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REPORT OF THE ECONOMIC AND SOCIAL COUNCIL
PEACEFUL SETTLEMENT OF DISPUTES BETWEEN STATES

Letter dated 5 July 1988 from the Permanent Representative
of Panama to the United Nations addressed to the
Secretary-General

I have the honour to transmit to you the text of a communiqué issued by the Government of the Republic of Panama, reporting that the Government of the United States of America has turned the administrative régime of the Panama Canal into another weapon of aggression and economic coercion against the Republic of Panama, in violation of the Panama Canal Treaty and the Treaty concerning the Permanent Neutrality and Operation of the Panama Canal. The communiqué also explains the Panamanian Government's decision to instruct its representatives not to participate in the forthcoming meeting of the Board of the Panama Canal Commission (see annex).

I should be grateful if you would have this letter and its annex circulated as a document of the General Assembly, under items 12 and 130 of the preliminary list for the forty-third session.

(Signed) Leonardo A. KAM B.
Ambassador
Permanent Representative

* A/43/50.

ANNEX

Communiqué issued on 5 July 1988 by the Government of
the Republic of Panama

The Government of the Republic of Panama, through the Ministry of Foreign Affairs, reports that the Government of the United States of America has turned the administrative régime of the Panama Canal into another weapon of aggression and economic coercion against the Republic of Panama, in violation of the Panama Canal Treaty and the Treaty concerning the Permanent Neutrality and Operation of the Panama Canal, which were signed on 7 September 1977 at the headquarters of the Organization of American States in Washington, D.C., and have been in force since 1 October 1979.

The United States Government has illegally withheld payments amounting to over \$100 million which are due to the Panamanian Government under the provisions of articles XIII and III of the Panama Canal Treaty, as well as the proceeds of income-tax and education-insurance deductions from the salaries of Panamanians employed by the Panama Canal Commission and by the United States Armed Forces.

Although social-security contributions deducted from the salaries of Panamanian workers were not remitted to the Social Security Fund, the management of the Fund, in a humanitarian gesture towards the workers, extended all medical benefits under the Fund, first until 15 June, then until 30 June, thus giving the United States Government a chance to reconsider a unilateral and unjust measure that was hurting the workers.

The recent announcement by United States officials that, for "humanitarian reasons", they had authorized the payment of social-security contributions concerned only a portion of the amount due; the payment was to cover only the contributions for May 1988, \$1.5 million. The Panamanian Government rejected that offer because it excluded the arrears for February, March and April 1988. After considerable pressure by the trade unions and action by the Social Security Fund to ensure that the Panamanian workers were not affected, the United States, on Friday, 1 July, paid \$4.5 million, covering the outstanding social-security contributions. But it has continued to withhold the income-tax and education-insurance deductions.

In the circumstances, the Panamanian Government has no alternative but to apply the current legal provisions governing the issuance of clearance certificates. Accordingly, Panamanians employed by the Panama Canal Commission or by the United States Armed Forces will be unable to obtain such certificates until the taxes have been paid.

Since 1 October 1979, the Government of the Republic of Panama has been scrupulously fulfilling the obligations which it assumed under the Torrijos-Carter Treaties. Moreover, it has been unswerving in its commitment never to allow the state of political relations between the two countries or domestic politics to be reflected in, or to have any effect on, any aspect of the administration and operation of the Canal. This awareness of a responsibility towards the

international community in general, and towards the users of the Panama Canal in particular, has always been the priority concern of the Panamanian Government and its representatives on the Board of the Panama Canal Commission.

Although there is a schedule for the Board's 1988 meetings according to which Panama City is supposed to be the venue of the July meeting, the Chairman of the Board, without prior consultation, has changed to Savannah, Georgia, the venue of the meeting due to be held on 13 and 14 July. He has also refused to include in the agenda the question of Panamanian claims relating to the illegally withheld funds.

Since the venue of the Board's meeting was changed without prior consultation, in view of the refusal to include the item relating to non-observance of the economic obligations laid down in the Treaty, and considering the obstacles put in the way of the Panamanian delegation to prevent it from bringing its usual technical team to the meeting, the Panamanian Government has decided that its representatives on the Board of the Panama Canal Commission will not participate in the meeting scheduled for 13 and 14 July.

The Republic of Panama thus comes before the Governments of the countries of the world and, above all, before the Governments of the Latin American countries which witnessed the signing of the 1977 Canal Treaties and the Governments of the countries which have acceded to the Protocol to the Treaty on neutrality, and calls on the United States of America to answer for the consequences of its illegal actions. The Panamanian Government reaffirms its unswerving determination to ensure the efficient and safe operation of the Panama Canal while the Treaty remains in force, and, moreover, after the year 2000, when we shall fully assume control and administration of a waterway, which is of great importance to world maritime trade.
