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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** LATIN AMERICAN AFFAIRS DIRECTORATE, NSC:  
RECORDS

**Withdrawer**

MJD 7/24/2009

**File Folder** PANAMA: PRESIDENT BARLETTA

**FOIA**

F09-050

**Box Number** CABLE 4

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
74319	CABLE	151920Z DEC 84	1	12/15/1984	B1 B3
74321	CABLE	PANAMA 13087 <b>R 10/22/2018 STATE WAIVER</b>	2	12/8/1984	B1
74322	CABLE	PANAMA 13131 <b>R 10/22/2018 STATE WAIVER</b>	2	12/11/1984	B1
74323	CABLE	021545 NOV 84	1	11/2/1984	B1
74324	PAPER	RE PANAMA	2	10/29/1984	B1
74326	CABLE	PANAMA 10389 <b>R 6/10/2019 M502/1</b>	3	9/24/1984	B1
74327	CABLE	PANAMA 10495 <b>R 6/10/2019 M502/1</b>	3	9/26/1984	B1
74329	CABLE	171350Z AUG 84	1	8/17/1984	B1 B3
74331	CABLE	PANAMA 08053 <b>R 6/10/2019 M502/1</b>	8	7/21/1984	B1
74335	CABLE	162102Z JUN 84	1	6/14/1984	B1 B3

Freedom of Information Act - [5 U.S.C. 552(b)]

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74337	CHECKLIST	RE PANAMA 10389 <i>R 6/10/2019 M502/1</i>	1	9/25/1984	B1

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74319	CABLE  151920Z DEC 84	1	12/15/1984	B1  B3

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~~CONFIDENTIAL~~ SECTION 01 OF 02 PANAMA 13087

E.O. 12356: DECL: OADR  
TAGS: PGOV, PM  
SUBJECT: BARLETTA IN SERIOUS POLITICAL TROUBLE - SOME  
DOUBTERS GLANCING OUR WAY

1. (C - ENTIRE TEXT)

2. SUMMARY: IN THE THREE WEEKS SINCE THE BEGINNING OF THE CURRENT ECONOMIC/POLITICAL CRISIS THE NEW BARLETTA GOVERNMENT HAS SACRIFICED MUCH OF ITS CREDIBILITY AND LOST THE FORWARD MOTION WITH WHICH IT CAME TO POWER IN MID-OCTOBER. ALTHOUGH BELEAGUED AND IN SOME WAYS FLOUNDERING AT THIS STAGE ITS FUTURE DOES NOT SEEM TO BE IN JEOPARDY. WITH LUCK, THE CRISIS WILL SIMPLY TRAIL OFF DURING THE COMING WEEKS DUE TO FATIGUE, THE DISTRACTION OF THE HOLIDAYS, AND A DESIRE TO RETURN TO A NORMAL EXISTENCE. THE SELF-FULFILLING PROPHECY IS ALWAYS A DANGER IN PANAMA, HOWEVER, AND SOME DOUBTERS ARE BEGINNING TO GLANCE SIDELONG AT US TO DETERMINE WHAT WE MAY WANT OR BE WILLING TO TOLERATE. IT IS IMPORTANT THAT WE CONTINUE TO MAKE CLEAR OUR STRONG SUPPORT FOR DEMOCRACY AND CIVILIAN CONTROL IN PANAMA, AND FOR THE BARLETTA GOVERNMENT AS THE BEST VEHICLE TO ACHIEVE IT. END SUMMARY.

3. IT IS NOW THREE WEEKS SINCE PRESIDENT BARLETTA SPOKE TO THE NATION ANNOUNCING THE ECONOMIC AUSTERITY MEASURES THAT IGNITED THE CURRENT ECONOMIC/POLITICAL CRISIS. DURING THESE THREE WEEKS THE FOCUS HAS TENDED TO SHIFT FROM RELATIVELY CLEAR AND DEFINABLE ECONOMIC AND FINANCIAL ISSUES TO MORE DIFFUSE AND DIFFICULT POLITICAL ONES. IN SHORT, THE SUBJECT OF THE DEBATE BEING CONDUCTED IN THE NATION'S PRESS AND ON ITS STREETS HAS CHANGED FROM HOW TO BALANCE THE COUNTRY'S CHECKBOOK, AND WHO SHOULD PONY UP HOW MUCH IN ORDER TO DO IT, TO WHERE THE MONEY WENT ANYWAY. FROM A FAIRLY TECHNICAL ECONOMIC PROBLEM THE ISSUE HAS EVOLVED TO INCLUDE QUESTIONS OF CORRUPTION, ACCOUNTABILITY, LEGITIMACY, AND PERHAPS MOST OF ALL THE ROLE OF THE PANAMA DEFENSE FORCES (FDP) IN THE SOCIETY.

4. THE BALANCE OF THESE THREE WEEKS IS MIXED. ON THE MINUS SIDE, THE NEW BARLETTA GOVERNMENT, WHICH ASSUMED POWER WITH A RESTRICTED POLITICAL MANDATE AT BEST, HAS FAILED TO DISTINGUISH ITSELF IN ITS FIRST MAJOR TEST OF ITS ABILITY TO GOVERN. THE SOLUTION IT PROPOSED TO THE IMMEDIATE FINANCIAL PROBLEM SUFFERED FROM FAULTS THAT WERE SURPRISING IN A GOVERNMENT THE GREAT STRENGTH OF WHICH WAS SUPPOSED TO BE ECONOMIC EXPERTISE. LESS SURPRISING, BUT EVEN MORE SERIOUS WAS AN EVIDENT PAUCITY OF POLITICAL SENSITIVITY AND ACUMEN IN THE GOVERNMENT'S HANDLING OF THE CRISIS. AS A RESULT THE CREDIBILITY OF THE GOVERNMENT HAS SUFFERED CONSIDERABLY, IT APPEARS TO BE MORE CONTROLLED BY ERRANT FORCES THAN IN CONTROL OF THEM, AND PERHAPS WORST OF ALL, IT HAS BEEN PREVENTED FROM LAUNCHING ON THE AGENDA IT HAD PAINSTAKINGLY DEVELOPED BEFORE ITS INAUGURATION DESIGNED TO GRADUALLY RESOLVE THE COUNTRY'S UNDERLYING ECONOMIC AND SOCIAL PROBLEMS.

5. THE RECORD IS NOT ENTIRELY NEGATIVE, HOWEVER, AND THERE ARE PLUSES TO BE REGISTERED AT THE END OF THIS THIRD WEEK OF TURMOIL. THE PRINCIPAL SUPPORTERS OF THE BARLETTA GOVERNMENT, THE FDP AND THE GOVERNMENT PRD PARTY, ARE DISAPPOINTED WITH ITS PERFORMANCE TO DATE AND SOME HAVE BEGUN TO WONDER ABOUT THE WISDOM OF THEIR CHOICE, BUT THE RANK AND FILE THUS FAR APPEAR TO REMAIN STRONGLY IN SUPPORT OF THE GOVERNMENT. THE FDP HAS KEPT AN EXTREMELY LOW PROFILE AND HAVE APPARENTLY GIVEN BARLETTA A FREE HAND - WHETHER TO RESOLVE THE SITUATION OR HANG HIMSELF REMAINS TO BE SEEN. THE PRD CONTROLS THE LEGISLATURE AND BARRING ANY NEW SURPRISES OR INTOLERABLE LEVELS OF OPPOSITION FROM THE POPULACE WILL ALMOST CERTAINLY SEE THAT BARLETTA'S REVISED ECONOMIC MEASURES ARE PASSED SMARTLY, WHATEVER RESERVATIONS THEY MAY HAVE.

