

~~TOP SECRET UMBRA~~

Panama Canal Zone in perpetuity. This was an arrangement fit for a dominant colonial power, but there was an achilles heel. The American public was well known to have a conscience, and the Panamanians played to it.<sup>34</sup>

(U) Trouble began under Lyndon Johnson in the 1960s. Panamanian nationalists began agitating for a better deal, and in 1967 mobs entered the Zone and precipitated bloody riots that the U.S. had to suppress with force. Following this fiasco, the Johnson administration agreed to negotiations to change the provisions of the treaty. But Johnson was preoccupied with the war in Vietnam, and Panama lacked the power to press its case.

(U) In 1968, a messianic officer of the Guardia Nacional named Omar Torrijos overthrew the left-leaning civilian government of Arnulfo Arias. Torrijos immediately took up the struggling negotiations with the United States as a personal call, and he guided his nation through relations with four American presidents (Johnson, Nixon, Ford, and Carter). Employing secret threats, bald intimidation, and diplomatic maneuvering that would make Machiavelli blush, Torrijos had, by 1977, placed the United States in a most uncomfortable position. Carter arrived in Washington determined to rid the United States of the festering sore of Panama.

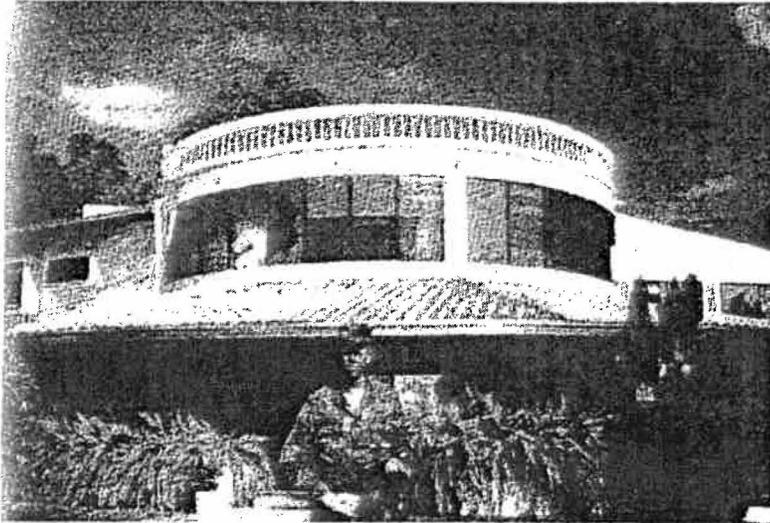


(U) President Carter and Omar Torrijos

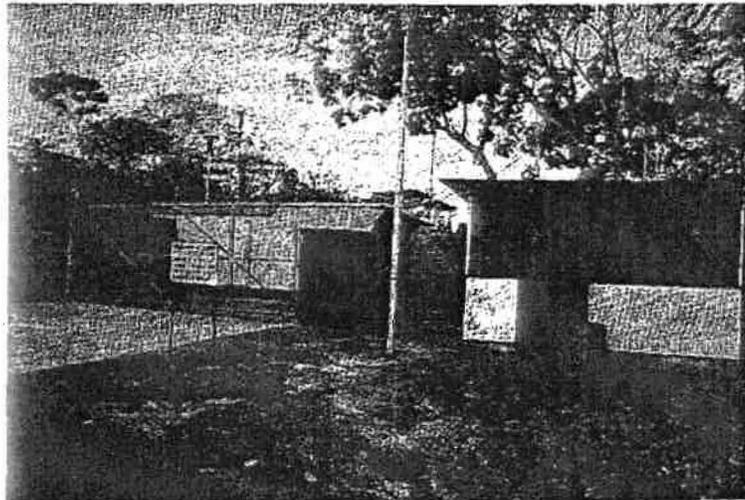
(TSC) NSA had two collection sites in Panama, USM-76 and USN-18. Early in 1976, almost a year prior to Carter's presidency, a detachment of USM-76, located on a hilltop that the Army called Beacon Hill, unexpectedly discovered a new source of information - a microwave link between the capital, Panama City, and a summer resort on the Pacific coast some fifty-nine miles southeast of Panama City called Farallon. The principal occupant of the beach house, it turned out, was Torrijos himself, who used the telephone

