAN. I will try to answer, Congressman: I think the essence of your question is how do we assure that commercial and military shipping will have safe transit through the canal. I believe that the Panamanians for some time have been working on the management of the canal. I don't know the exact number of the work force now that is Panamanian, but over the last, I would say, 7 or 8 years, it has been becoming more Panamanian. The leadership of the canal is Panamanian. I have every confidence that the running of the canal by the Panamanians will be in accordance with the right standards.

Military passage is still very important for our global strategy, not just some of the larger aircraft carriers that can't get through.

But primarily most of the shipping of our logistics and submarines and other ships such as cruisers and destroyers use the canal. The canal allows us to have two swing capability from predominant naval ports, one in San Diego and one in Norfolk. They are on each coast. If you have to reenforce, the canal still is extremely important. We need to take a hard look at the security of our ships passing through there. Though I hesitate to mention it, we should always understand that it is a terrorist target in the canal, and I think adequate measures must be taken to ensure that it is protected from those sorts of threats. But it is still very important in our military strategy, the use of the Panama Canal.

Mr. COOKSEY. Let me ask you this question. If we—and I don't have this China phobia that some of my colleagues on this side have, and I have been to China, some years ago—but let's say we bombed a couple more of the Chinese embassies or did some more dumb things, we were at war with China, and I don't want to be at war with the Chinese. I am convinced the Chinese people are warm, wonderful people, just with questionable government. But let's say, worst case scenario, we are at war with China. Would you feel safe riding on a ship—and I know you are in the Army, and I am ex-Air Force—through the Panama Canal while we were at war with China? Or would you rather fly over in an Air Force plane?

General JOULWAN. I think we will have no choice but to use the canal. I think there are provisions in the 1977 treaties that still make the United States responsible, in a strategic way, for the canal. So without getting into any sort of contingency planning, I would assume that contingency planning does exist to ensure that we can use the canal; not just us, but world traffic as well. That is already in the 1977 treaties that the United States, even after the year 2000, would have that strategic responsibility.

Mr. COOKSEY. If I could throw in one bit of history. I am sure I don't know if you ever had occasion to visit the Garber Museum, which houses 80 percent of the Air and Space Museum's airplanes. There is a Japanese airplane that was designed to be carried in a submarine. There was a submarine en route from Japan to the Panama Canal when we bombed Hiroshima and Nagasaki. Those planes were going to be launched from a submarine, believe it or not—the plane is over there, you ought to see it—those planes were intended to obstruct the Panama Canal so our troops in Europe who had a victory in Europe could not get to Asia. So, 50 years ago, the other Asians thought it was important strategically, and there is one surviving airplane. The submarine pushed those planes off from the Pacific and headed back to Japan. But the Garber Museum has one. It is an interesting bit of history.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Dr. Cooksey.

Again, I want to thank our panelists who have done such an outstanding job today in reviewing the issues. I have just a few questions, and I regret we were interrupted by the voting that took place.

Ambassador McNamara, a couple of quick, brief questions. Isn't it true that in late 1995, Ambassador Bill Hughes and Panamanian Foreign Minister Gabriel Lewis Galindo virtually reached a consen-

sual agreement on a deal in which the United States would be able to retain seven of our military bases in Panama, including Howard, and keep about 7,000 of our U.S. military personnel in Panama in exchange for a modest compensation package? Did that occur?

Mr. MCNAMARA. I would prefer that Ambassador Hughes or somebody else answer that question. I was not intimately involved in that in 1995. I do know, however, that there was an in-principle agreement to discuss the modalities for setting up an arrangement, in fact, for an agreement that would include up to seven facilities. I do not know whether Gabriel Lewis Galindo, the Foreign Minister, was speaking with complete authority for his government at the time, but it was certainly an in-principle understanding that that would be the basis for discussions. That changed subsequently.

Chairman GILMAN. Mr. Ambassador, we understand that deal fell apart after our Administration categorically rejected any form of compensation to the Panamanians for letting us stay after 1999. Is that your information?

