

INCOMING TELEGRAM

Department of State

Spain

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Action

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FONOFF Director General North American Affairs (Sagaz) informed Embassy officer today that Panamanian Government requesting GOS urgent loan of US dollars ten million "to forestall strikes and avoid chaos". Sagaz said GOS to avoid alienating USG sidestepped issue for several weeks but Panamanian pressure mounting and Council of Ministers at March 20 meeting authorized loan "in principle" but instructed FONMIN to first obtain US views as GOS wants to make sure that USG understands that loan not designed as unfriendly act against US but solely to alleviate local crisis Panama. Embassy officer indicated that US public and press reaction to any GOS loan to Panama at this time likely to be strongly negative and that regardless of humanitarian motives loan might be considered as unfriendly towards US and likely to stiffen Panamanian resistance towards reaching agreement with US. It might also jeopardize President Johnson's attempts to break existing deadlock over wording agreement. Embassy officer suggested Sagaz obtain views Spanish Embassy Washington who could best confirm GOS existing strong US feeling on Panama issue. Sagaz stated that he shared Embassy officer's views and would (#) loan request until US-Panamanian impasse resolved.

GP-4.

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Authority

Group 4

By

isg

, NARS, Date 3-24-80

WOODWARD

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(#) Omission. Correction to follow.

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E.O. 13292, Sec. 3.4

State Dept. Guidelines

By jc, NARA, Date 5/16/09

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