

## Appendix A

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Table 1. Metric Conversion Coefficients and Factors

When you know	Multiply by	To find
Millimeters .....	0.04	inches
Centimeters .....	0.39	inches
Meters .....	3.3	feet
Kilometers .....	0.62	miles
Hectares (10,000 m <sup>2</sup> ) .....	2.47	acres
Square kilometers .....	0.39	square miles
Cubic meters .....	35.3	cubic feet
Liters .....	0.26	gallons
Kilograms .....	2.2	pounds
Metric tons .....	0.98	long tons
.....	1.1	short tons
.....	2,204	pounds
Degrees Celsius .....	9	degrees Fahrenheit
(Centigrade)	divide by 5 and add 32	

Table 2. Population and Annual Growth Rates,  
Census Years 1911-80

Census Year	Population	Years Covered	Average Annual Growth Rate (in percentage)
1911 .....	336,742	n.a.	n.a.
1920 .....	446,098	1911-20	3.17
1930 .....	467,459	1920-30	0.47
1940 .....	622,576	1930-40	2.76
1950 .....	805,285	1940-50	2.56
1960 .....	1,075,541	1950-60	2.94
1970 .....	1,428,082	1960-70	3.06
1980 .....	1,831,399	1970-80	2.52

n.a.—not applicable.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November, 1984, 38-39.

Table 3. Annual Population Growth Rates, by Province, 1970-80

Province	Annual Growth Rate (in percentage)
Bocas del Toro .....	3.07
Coclé .....	1.78
Colón .....	2.11
Chiriquí .....	2.37
Darién .....	2.17
Herrera .....	1.74
Los Santos .....	0.48
Panamá .....	3.49
Veraguas .....	1.63

Source: Based on information from Panama, Directorate of Statistics and Census, *Estadística Panameña*, No. 970, Panama City, March 1985, 6-7.

Table 4. Indigenous Population, by Province or Territory, 1980<sup>1</sup>

Province or Territory	Total	Indigenous Population	Percent Indigenous
Bocas del Toro .....	53,487	17,468	33.00
Chiriquí .....	287,350	30,862	11.00
Comarca de San Blas .....	28,621	27,588	96.00
Darién .....	26,524	8,924	34.00
Panamá .....	831,048	2,294	0.30
Veraguas .....	173,245	5,955	3.00
PANAMA <sup>2</sup> .....	1,831,399	93,091	5.00

<sup>1</sup> Provinces of Colón, Coclé, Los Santos, and Herrera do not contain significant numbers of Indians, and statistics were not available for those provinces.

<sup>2</sup> Total is for all nine provinces and the Comarca de San Blas.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 48-49.

Table 5. Illiteracy Rates for Population over Ten Years of Age, by Sex, 1970 and 1980

	1970	1980
Male .....	101,931	84,515
Female .....	101,351	89,610
TOTAL .....	203,282	174,125
Percentage of Total Population ...	21	13

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 252.

Table 6. Educational Enrollment, Selected Years, 1950-83

	1950	1960	1970	1975	1979	1980	1981	1982	1983
Preprimary .....	n.a.	n.a.	n.a.	18,677	18,136	22,616	24,656	25,843	25,843
Primary .....	110,059	161,800	255,287	325,394	373,823	337,522	335,239	336,740	335,950
Secondary <sup>1</sup> .....	17,519	38,964	78,466	125,745	137,816	171,273	174,078	174,791	176,916
Postsecondary .....	1,519	4,030	8,159	22,581	38,865	41,311	43,964	47,592	47,131
Other <sup>2</sup> .....	n.a.	n.a.	n.a.	n.a.	13,085	14,458	9,905	12,611	8,653
<b>TOTAL</b> .....	<b>129,097</b>	<b>204,794</b>	<b>341,912</b>	<b>473,720</b>	<b>582,266</b>	<b>582,700</b>	<b>585,802</b>	<b>596,390</b>	<b>594,493</b>

n.a.—not available.

<sup>1</sup> Includes both technical and academic programs.

<sup>2</sup> Includes special education and vocational courses of less than three years.

Sources: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1973-1977*, Panama City, November 1978, 176-80; and Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 261-62.

Table 7. Education Budgets, 1979-84

	Ministry of Education		University of Panama	
	Amount*	Percentage of Total Budget	Amount*	Percentage of Total Budget
1979 .....	85,037	18.4	16,681	3.6
1980 .....	110,913	15.3	17,332	2.4
1981 .....	120,153	15.2	21,455	2.7
1982 .....	133,862	12.1	22,801	2.1
1983 .....	145,927	12.7	26,665	2.3
1984 .....	217,840	18.3	32,294	2.7

\*In thousands of balboas; for value of the balboa—see Glossary.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 266.

Table 8. Government Spending for Education,  
by Level of Instruction, 1979-83  
(in thousands of balboas)\*

	1979	1980	1981	1982	1983
Primary .....	63,441	74,254	70,760	68,502	74,605
Secondary .....	32,177	33,644	37,441	47,161	48,525
University .....	19,769	24,316	31,897	41,105	43,442
Adult education .....	866	126	1,523	1,161	845
Other .....	39,394	49,773	53,412	56,238	61,708
TOTAL .....	155,647	182,113	195,033	214,167	229,125

\*For value of the balboa—see Glossary.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 268.

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*Table 9. Schools, Classrooms, and Teachers, Selected Years, 1950-83*

Year	Primary	Secondary	Postsecondary
1950			
Schools .....	950	78	1
Classrooms .....	n.a.	n.a.	n.a.
Teachers .....	3,415	959	n.a.
1960			
Schools .....	1,298	127	2
Classrooms .....	n.a.	n.a.	n.a.
Teachers .....	5,309	1,704	191
1970			
Schools .....	1,784	192	2
Classrooms .....	n.a.	n.a.	n.a.
Teachers .....	1,784	3,784	448
1975			
Schools .....	2,171	209	2
Classrooms .....	n.a.	n.a.	n.a.
Teachers .....	10,685	5,670	869
1980			
Schools .....	2,306	301	2
Classrooms .....	11,280	3,763	318
Teachers .....	12,361	8,138	1,310
1981			
Schools .....	2,316	307	2
Classrooms .....	11,508	3,947	370
Teachers .....	12,393	8,610	1,586
1982			
Schools .....	2,347	313	3
Classrooms .....	11,726	3,973	451
Teachers .....	12,853	8,928	1,705
1983			
Schools .....	2,376	321	3
Classrooms .....	11,289	4,011	506
Teachers .....	12,613	9,249	1,766

n.a.—not available.

Sources: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1973-1977*, Panama City, November 1978, 176-80; and Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 256-59.

Table 10. Life Expectancy at Birth, by Sex, 1965 and 1985

	1965	1985
Male .....	62	69
Female .....	64	73

Sources: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 76; and World Bank, *World Development Report 1986*, New York, 1986, 233.

Table 11. Medical Facilities, by Location, 1983

	Hospitals	Medical Centers	Local Clinics
<b>Cities</b>			
Panama City .....	12	20	n.a.
Colón .....	2	5	n.a.
<b>Provinces</b>			
Bocas del Toro .....	3	4	56
Chiriquí .....	6	31	98
Coclé .....	3	17	46
Colón .....	3	17	47
Darién .....	3	5	32
Herrera .....	5	11	23
Los Santos .....	4	11	14
Panamá .....	16	53	63
Veraguas .....	3	17	51
<b>Indigenous Territory</b>			
Comarca de San Blas .....	4	4	13

n.a.—not available.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 221.

*Table 12. Medical Personnel and Facilities, per 10,000 Inhabitants, by Location, 1983*

	Hospital Beds	Doctors	Nurses
<b>Cities</b>			
Panama City .....	91	21.8	28.1
Colón .....	48	12.5	15.4
<b>Provinces</b>			
Bocas del Toro .....	31	4.1	6.5
Chiriquí .....	25	6.1	5.9
Coclé .....	24	4.4	4.1
Colón .....	24	8.2	8.3
Darién .....	25	3.6	3.2
Herrera .....	42	5.6	5.6
Los Santos .....	67	6.1	6.1
Panamá .....	45	13.9	14.4
Veraguas .....	17	2.6	3.2
<b>Indigenous Territory</b>			
Comarca de San Blas .....	22	2.3	1.1
<b>PANAMA</b> .....	<b>36</b>	<b>9.0</b>	<b>9.4</b>

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 223-26.

Table 13. Birth and Death Rates, per 1,000 Inhabitants, 1979-83

	1979	1980	1981	1982	1983
Live Births					
Urban .....	26.1	25.5	25.1	25.9	25.7
Rural .....	30.2	28.9	28.9	27.4	26.6
Panama .....	28.2	27.2	27.0	26.7	26.2
Mortality					
All deaths					
Urban .....	4.2	4.1	4.0	4.2	4.4
Rural .....	4.5	4.2	3.9	3.7	3.8
Panama .....	4.4	4.2	4.0	4.0	4.1
Infant*					
Urban .....	21.5	19.4	19.7	17.1	18.8
Rural .....	27.7	23.9	24.7	22.6	22.1
Panama .....	24.6	21.7	22.2	19.9	20.5
Maternal					
Urban .....	0.4	0.2	0.4	0.5	0.2
Rural .....	1.0	1.1	0.8	1.2	1.0
Panama .....	0.7	0.7	0.6	0.9	0.6

\*Aged less than one year.

Source: Based on information from Panama, Directorate of Statistics and Census, *Panamá en Cifras: Años 1979-1983*, Panama City, November 1984, 61.Table 14. Central Government Budgets, 1981-85  
(in millions of balboas) <sup>1</sup>

	1981	1982	1983	1984	1985 <sup>2</sup>
Consolidated public sector					
Revenues .....	1,169.0	1,264.5	1,385.5	1,424.6	1,531.8
Expenditures .....	<u>1,383.7</u>	<u>1,726.5</u>	<u>1,650.2</u>	<u>1,699.0</u>	<u>1,654.8</u>
Balance .....	-214.7	-462.0	-264.7	-274.4	-123.0
Unconsolidated public-sector balance <sup>3</sup> .....	6.6	-2.0	17.4	8.0	12.0
Total public-sector borrowing requirement .....	208.1	464.0	247.3	266.4	121.0
As percentage of GDP <sup>4</sup> .....	5.4	10.8	5.7	5.8	2.5

<sup>1</sup> For value of the balboa—see Glossary.<sup>2</sup> Estimate.<sup>3</sup> To which no transfers are made.<sup>4</sup> GDP—gross domestic product—see Glossary.

