



DEPARTMENT OF STATE

Washington, D.C. 20520

~~CONFIDENTIAL~~MEMORANDUM

June 6, 1973

TO: ARA - Jack B. Kubisch
FROM: Ambassador Robert M. Sayre
SUBJECT: U.S.-Panamanian Relations

I called separately on Congressmen Fascell and Leggett and SFRC Staffman Pat Holt on June 5 to talk about U.S.-Panamanian relations. So far as they are concerned the only important issue with respect to Panama is the Canal treaty and that is all they wanted to talk about.

All are sympathetic to the view that there has to be a change in the treaty relationship. Fascell and Holt are favorable to substantial changes; Leggett is more cautious. None of them see much possibility for a treaty, especially Leggett. Holt thought the 1967 drafts would have been approved at the time - now he doubts that the two sides can reconcile major differences and if a new treaty comes close to giving Panama what it is asking it probably would not obtain approval in the Senate.

Fascell said the recent hearings indicated to him that the Administration is not sure what it wants to do on the treaty or whether it wants a treaty at all. He as well as the others believe that the President will have to invest significant political capital to get anything - a treaty or significant legislation to make adjustments.

Holt considers the interim action approach is probably the only viable alternative at this time because of the lack of confidence between the U.S. and Panama - Panama wants wide-sweeping changes now and does not trust the U.S. unless it is all put down in writing and in detail and on the other hand the U.S. does not trust Panama to exercise fairly and responsibly jurisdictional rights it is demanding be returned. Leggett is an interim action proponent.

~~CONFIDENTIAL~~

RECEIVED ARA

JUN 7 1973

PAN
JBK K
- RAA
- HS
POL-4-2-1
Copy memo

(I assume from all he said that he believes the canal lobby can successfully play on the "lack of confidence in Panama" theme and defeat any significant changes.) He doubts that it will be possible to obtain approval of any significant interim action without a vigorous fight.

All agree that it is poor policy to exercise jurisdiction over Panamanians, the Panamanian Government and private business in the Canal Zone. Leggett refers to the U.S. operation of a "black" penitentiary in the Canal Zone as something that troubles him very much. But Holt and more so Leggett consider that any proposal on this will be fought as a "break in the dike." In fact Leggett feels any change at all that disturbs the privileged position of PCC/CZG employees (15% hardship differential, U.S. Federal Income tax rebates, etc.) will be opposed on the same ground, although he is disturbed by the discrimination that these privileges represent against employees of other Federal agencies in Panama and Panamanian employees. Holt believes that the procedural problems in getting any action on interim measures is more important than the substance, i.e., the Congress would be generally favorable but if it starts in the Commerce committee it would be an unfavorable atmosphere.

Leggett is still considering hearings. He plans to press on the toll issue. He also intends to focus attention on budget cuts as opposed to toll increases. The question about whose territory the Canal Zone arose, and it was left that Leggett should ask the State Department Legal Office. The 1903 Convention as amended states the zone is Panamanian territory but Leggett's staff did not accept that. Leggett's formula is to give Panama more money (I do not have the impression that Leggett believe this will solve the problem but he proposes it because that is all he feels he can do without too much of a fight). When I responded that Panama had specifically rejected any such approach as an insult his response was to say that we would have to persuade Panama that a confrontation would not be helpful.

In summary, Congressmen Fascell and Leggett and Mr. Holt are sympathetic, believe some action is desirable, but if it requires legislative action the Administration will have to be ready to make a concerted effort to get it.