6. BARLETTA HAD THE PRUDENCE TO WITHDRAW HIS INITIAL MEASURES IN THE FACE OF OVERWHELMING REJECTION, AND THIS MAY HAVE SHOWED THE BEGINNINGS OF POLITICAL WISDOM. OPPOSITION MEETINGS AND DEMONSTRATIONS HAVE THUS FAR BEEN PEACEFUL, AND THE FDP HAS LEFT THEM STRICTLY ALONE IN AN EFFORT TO AVOID RAISING THE POLITICAL TEMPERATURE. THE HOLIDAY SEASON; THE DESIRE OF MERCHANTS TO TAKE ADVANTAGE OF IT; THE HOPE OF PARENTS THAT CHILDREN WILL NOT IN EFFECT LOSE THE SCHOOL YEAR; THE NEED OF DOCTORS AND OTHER PROFESSIONALS TO RETURN TO THEIR PRACTICES, ALL SUGGEST THAT THE CURRENT CRISIS BT

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~~C O N F I D E N T I A L~~ SECTION 02 OF 02 PANAMA 13087

E. O. 12356: DECL: OADR  
TAGS: PGOV, PM  
SUBJECT: BARLETTA IN SERIOUS POLITICAL TROUBLE - SOME

MAY SIMPLY TRAIL OFF IN THE COMING WEEKS DESPITE THE  
EXTRAORDINARY FORCE IT HAS DEVELOPED.

7. HOWEVER, THREE WEEKS IS A LONG TIME, AND THERE ARE  
DISTURBING REPORTS THAT SOME IMPORTANT ELEMENTS AMONG  
BARLETTA'S ERSTWHILE SUPPORTERS ARE BEGINNING TO  
CONSIDER POSSIBLE ALTERNATIVES IN THE EVENT THE CRISIS  
DOES NOT RESOLVE ITSELF. THERE ARE ALSO INDICATIONS THAT  
THESE SAME ELEMENTS (INCLUDING THE FDP ITSELF) MAY  
BE TRYING TO DISCERN WHAT WE MIGHT BE WILLING TO  
COURTENANCE.

8. THERE IS NO DOUBT THAT THE BARLETTA GOVERNMENT IS  
IN TROUBLE, MUCH OF IT SELF-CREATED, BUT WE DO NOT BELIEVE  
AT THIS STAGE THAT ITS SITUATION IS UNSALVAGEABLE OR  
ITS FUTURE NECESSARILY THREATENED. PANAMA, HOWEVER,  
IS A COUNTRY PECULIARLY SUBJECT TO SELF-FULFILLING  
PROPHECIES, AND WE BELIEVE IT IMPORTANT THAT WE MAKE  
ABSOLUTELY CLEAR AT EVERY OPPORTUNITY OUR CONTINUED  
STRONG SUPPORT OF STRENGTHENING PANAMA'S NASCENT  
DEMOCRACY AND CIVILIAN PRIMACY HERE, AND OF THE BARLETTA  
GOVERNMENT AS THE VEHICLE MOST LIKELY TO ACHIEVE THEM.  
WE ARE ALSO MAKING CLEAR AS NECESSARY THAT ANY RUPTURE  
OF THE CONSTITUTIONAL CONTINUUM WOULD BE SEEN IN A  
MOST NEGATIVE LIGHT IN THE U. S., AND WOULD JEOPARDIZE  
A NUMBER OF SIGNIFICANT BI-LATERAL PROGRAMS, CIVILIAN  
AND MILITARY, THAT HAVE BEEN UNDERTAKEN IN RECOGNITION  
OF PANAMA'S MOVEMENT TOWARDS THE FULL EXERCISE OF  
DEMOCRACY. IT WOULD BE HELPFUL IF THE DEPARTMENT AND  
OTHER AGENCIES IN WASHINGTON WERE TO REINFORCE THESE  
POINTS AS OPPORTUNITIES ARISE.  
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74322	CABLE  PANAMA 13131	2	12/11/1984	B1

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74323	CABLE  021545 NOV 84	1	11/2/1984	B1

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~~CONFIDENTIAL~~ SECTION 02 OF 02 PANAMA 13131

E.O. 12356: OADR

TAGS: ECON, EFIN, PGOV, PINS, PM

SUBJECT: PANAMA'S POLITICAL/ECONOMIC CRISIS -- POLITICAL

SELLING T-SHIRTS AND HATS EMBLAZONED WITH THE WORD "COCINA." (THAT THE COCINA VOLUNTEERS WERE ENGAGED IN SUCH QUINTESSENTIALLY BOURGEOIS ACTIVITY AND THAT IN OUR OBSERVANCE MOST HAD THE LOOK OF PANAMA'S WELL-TO-DO, SUGGESTS THE MIDDLE CLASS BASE OF THE PROTEST MOVEMENT.) THE FOUNDING OF A COCINA CHAPTER IN COLON (IN ADDITION TO THE CHAPTERS IN PANAMA CITY AND CHIRIQUI, AND PERHAPS ELSEWHERE) WAS ALSO REPORTED IN ONE INDEPENDENT DAILY OVER THE WEEKEND.

6. COCINA-GOVERNMENT DIALOGUE. COCINA-GOVERNMENT TALKS HAVE BEEN PROCEEDING AT THE HOLIDAY INN IN PANAMA CITY SINCE THE END OF LAST WEEK (REF. A), BUT AT THIS STAGE THEY APPEAR TO HAVE ACHIEVED NOTHING. COCINA LEADER ZUNIGA HAS CRITICIZED THE GOVERNMENT FOR "DILATORY TACTICS" AND FOR RESISTING DISCUSSION OF THE NATIONAL BUDGET ON THE GROUNDS THAT IT (THE GOVERNMENT) HAS NOT YET COMPLETED IT. ZUNIGA HAS ALSO CRITICIZED THE NATIONAL COUNCIL OF PRIVATE ENTERPRISE (CONEP) FOR "HOLDING SECRET MEETINGS WITH THE EXECUTIVE BRANCH" -- THIS, DESPITE THE FACT THAT CONEP HAS WITHHELD SUPPORT FROM THE FISCAL PACKAGE INTRODUCED IN THE LEGISLATURE LATE LAST WEEK BY THE GOVERNMENT (REF. A).