Source: Based on unpublished data provided by the Controloría General de la República de Panamá, 1987.

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*Table 15. Distribution of Labor Force by Sector, Selected Years, 1965-85  
(in percentage)*

Sector	1965	1973	1980	1985
Agriculture .....	46.3	38.6	31.8	26.5
Industry .....	15.8	17.8	18.1	16.1
Services .....	37.9	43.6	50.1	57.4
TOTAL .....	100.0	100.0	100.0	100.0

Source: Based on unpublished data provided by the Controloría General de la República de Panamá, 1987.

*Table 16. External Trade, 1980-85  
(in millions of United States dollars at current prices)*

	1980	1981	1982	1983	1984	1985 <sup>1</sup>
<b>Exports</b>						
Bananas .....	61.6	69.2	66.0	75.0	74.7	78.1
Petroleum .....	233.3	209.1	166.6	131.2	134.4	100.6
Shrimp .....	43.7	42.7	52.9	51.4	46.7	53.4
Sugar .....	65.8	52.6	23.7	41.3	42.6	33.3
Manufactures .....	31.5	31.4	38.7	29.3	34.5	45.0
Other .....	90.2	88.9	140.9	109.9	94.0	104.1
Total exports f.o.b. <sup>2</sup> ..	526.1	493.9	488.8	438.1	426.9	414.5
<b>Imports</b>						
Food .....	123.0	115.4	124.1	130.0	127.8	142.6
POL <sup>3</sup> and other energy sources .....	424.4	426.1	408.6	384.0	350.2	271.8
Other consumer goods ....	162.5	195.0	203.2	196.5	206.9	197.8
Other intermediate goods ..	373.4	413.6	404.5	360.6	392.8	439.7
Capital goods .....	258.7	319.8	355.6	280.8	264.4	288.2
Total imports c.i.f. <sup>4</sup> ..	1,342.0	1,469.9	1,496.0	1,351.9	1,342.1	1,340.1

<sup>1</sup> Preliminary.

<sup>2</sup> f.o.b.—free on board.

<sup>3</sup> POL—Petroleum, oil, and lubricants.

<sup>4</sup> c.i.f.—Cost, insurance, and freight.

Source: Based on unpublished data provided by the Controloría General de la República de Panamá, 1987.

Table 17. *Balance of Payments, 1980-85*  
(in millions of United States dollars at current prices)

	1980	1981	1982	1983	1984	1985*
Exports of goods and non-factor services (NFS) .....	1,644.6	1,734.3	1,769.3	1,774.4	1,742.4	1,819.6
Imports of goods and NFS .....	-1,697.6	-1,854.6	-1,870.5	-1,697.0	-1,679.7	-1,705.3
RESOURCE BALANCE .....	-53.0	-120.3	-101.2	77.4	62.7	114.3
Net factor income ....	-283.0	-271.2	-349.8	-324.2	-375.8	-370.2
Net current transfers ..	14.4	31.2	45.6	44.3	89.6	83.3
CURRENT ACCOUNT BALANCE .....	-321.6	-360.3	-405.4	-202.5	-223.5	-172.6
Capital						
Long-term capital inflow .....	131.6	402.0	492.1	386.0	250.4	130.6
Total other items (net) .....	186.1	-5.1	-85.4	-95.4	1.7	-24.9
Net short-term capital .....	-90.4	37.7	-125.8	-177.5	-80.3	-229.1
CAPITAL ACCOUNT BALANCE .....	227.3	434.6	280.9	113.1	171.8	-123.4
Net errors and omissions .....	-276.5	42.8	-40.4	-82.1	-67.6	-136.4
Change in net reserves .....	3.9	-36.6	-1.3	-88.1	-14.2	134.7

\*Preliminary.

Source: Based on unpublished data provided by the Controloría General de la República de Panamá, 1987.

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*Table 18. External Capital and Debt, 1980-85*  
(in millions of United States dollars at current prices)

	1980	1981	1982	1983	1984	1985 <sup>1</sup>
Public and publicly guaranteed external debt . . . . .	2,283.4	2,441.3	2,926.7	3,146.5	3,229.7	3,275.6
Official creditors . . . . .	581.2	682.2	830.5	1,006.0	1,078.9	1,144.3
Multilateral . . . . .	327.5	358.8	432.3	558.3	660.4	741.0
Bilateral . . . . .	253.7	323.4	398.2	447.7	418.5	403.3
Private creditors . . . . .	1,702.2	1,759.1	2,096.2	2,140.5	2,150.8	2,131.3
Suppliers . . . . .	35.7	29.2	29.1	27.1	50.1	42.5
Financial markets . . . . .	1,666.5	1,729.9	2,067.1	2,113.4	2,100.7	2,088.8
IMF credit <sup>2</sup> . . . . .	23.1	93.6	84.0	192.8	271.1	311.2
<b>TOTAL EXTERNAL DEBT . . . . .</b>	<b>2,306.5</b>	<b>2,534.9</b>	<b>3,010.7</b>	<b>3,339.3</b>	<b>3,500.8</b>	<b>3,586.8</b>
Percentage of total long-term debt on concessional terms . . . . .	12.2	12.8	11.8	11.5	11.7	12.1
(with variable interest rates)	52.2	51.1	55.9	57.0	57.7	59.5

<sup>1</sup> Estimate.

<sup>2</sup> IMF—International Monetary Fund.

Source: Based on unpublished data provided by the Controloría General de la República de Panamá, 1987.

*Table 19. United States Military Aid and Sales to Panama, Fiscal Years 1980-86*  
(in thousands of United States dollars)

Fiscal Year	FMS Deliveries <sup>1</sup>	Commercial Arms Sales	MAP <sup>2</sup>	IMETP <sup>3</sup>
1980 . . . . .	187	29,241	3	270
1981 . . . . .	154	752	n.a.	328
1982 . . . . .	360	1,000	1	359
1983 . . . . .	481	1,504	n.a.	466
1984 . . . . .	546	1,800	n.a.	453
1985 . . . . .	2,124	594	n.a.	575
1986 . . . . .	12,488	560	n.a.	507

n.a.—not available.

<sup>1</sup> FMS—Foreign Military Sales.

<sup>2</sup> MAP—Military Assistance Program.

<sup>3</sup> IMETP—International Military Education and Training Program.

Source: Based on information from United States, Department of Defense, Security Assistance Agency, *Foreign Military Sales, Foreign Military Construction Sales, and Military Assistance Facts*, Washington, 1986.

# Appendix B

## TEXTS OF THE PANAMA CANAL TREATIES WITH UNITED STATES SENATE MODIFICATIONS

### Panama Canal Treaty

The United States of America and the Republic of Panama, *Acting* in the spirit of the Joint Declaration of April 3, 1964, by the Representatives of the Governments of the United States of America and the Republic of Panama, and of the Joint Statement of Principles of February 7, 1974, initialed by the Secretary of State of the United States of America and the Foreign Minister of the Republic of Panama, and *Acknowledging* the Republic of Panama's sovereignty over its territory, *Have decided* to terminate the prior Treaties pertaining to the Panama Canal and to conclude a new Treaty to serve as the basis for a new relationship between them and, accordingly, have agreed upon the following:

### ARTICLE I

Abrogation of Prior Treaties and Establishment of a New Relationship

1. Upon its entry into force, this Treaty terminates and supersedes:

(a) The Isthmian Canal Convention between the United States of America and the Republic of Panama, signed at Washington, November 18, 1903;

(b) The Treaty of Friendship and Cooperation signed at Washington, March 2, 1936, and the Treaty of Mutual Understanding and Cooperation and the related Memorandum of Understandings Reached, signed at Panama, January 25, 1955, between the United States of America and the Republic of Panama;

(c) All other treaties, conventions, agreements, and exchanges of notes between the United States of America and the Republic of Panama concerning the Panama Canal, which were in force prior to the entry into force of this Treaty; and

(d) Provisions concerning the Panama Canal, which appear in other treaties, conventions, agreements, and exchanges of notes between the United States of America and the Republic of Panama, which were in force prior to the entry into force of this Treaty.

2. In accordance with the terms of this Treaty and related agreements, the Republic of Panama, as territorial sovereign, grants to the United States of America, for the duration of this Treaty, the rights necessary to regulate the transit of ships through the Panama Canal, and to manage, operate, maintain, improve, protect, and defend the Canal. The Republic of Panama guarantees to the United States of America the peaceful use of the land and water areas which it has been granted the rights to use for such purposes pursuant to this Treaty and related agreements.

3. The Republic of Panama shall participate increasingly in the management and protection and defense of the Canal, as provided in this Treaty.

4. In view of the special relationship established by this Treaty, the United States of America and the Republic of Panama shall cooperate to assure the uninterrupted and efficient operation of the Panama Canal.

### ARTICLE II

Ratification, Entry Into Force, and Termination

1. The Treaty shall be subject to ratification in accordance with the constitutional

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procedures of the two Parties. The instruments of ratification of this Treaty shall be exchanged at Panama at the same time as the instruments of ratification of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, signed this date, are exchanged. This Treaty shall enter into force, simultaneously with the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, six calendar months from the date of the exchange of the instruments of ratification.

2. This Treaty shall terminate at noon, Panama time, December 31, 1999.

### ARTICLE III

#### Canal Operation and Management

1. The Republic of Panama, as territorial sovereign, grants to the United States of America the rights to manage, operate, and maintain the Panama Canal, its complementary works, installations, and equipment and to provide for the orderly transit of vessels through the Panama Canal. The United States of America accepts the grant of such rights and undertakes to exercise them in accordance with this Treaty and related agreements.

