



DEPARTMENT OF THE ARMY  
OFFICE OF THE UNDER SECRETARY  
WASHINGTON, D.C. 20310

4-1.1 labor

20 September 1971

MEMORANDUM FOR AMBASSADOR MUNDT

SUBJECT: Labor and Employment Aspects of Treaty Negotiations

You requested that we provide our views on labor and employment issues prior to your 21 September meeting with the AFL-CIO representatives. Our detailed position paper is still in preparation but I will indicate to you the general direction of our effort as it relates to union concerns.

The AFL-CIO paper addressed to you makes clear that the unions' primary interests include preservation of the general environment and life-style of the Canal Zone, retention of the present employment conditions, minimization of the number of U.S. citizens displaced, and protection of their right to carry on union activity. I do not need to describe to you the ramifications of the treaty concerning the environment. As to conditions of employment, we should preserve the present conditions and wages for the retained employees. The details need not be spelled out in the treaty since the new Canal Administration will remain an agency of the U.S., subject to the employment regulations of the U.S. Government. Retention of the present conditions of employment should include freedom for U.S.-based labor unions to represent employees of the United States in the Canal Area without being subject to Panamanian control or regulation unless the individual local chooses to register in the Republic of Panama.

We cannot predict accurately the number of employees who will be affected by the treaty. The figures which you provided to the AFL-CIO representatives at your last meeting with them represent the best guess as to the number of PCC employees who will be displaced in the early stages. The number of Canal Zone Government personnel displacements depends directly on the results of the Jurisdiction Subcommittee's deliberations.

We are just as interested as the AFL-CIO committee in providing adequate benefits to displaced employees. However, the interagency labor advisory panel has cautioned us against extraordinary benefits such as those requested by the unions because of the danger of establishing a precedent for other reductions in the federal work force, and also because of the generous nature of U.S. Government severance and retirement

CONFIDENTIAL

2

I agree with Phil that it is helpful that the unions are sticking to bread and butter issues. But the Department would think that I had gone beserk if I asked for a 25% (or even the 15% now paid) tropical differential or 5 years' credit for each 4 years in Panama.

The Panamanian Government does not know how it should deal with labor issues in the treaty. The only policy that Torrijos seems to have formulated is that no one should lose anything if Panamanian labor law applies. But he cannot assure that when private companies take over retail activities of the Canal Company. For what they are worth, my thoughts on a formula are:

1. No one, either U.S. or Panamanian, who is employed by the USA, should be prejudiced by the settlement. Neither should he get any special incentives to decide that he doesn't like the settlement and wants to go home.
2. U.S. Agencies shall be guided by Panamanian labor policy on local hires. But no new hires should receive less than the minimum wage paid when the treaty enters into force, i.e., equality of treatment for all employees.
3. Panama must undertake to move its minimum wage in the terminal cities upward over the first five years of the treaty (i.e., the same period in which we would phase out retail operations) so that the wage differential would not be an incentive for the new private operators to discharge the present employees.
4. U.S. citizen employees would be governed by U.S. Civil Service laws and regulations.

The effect of this would be that no Panamanian would be hurt but he would have a strong incentive to press for a more effective labor policy in Panama. No American would be hurt, but the Canal Zone would not be quite as attractive as it is now (no special 15% or 25% inducement) and it would open up more jobs for Panamanians. Over 10 or 15 years, the Canal Company would fit better into the Panamanian background because it would be more in tune with the situation here and, with the expansion of the Panamanian economy, it would become relatively less important to Panama.

With warmest regards,

Sincerely,



Robert M. Sayre  
Ambassador

Enclosure

CONFIDENTIAL