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DEC 2 1959

TO : C - Mr. Reinhardt
 FROM : ARA - Mr. Rubottom
 SUBJECT : Panama and the Canal Zone
 (Briefing Paper for OCB Meeting, December 2, 1959)

The attached memorandum to the Secretary dated October 9, 1959, contains a brief but complete picture of the Panama Canal Company-Canal Zone Government organization, which you will find informative.

In the overall context of United States relations with Panama, there exists an anomalous situation. The United States Ambassador is charged with the responsibility for the conduct of our relations with the Government of Panama. However, there are other figures which have considerable impact on our total posture in Panama. The Governor of the Canal Zone is the chief executive of the Canal Zone Government and at the same time President of the Panama Canal Company, whose principal is the Department of the Army. Commander-in-Chief, Caribbean Command, is the third element in the complex of the United States presence in Panama, and he receives his directives from the Joint Chiefs of Staff and the Joint Staff as well as the Department of Defense (International Security Affairs). While the Ambassador is nominally the official channel for communication with the Government of Panama, there are occasions when the Canal Zone Governor and CINCARIB become directly involved with the local government. This creates a confusing situation for Panamanian officials dealing with one/another of the three in knowing who, in fact, speaks officially for the United States Government. This situation is one not clearly covered by the Presidential directive to American Chiefs of Mission (Department's Circular Airgram 264) (October 19, 1959) and the preeminence of the Ambassador to Panama seems to require clarification and acceptance in all quarters. The relations between the present incumbents are on an excellent basis but too much depends on the presence of three congenial and mutually respectful personalities.

In the circumstances and given the unique situation which exists in Panama and the Canal Zone, which is Panamanian territory under United States jurisdiction, I believe it not only desirable but imperative that the appropriate agencies of the Executive Branch review not only United States operations in the Canal Zone, but, in addition and primarily, the entire United States posture vis-a-vis our foreign relations with the Government of Panama and the Panamanian people.

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