2. In carrying out the foregoing responsibilities, the United States of America may:

(a) Use for the aforementioned purposes, without cost except as provided in this Treaty, the various installations and areas (including the Panama Canal) and waters, described in the Agreement in Implementation of this Article, signed this date, as well as such other areas and installations as are made available to the United States of America under this Treaty and related agreements, and take the measures necessary to ensure sanitation of such areas;

(b) Make such improvements and alterations to the aforesaid installations and areas as it deems appropriate, consistent with the terms of this Treaty;

(c) Make and enforce all rules pertaining to the passage of vessels through the Canal and other rules with respect to navigation and maritime matters, in accordance with this Treaty and related agreements. The Republic of Panama will lend its cooperation, when necessary, in the enforcement of such rules;

(d) Establish, modify, collect, and retain tolls for the use of the Panama Canal, and other charges, and establish and modify methods of their assessment;

(e) Regulate relations with employees of the United States Government;

(f) Provide supporting services to facilitate the performance of its responsibilities under this Article;

(g) Issue and enforce regulations for the exercise of the rights and responsibilities of the United States of America under this Treaty and related agreements. The Republic of Panama will lend its cooperation, when necessary, in the enforcement of such rules; and

(h) Exercise any other right granted under this Treaty, or otherwise agreed upon between the two Parties.

3. Pursuant to the foregoing grant of rights, the United States of America shall, in accordance with the terms of this Treaty and the provisions of United States law, carry out its responsibilities by means of a United States Government agency called the Panama Canal Commission, which shall be constituted by and in conformity with the laws of the United States of America.

(a) The Panama Canal Commission shall be supervised by a Board composed of nine members, five of whom shall be nationals of the United States of America, and four of whom shall be Panamanian nationals proposed by the Republic of Panama for appointment to such positions by the United States of America in a timely manner.

(b) Should the Republic of Panama request the United States of America to remove a Panamanian national from membership on the Board, the United States of America shall agree to such request. In that event, the Republic of Panama shall

propose another Panamanian national for appointment by the United States of America to such position in a timely manner. In case of removal of a Panamanian member of the Board on the initiative of the United States of America, both Parties will consult in advance in order to reach agreement concerning such removal, and the Republic of Panama shall propose another Panamanian national for appointment by the United States of America in his stead.

(c) The United States of America shall employ a national of the United States of America as Administrator of the Panama Canal Commission, and a Panamanian national as Deputy Administrator, through December 31, 1989. Beginning January 1, 1990, a Panamanian national shall be employed as the Administrator and a national of the United States of America shall occupy the position of Deputy Administrator. Such Panamanian nationals shall be proposed to the United States of America by the Republic of Panama for appointment to such positions by the United States of America.

(d) Should the United States of America remove the Panamanian national from his position as Deputy Administrator, or Administrator, the Republic of Panama shall propose another Panamanian national for appointment to such position by the United States of America.

4. An illustrative description of the activities the Panama Canal Commission will perform in carrying out the responsibilities and rights of the United States of America under this Article is set forth at the Annex. Also set forth in the Annex are procedures for the discontinuance or transfer of those activities performed prior to the entry into force of this Treaty by the Panama Canal Company or the Canal Zone Government which are not to be carried out by the Panama Canal Commission.

5. The Panama Canal Commission shall reimburse the Republic of Panama for the costs incurred by the Republic of Panama in providing the following public services in the Canal operation areas and in housing areas set forth in the Agreement in Implementation of Article III of this Treaty and occupied by both United States and Panamanian citizen employees of the Panama Canal Commission: police, fire protection, street maintenance, street lighting, street cleaning, traffic management, and garbage collection. The Panama Canal Commission shall pay the Republic of Panama the sum of ten million United States dollars (US\$10,000,000) per annum for the foregoing services. It is agreed that every three years from the date that this Treaty enters into force, the costs involved in furnishing said services shall be reexamined to determine whether adjustment of the annual payment should be made because of inflation and other relevant factors affecting the cost of such services.

6. The Republic of Panama shall be responsible for providing, in all areas comprising the former Canal Zone, services of a general jurisdictional nature such as customs and immigration, postal services, courts, and licensing, in accordance with this Treaty and related agreements.

7. The United States of America and the Republic of Panama shall establish a Panama Canal Consultative Committee, composed of an equal number of high-level representatives of the United States of America and the Republic of Panama, and which may appoint such subcommittees as it may deem appropriate. This Committee shall advise the United States of America and the Republic of Panama on matters of policy affecting the Canal's operation. In view of both Parties' special interest in the continuity and efficiency of the Canal operation in the future, the Committee shall advise on matters such as general tolls policy, employment and training policies to increase the participation of Panamanian nationals in the operation of the Canal, and international policies on matters concerning the Canal. The Committee's recommendations shall be transmitted to the two Governments, which shall give such recommendations full consideration in the formulation of such policy decisions.

8. In addition to the participation of Panamanian nationals at high management levels of the Panama Canal Commission, as provided for in paragraph 3 of this Article,

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there shall be growing participation of Panamanian nationals at all other levels and areas of employment in the aforesaid commission, with the objective of preparing, in an orderly and efficient fashion, for the assumption by the Republic of Panama of full responsibility for the management, operation, and maintenance of the Canal upon the termination of this Treaty.

9. The use of the areas, waters, and installations with respect to which the United States of America is granted rights pursuant to this Article, and the rights and legal status of United States Government agencies and employees operating in the Republic of Panama pursuant to this Article, shall be governed by Agreement in Implementation of this Article, signed this date.

10. Upon entry into force of this Treaty, the United States Government agencies known as the Panama Canal Company and the Canal Zone Government shall cease to operate within the territory of the Republic of Panama that formerly constituted the Canal Zone.

### ARTICLE IV

#### Protection and Defense

1. The United States of America and the Republic of Panama commit themselves to protect and defend the Panama Canal. Each Party shall act, in accordance with its constitutional processes, to meet the danger resulting from an armed attack or other actions which threaten the security of the Panama Canal or of ships transiting it.

2. For the duration of this Treaty, the United States of America shall have primary responsibility to protect and defend the Canal. The rights of the United States of America to station, train, and move military forces within the Republic of Panama are described in the Agreement in Implementation of this Article, signed this date. The use of areas and installations and the legal status of the armed forces of the United States of America in the Republic of Panama shall be governed by the aforesaid Agreement.

3. In order to facilitate the participation and cooperation of the armed forces of both Parties in the protection and defense of the Canal, the United States of America and the Republic of Panama shall establish a Combined Board comprised of an equal number of senior military representatives of each Party. These representatives shall be charged by their respective governments with consulting and cooperating on all matters pertaining to the protection and defense of the Canal, and with planning for actions to be taken in concert for that purpose. Such combined protection and defense arrangements shall not inhibit the identity or lines of authority of the armed forces of the United States of America or the Republic of Panama. The Combined Board shall provide for coordination and cooperation concerning such matters as:

- (a) The preparation of contingency plans for the protection and defense of the Canal based upon the cooperative efforts of the armed forces of both Parties;
- (b) The planning and conduct of combined military exercises; and
- (c) The conduct of United States and Panamanian military operations with respect to the protection and defense of the Canal.

4. The Combined Board shall, at five-year intervals throughout the duration of this Treaty, review the resources being made available by the two Parties for the protection and defense of the Canal. Also, the Combined Board shall make appropriate recommendations to the two Governments respecting projected requirements, the efficient utilization of available resources of the two Parties, and other matters of mutual interest with respect to the protection and defense of the Canal.

5. To the extent possible consistent with its primary responsibility for the protection and defense of the Panama Canal, the United States of America will endeavor to maintain its armed forces in the Republic of Panama in normal times at a level

not in excess of that of the armed forces of the United States of America in the territory of the former Canal Zone immediately prior to the entry into force of this Treaty.

#### **ARTICLE V**

##### **Principle of Non-Intervention**

Employees of the Panama Canal Commission, their dependents, and designated contractors of the Panama Canal Commission, who are nationals of the United States of America, shall respect the laws of the Republic of Panama and shall abstain from any activity incompatible with the spirit of this Treaty. Accordingly, they shall abstain from any political activity in the Republic of Panama as well as from any intervention in the internal affairs of the Republic of Panama. The United States of America shall take all measures within its authority to ensure that the provisions of this Article are fulfilled.

#### **ARTICLE VI**

##### **Protection of the Environment**

1. The United States of America and the Republic of Panama commit themselves to implement this Treaty in a manner consistent with the protection of the natural environment of the Republic of Panama. To this end, they shall consult and cooperate with each other in all appropriate ways to ensure that they shall give due regard to the protection and conservation of the environment.

2. A Joint Commission on the Environment shall be established with equal representation from the United States and the Republic of Panama, which shall periodically review the implementation of this Treaty and shall recommend as appropriate to the two Governments ways to avoid or, should this not be possible, to mitigate the adverse environmental impacts which might result from their respective actions pursuant to the Treaty.

3. The United States of America and the Republic of Panama shall furnish the Joint Commission on the Environment complete information on any action taken in accordance with this Treaty which, in the judgment of both, might have a significant effect on the environment. Such information shall be made available to the Commission as far in advance of the contemplated action as possible to facilitate the study by the Commission of any potential environmental problems and to allow for consideration of the recommendation of the Commission before the contemplated action is carried out.

#### **ARTICLE VII**

##### **Flags**

1. The entire territory of the Republic of Panama, including the areas the use of which the Republic of Panama makes available to the United States of America pursuant to this Treaty and related agreements, shall be under the flag of the Republic of Panama, and consequently such flag always shall occupy the position of honor.

2. The flag of the United States of America may be displayed, together with the flag of the Republic of Panama, at the headquarters of the Panama Canal Commission, at the site of the Combined Board, and as provided in the Agreement in Implementation of Article IV of this Treaty.

3. The flag of the United States of America also may be displayed at other places and on some occasions, as agreed by both Parties.

## ARTICLE VIII

### Privileges and Immunities

1. The installations owned or used by the agencies or instrumentalities of the United States of America operating in the Republic of Panama pursuant to this Treaty and related agreements, and their official archives and documents, shall be inviolable. The two Parties shall agree on procedures to be followed in the conduct of any criminal investigation at such locations by the Republic of Panama.