Mr. MCNAMARA. What was categorically rejected was the idea of paying rent for staying behind. Indeed, in December 1995, I believe it was the President of Panama, President Ernesto Perez Valladares, who suggested to us as a solution to the problem that there be instead a counter-narcotics center established, and that that counter-narcotics center, because it would not be a base, and because it would be there to conduct essentially counter-narcotics operations (but there would have been a possibility of some other ancillary operations also) that that would not require rent. We got by the problem by redefining what it was that would remain behind after 1999.

Chairman GILMAN. It was, I think, part of that concept that there would be some U.S. military presence in absence of any compensation and relationship to that.

So it was the Panamanians' proposal for this United States—for this Multilateral Counter-narcotics Center, is that correct?

Mr. MCNAMARA. That is correct, it was a Panamanian idea.

Chairman GILMAN. Then in retrospect, isn't it clear that we did make a serious mistake in not trying to conclude that kind of an arrangement with the Panamanians before their Foreign Minister, Gabriel Lewis, passed away in 1996? It seemed to me we made a serious mistake in not taking advantage of that proposal. What are your thoughts about that?

Mr. MCNAMARA. My thoughts are that, quite frankly, I think Gabriel Lewis Galindo was ahead of his government and ahead of the Panamanian public. He was a visionary man, an individual for whom I have the very highest respect and regard. Whether or not had he remained healthy and in office, neither of which happened unfortunately, for Panama and for the United States, whether we would have been able to take this in-principle understanding and turn it into a concrete, definitive, negotiated agreement remains—and will remain, I think—one of the mysteries of the process. The fact is that he became seriously ill, left office, and subsequently died, and his influence, his vision, was lost to the Panamanian Government.

Chairman GILMAN. General Joulwan, would you like to comment about the kind of a negotiation that was going on?

General JOULWAN. Before I left command in 1993 I suggested that we shrink back into Howard Air Force Base as a minimalist sort of position and establish a counter-drug center. I also urged that the Panamanians take credit for the role they were playing in the counter-drug fight. Panamanians were suffering also from crack babies and addiction, as were other countries in Central and South America, so this was to be their initiative that the Panamanians should get credit for what they are doing. Illegal drugs were not just going to be a concern of the United States. So what I started back in the early 1990's perhaps can help us followup even today to get the Panamanians to be part of the solution to this very difficult threat that faces all Americas, North, Central and South.

Chairman GILMAN. Thank you.

Ambassador McNamara, the compensation package along the lines that we proposed in our U.S.-Panama partnership probably would have been enough to clinch the deal if we had offered it back in 1995 or 1996; is that correct?

Mr. MCNAMARA. You are referring to the trade benefits?

Chairman GILMAN. Yes.

Mr. MCNAMARA. The NAFTA equivalency, that certainly would have made the negotiations a lot easier had that been part of the package. Whether it would have clinched it or not is very difficult to say. It is history in the conditional, what if.

Chairman GILMAN. Mr. Ambassador, tell us, even after Gabriel Lewis died and you had taken over the negotiations for our Nation, would a compensation package like we had proposed in our bill, would that have been helpful to you in reaching an agreement for a post-1999 United States presence in Panama?

Mr. MCNAMARA. Since it was something the Panamanians were asking for, usually if a negotiator can give somebody what they are asking for, that helps.

Chairman GILMAN. Helps a great deal, I should imagine.

General Joulwan, we have lost several Americans, regrettably, in a plane crashed in the FARC-infested zone of Colombia in the last few days. The search and rescue mission was delayed for several days due to bad weather. I understand we had to rely heavily on the Colombian National Police and Colombian military to provide air assets for this search and rescue. Our own supporting assets had to be flown into Colombia from the continental United States. How long would it have taken us to deploy proper search and rescue equipment, had we been able to operate out of Howard Air Force Base?

General JOULWAN. It would have taken hours, Mr. Chairman. Search and rescue was part of the mission every time we flew into source regions. We always had that contingency.