7. DECEMBER 12 COCINA MARCH. AS NOTED ABOVE, COCINA STILL PLANS TO HOLD A MARCH AND STRIKE ON DECEMBER 12. THE BENCHMARK OF SUCCESS OF THIS EXERCISE WILL PROBABLY

BE THE MARCH OF NOVEMBER 27, WHICH DREW TENS OF THOUSANDS (SEE PANAMA 12833). SHOULD THE DECEMBER 12 MARCH EXCEED THAT OF NOVEMBER 27 IN SIZE, THE PROTEST MOVEMENT IS LIKELY TO BE PERCEIVED AS STILL ON THE UPSWING. IF ON THE OTHER HAND THE CROWD IS SMALLER THAN THAT OF NOVEMBER 27, THE MOVEMENT IS LIKELY TO BE PERCEIVED AS EBBING (WHICH PRO-GOVERNMENT OBSERVERS HAVE BEEN PREDICTING WOULD HAPPEN AS THE HOLIDAY SEASON APPROACHES). UNLIKE THE NOVEMBER MARCH, THE DECEMBER MARCH HAS THE PUBLIC SUPPORT BOTH OF CONEP AND OF CONATO (THE NATIONAL COUNCIL OF ORGANIZED WORKERS). HOW FERVENT CONEP AND CONATO'S SUPPORT FOR THE MARCH WILL BE, HOWEVER, REMAINS TO BE SEEN.

8. COMMENT: DESPITE HIS REPUTATION FOR STUBBORNNESS, PRESIDENT BARLETTA FOR THE SECOND TIME IN THREE WEEKS HAS BOWED TO THE PRESSURE BROUGHT TO BEAR BY THE PROTEST MOVEMENT. BARLETTA'S NOVEMBER 25 CONCESSIONS TOOK SOME OF THE ZIP OUT OF THE LATE NOVEMBER MARCH/STRIKE, AND THE PRESIDENT MUST BE HOPING THAT HIS LATEST CONCESSION WILL HAVE THE SAME EFFECT ON DECEMBER 12. YET WITH RESPECT TO THE LEAD PROTEST ORGANIZATION -- COCINA -- BARLETTA'S LATEST CONCESSION APPEARS TO HAVE EARNED HIM LITTLE; INDEED, COCINA SEEMS BENT ON TAKING FULL ADVANTAGE OF ITS MOMENTUM.

9. THUS THE BARLETTA GOVERNMENT -- TWO MONTHS OLD ON DECEMBER 11 -- CONTINUES UNDER HEAVY PRESSURE, AMIDST SIGNS THAT THE KEY POWER BROKER HERE -- THE MILITARY -- IS DISAPPOINTED WITH THE PRESIDENT THEY PROMOTED (REF. C). STILL, ALTHOUGH BELEAGUERED AND IN SOME WAYS FLOUNDERING, THE BARLETTA GOVERNMENT AT THIS STAGE DOES NOT SEEM TO BE IN JEOPARDY (REF. B). THE PROSPECT, RATHER, IS FOR CONTINUED MUDDLING THROUGH. BRIGGS

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~~CONFIDENTIAL~~ SECTION 01 OF 02 PANAMA 13131

E.O. 12356: OADR  
TAGS: ECON, EFIN, PGOV, PINS, PM  
SUBJECT: PANAMA'S POLITICAL/ECONOMIC CRISIS -- POLITICAL  
REPORT NO. 8 (DECEMBER 7-9, 1984)

REFS: A) PANAMA 13080, B) PANAMA 13087 (NOTAL),  
C) PANAMA 13084 (NOTAL)

1. C-ENTIRE TEXT.
2. SUMMARY: THE PRESIDENT'S ANNOUNCEMENT ON THE EVENING OF DECEMBER 9 THAT HE WILL SEEK THE IMMEDIATE AND UNCONDITIONAL REPEAL OF THE DISCREDITED LAW 46, CONSTITUTED THE MAJOR DEVELOPMENT OVER THE WEEKEND IN PANAMA'S ONGOING POLITICAL/ECONOMIC CRISIS. COCINA -- THE UMBRELLA GROUP SPEARHEADING THE PROTEST MOVEMENT -- WAS ACTIVE OVER THE WEEKEND AND STILL PLANS TO HOLD A MASSIVE PROTEST MARCH ON DECEMBER 12. A GOVERNMENT-COCINA DIALOGUE HAS BEEN TAKING PLACE, BUT WITHOUT RESULT THUS FAR. END SUMMARY.
3. PRESIDENTIAL SPEECH. FOR THE SECOND TIME IN THREE WEEKS, PRESIDENT BARLETTA ADDRESSED THE NATION ON NATIONAL TELEVISION ON A SUNDAY NIGHT IN ORDER TO ANNOUNCE CONCESSIONS TO THE PROTEST MOVEMENT. IN BOTH CASES, A MAJOR PROTEST MARCH AND STRIKE WERE SCHEDULED TO BE HELD DURING THE FOLLOWING WEEK. WHEREAS IN HIS SPEECH OF NOVEMBER 25 BARLETTA ANNOUNCED THAT HE WOULD SEEK A SUBSTITUTE TO REPLACE THE CONTROVERSIAL LAW 46 -- THE

GOVERNMENT'S INITIAL FISCAL PACKAGE CONTAINING A TAX ON SERVICES, ADOPTED BY THE OLD LEGISLATURE ON ITS FINAL DAY OF OPERATION ON NOVEMBER 15 -- IN HIS SPEECH OF DECEMBER 9 BARLETTA WENT A STEP FURTHER AND BOWED TO THE OPPOSITION DEMAND THAT HE REPEAL LAW 46 IMMEDIATELY, WITHOUT THIS BEING LINKED TO ANY SUBSTITUTE LAW. IN BARLETTA'S WORDS, "BECAUSE OF THE IMPORTANCE OF RESOLVING THIS PROBLEM PEACEFULLY, I AM ASKING THE LEGISLATIVE ASSEMBLY THAT IT REPEAL LAW 46 FIRST AND THAT WE IMMEDIATELY PROCEED TO FIND A WIDELY-AGREED SOLUTION, WHICH WE ALL NEED." BARLETTA MADE NO MENTION OF THE NEW FISCAL PACKAGE SUBMITTED LAST WEEK BY THE GOVERNMENT (REF. A), BUT LEFT THE IMPRESSION THAT HE EXPECTED ANY NEW FISCAL PACKAGE TO BE THE RESULT OF EXTENSIVE PUBLIC AND ASSEMBLY DISCUSSION. (SEPTEL PROVIDES ECONOMIC AND FINANCIAL ANALYSIS OF THE PRESIDENT'S SPEECH.) BARLETTA COUPLED HIS CONCESSION TO THE PROTEST MOVEMENT WITH A CALL FOR THE LATTER TO CEASE ITS ACTIVITIES AND NOTABLY THE MEDICAL AND EDUCATIONAL WORK STOPPAGES. WHILE APPEALING TO ALL TO HELP CONSTRUCT DEMOCRACY IN PANAMA, BARLETTA MORE OMINOUSLY ALSO REFERRED CRITICALLY TO THOSE WHO SOUGHT TO "FISH IN TROUBLED WATERS." (NOTE: BARLETTA ACTUALLY APPEARED ON NATIONAL TELEVISION TWICE, AT 8:30 P.M. AND AGAIN AT 10:30 P.M. ALTHOUGH SOME OBSERVERS THOUGHT THERE MAY HAVE BEEN SMALL BUT SIGNIFICANT DIFFERENCES IN THE TWO TEXTS, OUR PRELIMINARY ANALYSIS SUGGESTS THAT THE DIFFERENCES WERE SLIGHT AND NOT SIGNIFICANT.)

