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MEMORANDUM OF CONFERENCE WITH THE PRESIDENT  
January 13, 1964 -- 9:45 PM -- Panama

Others present: Secretary Rusk, Secretary McNamara,  
Director McCone, Under Secretary Ball,  
Mr. Chayes, Mr. Lansing Collins (State),  
Mr. Jenkins (part time), Mr. Moyers,  
Mr. Bundy, Mr. Bromley Smith

There was no formal discussion between 9:45 PM and 10:00 PM when the Mann delegation arrived in the Cabinet Room. The President informally commented on a State Department draft press statement to be issued at the conclusion of the meeting.

Assistant Secretary Mann reported that there was a possibility of a revolution in Panama tonight. The delegation had learned that Arias might join with the Communists to overthrow Chiari. Several members of the delegation stated that Chiari was in trouble from both the right and the left and agreed that his overthrow was a possibility. Mr. Mann stated his view that the U.S. should not intervene with U.S. troops in a Panamanian coup unless it was clear that the revolutionists would be successful.

The members of the delegation paused to read a CIA report which

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indicated there was some substance to a plan for a coup to be launched tonight.

Secretary McNamara left the room to telephone General O'Meara, Commander of the Southern Forces, to instruct him to get to Chiari the report of the coup plans. General O'Meara was to tell Chiari that our informing him of the coup plans was evidence of our support of him against a revolutionary group.

Mr. Mann reported on the delegation's conversation with Chiari this afternoon. The Panama President returned to the position taken during the first talks, i.e., Panama will not discuss any problem with the U.S. until the U.S. agrees to revise the three existing treaties with Panama.

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With respect to a possible coup in Panama, Mr. Mann recommended that if Chiari requested our assistance, we should intervene in the Panamanian Republic with U.S. troops. If Chiari appears to be losing to a coup led by Arias and the Communists, we should intervene after a request from Chiari. Mr. Mann's view was that Chiari appears to have the support of the people, and, therefore, the chances of Arias and the Communists overthrowing him is not great. He admitted that the loyalty of the Panamanian National Guard would be crucial in a revolutionary situation.

The President said that we cannot permit Arias and the Communists to take over Panama. We should immediately inform General O'Meara.

Mr. Mann said that General O'Meara could tell General Vallarino, the Commander of the Panamanian National Guard, that we will not let the Communists take over Panama. In case the Guard was thinking of defecting from Chiari, we could tell them that we would support the existing government against an Arias-Communist coup. Also, General O'Meara could tell General Vallarino that if the Guard needed help in preventing a Communist take-over, we would help the Guard. Chiari would also be told of our intentions.

Secretary Rusk wondered whether we should tell Arias. He was thinking of a pro-American, such as Robles, who may have the loyalty of the National Guard, with whom we could work more easily than Chiari. He thought that perhaps we should tell the Guard and Robles.

The President asked why we should not tell Arias that we have received reports that Communists are trying to take over. We could say that the U.S. will not accept a Communist take-over and anyone who goes with them we will oppose as well.

Secretary McNamara left the room with Secretary Rusk and the President to telephone General O'Meara. The substance of the conversation is contained in a copy of the message attached to these minutes. The President and Secretary Rusk were present and participated in the discussion of each point as it was given by Secretary McNamara to General O'Meara.

In response to the President's request, Mr. Mann gave additional information on his talks with President Chiari, who is probably

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under heavy pressure from National Guard leaders and Panamanian businessmen because of his hostility toward the U.S. Mr. Mann believes that Chiari will eventually agree to talk with us even though he refuses to do so now. He recommended that we play our cards very carefully until such time as internal pressure in Panama forces him to accept our basis for discussions. In response to the President's question, Mr. Mann said Chiari advisers, several of whom are left-wing Communists, are telling Chiari to hold out because the U.S. will give in to his demands.

The President asked whether we could prove that arms had reached Panama from outside. He was told that we have considerable substantial evidence but no actual proof that Cuba or any other country has shipped arms to Panama.

Mr. Mann said that Chiari's actions were irrational and not in the interests of Panama. Secretary Rusk said that he believed Chiari's advisers could make a rational case in support of Chiari's refusal to negotiate with us now. Looking at it from the Panamanian side, Chiari's advisers could say that he should keep pushing against us, thereby building support for Panama's case among members of the OAS and the UN. Even if Panama did not win full support in these two organizations, the difficulties caused to us would prompt us to come closer to meeting the Panamanian demands. Thus, by refusing to talk now, Panama could expect to create a situation which they might think would force us to be more forthcoming on treaty negotiations.

Mr. Mann said that President Chiari had told us that we would have to leave our base at Rio Hato and remove the equipment now there.

In response to a question from the President as to what we should now do, Mr. Mann said we should play the entire problem in low key during the Presidential elections in Panama. A longer range plan should be developed involving negotiations with Colombia and Nicaragua for permission to build a sea-level canal in their territories. Once these two options were obtained, we could return to the Panamanians and tell them that we were going to build a sea-level canal either in Colombia or in Nicaragua which would greatly reduce the importance of the existing Panama Canal. The Panamanians would then be prepared to make a satisfactory deal

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with us. Mr. Mann stated that a sea-level canal could be built for approximately \$300 million and was already required. Because it would be built at sea level, few people would be required to operate it since it would have no locks. The security problem would also be less.