Chairman GILMAN. General Joulwan, General Serrano, the highly respected Colombian drug warrior in Colombia who is leading the front line and has lost so many of his own police—over 4,000 police—has warned that after we leave Panama we will see even more drugs moving north and more arms being shipped south to destabilize the region. Do you share his opinion?

General JOULWAN. Yes.

Chairman GILMAN. Earlier this week our Drug Czar, General Barry McCaffrey, who also served as SOUTHCOM Commander—I guess, after you left office—it was good seeing you over in Bosnia when we got over there—said the situation in Colombia is, and I quote, “a serious and growing emergency in the region”. So with all of that, is it time for us to be leaving Panama?

General JOULWAN. Absolutely not, Mr. Chairman. But we are faced with the situation that the mission must continue, and until we have an alternative—or until we have some settlement with Panama beyond what we have today, I think we need to find ways to continue. I hope we can someday get back into Panama, because I think it is very important.

Chairman GILMAN. Ambassador McNamara, the electoral season in Panama that bedeviled your own good efforts, and a new President has now been elected. We are hearing some sounds that he would be interested in further negotiations, and a strong majority of Panamanians apparently favor a continued United States presence. If you were given a task of negotiating a presence now, and I hope you would, do you believe conditions are favorable for a successful mission of that nature?

Mr. McNAMARA. As I said in my opening statement, I think it is time for a bit of a cooling-off period. I would say that if the Panamanians came to us, then that would be one set of circumstances. But for us to take an initiative at this juncture I think would simply open up many of the debates and the wounds there—and there were wounds in Panama. There weren’t that many up here in Washington, but in Panama there were. They became apparent in late—in early 1998 and later in 1998. It is difficult to say absolutely yes, but if the Panamanians came to the United States and said that they wished this to happen, or that they wished to begin to discuss that possibility, I certainly think that we ought to respond positively.

Chairman GILMAN. General Joulwan, what is your impression; do you think the environment, the atmosphere is appropriate now to renegotiate?

General JOULWAN. Mr. Chairman, yes. I think that what must happen in Panama is what I have tried to do during my 3 years as CINSOUTH. We must make it clear that what we are trying to do in Panama, as the United States, is in Panama’s interest. I believe Panama will find and is finding out that there are threats to its stability, sovereignty, and to its people. These threats come from the FARC on its border in Colombia, and transiting of drugs and through the Darien and San Blas. To combat these threats is in Panama’s interest as well as the United States. Indeed it is in the interest of all of Central and South America. So I think we have to demonstrate these threats and the Panamanians have to realize that it is in their interest, and therefore we need a strategic partnership. We don’t want to dominate Panama, we don’t want to occupy Panama. What we want to do is work with Panama. I think if we approach it in that way, the leadership of not only Panama, but all of Central and South America will have this strategic relationship with the United States based on mutual trust and confidence and shared interests.

Mr. McNAMARA. If I may add—.

Chairman GILMAN. Yes.

Mr. MCNAMARA [continuing]. That General Joulwan has put it very, very well. That is precisely what the Panamanian Government has to decide. If it decides that, then I would suggest that the next thing, the next step, is to convince and to educate—I suppose you would have to say to educate the educated elite in that respect, because the general population in Panama is very strongly in favor of seeing the counter-narcotics center and the United States presence. So there is an education effort that would have to be undertaken by the new Panamanian Government to ensure that they don't fall into the problems that the preceding government fell into.

Chairman GILMAN. General Joulwan.

General JOULWAN. Mr. Chairman, just briefly, the fight continues. The narco-trafficker is not going to take a pause in this fight. He is going to take advantage of what is happening now. I think we have to understand that that is going to equate to more crack babies, to more Americans dying, to more Central and South Americans being corrupted and addicted. So I think we have to look at it from the threat side of it. It will continue. It will accelerate. We need to be able to handle this threat every bit as well as we are doing elsewhere in the world. This is a threat to the American people, to our way of life, to our children, and we have got to address it.

Panama is part of that equation, but it is a much larger issue. Panama is central to it, but it is a much larger threat we have to face.

Chairman GILMAN. It is an emergency to the national security interests of our Nation as well.