2. Agencies and instrumentalities of the Government of the United States of America operating in the Republic of Panama pursuant to this Treaty and related agreements shall be immune from the jurisdiction of the Republic of Panama.

3. In addition to such other privileges and immunities as are afforded to employees of the United States Government and their dependents pursuant to this Treaty, the United States of America may designate up to twenty officials of the Panama Canal Commission who, along with their dependents, shall enjoy the privileges and immunities accorded to diplomatic agents and their dependents under international law and practice. The United States of America shall furnish to the Republic of Panama a list of the names of said officials and their dependents, identifying the positions they occupy in the Government of the United States of America, and shall keep such list current at all times.

## ARTICLE IX

### Applicable Laws and Law Enforcement

1. In accordance with the provisions of this Treaty and related agreements, the law of the Republic of Panama shall apply in the areas made available for the use of the United States of America pursuant to this Treaty. The law of the Republic of Panama shall be applied to matters or events which occurred in the former Canal Zone prior to the entry into force of this Treaty only to the extent specifically provided in prior treaties and agreements.

2. Natural or juridical persons who, on the date of entry into force of this Treaty, are engaged in business or non-profit activities at locations in the former Canal Zone may continue such business or activities at those locations under the same terms and conditions prevailing prior to the entry into force of this Treaty for a thirty-month transition period from its entry into force. The Republic of Panama shall maintain the same operating conditions as those applicable to the aforementioned enterprises prior to the entry into force of this Treaty in order that they may receive licenses to do business in the Republic of Panama subject to their compliance with the requirements of its law. Thereafter, such persons shall receive the same treatment under the law of the Republic of Panama as similar enterprises already established in the rest of the territory of the Republic of Panama without discrimination.

3. The rights of ownership, as recognized by the United States of America, enjoyed by natural or juridical private persons in buildings and other improvements to real property located in the former Canal Zone shall be recognized by the Republic of Panama in conformity with its laws.

4. With respect to buildings and other improvements to real property located in the Canal operating areas, housing areas, or other areas subject to the licensing procedure established in Article IV of the Agreement in Implementation of Article III of this Treaty, the owners shall be authorized to continue using the land upon which their property is located in accordance with the procedures established in that Article.

5. With respect to buildings and other improvements to real property located in areas of the former Canal Zone to which the aforesaid licensing procedure is not applicable, or may cease to be applicable during the lifetime or upon termination of this Treaty, the owners may continue to use the land upon which their property is

located, subject to the payment of a reasonable charge to the Republic of Panama. Should the Republic of Panama decide to sell such land, the owners of the buildings or other improvements located thereon shall be offered a first option to purchase such land at a reasonable cost. In the case of non-profit enterprises, such as churches and fraternal organizations, the cost of purchase will be nominal in accordance with the prevailing practice in the rest of the territory of the Republic of Panama.

6. If any of the aforementioned persons are required by the Republic of Panama to discontinue their activities or vacate their property for public purposes, they shall be compensated at fair market value by the Republic of Panama.

7. The provisions of paragraphs 2-6 above shall apply to natural or juridical persons who have been engaged in business or non-profit activities at locations in the former Canal Zone for at least six months prior to the date of signature of this Treaty.

8. The Republic of Panama shall not issue, adopt, or enforce any law, decree, regulation, or international agreement or take any other action which purports to regulate or would otherwise interfere with the exercise on the part of the United States of America of any right granted under this Treaty or related agreements.

9. Vessels transiting the Canal, and cargo, passengers, and crews carried on such vessels shall be exempt from any taxes, fees, or other charges by the Republic of Panama. However, in the event such vessels call at a Panamanian port, they may be assessed charges thereto, such as charges for services provided to the vessel. The Republic of Panama may also require the passengers and crew disembarking from such vessels to pay such taxes, fees, and charges as are established under Panamanian law for persons entering its territory. Such taxes, fees, and charges shall be assessed on a nondiscriminatory basis.

10. The United States of America and the Republic of Panama will cooperate in taking such steps as may from time to time be necessary to guarantee the security of the Panama Canal Commission, its property, its employees and their dependents, and their property, the Forces of the United States of America and the members thereof, the civilian component of the United States Forces, the dependents of members of the Forces and civilian component, and their property, and the contractors of the Panama Canal Commission and of the United States Forces, their dependents, and their property. The Republic of Panama will seek from its Legislative Branch such legislation as may be needed to carry out the foregoing purposes and to punish any offenders.

11. The Parties shall conclude an agreement whereby nationals of either State, who are sentenced by the courts of the other State, and who are not domiciled therein, may elect to serve their sentences in their State of nationality.

## ARTICLE X

### Employment With the Panama Canal Commission

1. In exercising its rights and fulfilling its responsibilities as the employer, the United States of America shall establish employment and labor regulations which shall contain the terms, conditions, and prerequisites for all categories of employees of the Panama Canal Commission. These regulations shall be provided to the Republic of Panama prior to their entry into force.

2. (a) The regulations shall establish a system of preference when hiring employees, for Panamanian applicants possessing the skills and qualifications required for employment by the Panama Canal Commission. The United States of America shall endeavor to ensure that the number of Panamanian nationals employed by the Panama Canal Commission in relation to the total number of its employees will conform to the proportion established for foreign enterprises under the law of the Republic of Panama.

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(b) The terms and conditions of employment to be established will in general be no less favorable to persons already employed by the Panama Canal Company or Canal Zone Government prior to the entry into force of this Treaty, than those in effect immediately prior to that date.

3. (a) The United States of America shall establish an employment policy for the Panama Canal Commission that shall generally limit the recruitment of personnel outside the Republic of Panama to persons possessing requisite skills and qualifications which are not available in the Republic of Panama.

(b) The United States of America will establish training programs for Panamanian employees and apprentices in order to increase the number of Panamanian nationals qualified to assume positions with the Panama Canal Commission, as positions become available.

(c) Within five years from the entry into force of this Treaty, the number of United States nationals employed by the Panama Canal Commission who were previously employed by the Panama Canal Company shall be at least twenty percent less than the total number of United States nationals working for the Panama Canal Company immediately prior to the entry into force of this Treaty.

(d) The United States of America shall periodically inform the Republic of Panama, through the Coordinating Committee, established pursuant to the Agreement in Implementation of Article III of this Treaty, of available positions within the Panama Canal Commission. The Republic of Panama shall similarly provide the United States of America any information it may have as to the availability of Panamanian nationals claiming to have skills and qualifications that might be required by the Panama Canal Commission, in order that the United States of America may take this information into account.

4. The United States of America will establish qualification standards for skills, training, and experience required by the Panama Canal Commission. In establishing such standards, to the extent they include a requirement for a professional license, the United States of America, without prejudice to its right to require additional professional skills and qualifications, shall recognize the professional licenses issued by the Republic of Panama.

5. The United States of America shall establish a policy for the periodic rotation, at a maximum of every five years, of United States citizen employees and other non-Panamanian employees, hired after the entry into force of this Treaty. It is recognized that certain exceptions to the said policy of rotation may be made for sound administrative reasons, such as in the case of employees holding positions requiring certain non-transferable or non-recruitable skills.

6. With regard to wages and fringe benefits, there shall be no discrimination on the basis of nationality, sex, or race. Payments by the Panama Canal Commission of additional remuneration, or the provision of other benefits, such as home leave benefits, to United States nationals employed prior to entry into force of this Treaty, or to persons of any nationality, including Panamanian nationals who are thereafter recruited outside of the Republic of Panama and who change their place of residence, shall not be considered to be discrimination for the purpose of this paragraph.

7. Persons employed by the Panama Canal Commission or Canal Zone Government prior to the entry into force of this Treaty, who are displaced from their employment as a result of the discontinuance by the United States of America of certain activities pursuant to this Treaty, will be placed by the United States of America, to the maximum extent feasible, in other appropriate jobs with the Government of the United States in accordance with United States Civil Service regulations. For such persons who are not United States nationals, placement efforts will be confined to United States Government activities located within the Republic of Panama. Likewise, persons previously employed in activities for which the Republic of Panama

assumes responsibility as a result of this Treaty will be continued in their employment to the maximum extent feasible by the Republic of Panama. The Republic of Panama shall, to the maximum extent feasible, ensure that the terms and conditions of employment applicable to personnel employed in the activities for which it assumed responsibility are not less favorable than those in effect immediately prior to the entry into force of this Treaty. Non-United States nationals employed by the Panama Canal Company or Canal Zone Government prior to the entry into force of this Treaty who are involuntarily separated from their positions because of the discontinuance of an activity by reason of this Treaty, who are not entitled to an immediate annuity under the United States Civil Service Retirement System, and for whom continued employment in the Republic of Panama by the Government of the United States of America is not practicable, will be provided special job placement assistance by the Republic of Panama for employment in positions for which they may be qualified by experience and training.

8. The Parties agree to establish a system whereby the Panama Canal Commission may, if deemed mutually convenient or desirable by the two Parties, assign certain employees of the Panama Canal Commission, for a limited period of time, to assist in the operation of activities transferred to the responsibility of the Republic of Panama as a result of this Treaty or related agreements. The salaries and other costs of employment of any such persons assigned to provide such assistance shall be reimbursed to the United States of America by the Republic of Panama.

9. (a) The right of employees to negotiate collective contracts with the Panama Canal Commission is recognized. Labor relations with employees of the Panama Canal Commission shall be conducted in accordance with forms of collective bargaining established by the United States of America after consultation with employee unions.

(b) Employee unions shall have the right to affiliate with international labor organizations.

10. The United States of America will provide an appropriate early optional retirement program for all persons employed by the Panama Canal Company or Canal Zone Government immediately prior to the entry into force of this Treaty. In this regard, taking into account the unique circumstances created by the provisions of this Treaty, including its duration, and their effect upon such employees, the United States of America shall, with respect to them:

(a) determine that conditions exist which invoke applicable United States law permitting early retirement annuities and apply such law for a substantial period of the duration of the treaty;

(b) seek special legislation to provide more liberal entitlement to, and calculation of, retirement annuities than is currently provided for by law.