Under Secretary Ball demurred with respect to the need for a sea-level canal and said it would cost billions and was not required on the basis of existing traffic for the year 2000.

Mr. Mann asked and received the President's permission to develop a long-range plan which would meet the serious situation in Panama. He said we could not solve the dangerous situation which now exists unless we came up with a long-range plan to satisfy Panamanian demands.

In response to Secretary Rusk's question, Secretary Vance said we could operate the Panama Canal independent of any help from Panama if we had to. Panamanians residing in the Canal Zone could operate it if necessary. Therefore, we can operate the Canal without Panamanian cooperation. This means that we are not obliged to find an immediate solution to the present problems because we face the prospect of not being able to keep the Canal open.

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Secretary McNamara returned to the room following a second conversation with General O'Meara who reported that the coup information [REDACTED] had been passed to Chiari in a meeting attended by one of Chiari's advisers who is a known Communist. General O'Meara believed that this Communist would relay our knowledge of the Communist coup to his party members. Therefore, General O'Meara concluded that any coup was stopped for tonight.

The President asked whether we had proof that Castro was involved in the Panama rioting. Mr. Mann said we had received reports of Cuban arms going to Panama, but we had no conclusive proof. Not enough time had elapsed since the riots began for Castro to send armed support to Panama. Secretary Vance said we did, in his opinion, have evidence of Castro's support.

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The President asked whether there were any more reports of crisis situations in Latin American countries. He expressed his concern that the Administration would be accused of knowing exactly what was going to happen and not doing anything. He did not want to have a Pearl Harbor type situation on his hands. He asked what we had done on the basis of the report Mr. McCone referred to. Mr. Bundy replied that he believed it was fair to say that the intelligence community had not predicted that civil disorder would break out in Panama as it had. He knew of no other crisis situation, with the possible exception of Bolivia, where an effort may be made by the leftists to overthrow La Paz's government. In response to the question of what we had done, Secretary Rusk said we had exchanged information with the Latin American countries about Castro's activities.

The President asked Mr. Mann to give a detailed report on his trip to Panama. Mr. Mann began by calling attention to the exemplary way in which our military forces in the Canal Zone had handled a very difficult situation. Mr. Dungan and Secretary Vance fully agreed with this statement. Mr. Mann said that the group's final meeting with Chiari was as tough as the first and quite different from the friendly attitude which prevailed in meetings with other Panamanian officials between the first and the final Chiari meeting. Mr. Mann said the Panamanians had broken relations with us before the delegation had even arrived in Panama and now refused to renew relations. He said it was possible that the OAS peace commission might bring about a restoration of relations. He predicted continuing and growing trouble in Panama in the days ahead.

Secretary Rusk made the following points:

(1) We cannot be pushed out of Panama because we have overwhelming force there. Some 8000 U.S. troops could easily handle the few thousand National Guardsmen in Panama. The President asked whether this was so, and Secretary McNamara said it was.

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(2) U.S. presence in the Canal Zone is so beneficial to Panama that responsible Panamanians realize that the Republic's economic future depends on our remaining in the Zone.

(3) The members of the OAS peace commission have indicated that they are fed up with the Panamanian attitude and are not hostile to us. Their attitude will be reflected in the attitude of several Latin American governments.

(4) We will be supported in our insistence on conditions which permit us to continue operation of the Canal by those countries which are interested in the unhampered use of and in the security of the Canal.

On the other side, Secretary Rusk said that the Panamanians can make things very difficult for us in the OAS and in the UN. Additionally, there are many who will have sympathy for the Panamanians because they believe we have not been fair to the Panamanians. We must acknowledge that the heavy-handed way in which we have handled treaty matters in the past has led some to lose sympathy with us.

Secretary Vance said that while there are many problems, the crucial issue is U.S. sovereignty. If we lose our sovereignty in the Zone, he doubts we can protect the Canal.

Mr. Mann said we must face the fact that the Panamanian aim is full control of the Zone. If we agree to treaty revisions now, the Panamanians will demand more changes before the ink is even dry on the new treaty. The unsatisfactory situation cannot be solved without major changes in the future. He repeated his belief that we must consider building a sea-level canal.

Mr. Ball said one thing we could do promptly would be to reconstitute the Panama Canal Board which is now not attuned to the situation in Panama.

Secretary McNamara said an immediate requirement was the naming of a political chief who would speak for the U.S. Government and be above the Commander-in-Chief, Southern Forces, as well as the Governor of the Canal Zone. Mr. Dungan filled in details of the three

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sources of power now which exist under present U.S. organization arrangements. Secretary McNamara said in his view the U.S. Ambassador should be the chief and should boss the entire operation. Secretary Rusk had certain doubts that a U.S. Ambassador, based in the Republic of Panama, could operate the Canal, which is a huge business enterprise, employing thousands of people.

The meeting was interrupted while the President and others read a report of Foreign Minister Solis' press conference. It now appears that the Panamanians are willing to talk without prior commitments and without an agenda. This is our position also.

The remainder of the meeting was spent in redrafting the press statement made at the conclusion of the meeting (copy attached).

(Note: This is only a partial record because of my absence during part of the meeting.)

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