I would like to recommend that both of you be made part of a new team to go down and negotiate, and as a matter of fact, I probably will make that recommendation to the Administration.

Ambassador McNamara, in your judgment was it only the Panamanian side that was inflexible in the negotiations, or did we have something to do with the inflexibility of the negotiations?

Mr. MCNAMARA. As I said in my statement, there were miscalculations on the part, I believe, of the Department of Defense, in just how far the Panamanians would go to meet what the Department of Defense felt was its minimum requirements. The minimum requirements were for a larger presence than, in fact, was politically acceptable in, at least in 1997 and 1998 in Panama. Whenever negotiations fail, then it means that the necessary flexibility on both sides was not there, because if it were there, we would have had a successful outcome.

Chairman GILMAN. Mr. Ambassador, who back in the State Department was supervising the negotiation? Who was overseeing it?

Mr. MCNAMARA. I was overseeing it in its day-to-day phases. The Secretary of State, the Deputy Secretary of State, and the Assistant Secretary of State for Latin American Affairs, or now Hemispheric Affairs, were deeply involved. I saw them frequently, as well as the Undersecretary of State for Political Affairs. I saw all of them.

Chairman GILMAN. Who were they, Mr. Ambassador?

Mr. MCNAMARA. During my time as negotiator that was Secretary of State Albright, Deputy Secretary of State Talbott, Under-

secretary of State Pickering, and Assistant Secretary of State Jeffery Davidson, and then subsequently Acting Assistant Secretary Romero.

Chairman GILMAN. Ambassador McNamara, when the State Department was negotiating a Multilateral Counter-narcotics Center with the Panamanian Government we understand that the Defense Department set forth a series of red-line threshold negotiating positions, including quality of life assurance for our personnel, full United States legal jurisdiction over our soldiers, and among other requirements, multiple missions beyond counter-narcotics operations. Can you tell us which of those red lines were met in your temporary agreements with Curacao and Ecuador?

Mr. MCNAMARA. I left government service before we began those arrangements with Curacao and Ecuador, and I am not privy, therefore, to whatever agreements were reached. I would note that in the negotiations I conducted that reached essential agreement in December 1997 all of those red lines were met.

Chairman GILMAN. In your opinion, Ambassador, are negotiations with Panama ever given a priority position by the Administration? Do you get a sense that the senior U.S. officials cared whether or not you succeeded or failed in your negotiations?

Mr. MCNAMARA. I think we were given priority, and yes, senior officials in the White House and the other agencies were fully involved. I think the failure was not one of lack of attention within the Administration. As I said earlier, both in my statement and in answer to other questions, I think the Panamanian Government simply could not take the political heat that it would have had to take in order to stand by what was negotiated in December 1997. When you sort of strip away the many and complex influences in the negotiation the core problem was a particular problem in Panama, a domestic political problem in Panama.

Chairman GILMAN. Both of our panelists have pointed out the priority of the issues involved here and focused attention for this Committee on what we should be doing and what we should have been doing, and we look forward to continuing in our efforts. I might note for you that this Committee has conducted some eight hearings on the problems of narcotics policy in and around this region, particularly with regard to Colombia. I remember full well when we went and we took a look at the burned-out Supreme Court in the Plaza, Bogota, that left a long-burning impression on our minds of what can happen to a country that virtually becomes a hostage to the drug traffickers. We don't want to see that happen anymore, anyplace.

Just one more question of General Joulwan: With regard to the bad weather, did that stall our effort to try to get that downed plane? Were there assets at Howard that could have gotten around those hurdles, the bad weather and the inability to reach these people?

General JOULWAN. I am not really sure what would have been there today, Chairman. Weather is always a problem, particularly in that area. It has always been a problem. I am not sure we would have had the assets that could have gone there in what I would call all weather. The response time, though, would have been much faster from a forward-operating base like Howard.

Chairman GILMAN. Again, I want to thank our panelists. You have given us a great deal of food for thought, and we hope to continue in our efforts to persevere and make sure we have a good multilateral drug center in that part of the world. Thank you very much. Our Committee stands adjourned.