4. COCINA REACTION. COCINA (COORDINADORA NACIONAL CIVILISTA, OR NATIONAL CIVIL COORDINATING COMMITTEE) LEADER DR. MAURO ZUNIGA ANNOUNCED IMMEDIATELY AFTER THE BARLETTA SPEECH THAT "THE (MEDICAL AND EDUCATIONAL WORK) STOPPAGE CONTINUES AND THE (DECEMBER 12) MARCH IS ON." ZUNIGA NOTED INTER ALIA THAT BARLETTA HAD ADDRESSED ONLY ONE OF COCINA'S FOUR MAIN DEMANDS (SEE PANAMA 13049, PARAGRAPH 5), AND THAT WITH RESPECT TO THAT DEMAND ACTION BY THE LEGISLATIVE ASSEMBLY WAS STILL NECESSARY.

5. COCINA ACTIVITIES. AT ITS APOGEE A COCINA WOMEN'S MARCH ON DECEMBER 6 DREW AT MOST SEVERAL THOUSAND PEOPLE, JUDGING FROM PHOTOS PRINTED IN THE OPPOSITION DAILY LA PRENSA. OVER THE WEEKEND, COCINA PURSUED A VARIETY OF FUNDRAISING ACTIVITIES. A "RADIOTHON" -- IN WHICH RADIO STATIONS IN PANAMA CITY, COLON, AND CHITRE PARTICIPATED -- CARRIED COCINA SPEECHES FOR THREE HOURS SUNDAY MORNING, AND AT THE SAME TIME COCINA VOLUNTEERS MANNED SOME HALF DOZEN PRIME LOCATIONS IN PANAMA CITY BT

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~~SECRET~~ SECTION 01 OF 02 PANAMA 10389

EXDIS  
E. O. 12356: DECL: OADR  
TAGS: PGOV, PM  
SUBJECT: BARLETTA'S CURRENT SITUATION AND HIS  
- SHORT-TERM GOALS WHEN HE TAKES OFFICE  
REF: STATE 275452

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NLRRM502 #74326

BY *RW* NARA DATE 6/10/19

1. ~~SECRET~~ - ENTIRE TEXT.

2. SUMMARY. PRESIDENT-ELECT BARLETTA AND I MET FOR AN HOUR AT HIS PRIVATE RESIDENCE SEPTEMBER 21, FOR OUR FIRST "AGENDA" SESSION. WE COVERED HIS RELATIONS WITH THE PANAMANIAN DEFENSE FORCES (PDF) AND GENERAL NORIEGA; DEALING WITH THE DEMOCRATIC OPPOSITION; AND HIS SHORT-TERM (90-DAY) GOALS: AUSTERITY, END TO CIVILIAN CORRUPTION, AND EXPANDED U. S. GRANT AID. HE ASKED FOR SUPPORT WITH THE OPPOSITION, HELP IN EMPHASIZING CIVILIAN PREDOMINANCE IN HIS GOVERNMENT, AND \$60 M. IN GRANT AID. END SUMMARY.

3. BARLETTA ACKNOWLEDGED THAT HE AND THE DEMOCRATIC OPPOSITION (PRINCIPALLY THE CHRISTIAN DEMOCRATS LED BY RICARDO ARIAS CALDERON) SHARE A VIRTUALLY IDENTICAL AIM, TO ESTABLISH DEMOCRACY AND CURTAIL THE POWER OF THE PDF, BUT THAT THEY DIFFER ON HOW TO GET THERE. HE KNOWS THAT THE OPPOSITION BELIEVES HE IS SO COMPROMISED BY HIS ELECTORAL DEPENDENCE ON THE PDF THAT HE CANNOT WILL NOT BE ABLE TO STAND UP TO NORIEGA AND CO. "CONTINUISMO" OF THE ABUSES OF THE PAST 16 YEARS IS INEVITABLE UNDER BARLETTA, IN THE VIEW OF THE OPPOSITION. THEY THEREFORE HAVE DECIDED TO WORK TO ENSURE HIS GOVERNMENT FAILS, IN THE HOPES OF FORCING THE PDF TO ALLOW A GENUINE CONSTITUENT ASSEMBLY TO BE HELD.

4. BARLETTA SAID THE OPPOSITION PLANS TO HOLD A MASS RALLY OF 100,000-PLUS ON OCTOBER 9 IN PANAMA CITY TO PUBLICIZE THEIR CHARGES OF ELECTORAL FRAUD AND PROTEST HIS INAUGURATION. THEY HAVE PUBLISHED A 100-PAGE REPORT, IN ENGLISH AND SPANISH, FOR DISTRIBUTION TO THOSE COMING TO THE INAUGURATION, BOTH OFFICIALS AND FOREIGN MEDIA. BARLETTA ASKED IF THERE WAS ANY WAY WE COULD CONVINCE THE OPPOSITION TO DESIST.

5. I TOLD BARLETTA HE SEEMED TO HAVE AN EXAGGERATED NOTION OF OUR INFLUENCE OVER THE OPPOSITION, BUT THAT WE WERE MAINTAINING CLOSE CONTACT WITH THEM AND ALL ALONG HAD BEEN TRYING TO CONVINCE THEM THAT THEY SHOULD GIVE BARLETTA'S GRADUALIST APPROACH A CHANCE. WE HAVE BEEN TOLD THEY MIGHT BE WILLING TO EASE UP ON CRITICISM AND OBSTRUCTIONISM IF WHEN THEY SAW EVIDENCE OF BARLETTA'S

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WILLINGNESS TO STAND UP TO THE PDF. AS A STARTER, EVERYONE WAS WAITING TO SEE WHO WOULD BE IN THE NEW CABINET.

6. BARLETTA EMPHATICALLY SAID HIS CABINET WOULD BE HIS PEOPLE, NOT NORIEGA'S. AS TO CONFRONTATION WITH THE PDF, THAT WAS THE LAST THING HE NEEDED AT THE OUTSET. BARLETTA EXPLAINED THAT FOR THE FIRST 90 DAYS HE WOULD NEED THE PDF TO HELP HIM ENFORCE SOME VERY TOUGH MEASURES HE INTENDS TO ADOPT, INCLUDING: REVISION OF THE LABOR CODE (WHICH THE UNIONS WILL STRONGLY RESIST); CURTAILMENT OF CORRUPTION ON THE CIVILIAN SIDE OF THE GOVERNMENT; SHARP CUTS IN GOVERNMENT-SPENDING INCLUDING SOME SOCIAL WELFARE PROGRAMS AND THE MILITARY BUDGET; AND NEW TAXATION. WITH THE EXCEPTION OF THE CORRUPTION ISSUE, THESE WOULD BE VERY UNPOPULAR MOVES PROBABLY REQUIRING THE USE OF SOME MUSCLE. UNDER THE CIRCUMSTANCES, HE COULD NOT GO AFTER THE PDF'S BUSINESS INTERESTS STARTING OCTOBER 12. BUT HE SAID HE INTENDS TO SEND SOME VERY CLEAR SIGNALS AT ONCE THAT HE, AND NOT NORIEGA, IS IN CHARGE. HE HAS A LIST OF OVER 100 CORRUPT GOVERNMENT OFFICIALS (SOME HIGH-RANKING, SOME NOT), WHOM HE PLANS TO FIRE IMMEDIATELY. SOME WILL BE BROUGHT TO TRIAL.

