

~~CONFIDENTIAL~~PANAMAGENERAL COUNTRY SITUATION, INCLUDING FOREIGN POLICY ORIENTATION:

Panama's foreign policy on East-West issues supports U.S. objectives. With respect to the U.S., however, its foreign policy has been directed toward obtaining basic revisions of the treaty structure governing U.S.-Panamanian relations over the Panama Canal.

President Johnson's December 18 announcement of U.S. willingness to negotiate a new treaty to replace the 1903 Treaty met the major demands of Panama's official and traditional foreign policy. A new element was introduced, however, when he called for early negotiations for construction of a sea level canal through one of four possible sites, only two of which are in Panama. The outlook is for complex negotiations between the U.S. and Panama of these two separate but related treaties, with the status of U.S.-Panama relations dependent upon their success or failure.

The political situation in Panama is relatively stable at this time. President Robles' political base is narrow, however. Trouble could ensue if his administration is not responsive to economic and social pressures of growing proportion or if the treaty negotiations with the U.S. should be mishandled.

U.S. OBJECTIVES:

To negotiate satisfactorily with Panama (1) a sea level canal treaty, (2) a new treaty governing the existing Canal, and (3) arrangements for military base rights.

SIZE AND SCOPE OF ANY AID, MAAG, USIA OR OTHER MAJOR PROGRAMS:

The overwhelming U.S. military and civilian presence in the Canal Zone and the economic impact thereof on the life of Panama overshadow all other U.S. activities. The FY 64 AID program totalled \$16 millions.

WHAT QUALIFICATIONS SHOULD CHIEF OF MISSION HAVE?

He should be an experienced negotiator; have had political/military background; speak Spanish; and had previous experience with and sensitivity for Latin Americans.