[Whereupon, at 12:20 p.m., the Committee was adjourned.]

A P P E N D I X

JULY 29, 1999

NEWS**International
Relations
Committee**

U.S. House of Representatives * Benjamin A. Gilman, Chairman * 2170 RHOB * Washington, D.C. 20515

DATE: July 29, 1999

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**CITING GROWING COLOMBIAN CRISIS, GILMAN SAYS
NOW IS NOT THE TIME TO "TURN OUR BACK" ON PANAMA**

WASHINGTON (July 29) – U.S. Rep. Benjamin A. Gilman (20th-NY), Chairman of the House International Relations Committee, today called for a continued U.S. military presence in Panama, citing the growing crisis in neighboring Colombia. His remarks came at a committee hearing on "Post-1999 U.S. Security and Counter-Drug Interests in Panama." The full text of his remarks follow:

"At the end of this year, there will be no American troops in Panama for the first time since 1903. Yet, our own drug czar, General Barry McCaffrey, called the narco-guerrilla crisis next door in Colombia a 'serious and growing emergency.'

"The United States military is turning over U.S. facilities valued at some \$5 billion to Panama on schedule. The Panama Canal Treaties will be implemented to the letter. This is appropriate.

"It is not appropriate, however, for the U.S. government to turn its back on Panama. Just as Panama is to exercise full sovereignty over its territory, that country finds itself in a very dangerous neighborhood. The framers of the 1977 treaties could not have foreseen neighboring Colombia's drug-fueled agony; nor the sophistication of the drug cartels' corrupting, criminal reach.

"Nonetheless, under the treaties, the United States will still protect the Panama Canal. Although the treaties provide that the United States and Panama can extend the U.S. military presence in Panama beyond 1999, no agreement has been reached.

"Howard Air Force base was the crown jewel in our fight against narcotics. Panama is the critical choke point in a region that produces all of the world's cocaine and three quarters of the heroin sold in our nation. Sitting on the drug-producing nations' doorstep, Howard's 8,500 foot runway saw 15,000 flights annually. The base could handle up to 30 helicopters and over 50 planes. The United States should not have put itself in the position of closing Howard on May 1".

(more)

"Our government is scrambling to conclude hasty agreements with the Netherlands Antilles and Ecuador for forward bases from which to deploy our military and civilian anti-drug forces. Quite simply, these plans cannot replace our strategic infrastructure in Panama.

"I closely followed former Ambassador 'Ted' McNamara's considerable efforts to conclude an agreement for a continued U.S. presence in Panama. Regrettably, those efforts did not result in the promised Multilateral Counter-narcotics Center (MCC). These negotiations became entangled in Panama's internal electoral politics. However, the Department of Defense and in particular the United States Air Force did not provide the support, flexibility and creative diplomacy that were needed to secure this vitally important continued U.S. presence in Panama.

"Last October 20th, I introduced H.R. 4858, the United States-Panama Partnership Act of 1998, offering Panama the opportunity to join Canada and Mexico in forging a new, mature, mutually beneficial relationship with the United States. In exchange, this legislation asks Panama to remain our partner in the war on drugs by continuing to host a U.S. military presence after 1999.

"It is not too late. We can and should extend America's hand to forge a new partnership with Panama in the 21st century."

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Statement of Congressman Dana Rohrabacher
"U.S. Security Threats and the Panama Canal"
House International Relations Committee
July 29, 1999

The Panama Canal, one of the world's key strategic waterways. The Canal, for all practical purposes, is now in the hands of Communist China, through the Hong Kong-based Hutchison Whampoa company, which has close ties to the People's Liberation Army.

In a controversial under-the-table decision, the Chinese were granted a 25-year lease, with an additional 25 year option, for control of the Canal's Atlantic and Pacific Ocean ports and other facilities . The Chinese are currently conducting major construction and port facility expansion in Panama at these ports. In addition, Chinese companies tied to the People's Liberation Army are becoming alarmingly active in Panama.