7. BARLETTA ASKED SEVERAL THINGS OF US. IN ADDITION TO TRYING WORK ON THE OPPOSITION, HE ASKED THAT WE HELP HIM TO EMPHASIZE AND STRENGTHEN CIVILIAN PREDOMINANCE OVER THE PDF, BY DEED AND WORD. IF WE WISHED TO COMMUNICATE WITH PANAMA REGARDING SOME AREA OF CONCERN (E. G., NARCOTICS COOPERATION), HE HOPED WE WOULD KEEP OUR EXCHANGES, TO THE EXTENT POSSIBLE, IN CIVILIAN CHANNELS RATHER THAN DEAL DIRECTLY WITH THE PDF. I TOLD HIM THAT THIS WAS FULLY IN LINE WITH WHAT I HAD

IN MIND, AND THAT I HAD THIS PRECISE ISSUE UNDER CURRENT STUDY WITHIN MY MISSION. I EXPLAINED THAT THE MISSION REPRESENTS A FAIRLY BROAD RANGE OF USG ACTIVITIES SOME OF WHICH IN THE PAST HAD BEEN HANDLED DIRECTLY WITH THE PDF FOR THE SAKE OF EFFICIENCY; AND IN ADDITION, THE CANAL TREATY PROVIDED FOR CERTAIN OTHER LINKAGES  
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~~SECRET~~ SECTION 02 OF 02 PANAMA 10389

EXDIS

EXDIS  
E. O. 12356: DECL: OADR  
TAGS: PGOV, PM  
SUBJECT: BARLETTA'S CURRENT SITUATION AND HIS  
BETWEEN ELEMENTS OF THE USG AND THE PDF. (BARLETTA,  
GENERAL GORMAN AND I HAVE ALREADY DISCUSSED THIS TOPIC -  
SEE PANAMA 7416.

EXDIS

8. BARLETTA ALSO MADE A VERY STRONG PITCH FOR OBTAINING  
PANAMA'S \$30 M. SHARE OF THIS YEAR'S AID SUPPLEMENTAL  
IN THE FORM OF GRANT AID, NOTNOT LOANS, GIVEN  
PANAMA'S HEAVY DEBT BURDEN; AND HE ASKED US TO CONSIDER  
FAVORABLY PROVIDING AN ADDITIONAL \$30 M. IN GRANT AID  
TO HELP HIM GET OVER THE 90 DAY HUMP AHEAD. WITH \$60 M.  
IN GRANT ASSISTANCE, HE SAID HE FELT HE HAD A FIGHTING  
CHANCE TO IMPOSE REAL AND VIABLE AUSTERITY ON PANAMA  
AND SUCCESSFULLY RESCHEDULE THE LOAN PAYMENTS. I SAID  
WE WERE NOW IN THE PROCESS OF DISCUSSING HOW TO DIVIDE  
UP THE \$30 M. ESF, AND THAT ALONE MIGHT PROVE TO BE A  
VERY TOUGH DECISION. DOUBLING THE AMOUNT, IN THE FORM  
OF GRANT AID, WOULD BE EXTREMELY DIFFICULT, AND I COULD  
NOT HAZARD A GUESS AS TO WASHINGTON'S LIKELY REACTION.  
BARLETTA SAID HE INTENDS TO MAKE HIS PITCH FOR \$60 M.  
TO THE SECRETARY WHEN HE IS HERE OCTOBER 10.

EXDIS

9. THE EMBASSY WILL COMMENT AT GREATER LENGTH AFTER  
THE SECOND "AGENDA" MEETING SCHEDULED FOR SEPTEMBER 23  
REGARDING THE PLANNED OPPOSITION RALLY ON OCTOBER 9, WE  
BELIEVE BARLETTA IS PROBABLY EXAGGERATING ITS SIZE AND  
IMPORTANCE. WE ARE KEEPING A CLOSE WATCH ON THIS,  
HOWEVER, AND ARE IN TOUCH WITH THE SPONSORS. WE ARE  
NOT ALONE IN THIS EFFORT. THE SALVADORAN CHRISTIAN  
DEMOCRATS HERE WITH DUARTE ARE ALSO TRYING TO CONVINCED  
THE OPPOSITION THE RALLY IS A LOUSY IDEA (SEPTEL).  
BRIGGS  
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~~CONFIDENTIAL~~ SECTION 01 OF 03 PANAMA 10495

E.O. 12356: DECL: OADR  
TAGS: PGOV, PMS  
SUBJECT: BARLETTA "AGENDA" - CONTINUED  
REF: PANAMA 10389 (NOTAL)

1. C - ENTIRE TEXT.

2. SUMMARY: IN OUR SECOND "AGENDA" EXCHANGE, BARLETTA AND I DISCUSSED BANKING SECRECY AND DRUG MONEY LAUNDERING; FUTURE CONSULTATIONS ON TEXTILES, AND GATT ACCESSION; RATIFICATION OF THE BIT; HOW TO MAKE BETTER USE OF AID (INCLUDING THE HOUSING GUARANTY PROGRAM); HOUSING LEASE-BACK; COAL-TO-METHANOL; COFFEE QUOTA; GAILLARD CUT-WIDENING AND THE CANAL OPTIONS STUDY; POSSIBILITIES OF REVISING PL 96-70; PANAMA PREFERENCE FOR DODPCC PURCHASES; CURTAILING COMMISSARY AND PX CONTRABAND; AND THE COROZAL AGREEMENT. WE DID NOT DISCUSS REGIONAL OR MULTI-LATERAL FOREIGN POLICY ISSUES - WHICH WE LEFT FOR A FUTURE SESSION WITH WHOMEVER HE SELECTS AS FOREIGN MINISTER (PROBABLY FERNANDO CARDOZE). END SUMMARY.

3. BARLETTA AND I MET AGAIN AT HIS HOME ON SEPTEMBER 23, FOR OUR SECOND "AGENDA" DISCUSSION IN TWO DAYS. AFTER THE FIRST HOUR WE WERE JOINED BY CARDOZE. THE MEETING LASTED AN ADDITIONAL HOUR AND A HALF, AND COVERED SOME OF THE SAME GROUND AS THE EARLIER SESSION.

