



INTERNATIONAL SECURITY AFFAIRS

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OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

7 AUG 1973

In reply refer to  
1-24658/73

0920  
70 Aug 73

MEMORANDUM FOR AMBASSADOR HILL

SUBJECT: Study of US National Interests in the Panama Canal (U) -  
ACTION MEMORANDUM

(U) In June of this year, Mr. Henry Koren, Deputy Under Secretary of the Army, proposed to SecDef that the Under Secretaries Committee (USC) conduct a study of the military, economic, and foreign policy interests in the Panama Canal (Tab B to the memo for DepSecDef). Secretary Clements forwarded a request to the Secretary of State on 19 July 1973 (Tab C to the memo for DepSecDef). Included in the letter was a parenthetical statement that the size, location, and mission of USSOUTHCOM would not be analyzed because they were not directly related to the purpose of the study.

(U) In a reply dated 1 August (Tab D), Secretary Rush concurred in the undertaking of the study by the USC after the scope, terms of reference and funding source are agreed upon by the Inter-Agency Group on Latin America. He added, however, that he felt that SOUTHCOM's presence in Panama is a factor to be assessed in determining the overall military value of the Canal to the United States.

(U) The attached response to Mr. Rush indicates DOD's disagreement with the inclusion of an assessment of USSOUTHCOM in the proposed study, because that issue is already being examined in the on-going study of the desirability of the Command's relocation associated with the Report to the President on the status of Panama Canal treaty negotiations. Inclusion of the subject of SOUTHCOM would simply cloud the central issues of the study and cause State and DOD to expend their time and energies on this sensitive question, on which they have a basic disagreement, to the detriment of the principal questions to be addressed.

(U) In taking this stand, you should be aware that Secretary Clements was a member of the Blue Ribbon Panel which recommended disestablishment of USSOUTHCOM in 1971. That recommendation, however, was opposed by JCS and the President personally decided against disestablishment of the Command. Secretary Clements' current views on the subject are not known.

(U) Since the President's 1971 decision regarding disestablishment, State has taken a new tack and is now pushing for relocation of

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USSOUTHCOM; however, wherever possible, they hasten to reintroduce disestablishment. For the past two years, OASD(ISA) has taken the position that a unified command headquarters should be retained in Panama for the following reasons:

- Nothing has changed since the President's decision against SOUTHCOM's disestablishment. It continues to meet our requirements and supports our military-political interests effectively in an area of enduring strategic importance to the US.
- SOUTHCOM's primary mission is defense of the Canal, not the other functions it also executes. Its presence in Panama provides the opportunity for a senior commander to assess carefully the existing volatile situation; to make credible recommendations to the Secretary of Defense in a crisis situation; and to apply force in a measured and reasoned manner when required. It permits efficient augmentation by multiservice defense forces and control of military theater operations should such be required to defend the Canal. SOUTHCOM's presence in Panama, directly subordinate to the JCS, announces the seriousness with which we view Canal security; conversely, its movement or organizational subordination could signal a lessening interest in the Canal's security.
- The presence of SOUTHCOM in the Canal Zone is an important bargaining element in our negotiations with the Panamanians. Consequently, if the Headquarters is to be transferred elsewhere, such action should reflect Panamanian recognition of our defense requirements in Panama. As Panama has achieved its initially stated objectives, it has progressively moved to others that conflict with positions we hold essential to our security. Precipitate actions could assist Panamanian demands for reduction in the US military presence in the Canal Zone and could signal eventual elimination of US unilateral defense rights. DOD has steadfastly resisted the slightest step to derogate the capability and intent of US forces and commerce. Any action at this time which intimates any lesser intent than what has been maintained thus far could be harmful to our position.

(U) Based on the above, it is recommended that you sign and forward the attached memorandum to the Deputy Secretary of Defense.



GEORGE M. WALLACE  
Major General, USA  
Director  
Inter-American Region

Enclosures  
a/s

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