The war in neighboring Columbia against well-armed narco-terrorist forces, with ties to Cuba, is escalating and threatens to spread throughout the region. Panama does not have an army, navy or air force. The Panamanian government has an ongoing reputation for corruption and mismanagement. Chinese organized crime organizations are active in drugs, guns and large-scale illegal alien smuggling in Panama, and the Russian mafia is known to be supplying weapons to Columbian narco-terrorist forces.

Worldwide, China appears to be progressively positioning itself commercially and militarily along the key naval choke points between the Indian Ocean [its bases in Burma]; the South China Sea [Hong Kong]; the Straits of Malacca [the Spratley Islands]; the central Pacific [on Tarawa]; the coast of Hawaii [a major ocean mining tract]; the Caribbean [Cuba

and the Bahamas]; and now the Panama Canal.

China's flagship commercial shipping fleet, China Ocean Shipping Company [COSCO], is directly connected to the People's Liberation Army and Chinese communist government. COSCO ships have served as carriers for massive smuggling operations around the world – including the United States – of weapons, drugs and illegal aliens.

I recently witnessed China's aggressive Pacific strategy in their growing fortifications in the strategic Spratley Islands and their threats to the Philippines. A "vacuum-filling" pattern seems to be emerging: Wherever in the Pacific, includes our side of the Pacific, and that the U.S. withdraws or is negligent militarily, politically or economically, the Chinese communists move in. Combined with, China recently completed military/intelligence

agreements with Cuba, alarm bells should be ringing. The Chinese are building communications intelligence facilities adjacent to Russia's massive electronic spy center at Lourdes, Cuba.

In Panama, where government corruption is rampant, there is a dangerous convergence of well-financed Chinese and Russian crime rings with Cuban government operatives and Latin American drug lords and narco-terrorists. This is a nightmare scenario, a dark partnership threatens democracy in Panama and in neighboring countries. And it is a long-term danger at the doorstep of the United States.

Testimony of

**Ambassador Thomas E. McNamara
Former U.S. Special Negotiator for Panama**

**Before the
United States House of Representatives
Committee on International Relations**

**Hearing on
Post-1999 U.S. Security and Counter-Drug Interests
in Panama**

July 29, 1999

PANAMA STATEMENT

INTRODUCTION

I thank the committee for the invitation to testify today. I hope I can assist you to understand the evolution of the negotiations of 1997-98 that attempted to reach agreement with the Government of Panama for a continued U.S. presence in Panama after the year 2000. Such a possibility was envisioned in the 1979 treaties, but only provided that both countries negotiate an agreement for continued presence.

My own role was limited in time and scope. I was the last of several U.S. negotiators and I took over late in the process, in what can accurately be portrayed as the final months before circumstance would preclude an agreement. I came to the negotiations with the background of having participated in the first State Department study of the post-2000 presence in the early 1980s. During the 1980s I worked on Panamanian and Central American political-military issues and on counternarcotics and counterterrorism in the hemisphere. I finished the decade as U.S. Ambassador to Colombia (1988 to 1991). I also served twice on the staff of the National Security Council and, also, as Assistant Secretary of State before leaving government service late last year.

It seems to me that any understanding of the situation we faced in these negotiations begins with an understanding of a century of U.S. involvement in Panama. While the United States has solidly favorable remembrances of that involvement, Panamanians have mixed feelings about it. Most Panamanians have very friendly and favorable attitudes about Americans and realize that Panama owes much to the American involvement. But many, even among these, have strong unfavorable memories of times when a sovereign zone split their nation in half, and when Americans lived among them in a separate, privileged and culturally segregated society. There is, therefore, a certain ambiguity and resentment about the American role in Panama, particularly among the educated elite of the country. And it is, unfortunately, true that Panama is a country where the political elite determines the outcome of important issues. In short, we cannot discount the century of intense, emotional, and complex history that is a part of any negotiation we may undertake with Panama.