4. BANKING SECRECY, DRUG MONEY LAUNDERING, AND CBI TAX EXEMPTIONS FOR CONVENTIONS. BARLETTA HAS FASTENED ON THE NEED TO ATTRACT TOURISM, INCREASE INTERNATIONAL USE OF THE SPLENDID AID-FINANCED ATLAPA CONVENTION CENTER, AND OVERCOME PANAMA'S ROTTEN REPUTATION AS A DRUG MONEY-LAUNDERING CENTER WHICH DAMAGES THE BANKING CENTER AND REPELS INVESTORS. NEITHER BARLETTA NOR CARDOZE GAVE ANY INDICATION OF A SOFTENING OF THE TRADITIONAL PANAMANIAN OPPOSITION TO A TAX-INFORMATION SHARING AGREEMENT, BUT THEY WANT TO GO AHEAD WITH A BILATERAL EXCHANGE IN WHICH EXPERTS FROM BOTH SIDES STARTING FROM SCRATCH WOULD PROBE THE POSSIBILITIES OF AN OVERALL AGREEMENT SHORT OF GRANTING THE USG "FISHING RIGHTS" INTO PANAMA'S BANKING RECORDS. BARLETTA, CITING SECRETARY REGAN'S WILLINGNESS TO SEND DOWN A TEAM OF U.S. EXPERTS, ASKED THAT WE GO AHEAD AND SET THIS IN MOTION RIGHT AWAY - WITHOUT WAITING UNTIL HE TAKES OFFICE ON OCTOBER 11. I TOLD HIM THIS MIGHT BE

DIFFICULT TO ARRANGE ON SUCH SHORT NOTICE, BUT WE WOULD LOOK INTO IT. I RECOMMEND NO ACTION UNTIL AFTER OCTOBER 11, AND THAT THE U.S. TEAM COME HERE AS SOON THEREAFTER AS POSSIBLE TO GET STARTED ON THIS.

5. TRADE, CBI AND GATT ACCESSION. BARLETTA, CITING HIS WASHINGTON MEETING WITH USTR BROCK, SUGGESTED THAT AS SOON AFTER THE NOVEMBER 6 ELECTION AS POSSIBLE HE WOULD LIKE TO RECEIVE A DELEGATION TO HELP IDENTIFY WHAT KINDS OF TEXTILE EXPORTS MIGHT BE POSSIBLE UNDER CBI. I SAID I WOULD PASS THIS ALONG. CARDOZE REPORTED THAT THEIR INFORMATION IS THAT THE PENDING CVD CASES WILL BE DISMISSED, AND THAT DOMESTIC OPPOSITION TO NEW PLACE-OF-ORIGIN REGULATIONS FOR TEXTILES MAY RESOLVE THE PROBLEM CREATED FOR PANAMA BY THE REGULATIONS. NEITHER BARLETTA NOR CARDOZE REACTED AT ALL TO MY PITCH FOR GATT ACCESSION. BARLETTA SAID THEY MIGHT DISCUSS IT, SOMETIME.

6. RATIFICATION OF THE BIT. THERE WERE MUTUAL EXPRESSIONS OF INTENT TO PROCEED WITH THIS, WHICH PANAMA WANTS BECAUSE OTHER COUNTRIES ARE WAITING IN LINE TO SEE WHAT WE DO (E.G., SWITZERLAND), AND BECAUSE BARLETTA RECOGNIZES THIS WOULD BE GOOD FOR STIMULATING U.S. INVESTMENT.

7. BETTER USE OF AID. BARLETTA READILY AGREED THAT LOCAL AID USE PROCEDURES NEED STREAMLINING AND THAT THE PIPELINE HAS TO BE UNSTUCK. HE ALSO AGREED THAT PANAMA MUST OVERHAUL ITS CURRENT MORTGAGE RATE SYSTEM SO AS TO BE ABLE TO TAKE FULL ADVANTAGE OF OUR HOUSING GUARANTY PROGRAM.

8. HOUSING LEASE-BACK. I BRIEFED BOTH MEN IN DETAIL ABOUT THE HOUSING LEASE-BACK PROPOSAL, WHICH IS STILL STUCK IN THE ILLUECA GOVERNMENT. BARLETTA SAID HE AND SECOND VICE PRESIDENT ESQUIVEL WOULD TRY HARD TO GET SOME QUICK GOP ACTION ON IT. HE SEES THE COMBINATION OF BENEFITS TO PANAMA (INCLUDING A POSSIBLE LATER BUILD-TO-LEASE PROGRAM) AS FAR OUTWEIGHING ANY POLITICAL DRAWBACKS, BUT RECOGNIZES ILLUECA MAY FEEL OTHERWISE.

9. COAL-TO-METHANOL. BARLETTA STILL SEEMS TO THINK WE BT

*Handwritten signature: Panama Barletta*

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BY RW NARA DATE 6/10/19

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E.O. 12356: DECL: OADR  
TAGS: PGOV, PMS  
SUBJECT: BARLETTA "AGENDA" - CONTINUED  
SHOULD BE ACTIVELY PRESSURING THE JAPANESE. I TOLD HIM PANAMA ITSELF WOULD HAVE TO TAKE THE LEAD SINCE WE HAD RUN UP AGAINST PALPABLE LACK OF INTEREST ON JAPAN'S PART, AND THERE WERE SERIOUS QUESTIONS AS TO WHETHER THE PROJECT MAKES SENSE GIVEN ECONOMIC REALITIES. BARLETTA POINTED TO THE ENTHUSIASM EXPRESSED TO HIM ABOUT THE PROJECT BY SENATOR PERCY AND UNDER SECRETARY WALLIS AS REASON ENOUGH FOR THE USG TO TRY HARDER TO CONVINCE JAPAN TO PUT UP \$5 M. FOR THE FEASIBILITY STUDY. HE WOULD NOT BE DISSUADED AND SAID HE MIGHT MENTION THIS AGAIN TO THE SECRETARY ON OCTOBER 10, AND PERHAPS WOULD SEEK TO ARRANGE FOR THE SECRETARY TO TALK WITH THE IBJ'S IKEURA, WHO WILL ALSO BE ATTENDING THE INAUGURATION. (COMMENT: SUBSEQUENTLY, THE JAPANESE AMBASSADOR HERE TOLD ME CATEGORICALLY THAT THE JAPANESE HAVE NONO INTEREST AT ALL IN THE PROJECT. HE SAID IT WOULD TAKE A WORLD OIL PRICE OF "WELL ABOVE \$40 A BARRELL" TO REKINDLE ANY INTEREST. I RECOMMENDED TO MY JAPANESE COLLEAGUE THAT THE JAPANESE GOVERNMENT GIVE PANAMA AN EQUALLY UNAMBIGUOUS REPLY.)

10. COFFEE QUOTA. BARLETTA RAISED THIS TOPIC. HE SAID HIS EMISSARIES GABRIEL LEWIS AND MARIO TYPALDOS IN THEIR RECENT MEETING WITH AMBASSADOR BROCK IN WASHINGTON HAD ASKED FOR USG SUPPORT OF PANAMA'S OBTAINING AN ADDITIONAL COFFEE QUOTA OF 50,000 BAGS; AND THAT BROCK HAD INDICATED THIS WOULD BE DONE IN LONDON. I SAID THIS DID NOT ACCORD WITH MY INFORMATION THAT PANAMA WOULD BE PURSUING THE QUOTA PROBLEM THROUGH CHANNELS OTHER THAN THE USG. BARLETTA ASKED ME TO FOLLOW UP WITH WASHINGTON AT ONCE, SINCE DECISIONS WERE BEING TAKEN THIS WEEK IN LONDON. (COMMENT: A SUBSEQUENT CALL TO WASHINGTON CONFIRMED THAT LEWIS AND TYPALDOS RECEIVED NO SUCH CATEGORICAL ASSURANCES.)