## **ARTICLE XI**

### **Provisions for the Transition Period**

1. The Republic of Panama shall reassume plenary jurisdiction over the former Canal Zone upon entry into force of this Treaty and in accordance with its terms. In order to provide for an orderly transition to the full application of the jurisdictional arrangements established by this Treaty and related agreements, the provisions of this Article shall become applicable upon the date this Treaty enters into force, and shall remain in effect for thirty calendar months. The authority granted in this Article to the United States of America for this transition period shall supplement, and is not intended to limit, the full application and effect of the rights and authority granted to the United States of America elsewhere in this Treaty and in related agreements.

2. During this transition period, the criminal and civil laws of the United States of America shall apply concurrently with those of the Republic of Panama in certain

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of the areas and installations made available for the use of the United States of America pursuant to this Treaty, in accordance with the following provisions:

(a) The Republic of Panama permits the authorities of the United States of America to have the primary right to exercise criminal jurisdiction over United States citizen employees of the Panama Canal Commission and their dependents, and members of the United States Forces and civilian component and their dependents, in the following cases:

(i) for any offense committed during the transition period within such areas and installations, and

(ii) for any offense committed prior to that period in the former Canal Zone.

The Republic of Panama shall have the primary right to exercise jurisdiction over all other offenses committed by such persons, except as otherwise agreed.

(b) Either Party may waive its primary right to exercise jurisdiction in a specific case or category of cases.

3. The United States of America shall retain the right to exercise jurisdiction in criminal cases relating to offenses committed prior to the entry into force of this Treaty in violation of the laws applicable in the former Canal Zone.

4. For the transition period, the United States of America shall retain police authority and maintain a police force in the aforementioned areas and installations. In such areas, the police authorities of the United States of America may take into custody any person not subject to their primary jurisdiction if such person is believed to have committed or to be committing an offense against applicable laws or regulations, and shall promptly transfer custody to the police authorities of the Republic of Panama. The United States of America and the Republic of Panama shall establish joint police patrols in agreed areas. Any arrests conducted by a joint patrol shall be the responsibility of the patrol member or members representing the Party having primary jurisdiction over the person or persons arrested.

5. The courts of the United States of America and related personnel, functioning in the former Canal Zone immediately prior to the entry into force of this Treaty, may continue to function during the transition period for the judicial enforcement of the jurisdiction to be exercised by the United States of America in accordance with this Article.

6. In civil cases, the civilian courts of the United States of America in the Republic of Panama shall have no jurisdiction over new cases of a private civil nature, but shall retain full jurisdiction during the transition period to dispose of any civil cases, including admiralty cases, already instituted and pending before the courts prior to the entry into force of this Treaty.

7. The laws, regulations, and administrative authority of the United States of America applicable in the former Canal Zone immediately prior to the entry into force of this Treaty shall, to the extent not inconsistent with this Treaty and related agreements, continue in force for the purpose of the exercise by the United States of America of law enforcement and judicial jurisdiction only during the transition period. The United States of America may amend, repeal, or otherwise change such laws, regulations, and administrative authority. The two Parties shall consult concerning procedural and substantive matters relative to the implementation of this Article, including the disposition of cases pending at the end of the transition period and, in this respect, may enter into appropriate agreements by an exchange of notes or other instrument.

8. During this transition period, the United States of America may continue to incarcerate individuals in the areas and installations made available for the use of the United States of America by the Republic of Panama pursuant to this Treaty and related agreements, or to transfer them to penal facilities in the United States of America to serve their sentences.

**ARTICLE XII**

**A Sea-Level Canal or a Third Lane of Locks**

1. The United States of America and the Republic of Panama recognize that a sea-level canal may be important for international navigation in the future. Consequently, during the duration of this Treaty, both Parties commit themselves to study jointly the feasibility of a sea-level canal in the Republic of Panama, and in the event they determine that such a waterway is necessary, they shall negotiate terms, agreeable to both Parties, for its construction.

2. The United States of America and the Republic of Panama agree on the following:

(a) No new interoceanic canal shall be constructed in the territory of the Republic of Panama during the duration of this Treaty, except in accordance with the provisions of this Treaty, or as the two Parties may otherwise agree; and

(b) During the duration of this Treaty, the United States of America shall not negotiate with third States for the right to construct an interoceanic canal on any other route in the Western Hemisphere, except as the two Parties may otherwise agree.

3. The Republic of Panama grants to the United States of America the right to add a third lane of locks to the existing Panama Canal. This right may be exercised at any time during the duration of this Treaty, provided that the United States of America has delivered to the Republic of Panama copies of the plans for such construction.

4. In the event the United States of America exercises the right granted in paragraph 3 above, it may use for that purpose, in addition to the areas otherwise made available to the United States of America pursuant to this Treaty, such other areas as the two Parties may agree upon. The terms and conditions applicable to Canal operating areas made available by the Republic of Panama for the use of the United States of America pursuant to Article III of this Treaty shall apply in a similar manner to such additional areas.

5. In the construction of the aforesaid works, the United States of America shall not use nuclear excavation techniques without the previous consent of the Republic of Panama.

**ARTICLE XIII**

**Property Transfer and Economic Participation by the Republic of Panama**

1. Upon termination of this Treaty, the Republic of Panama shall assume total responsibility for the management, operation, and maintenance of the Panama Canal, which shall be turned over in operating condition and free of liens and debts, except as the two Parties may otherwise agree.

2. The United States of America transfers, without charge, to the Republic of Panama all right, title, and interest the United States of America may have with respect to all real property, including non-removable improvements thereon, as set forth below:

(a) Upon the entry into force of this Treaty, the Panama Railroad and such property that was located in the former Canal Zone but that is not within the land and water areas the use of which is made available to the United States of America pursuant to this Treaty. However, it is agreed that the transfer on such date shall not include buildings and other facilities, except housing, the use of which is retained by the United States of America pursuant to this Treaty and related agreements, outside such areas;

(b) Such property located in an area or a portion thereof at such time as the use by the United States of America of such area or portion thereof ceases pursuant to agreement between the two Parties.

(c) Housing units made available for occupancy by members of the Armed Forces of the Republic of Panama in accordance with paragraph 5(b) of Annex B to the

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Agreement in Implementation of Article IV of this Treaty at such time as such units are made available to the Republic of Panama.

(d) Upon termination of this Treaty, all real property and non-removable improvements that were used by the United States of America for the purposes of this Treaty and related agreements and equipment related to the management, operation, and maintenance of the Canal remaining in the Republic of Panama.

3. The Republic of Panama agrees to hold the United States of America harmless with respect to any claims which may be made by third parties relating to rights, title, and interest in such property.

4. The Republic of Panama shall receive, in addition, from the Panama Canal Commission a just and equitable return on the national resources which it has dedicated to the efficient management, operation, maintenance, protection, and defense of the Panama Canal, in accordance with the following:

(a) An annual amount to be paid out of Canal operating revenues computed at a rate of thirty hundredths of a United States dollar (US\$0.30) per Panama Canal net ton, or its equivalency, for each vessel transiting the Canal after the entry into force of this Treaty, for which tolls are charged. The rate of thirty hundredths of a United States dollar (US\$0.30) per Panama Canal net ton, or its equivalency, will be adjusted to reflect changes in the United States wholesale price index for total manufactured goods during biennial periods. The first adjustment shall take place five years after entry into force of this Treaty, taking into account the changes that occurred in such price index during the preceding two years. Thereafter, successive adjustments shall take place at the end of each biennial period. If the United States of America should decide that another indexing method is preferable, such method shall be proposed to the Republic of Panama and applied if mutually agreed.

(b) A fixed annuity of ten million United States dollars (US\$10,000,000) to be paid out of Canal operating revenues. This amount shall constitute a fixed expense of the Panama Canal Commission.

(c) An annual amount of up to ten million United States dollars (US\$10,000,000) per year, to be paid out of Canal operating revenues to the extent that such revenues exceed expenditures of the Panama Canal Commission including amounts paid pursuant to this Treaty. In the event Canal operating revenues in any year do not produce a surplus sufficient to cover this payment, the unpaid balance shall be paid from operating surpluses in future years in a manner to be mutually agreed.

### **ARTICLE XIV**

#### **Settlement of Disputes**

In the event that any question should arise between the Parties concerning the interpretation of this Treaty or related agreements, they shall make every effort to resolve the matter through consultation in the appropriate committees established pursuant to this Treaty and related agreements, or, if appropriate, through diplomatic channels. In the event the Parties are unable to resolve a particular matter through such means, they may, in appropriate cases, agree to submit the matter to conciliation, mediation, arbitration, or such other procedure for the peaceful settlement of the dispute as they may mutually deem appropriate.

DONE at Washington, this 7th day of September, 1977, in duplicate, in the English and Spanish languages, both texts being equally authentic.

### **ANNEX**

Procedures for the Cessation or Transfer of Activities Carried Out by the Panama Canal Company and the Canal Zone Government and Illustrative List of the Functions That May Be Performed by the Panama Canal Commission

1. The laws of the Republic of Panama shall regulate the exercise of private economic activities within the areas made available by the Republic of Panama for the use of the United States of America pursuant to this Treaty. Natural or juridical persons who, at least six months prior to the date of signature of this Treaty, were legally established and engaged in the exercise of economic activities in accordance with the provisions of paragraphs 2-7 of Article IX of this Treaty.

2. The Panama Canal Commission shall not perform governmental or commercial functions as stipulated in paragraph 4 of this Annex, provided, however, that this shall not be deemed to limit in any way the right of the United States of America to perform those functions that may be necessary for the efficient management, operation, and maintenance of the Canal.

