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MEMORANDUM

July 9, 1963

To: H - FGDutton

From: H - Art Wexler

Re: Panama

1. U.S. Policy Objectives. For the past year we have been fighting a holding action. While the experts are to determine the need for another canal through 1980, an attempt would be made to give the Panamanians enough more or less meaningless concessions over the next few years to keep them from raising too much hell over the issue.

*Exception* Before Chiari came to Washington in June of 1962, it was determined that several things could be offered - e.g., - jobs, exchequers, postage stamp deals, additional flags of Panama in the zone etc..

At the same time a study of the need and feasibility for a sea level canal (perhaps dug with nuclear power) was to begin.

2. Congressional Attitudes. The House has traditionally been influenced by the very active lobby of U.S. Citizen Canal Zone employees, many of whom are 2nd and 3rd generation residents of the zone and who have always fought any erosion of their perquisites. The Senate, while responsive to the shippers, whose main interest is low tolls, has traditionally not been concerned, but let the Executive deal with Panama, as it wished. This feeling could change if not cultivated.

Those in the House who have been specially sensitive include Cannon and Flood as well as other members of the Appropriations Committee (Mike Kirwin's subcommittee handles zone matters); Bonner, Mrs. Sullivan and Mailliard of Merchant Marine and Fisheries; Selden of Foreign Affairs. Mrs. Sullivan is tough but can be talked to; Mailliard is on our side generally and is in a good spot as ranking minority on both Merchant Marine and For Affrs subcommittee. The villain in Merchant Marine is probably Zinke, the Chief Clerk who has been most unreasonable.

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3. Past Congressional Contact. When you first gave me ARA you told me to keep in contact with Leonore Sullivan on Canal matters. I have attempted to do so with varying degrees of success.

The desk people in ARA have been conscious of the need to inform Congress. While Chiari was scheduled to be told of concessions in 1962, Ed Martin appeared beforehand at Foreign Relations, Foreign Affairs, Senate Commerce, Joint Atomic Energy Committees, as well as seeing Bonner and Sullivan (they wouldn't call Committee hearings) and was offered to the Appropriations and Armed Services Committees. Flood was also called on after the visit. Departmental officers (Martin and Farland) have appeared before the Merchant Marine Committee several times since then.

Farland when here earlier this year discussed our programs with Hickenlooper, Selden, McCormack, Sullivan, etc., Collins and Ailes (Army Undersecretary) have seen several people including Bonner and Mrs. Bolton within the last month.

4. Present Developments. The desk people approved by Martin have proposed a broad program of further congressional contact (list attached). They want to propose treaty revision on minor points. (Increase in annuity, a corridor for Panama through the Zone, return of excess land.)

I talked to Pat Holt about a briefing some time ago. I also proposed a hearing before Senate Commerce. They were interested but asked that it be held off because they were about to get the Civil Rights Bill. Mrs. Bolton was interested in a full Foreign Affairs Committee hearing, but I have been waiting for the completion of AID markup for that.

The real problem seems to be in House Appropriations Committee which is hard to get to.

The Army meanwhile called Holt and asked to brief them on proposed Treaty modification. This is scheduled for tomorrow with Ed Martin and Ailes as witnesses.

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no | It is a little embarrassing since State (including Martin) has not finally agreed to try for this, no Circular 175 has gone forth and I understand that Department of Defense is not necessarily prepared to ask for this.

5. H.R. 3999 by Mrs. Sullivan, designed to prevent leasing of piers by the Zone to Panama received unanimous consent on July 8.

no | It would be helpful in the program of keeping the Panamanians happy while at the same time keeping Congress quiet if the Secretary would consent to appear before the Foreign Relations and Foreign Affairs Committees.

I will also press for hearings for Martin & Ailes should you not wish to produce Rusk or Ball.

The problem I can't solve is how to get to the Appropriations Committee, the fountainhead of dissatisfaction.

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