



EMBASSY OF THE  
UNITED STATES OF AMERICA

Panama, Republic of Panama

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~~cc PAN~~  
POL-33-3B

SOUTHCOM

~~SECRET~~

August 2, 1973

Harry W. Shlaudeman, Esquire  
Deputy Assistant Secretary of State  
for Inter-American Affairs  
Department of State  
Washington, D. C.

Dear Harry:

You have our reply to the questions Secretary Rush asked in his memorandum of July 23 on canal relations.

I enclose a copy of General Rosson's comments on our draft. His substantive comment on SOUTHCOM assumes that the U.S. has a right to have a strategic headquarters in Panama because the U.S. Government located it in Panama. I asked L whether the USG had such a right and was informed, after study, that there is a substantial legal question as to whether the regional headquarters is consistent with the neutrality provisions of the Convention.

I understand the desirability of a military organization which is responsible for defense missions affecting the security of the Hemisphere. There are important problems on air and sea defense which need to be addressed. The defense of the land mass of Latin America is, of course, really the responsibility of the Latin Americans, but we certainly have an interest. But these defense issues would be handled more effectively if done multilaterally, i.e. if the hemispheric activity here were combined with the IADB in Washington and the Latins had a voice, etc. Indeed, in wartime or emergency we are going to be hamstrung because we do not have multilateral understandings.

I also understand the difficulty which the U.S. Armed Forces have in peacetime finding useful roles and missions which will help it maintain a state of readiness. A cadre theater headquarters with a realistic mission is a valuable device for this purpose.

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So to me, the issue is not whether some organization is desirable to do the job, but whether we have the right under the 1903 Convention to put that organization on Panamanian territory.

Governor Parker has provided me general comments which are enclosed. I consider them very valid comments. We must strike a balance between Panama's desires and our need for efficient operation. Employee morale is certainly a key problem and has to be fully taken into account. The Governor is expected to keep the canal open 24 hours a day, but there is a risk that he will not be able to do so if Panama obtains jurisdiction. I consider it a low risk because Panama now has the capability to disrupt operations, e.g., by keeping the 12,000 Panamanian employees of the Canal Company away from work. Giving Panama jurisdiction over non-USG activities will not increase very much Panama's capability to harass.

A key question is whether the requirement on the Governor is too rigid. If the canal is of marginal commercial importance and not of vital military importance, do we really need to have a standard of 100% availability? Would 90% be enough? Can we accept a slowdown such as the U.S. citizen pilots carried on for about two weeks? Could we accept a measure of harassment that might make operations difficult for a few days or a week? I assume if Panamanians disrupted operations during a demonstration, we would have rights under the treaty which would permit U.S. security guards and the U.S. military to detain them and fumble long enough so that the demonstrators would not be released to go on causing trouble. I am assuming if the Panamanians really got difficult and it affected our national security, our treaty rights would permit the U.S. military to deploy in the Zone and run the Canal. I also assume that in wartime or an emergency declared by the President the U.S. military could also take charge. So are we willing to accept in the Canal Zone in peacetime the normal amount of difficulties, confusion and delays that we have in a U.S. port? I think that we can, but we must do it in a way that will have the least adverse affect on operational efficiency, which includes employee morale.

The essentially legal questions which Senators and Representatives have asked me about our rights are difficult to answer and, of course, have political connotations.

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I should think it would be helpful if an outside panel of law professors were to look at these questions and give the Department an advisory opinion.

I trust that the comments in our cable are sufficiently clear and precise so that they are helpful. I am, of course, always willing to come to Washington and discuss the issues directly if that will help.

With warmest regards,

Sincerely,

A handwritten signature in blue ink, appearing to read "Bob", is written above the typed name.

Robert M. Sayre  
Ambassador

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cc: Mr. Bell, ARA/PAN

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