11. GAILLARD CUT-WIDENING AND CANAL OPTIONS STUDY. CARDOZE MADE A VERY STRONG PITCH FOR AN EARLY AGREEMENT BY THE USG TO ASSUME MAJOR RESPONSIBILITY FOR THE FINANCING OF THE CUT-WIDENING PROJECT. I TOLD CARDOZE THAT FIRST WE NEEDED TO SEE THE RESULTS OF THE STUDY WHICH HIS CANAL BOARD COMMITTEE IS WORKING ON. I SAID IT WAS EXTREMELY UNLIKELY THE U.S. WOULD OR COULD ASSUME

SUCH A RESPONSIBILITY, AND CERTAINLY NOT ALONE. CARDOZE SAID THE CURRENT PLAN IS TO ASK THE IDB TO PROPOSE ALTERNATIVE FINANCING PACKAGES, EARLY NEXT YEAR. I SUGGESTED THAT IT MIGHT BE EASIER TO ADDRESS THE QUESTION OF FINANCING THE CUT-WIDENING IF THE U.S. -PANAMA-JAPAN CANAL OPTIONS STUDY WERE ACTUALLY BEGUN AND WE GOT A CLEARER NOTION OF WHAT SORT OF OVERALL LARGE-SCALE EXPENDITURES MIGHT BE FACING US AND OTHER CANAL USERS IN THE YEARS AHEAD. CARDOZE AGREED THAT THE TWO YEARS SPENT SHOULD BE ENOUGH FOR THE PRELIMINARY NEGOTIATIONS ABOUT THE CANAL OPTIONS STUDY, AND THAT THE STUDY ITSELF SHOULD BE INITIATED SOON. BARLETTA AGREED, BUT SAID HE CONSIDERED THE GAILLARD CUT-WIDENING A TOP PRIORITY BECAUSE OF THE URGENT NEED FOR THE KIND OF LABOR-INTENSIVE ACTIVITY IT WILL PRODUCE. HE SAID HE WOULD PROBABLY ALSO MENTION THIS AGAIN TO SECRETARY SHULTZ.

12. REVISION OF PL 96-70. OUR DISCUSSION OF THE DESIRABILITY OF AMENDING THE PANAMA CANAL ACT OF 1979 WAS A REPETITION OF EXCHANGES WITH BARLETTA IN WASHINGTON LAST JULY. I SAID ANY CONSIDERATION OF CHANGING THE LAW WOULD DEPEND ON THE POLITICAL CLIMATE IN THE U.S.; MAYBE WE COULD REVIEW THE SITUATION IN THE NEW YEAR.

13. PANAMA PREFERENCE IN DODPCC PURCHASING. BARLETTA ASKED HOW DOD WAS COMING ON THE PROMISED STUDY OF HOW THE USG MIGHT GIVE GREATER PREFERENCE TO PANAMANIAN ITEMS, ESPECIALLY FOR THE MILITARY COMMISSARIES HERE. I SAID I HAD ASKED FOR AN UPDATE ON MY RETURN FROM LEAVE, BUT HAD NOT YET HEARD. BARLETTA ASKED THAT I RENEW HIS REQUEST, ORIGINALLY MADE (AND AGREED TO) IN HIS JULY MEETING AT DOD.

14. PX AND COMMISSARY CONTRABAND. BARLETTA ASKED WHAT

COULD BE DONE TO CURTAIL SUCH CONTRABAND. I SAID THAT THE U.S. MILITARY WOULD SOON ISSUE NEW ID'S TO AUTHORIZED PATRONS AND SUGGESTED THAT PANAMA TAKE ACTION AGAINST CONTRABANDISTS WHO OPENLY PEDDLE THEIR WARES IN PANAMA AND COLON. I SAID I WAS SURE OUR PROVOST MARSHAL WOULD BE HAPPY TO COOPERATE FULLY. BARLETTA SAID HE WOULD BT

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E. O. 12356: DECL: OADR  
TAGS: PGOV, PMS  
SUBJECT: BARLETTA "AGENDA" - CONTINUED  
RETURN TO THIS SUBJECT LATER.

15. COROZAL AGREEMENT. I OUTLINED THE PRESENT STATUS OF THE AGREEMENT AND TOLD BARLETTA THAT I WOULD BE TALKING TO HIS NEW FOREIGN MINISTER ABOUT IT. BARLETTA AND CARDOZE SAID THEY WOULD ASK THE CURRENT GOVERNMENT FOR A BRIEFING.

16. BARLETTA MENTIONED A NUMBER OF OTHER MATTERS. HE WOULD LIKE TO MEET PRIVATELY WITH ME AND GENERAL GORMAN, TO REVIEW THE GENERAL QUESTION OF THE MILITARY RELATIONSHIP. (THIS HAS BEEN SCHEDULED LATER IN THE WEEK.)

17. BARLETTA AND I PLAN TO CONTINUE THIS USEFUL DIALOGUE. THERE REMAIN MANY OTHER INDIVIDUAL TOPICS TO DISCUSS, E. G., REGIONAL AND MULTILATERAL ISSUES, WHICH WE WILL ADDRESS WHEN BARLETTA HAS SELECTED HIS NEW FOREIGN POLICY TEAM. EVEN IF SOME OF BARLETTA'S EXPECTATIONS SEEM UNREALISTICALLY INFLATED, IT CLEARLY BEHOVES US TO TRY TO BE FORTHCOMING IN ADDRESSING SOME OF HIS TOP PRIORITIES, SEVERAL OF WHICH APPEAR TO DOVETAIL WITH OURS.  
BRIGGS  
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MJD 7/24/2009

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PANAMA: PRESIDENT BARLETTA

*FOIA*

F09-050

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### Freedom of Information Act - [5 U.S.C. 552(b)]

**B-1** National security classified information [(b)(1) of the FOIA]

**B-2** Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

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**B-4** Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

**B-6** Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

**B-7** Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

**B-8** Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

**B-9** Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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74331

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*J Panama*

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TOR: 203/0144Z CSN: EHA191

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~~SECRET~~ SECTION 01 OF 04 PANAMA 08053

EXDIS  
WHITEHOUSE FOR NSC  
DEPT PASS PANCANAL COMM  
E. O. 12356: OADR  
TAGS: OVIP, PREL, PM (ARDITO BARLETTA, NICOLAS)  
SUBJECT: BACKGROUND AND THEMES FOR THE VISIT OF  
PRESIDENT ELECT NICOLAS ARDITO BARLETTA TO WASHINGTON,  
JULY 24 - 27

1. S-ENTIRE TEXT.

2. INTRODUCTION: PRESIDENT ELECT NICOLAS ARDITO BARLETTA WILL VISIT WASHINGTON JULY 24 - 27. THE VISIT WILL INCLUDE A CALL ON THE PRESIDENT, LUNCH WITH THE SECRETARY, AND MEETINGS WITH OTHER HIGH ADMINISTRATION OFFICIALS AND DIRECTORS OF INTERNATIONAL FINANCIAL INSTITUTIONS. THIS MESSAGE PROVIDES BACKGROUND ON THE PROSPECTS FOR A BARLETTA GOVERNMENT, SUGGESTS THEMES THAT WE SHOULD PURSUE WITH BARLETTA IN THE COURSE OF THE VISIT, AND FLAGS THEMES BARLETTA MAY WANT TO EMPHASIZE IN HIS MEETINGS.