3. It is understood that the Panama Canal Commission, in the exercise of the rights of the United States of America with respect to the management, operation, and maintenance of the Canal, may perform functions such as are set forth below by way of illustration:

- a. Management of the Canal enterprise.
- b. Aids to navigation in Canal waters and in proximity thereto.
- c. Control of vessel movement.
- d. Operation and maintenance of the locks.
- e. Tug service for the transit of vessels and dredging for the piers and docks of the Panama Canal Commission.
- f. Control of the water levels in Gatun, Alajuela (Madden), and Miraflores Lakes.
- g. Non-commercial transportation services in Canal waters.
- h. Meteorological and hydrographic services.
  - i. Admeasurement.
  - j. Non-commercial motor transport and maintenance.
  - k. Industrial security through the use of watchmen.
    - l. Procurement and warehousing.
  - m. Telecommunications.
  - n. Protection of the environment by preventing and controlling the spillage of oil and substances harmful to human or animal life and of the ecological equilibrium in areas used in operation of the Canal and the anchorages.
    - o. Non-commercial vessel repair.
    - p. Air conditioning services in Canal installations.
    - q. Industrial sanitation and health services.
    - r. Engineering design, construction, and maintenance of Panama Canal Commission installations.
    - s. Dredging of the Canal channel, terminal ports, and adjacent waters.
    - t. Control of the banks and stabilizing of the slopes of the Canal.
  - u. Non-commercial handling of cargo on the piers and docks of the Panama Canal Commission.
  - v. Maintenance of public areas of the Panama Canal Commission, such as parks and gardens.
  - w. Generation of electric power.
  - x. Purification and supply of water.
  - y. Marine salvage in Canal waters.
  - z. Such other functions as may be necessary or appropriate to carry out, in conformity with this Treaty and related agreements, the rights and responsibilities of the United States of America with respect to the management, operation, and maintenance of the Panama Canal.

4. The following activities and operations carried out by the Panama Canal Company and the Canal Zone Government shall not be carried out by the Panama Canal Commission, effective upon the dates indicated herein:

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(a) Upon the date of entry into force of this Treaty:

(i) Wholesale and retail sales, including those through commissaries, food stores, department stores, optical shops, and pastry shops;

(ii) The production of food and drink, including milk products and bakery products;

(iii) The operation of public restaurants and cafeterias and the sale of articles through vending machines;

(iv) The operation of movie theaters, bowling alleys, pool rooms, and other recreational and amusement facilities for the use of which a charge is payable;

(v) The operation of laundry and dry cleaning plants other than those operated for official use;

(vi) The repair and service of privately owned automobiles or the sale of petroleum or lubricants thereto, including the operation of gasoline stations, repair garages, and tire repair and recapping facilities, and the repair and service of other privately owned property, including appliances, electronic devices, boats, motors, and furniture;

(vii) The operation of cold storage and freezer plants other than those operated for official use;

(viii) The operation of freight houses other than those operated for official use;

(ix) The operation of commercial services to and supply of privately owned and operated vessels, including the constitution of vessels, the sale of petroleum and lubricants, and the provision of water, tug services not related to the Canal or other United States Government operations, and repair of such vessels, except in situations where repairs may be necessary to remove disabled vessels from the Canal;

(x) Printing services other than for official use;

(xi) Maritime transportation for the use of the general public;

(xii) Health and medical services provided to individuals, including hospitals, leprosariums, veterinary, mortuary, and cemetery services;

(xiii) Educational services not for professional training, including schools and libraries;

(xiv) Postal services;

(xv) Immigration, customs, and quarantine controls, except those measures necessary to ensure the sanitation of the Canal;

(xvi) Commercial pier and dock services, such as the handling of cargo and passengers; and

(xvii) Any other commercial activity of a similar nature, not related to the management, operation, or maintenance of the Canal.

(b) Within thirty calendar months from the date of entry into force of this Treaty, governmental services such as:

(i) Police;

(ii) Courts; and

(iii) Prison system.

5. (a) With respect to those activities or functions described in paragraph 4 above, or otherwise agreed upon by the two Parties, which are to be assumed by the Government of the Republic of Panama or by private persons subject to its authority, the two Parties shall consult prior to the discontinuance of such activities or functions by the Panama Canal Commission to develop appropriate arrangements for the orderly transfer and continued efficient operation or conduct thereof.

(b) In the event that appropriate arrangements cannot be arrived at to ensure the continued performance of a particular activity or function described in paragraph 4 above which is necessary to the efficient management, operation, or maintenance of the Canal, the Panama Canal Commission may, to the extent consistent with the other provisions of this Treaty and related agreements, continue to perform such activity or function until such arrangements can be made.

**United States Senate Modifications (Incorporated Into the  
June 1978 Instruments of Ratification)**

**(a) RESERVATIONS**

(1) Pursuant to its adherence to the principle of nonintervention, any action taken by the United States of America in the exercise of its rights to assure that the Panama Canal shall remain open, neutral, secure, and accessible, pursuant to the provisions of the Panama Canal Treaty, the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, and the resolutions of ratification thereto, shall be only for the purpose of assuring that the Canal shall remain open, neutral, secure, and accessible, and shall not have as its purpose or be interpreted as a right of intervention in the internal affairs of the Republic of Panama or interference with its political independence or sovereign integrity.

(2) The instruments of ratification of the Panama Canal Treaty to be exchanged by the United States of America and the Republic of Panama shall each include provisions whereby each Party agrees to waive its rights and release the other Party from its obligations under paragraph 2 of Article XII of the Treaty.

(3) Notwithstanding any provision of the Treaty, no funds may be drawn from the Treasury of the United States of America for payments under paragraph 4 of Article XIII without statutory authorization.

(4) Any accumulated unpaid balance under paragraph 4(c) of Article XIII of the Treaty at the date of termination of the Treaty shall be payable only to the extent of any operating surplus in the last year of the duration of the Treaty, and nothing in such paragraph may be construed as obligating the United States of America to pay, after the date of the termination of the Treaty, any such unpaid balance which shall have accrued before such date.

(5) Exchange of the instruments of ratification of the Panama Canal Treaty and of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal shall not be effective earlier than March 31, 1979, and such Treaties shall not enter into force prior to October 1, 1979, unless legislation necessary to implement the provisions of the Panama Canal Treaty shall have been enacted by the Congress of the United States of America before March 31, 1979.

(6) After the date of entry into force of the Treaty, the Panama Canal Commission shall, unless otherwise provided by legislation enacted by the Congress of the United States of America, be obligated to reimburse the Treasury of the United States of America, as nearly as possible, for the interest cost of the funds or other assets directly invested in the Commission by the Government of the United States of America and for the interest cost of the funds or other assets directly invested in the predecessor Panama Canal Company by the Government of the United States of America and not reimbursed before the date of entry into force of the Treaty. Such reimbursement for such interest costs shall be made at a rate determined by the Secretary of the Treasury of the United States of America and at annual intervals to the extent earned, and if not earned, shall be made from subsequent earnings. For purposes of this reservation, the phrase "funds or other assets directly invested" shall have the same meaning as the phrase "net direct investment" has under section 62 of title 2 of the Canal Zone Code.

**(b) UNDERSTANDINGS**

(1) Before the first day of the three-year period beginning on the date of entry into force of the Treaty and before each three-year period following thereafter, the two Parties shall agree upon the specific levels and quality of services, as are referred to in paragraph 5 of Article III of the Treaty, to be provided during the following three-

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year period and, except for the first three-year period, on the reimbursement to be made for the costs of such services, such services to be limited to such as are essential to the effective functioning of the Canal operating areas and the housing areas referred to in paragraph 5 of Article III. If payments made under paragraph 5 of Article III for the preceding three-year period, including the initial three-year period, exceed or are less than the actual costs to the Republic of Panama for supplying, during such period, the specific levels and quality of services agreed upon, then the Panama Canal Commission shall deduct from or add to the payment required to be made to the Republic of Panama for each of the following three years one-third of such excess or deficit, as the case may be. There shall be an independent and binding audit, conducted by an auditor mutually selected by both Parties, of any costs of services disputed by the two Parties pursuant to the reexamination of such costs provided for in this understanding.

(2) Nothing in paragraph 3, 4, or 5 of Article IV of the Treaty may be construed to limit either the provisions of the first paragraph of Article IV providing that each Party shall act, in accordance with its constitutional processes, to meet danger threatening the security of the Panama Canal, or the provisions of paragraph 2 of Article IV providing that the United States of America shall have primary responsibility to protect and defend the Canal for the duration of the Treaty.

(3) Nothing in paragraph 4(c) of Article XIII of the Treaty shall be construed to limit the authority of the United States of America, through the United States Government agency called the Panama Canal Commission, to make such financial decisions and incur such expenses as are reasonable and necessary for the management, operation, and maintenance of the Panama Canal. In addition, toll rates established pursuant to paragraph 2(d) of Article III need not be set at levels designed to produce revenues to cover the payment to the Republic of Panama described in paragraph 4(c) of Article XIII.

(4) Any agreement concluded pursuant to paragraph II of Article IX of the Treaty with respect to the transfer of prisoners shall be concluded in accordance with the constitutional processes of both Parties.

(5) Nothing in the Treaty, in the Annex or Agreed Minute relating to the Treaty, or in any other agreement relating to the Treaty obligates the United States of America to provide any economic assistance, military grant assistance, security supporting assistance, foreign military sales credits, or international military education and training to the Republic of Panama.

(6) The President shall include all reservations and understandings incorporated by the Senate in this resolution of ratification in the instrument of ratification to be exchanged with the Government of the Republic of Panama.

### **TREATY CONCERNING THE PERMANENT NEUTRALITY AND OPERATION OF THE PANAMA CANAL**

The United States of America and the Republic of Panama have agreed upon the following:

#### **ARTICLE I**

The Republic of Panama declares that the Canal, as an international transit waterway, shall be permanently neutral in accordance with the regime established in this Treaty. The same regime of neutrality shall apply to any other international waterway that may be built either partially or wholly in the territory of the Republic of Panama.