PANAMANIAN AND AMERICAN ATTITUDES TOWARDS THE NEGOTIATIONS

Hence, my first observation on the negotiation is that the Panamanian government approached the table with very ambiguous attitudes about a continued U.S. presence in Panama after the year 2000. The political parties in the government coalition were divided, in particular the lead party of the coalition, the Democratic Revolutionary Party

(PRD). Any attempt to negotiate a continued U.S. presence was bound to create powerful strains and conflicts within the party and the government.

As for the public in general, despite years of unrelenting negative press coverage of the counternarcotics center and the negotiations, and the few and unenthusiastic public statements during the negotiations by the government, there was a very strong, stable majority of public opinion in favor of a continued American presence in Panama. The polls consistently showed between 65 and 80 percent of the public wanted the Multinational Counternarcotics Center (MCC) and the U.S. military presence that was to be part of that MCC.

This difference in attitude between the educated elite and the average Panamanian is not surprising. First, the average Panamanian saw the counternarcotics center as a source of jobs and commerce, which would provide substantial, reliable economic benefits for years to come. Second, the average Panamanian distrusts Panamanian politicians and a continued U.S. presence was thought to be, therefore, a hedge against the instability, conflict, corruption, and authoritarianism that have marked Panama's political life, and which are resented and feared by the average citizen.

Opinion here in the United States also differed about whether a continued presence in Panama was necessary or desirable. Outside government those who opined on the issue were divided. Some saw little of strategic interest to the U.S. and were willing to see the special relationship end. Others were supportive of an MCC because of the importance of the counterdrug fight and the value of military monitoring and interception of drug flights. Within the executive branch The White House, Department of State, and the Office of National Drug Control Policy (ONDCP) were strong supporters of a counternarcotics center and of the negotiations. The law enforcement agencies were agnostic. The attitudes of the military were more complex.

In large measure the attitude of the U.S. military was a result of the heavy focus in the negotiations on creating a drug center rather than a traditional military facility for the conduct of traditional military operations. SOUTHCOM, the operational command in the region, was strongly supportive because it saw the MCC as a very useful tool in carrying out its mission in drug monitoring and interdiction. Other elements of the military considered that they could accomplish the counterdrug mission without remaining in Panama. Still others wanted a wide range of missions, or no presence at all. In the end the military took the position that they could fulfill their missions for less money by relying on U.S. bases and Forward Operating Locations (FOLs) in the region. It remains to be seen if this is a correct evaluation.

NEGOTIATION STRATEGY

In the summer of 1997 when I was asked to lead the negotiations, I concluded, that time was short, but that we could negotiate an agreement. To be successful, we would have to

have intensive talks, and finish before the end of that year. There were two reasons for this. First, Panama was quickly approaching a referendum campaign that would determine whether President Perez Balladares could run for a second term. This national referendum would be initiated by a vote in the Congress early in 1998. I believed that unless the MCC was settled quickly, it would be injected into that domestic political debate. The longer negotiations continued, the greater the danger of this happening.

The second reason for speed was that the United States had to decide on drawing down personnel and activities from Panama to comply with the 1979 Treaties. The withdrawal would involve expenditures to build and modify facilities in the United States as well as other expenses and the military wanted to move quickly on alternatives to Panama. I felt certain that, as substantial funds were expended to withdraw, we would lose support for an MCC. We needed, by the end of 1997, a negotiated text demonstrating a concrete solution that did not involve complete withdrawal.

I, therefore, spoke with my counterpart and we agreed that both sides would benefit, if a successful agreement could be concluded before the end of 1997. We then outlined the major issues that would have to be settled and agreed to set a schedule that would allow for time to negotiate each one.

DECEMBER, 1997 AND JANUARY, 1998

Without going into the details of the negotiations I can say that between early September and late December, 1997, we had successfully negotiated all of the essential points of the agreement. When we broke for Christmas on December 23, there were a few details that needed to be addressed, as well as some technical issues remaining. The largest issue unresolved was to decide how to transform a bilateral text into a multilateral agreement. Hence, there was no reason in December to think that the remaining details could not be settled. It was, in fact, on the basis of that December 23 text that President Perez Balladares announced the following day that an agreement had been reached.