~~HANDLE VIA TALENT KEYHOLE COMINT CONTROL SYSTEMS JOINTLY~~

~~TOP SECRET UMBRA~~



(U) Farallon as it looked during the U.S. invasion of Panama in 1989



(U) The front gate of the Beacon Hill intercept site

almost constantly. Even better, he often talked with his treaty negotiators, sometimes while they were in the Panama resort of Contadora, and later, in Washington, D.C. His discussions were often lengthy and revealed his diplomatic objectives, his negotiating strategy, even his state of mind.<sup>35</sup>

~~HANDLE VIA TALENT KEYHOLE COMINT CONTROL SYSTEMS JOINTLY~~

~~TOP SECRET UMBRA~~

~~(TSC)~~ At first, the Army SIGINTers sent the information to NSA, which did the product reporting. But information from this source could be highly perishable, and the White House and State Department wanted it in time for negotiations. After several instances of seeing SIGINT go to the State Department too late to affect developments, USM-76 people rigged up a secure telephone circuit direct to the U.S. embassy in Panama, which relayed it to the American negotiators in Contadora. When the negotiations switched to Washington, this direct reporting principle continued.

~~(TSC)~~ With the negotiations heating up in 1977, the Army site in Panama went to twenty-four-hour operations. Linguists were flown to Panama, and USM-76 established a special transcription and reporting effort to get perishable information out. And it was a bonanza. No American negotiator could have asked for more, and transcript after transcript arrived at the State Department full of Torrijos's latest instructions to his negotiators. Using the SIGINT, American negotiators Ellsworth Bunker and Sol Linowitz kept the treaty negotiations going at times when they were threatened with collapse.

~~(TSC)~~ In May 1976, it was discovered that the information was leaking to the Panamanians. Two Army sergeants stationed at USM-76 were apparently passing details of the intercept operation to Torrijos's intelligence chief, Manuel Noriega. But if Noriega ever passed this information on to his boss, there was no change of behavior at Farallon. Torrijos just kept talking. At CIA, Stansfield Turner questioned the value of the intercepts because Torrijos was presumably informed of the American SIGINT effort. Moreover, the State Department staff officers who were assigned to support Bunker and Linowitz did not seem to understand the material, and did a poor job of interpreting it. (It was a classic example of the need for a CSQ.) But at the White House, Carter and Brzezinski continued to give them much weight, and Turner's position never had any effect on them.<sup>36</sup>

## (U) SALT II

(U) The SALT I treaty of 1971, coupled with the Vladivostok Accords of 1974, helped turn NSA's sources back onto the Soviet problem. But SALT I was just a beginning. Both sides specifically averred that a more comprehensive treaty would be negotiated.

(U) The Carter administration brought a completely new look to strategic arms negotiations. Carter placed the issue in the context of his dovish views on the arms race and human rights, and he began his administration with the declaration that he would scrap the Vladivostok Accords and go for deep cuts in overall levels. Given the charge, his negotiators fashioned a proposal that would bring the overall level of launchers from 2,400 apiece to something between 1,800 and 2,100. Rather than the 1,320 MIRVed launchers permitted by the accords, Carter would try for a limit of between 1,100 and 1,200. The original Carter proposals contained myriad details relating to strategic bombers, shorter range missiles, and mobile missile development, all of which leaned toward a smaller strategic force.<sup>37</sup>

~~HANDLE VIA TALENT KEYHOLE COMINT CONTROL SYSTEMS JOINTLY~~

~~TOP SECRET UMBRA~~