## ARTICLE II

The Republic of Panama declares the neutrality of the Canal in order that both in time of peace and in time of war it shall remain secure and open to peaceful transit by the vessels of all nations on terms of entire equality, so that there will be no discrimination against any nation, or its citizens or subjects, concerning the conditions or charges of transit, or for any other reason, and so that the Canal, and therefore the Isthmus of Panama, shall not be the target of reprisals in any armed conflict between other nations of the world. The foregoing shall be subject to the following requirements:

- (a) Payment of tolls and other charges for transit and ancillary services, provided they have been fixed in conformity with the provisions of Article III (c);
- (b) Compliance with applicable rules and regulations, provided such rules and regulations are applied in conformity with the provisions of Article III;
- (c) The requirement that transiting vessels commit no acts of hostility while in the Canal; and
- (d) Such other conditions and restrictions as are established by this Treaty.

## ARTICLE III

1. For purposes of the security, efficiency, and proper maintenance of the Canal, the following rules shall apply:

(a) The Canal shall be operated efficiently in accordance with conditions of transit through the Canal, and rules and regulations that shall be just, equitable, and reasonable, and limited to those necessary for safe navigation and efficient, sanitary operation of the Canal;

(b) Ancillary services necessary for transit through the Canal shall be provided;

(c) Tolls and other charges for transit and ancillary services shall be just, reasonable, equitable, and consistent with the principles of international law;

(d) As a pre-condition of transit, vessels may be required to establish clearly the financial responsibility and guarantees for payment of reasonable and adequate indemnification, consistent with international practice and standards, for damages resulting from acts or omissions of such vessels when passing through the Canal. In the case of vessels owned or operated by a State or for which it has acknowledged responsibility, a certification by that State that it shall observe its obligations under international law to pay for damages resulting from the act or omission of such vessels when passing through the Canal shall be deemed sufficient to establish such financial responsibility;

(e) Vessels of war and auxiliary vessels of all nations shall at all times be entitled to transit the Canal, irrespective of their internal operation, means of propulsion, origin, destination, or armament, without being subjected, as a condition of transit, to inspection, search, or surveillance. However, such vessels may be required to certify that they have complied with all applicable health, sanitation, and quarantine regulations. In addition, such vessels shall be entitled to refuse to disclose their internal operation, origin, armament, cargo, or destination. However, auxiliary vessels may be required to present written assurances, certified by an official at a high level of the government of the State requesting the exemption, that they are owned or operated by that government and in this case are being used only on government non-commercial service.

2. For the purposes of this Treaty, the terms "Canal," "vessel of war," "auxiliary vessel," "internal operation," "armament," and "inspection" shall have the meanings assigned them in Annex A to this Treaty.

## ARTICLE IV

The United States of America and the Republic of Panama agree to maintain the regime of neutrality established in this Treaty, which shall be maintained in order

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that the Canal shall remain permanently neutral, notwithstanding the termination of any other treaties entered into by the two Contracting Parties.

### **ARTICLE V**

After the termination of the Panama Canal Treaty, only the Republic of Panama shall operate the Canal and maintain military forces, defense sites, and military installations within its national territory.

### **ARTICLE VI**

1. In recognition of the important contributions of the United States of America and of the Republic of Panama to the construction, operation, maintenance, and protection and defense of the Canal, vessels of war and auxiliary vessels of those nations shall, notwithstanding any other provisions of this Treaty, be entitled to transit the Canal irrespective of their internal operation, means of propulsion, origin, destination, armament, or cargo carried. Such vessels of war and auxiliary vessels will be entitled to transit the Canal expeditiously.

2. The United States of America, so long as it has responsibility for the operation of the Canal, may continue to provide the Republic of Colombia toll-free transit through the Canal for its troops, vessels, and materials of war. Thereafter, the Republic of Panama may provide the Republic of Colombia and the Republic of Costa Rica with the right of toll-free transit.

### **ARTICLE VII**

1. The United States of America and the Republic of Panama shall jointly sponsor a resolution in the Organization of American States opening to accession by all nations of the world the Protocol to this Treaty whereby all the signatories will adhere to the objective of this Treaty, agreeing to respect the regime of neutrality set forth herein.

2. The Organization of American States shall act as the depositary for this Treaty and related instruments.

### **ARTICLE VIII**

This Treaty shall be subject to ratification in accordance with the constitutional procedures of the two Parties. The instruments of ratification of this Treaty shall be exchanged at Panama at the same time as the instruments of ratification of the Panama Canal Treaty, signed this date, are exchanged. This Treaty shall enter into force, simultaneously with the Panama Canal Treaty, six calendar months from the date of the exchange of the instruments of ratification.

DONE at Washington, this 7th day of September, 1977, in the English and Spanish languages, both texts being equally authentic.

### **ANNEX A**

1. "Canal" includes the existing Panama Canal, the entrances thereto, and the territorial seas of the Republic of Panama adjacent thereto, as defined on the map annexed hereto (Annex B),<sup>1</sup> and any other interoceanic waterway in which the United States of America is a participant or in which the United States of America has participated in connection with the construction or financing, that may be operated wholly or partially within the territory of the Republic of Panama, the entrances thereto, and the territorial seas adjacent thereto.

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<sup>1</sup> Not printed here.

2. "Vessel of war" means a ship belonging to the naval forces of a State, and bearing the external marks distinguishing warships of its nationality, under the command of an officer duly commissioned by the government and whose name appears in the Navy List, and manned by a crew which is under regular naval discipline.

3. "Auxiliary vessel" means any ship, not a vessel of war, that is owned or operated by a State and used, for the time being, exclusively on government non-commercial service.

4. "Internal operation" encompasses all machinery and propulsion systems, as well as the management and control of the vessel, including its crew. It does not include the measures necessary to transit vessels under the control of pilots while such vessels are in the Canal.

5. "Armament" means arms, ammunition, implements of war, and other equipment of a vessel which possesses characteristics appropriate for use for warlike purposes.

6. "Inspection" includes on-board examination of vessel structure, cargo, armament, and internal operation. It does not include those measures strictly necessary for admeasurement, nor those measures strictly necessary to assure safe, sanitary transit and navigation, including examination of deck and visual navigation equipment, nor in the case of live cargoes, such as cattle or other livestock, that may carry communicable diseases, those measures necessary to assure that health and sanitation requirements are satisfied.

### **United States Senate Modifications (Incorporated Into the June 1978 Instruments of Ratification)**

#### **(a) AMENDMENTS**

(1) At the end of Article IV, insert the following:

"A correct and authoritative statement of certain rights and duties of the Parties under the foregoing is contained in the Statement of Understanding issued by the Government of the United States of America on October 14, 1977, and by the Government of the Republic of Panama on October 18, 1977, which is hereby incorporated as an integral part of this Treaty, as follows:

"Under the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal (the Neutrality Treaty), Panama and the United States have the responsibility to assure that the Panama Canal will remain open and secure to ships of all nations. The correct interpretation of this principle is that each of the two countries shall, in accordance with their respective constitutional processes, defend the Canal against any threat to the regime of neutrality, and consequently shall have the right to act against any aggression or threat directed against the Canal or against the peaceful transit of vessels through the Canal.

"This does not mean, nor shall it be interpreted as, a right of intervention of the United States in the internal affairs of Panama. Any United States action will be directed at insuring that the Canal will remain open, secure, and accessible, and it shall never be directed against the territorial integrity or political independence of Panama."

(2) At the end of the first paragraph of Article VI, insert the following:

"In accordance with the Statement of Understanding mentioned in Article IV above: The Neutrality Treaty provides that the vessels of war and auxiliary vessels of the United States and Panama will be entitled to transit the Canal expeditiously. This is intended, and it shall so be interpreted, to assure the transit of such vessels through the Canal as quickly as possible, without any impediment, with expedited treatment, and in case of need or emergency, to go to the head of the line of vessels in order to transit the Canal rapidly."

**(b) CONDITIONS**

(1) Notwithstanding the provisions of Article V or any other provision of the Treaty, if the Canal is closed, or its operations are interfered with, the United States of America and the Republic of Panama shall each independently have the right to take such steps as each deems necessary, in accordance with its constitutional processes, including the use of military force in the Republic of Panama, to reopen the Canal or restore the operations of the Canal, as the case may be.

(2) The instruments of ratification of the Treaty shall be exchanged only upon the conclusion of a Protocol of Exchange, to be signed by authorized representatives of both Governments, which shall constitute an integral part of the Treaty documents and which shall include the following:

“Nothing in the Treaty shall preclude the Republic of Panama and the United States of America from making, in accordance with their respective constitutional processes, any agreement or arrangement between the two countries to facilitate performance at any time after December 31, 1999, of their responsibilities to maintain the regime of neutrality established in the Treaty, including agreements or arrangements for the stationing of any United States military forces or the maintenance of defense sites after that date in the Republic of Panama that the Republic of Panama and the United States of America may deem necessary or appropriate.”

**(c) RESERVATIONS**

(1) Before the date of entry into force of the Treaty, the two Parties shall begin to negotiate for an agreement under which the American Battle Monuments Commission would, upon the date of entry into force of such agreement and thereafter, administer, free of all taxes and other charges and without compensation to the Republic of Panama and in accordance with the practices, privileges, and immunities associated with the administration of cemeteries outside the United States of America by the American Battle Monuments Commission, including the display of the flag of the United States of America, such part of Corozal Cemetery in the former Canal Zone as encompasses the remains of citizens of the United States of America.

(2) The flag of the United States of America may be displayed, pursuant to the provisions of paragraph 3 of Article VII of the Panama Canal Treaty, at such part of Corozal Cemetery in the former Canal Zone as encompasses the remains of citizens of the United States of America.

(3) The President—

(A) shall have announced, before the date of entry into force of the Treaty, his intention to transfer, consistent with an agreement with the Republic of Panama, and before the date of termination of the Panama Canal Treaty, to the American Battle Monuments Commission the administration of such part of Corozal Cemetery as encompasses the remains of citizens of the United States of America; and

(B) shall have announced, immediately after the date of exchange of instruments of ratification, plans, to be carried out at the expense of the Government of the United States of America, for—

(i) removing, before the date of entry into force of the Treaty, the remains of citizens of the United States of America from Mount Hope Cemetery to such part of Corozal Cemetery as encompasses such remains, except that the remains of any citizen whose next of kin objects in writing to the Secretary of the Army not later than three months after the date of exchange of the instruments of ratification of the Treaty shall not be removed; and

(ii) transporting to the United States of America for reinterment, if the next of kin so requests, not later than thirty months after the date of entry into force of the Treaty, any such remains encompassed by Corozal Cemetery and, before the date

of entry into force of the Treaty, any remains removed from Mount Hope Cemetery pursuant to subclause (i); and

(C) shall have fully advised, before the date of entry into force of the Treaty, the next of kin objecting under clause (B) (i) of all available options and their implications.