During the Christmas holiday period we understood that the negotiated text was shown to government and other leaders in Panama and that the reaction of some was strongly negative. By late January the government appeared deeply divided. The Foreign Minister, Ricardo Arias, assured us that we should come to Panama to initial the text and discuss it with other Latin American states that had been invited to Panama. Despite this assurance, at that meeting on January 20, the Foreign Minister refused to confirm an essential agreement, or to initial texts.

In subsequent weeks Panama suggested major changes that amounted to a renegotiation of the December text. The United States position was that we were willing to consider small changes that would make the agreement acceptable to Panama, but we were not, at that late date, able to renegotiate a text that had been all but finally agreed.

Indeed, we were in the situation I had tried to avoid. The referendum campaign was in full swing by May, and the matter could not be settled in the atmosphere prevailing in Panama.

MISCALCULATIONS AND CONTRADICTIONARY ATTITUDES

There were several miscalculations and contradictions that were noteworthy in these negotiations. The Panamanian miscalculation was a virtually universal belief that the U.S. would never leave our facilities in Panama. Panamanians believed we would pay a high price to remain because we were totally committed to having a "base" in Panama. This led them to overestimate the leverage available to gain concessions from the U.S. On the U.S. side there was a miscalculation, prevalent among the military, that the Panamanians would, in the end, accept a large U.S. military presence despite the intense, opposition within the ruling elite. Both miscalculations made negotiations more difficult.

The contradictory attitudes are also interesting because they misled the other side. Initially, there was much posturing in Panama that the U.S. must leave. It was a matter of national pride and sovereignty that Panama have the bases back and have all forces out of Panama. Yet, they later took the position that the U.S. could remain and "bases" were possible, if the U.S. "paid rent." In June, 1996 Panama suggested a multilateral counterdrug center (MCC) to avoid the "base" and the "rent" issues. But, the residue of this inconsistency remained throughout the talks. It caused some on the U.S. side to discount the seriousness of the opposition in Panama and to think that Panama would go farther than it, in fact, could.

The U.S. military also had a paradoxical position in the negotiations. They insisted that we must have a facility at the MCC that would be capable of a wide range of counterdrug and non-drug related operations, i.e. that we needed a large facility. Yet, we also told Panama and others that we could dispense with facilities in Panama and operate from relatively small, forward locations and from substitute facilities in the United States. This convinced the Panamanians that we could do our "drug-related operations" from a small facility, but that we were driving them towards a "base" disguised as a "counterdrug center" so that we could conduct "other missions" and not "pay rent."

NEXT STEPS

There are several reasons why these negotiations failed to succeed. Some I have already suggested in the above remarks. The history of the relationship had left a resentment among a small, but vocal, minority of the Panamanian elite that caused them to oppose adamantly any U.S. military presence. Additionally, there was the unwillingness of the Panamanian government to support and explain to their public the negotiations that they had launched. This left the field wide open to the opponents of an MCC and resulted in a correct perception of lukewarm support by that government for an agreement. This was

matched, of course, by the lukewarm support of the U.S. military for a continued military presence in Panama.

The bottom line is that maintaining an MCC in Panama was too difficult a political step for the Government of Panama. For the U.S. government it was only one of several alternative ways of conducting military missions in the region.

Having failed to reach agreement, I strongly recommend that both countries adopt a "cooling off" period of several years before addressing again the issue of whether Panama would agree to the presence of U.S. military in the country. Both countries tried hard, came close, but failed. The political and military value of the presence was not strong enough to overcome the alternative of doing without it. In that regard I believe the negotiations reflected the real world that has evolved since the end of the Cold War: a continued U.S. presence in Panama would have been a beneficial outcome for both countries, but it is not essential to either.

I see no value, and much danger, in one side or the other pressing in the next few years for another agreement. The Panamanians need to see that we will fully implement the 1979 treaties, that we will completely leave the country without any intention of returning. On the other hand the United States must learn to function in the region under very different conditions than in the past. Having spent the money to move out of Panama we should do just that – leave. We must then commit whatever resources are necessary to the conduct of equally effective counternarcotics missions with bases in the U.S. and FOLs in the region.