(4) To carry out the purposes of Article III of the Treaty of assuring the security, efficiency, and proper maintenance of the Panama Canal, the United States of America and the Republic of Panama, during their respective periods of responsibility for Canal operation and maintenance, shall, unless the amount of the operating revenues of the Canal exceeds the amount needed to carry out the purposes of such Article, use such revenues of the Canal only for purposes consistent with the purposes of Article III.

#### **(d) UNDERSTANDINGS**

(1) Paragraph 1 (c) of Article III of the Treaty shall be construed as requiring, before any adjustment in tolls for use of the Canal, that the effects of any such toll adjustment on the trade patterns of the two Parties shall be given full consideration, including consideration of the following factors in a manner consistent with the regime of neutrality:

(A) the costs of operating and maintaining the Panama Canal;

(B) the competitive position of the use of the Canal in relation to other means of transportation;

(C) the interests of both Parties in maintaining their domestic fleets;

(D) the impact of such an adjustment on the various geographic areas of each of the two Parties; and

(E) the interests of both Parties in maximizing their international commerce. The United States of America and the Republic of Panama shall cooperate in exchanging information necessary for the consideration of such factors.

(2) The agreement "to maintain the regime of neutrality established in this Treaty" in Article IV of the Treaty means that either of the two Parties to the Treaty may, in accordance with its constitutional processes, take unilateral action to defend the Panama Canal against any threat, as determined by the Party taking such action.

(3) The determination of "need or emergency" for the purpose of any vessel of war or auxiliary vessel of the United States of America or the Republic of Panama going to the head of the line of vessels in order to transit the Panama Canal rapidly shall be made by the nation operating such vessel.

(4) Nothing in the Treaty, in Annex A or B thereto, in the Protocol relating to the Treaty, or in any other agreement relating to the Treaty, obligates the United States of America to provide any economic assistance, military grant assistance, security supporting assistance, foreign military sales credits, or international military education and training to the Republic of Panama.

(5) The President shall include all amendments, conditions, reservations, and understandings incorporated by the Senate in this resolution of ratification in the instrument of ratification to be exchanged with the Government of the Republic of Panama.



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## Glossary

- ADO—Alianza Democrática de Oposición (Democratic Opposition Alliance). Opposition alliance of three major parties and several smaller parties formed to contest the 1984 elections. Remained officially in place in late 1987.
- balboa (B)—Panama's monetary unit, in practice consisting only of coins. Official value is B1 equals US\$1. United States currency used for paper money.
- CCN—Crusada Civilista Nacional (National Civic Crusade). Business-led coalition that organized popular civic opposition to government and FDP (*q.v.*) in 1987 demonstrations and unrest.
- Central America—Region between Mexico and Panama including present-day Belize, Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica.
- CFZ—Colón Free Zone. Free-trade zone in Panama. Goods from foreign countries are landed and stored or repackaged there and shipped onward without being subject to Panama's customs duties.
- Contadora peace process—A diplomatic initiative launched by a January 1983 meeting on Contadora Island off the Pacific coast of Panama, by which the "Core Four" mediator countries of Mexico, Venezuela, Colombia, and Panama sought to prevent through negotiations a regional conflagration among the Central American states of Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica. In September 1984 the negotiating process produced a draft treaty, the *Contadora Acta*, which was judged acceptable by the government of Nicaragua but rejected by the other four Central American states concerned. The governments of Peru, Uruguay, Argentina, and Brazil formed a Contadora Support Group in 1985 in an effort to revitalize the faltering talks. The process was suspended unofficially in June 1986 when the Central American governments refused to sign a revised *Acta*. The Contadora process was effectively superseded by direct negotiations among the Central American states.
- DENI—Departamento Nacional de Investigaciones (National Department of Investigations). Undercover secret police.
- Eurocurrency—A country's currency on deposit outside the country. Most Eurocurrency claims are Eurodollars, which are dollar claims on banks located outside the United States. The Eurocurrency market is a wholesale market.

**FDP**—Fuerzas de Defensa de Panamá (Panama Defense Forces).

Panama's military forces. Includes former National Guard as well as all military and police forces. FDP commander was de facto head of government in late 1987.

**fiscal year (FY)**—Calendar year.

**FRAMPO**—Frente Amplio Popular (Broad Popular Front). Small left-of-center party that was part of pro-government coalition, UNADE (*q.v.*), in 1984 elections, but lost legal status by failing to win 3 percent of total vote.

**GDP**—gross domestic product. A measure of the total value of goods and services produced by the domestic economy during a given period, usually one year. Obtained by adding the value contributed by each sector of the economy in the form of profits, compensation to employees, and depreciation (consumption of capital). The income arising from investments and possessions owned abroad is not included, only domestic production. Hence, the use of the word "domestic" to distinguish GDP from GNP (*q.v.*).

**GNP**—gross national product. Total market value of all final goods and services produced by an economy during a year. Obtained by adding GDP (*q.v.*) and the income received from abroad by residents less payments remitted abroad to nonresidents.

**IMF**—International Monetary Fund. Established along with the World Bank (*q.v.*) in 1945, the IMF is a specialized agency affiliated with the United Nations that takes responsibility for stabilizing international exchange rates and payments. The main business of the IMF is the provision of loans to its members when they experience balance-of-payment difficulties. These loans often carry conditions that require substantial internal economic adjustments by the recipients.

**mola**—Literally, clothing, dress, or blouse in Cuna dialect, but has come to mean simply the single panel of a Cuna woman's appliqued blouse. The panels feature colorful, intricately stitched abstract or geometric designs; scenes of everyday Cuna life, lore, myths, legends, flora, and fauna; or ideas or images from the outside world.

**MOLIRENA**—Movimiento Liberal Republicano Nacional (National Liberal Republican Movement). Pro-business coalition of several center-right political movements. Part of opposition coalition ADO (*q.v.*).

**offshore banking**—Term applied to banking transactions conducted between participants located outside the country. Such transactions increased rapidly worldwide after the mid-1960s because of the growth and liquidity of Eurocurrency (*q.v.*) markets.

- PALA**—Partido Laborista Agrario (Labor and Agrarian Party, often referred to simply as the Labor Party). Despite title, generally right-of-center, pro-business. Part of pro-government coalition, UNADE (*q.v.*).
- Panama Canal net ton**—Measure used to assess tolls for the Panama Canal based on 100 cubic feet of a vessel's net earning capacity, usually meaning its cargo space.
- PAPO**—Partido de Acción Popular (Popular Action Party). Minor independent party that contested 1984 elections, but lost legal status by failing to garner 3 percent of total vote.
- PDC**—Partido Demócrata Cristiano (Christian Democratic Party). Centrist opposition party. Part of opposition coalition, ADO (*q.v.*).
- PdP**—Partido del Pueblo (People's Party). Far left, orthodox communist, pro-Moscow party. Ran candidates in 1984 elections, but lost legal status by failing to win 3 percent of total vote.
- PLN**—Partido Liberal Nacional (National Liberal Party). Generally right-of-center. Part of pro-government coalition, UNADE (*q.v.*).
- PNP**—Partido Nacionalista Popular (Popular Nationalist Party). Minor party that contested 1984 elections, but lost legal status by failing to receive 3 percent of total vote.
- PP**—Partido Panameñista (Panameñista Party). Small break-away faction of Panameñistas. Part of pro-government coalition, UNADE (*q.v.*), in 1984 elections, but lost legal status by failing to win 3 percent of total vote.
- PPA**—Partido Panameñista Auténtico (Authentic Panameñista Party). Nation's leading opposition party. Strongly nationalist and populist. Part of opposition coalition, ADO (*q.v.*). Led by veteran politician Arnulfo Arias Madrid.
- PPP**—Partido Panameño del Pueblo (Panamanian People's Party). Far left communist party.
- PR**—Partido Republicano (Republican Party). Right-of-center party. Part of pro-government coalition, UNADE (*q.v.*).
- PRD**—Partido Revolucionario Democrático (Democratic Revolutionary Party). Official government party founded by Torrijos. Part of pro-government coalition, UNADE (*q.v.*).
- Roosevelt Corollary**—Policy enunciated by President Theodore Roosevelt in 1904 specifying that if a country in the Western Hemisphere failed to maintain internal order or to pay its international debts, the United States could intervene with military force to rectify the situation. Policy was bitterly resented by Latin American nations.

terms of trade—Number of units that must be given up for one unit of goods received by each party (e.g., nation) to a transaction. The terms of trade are said to move in favor of the party that gives up fewer units of goods than it did previously for one unit of goods received, and against the party that gives up more units of goods for one unit of goods received. In international economics, the concept of “terms of trade” plays an important role in evaluating exchange relationships between nations.

UNADE—Unión Nacional Democrática (National Democratic Union). Pro-government coalition of six parties formed to contest 1984 elections; remained officially in place in late 1987.

World Bank—Informal name used to designate a group of three affiliated international institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC). The IBRD, established in 1945, has the primary purpose of providing loans to developing countries for productive projects. The IDA, a legally separate loan fund administered by the staff of the IBRD, was set up in 1960 to furnish credits to the poorest developing countries on much easier terms than those of conventional IBRD loans. The IFC, founded in 1956, supplements the activities of the IBRD through loans and assistance designed specifically to encourage the growth of productive private enterprises in less developed countries. The president and certain senior officers of the IBRD hold the same positions in the IFC. The three institutions are owned by the governments of the countries that subscribe their capital. To participate in the World Bank group, member states must first belong to the IMF (*q.v.*).

Yankee—Generally pejorative term used in Latin America to refer to United States citizens.

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