3. THE ELECTIONS AND THEIR AFTERMATH: BARLETTA IS THE FIRST ELECTED PRESIDENT IN PANAMA IN 16 YEARS. AS A RESULT HE WILL BENEFIT FROM A SIGNIFICANTLY STRONGER MANDATE THAN ANY OF HIS FOUR PREDECESSORS, AND HIS ELECTION COULD PROVIDE AN OPPORTUNITY FOR PANAMA TO MOVE TOWARDS BECOMING A TRUE DEMOCRACY. HOWEVER, THE MAY 6 ELECTIONS WERE FLAWED BY MISMANAGEMENT AND WIDELY BELIEVED CHARGES OF FRAUD, AND BARLETTA WAS DECLARED THE WINNER BY THE PANAMA DEFENSE FORCES-CONTROLLED GOVERNMENT WHICH SUPPORTED HIM BY A TINY MARGIN OF ONLY 1713 VOTES. THE ELECTION WAS ALSO MARRED BY INCIDENTS OF VIOLENCE, ONE OF WHICH MAY HAVE BEEN PERPETRATED BY THE PANAMA DEFENSE FORCES (PDF), THAT CAUSED TWO DEATHS AND NUMEROUS INJURIES. ELECTORAL MISMANAGEMENT AND ALLEGED FRAUD HAVE EMBITTERED THE POLITICAL OPPOSITION IN PANAMA AND CALLED INTO QUESTION IN THE EYES OF SOME OF PANAMA'S DEMOCRATIC CREDENTIALS AS ONE OF THE FOUR CONTADORA POWERS.

4. THE U. S. POSTURE: THE U. S. REMAINED STRICTLY NEUTRAL AS AMONG THE VARIOUS CANDIDATES DURING THE PRE-ELECTORAL PERIOD AND THE ELECTIONS THEMSELVES, BUT

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PROVIDED STRONG PUBLIC AND PRIVATE SUPPORT FOR THE DEMOCRATIZATION PROCESS AND FOR A RETURN TO FULL CIVILIAN RULE IN PANAMA. IN SHARP CONTRAST TO PREVIOUS PANAMANIAN ELECTIONS, U. S. /PANAMANIAN RELATIONS WERE NOT A CAMPAIGN ISSUE, AND IN FACT THE MAJOR CONTENDERS SOUGHT TO CONVEY THE IMPRESSION OF U. S. SUPPORT. SINCE THE ELECTIONS WERE FRAUDULENT IN THE EYES OF THE OPPOSITION, EARLY U. S. ACCEPTANCE OF BARLETTA'S ELECTION WAS STRONGLY RESENTED BY MANY OPPOSITIONISTS. BARLETTA HAS MADE STRONG OVERTURES TO THE OPPOSITION TRYING TO CONVINCE THEM THAT IT IS IN THEIR OWN LONGTERM INTERESTS TO WORK WITH HIM TO STRENGTHEN CIVILIAN GOVERNMENT BUT HAS HAD LIMITED SUCCESS SO FAR. WE HAVE A STRONG INTEREST IN STRENGTHENING CIVILIAN RULE IN PANAMA, WHICH BARLETTA NOW REPRESENTS. AND NEED TO WORK WITH HIM AND HIS GOVERNMENT FOR OTHER REASONS. HENCE HIS VISIT TO WASHINGTON IS NEARLY AS IMPORTANT FOR US AS IT IS FOR HIM. HOWEVER, WE MUST ACCEPT THAT HIS CORDIAL RECEPTION IN WASHINGTON WILL BE SEEN BY SOME IN THE OPPOSITION HERE AS UNWARRANTED BECAUSE OF THE FLAWED NATURE OF THE ELECTION.

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5. BARLETTA WILL FACE TWO MAJOR CHALLENGES WHEN HE COMES TO POWER ON OCTOBER 11:

- HOW TO ACHIEVE SUFFICIENT FREEDOM OF ACTION AND INDEPENDENCE FROM THE PANAMA DEFENSE FORCES AND THE RULING PRD PARTY, TO WHOM HE OWES HIS ELECTION. IN ORDER TO RUN HIS OWN GOVERNMENT AND FOLLOW CONSTRUCTIVE POLICIES, AT LEAST SOME OF WHICH (SUCH AS ECONOMIC AUSTERITY MEASURES) ARE LIKELY TO BE HIGHLY UNPOPULAR.
- WHERE TO SECURE THE FINANCIAL RESOURCES NECESSARY TO FUEL A RECOVERY OF THE DEPRESSED ECONOMY, CARRY OUT BROAD AND NECESSARY REFORMS, AND MAINTAIN THOSE GOVERNMENT PROGRAMS AND BENEFITS NECESSARY TO RETAIN POPULAR SUPPORT.

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BARLETTA'S PRINCIPAL SUPPORTERS, THE PDF AND THE PRD, ARE NOT NECESSARILY HIS FRIENDS. HAVING GONE TO GREAT LENGTHS TO ASSURE BARLETTA'S ELECTION, NOREIGA AND THE PDF WILL PRESUMABLY PROVIDE THE BARLETTA GOVERNMENT WITH AMPLE PUBLIC SUPPORT, AT LEAST TO

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~~SECRET~~ SECTION 02 OF 04 PANAMA 08053

EXDIS  
WHITEHOUSE FOR NSC  
DEPT PASS PANCANAL COMM PN  
E. O. 12356: OADR  
TAGS: OVIP, PREL, PM (ARDITO BARLETTA, NICOLAS)  
SUBJECT: BACKGROUND AND THEMES FOR THE VISIT OF  
BEGIN WITH. HOWEVER, THERE IS NO INDICATION THUS  
FAR OF ANY PDF INTENTION TO GIVE BARLETTA A FREE  
HAND, MUCH LESS SUBMIT TO EFFECTIVE CIVILIAN  
SUPERVISION AND CONTROL. THE PRD, WHICH  
WILL CONTROL THE NEW LEGISLATIVE ASSEMBLY, HAS  
ALREADY SERVED NOTICE ON BARLETTA THAT THEY DO NOT  
INTEND TO GIVE HIM A FREE HAND BY FORMING A SERIES OF  
STUDY GROUPS TO PARALLEL THE STUDY COMMISSIONS  
BARLETTA HAS LAUNCHED TO HELP HIM FORMULATE POLICIES  
FOR HIS GOVERNMENT. A CONFRONTATION WITH THE PDF  
AND/OR PRD, PERHAPS EARLY ON AND PROBABLY OVER THE  
ISSUE OF CORRUPTION, IS NOT UNLIKELY. CLEARLY  
BARLETTA IS GOING TO NEED ALL THE HELP HE CAN GET  
FROM US IF HE IS GOING TO SURVIVE AND MAKE HEADWAY  
TOWARDS SOLVING PANAMA'S MANY PROBLEMS.

6. ON THE ECONOMIC FRONT, THE BARLETTA GOVERNMENT  
WILL FACE 18 PERCENT UNEMPLOYMENT RISING TO OVER 40  
PERCENT IN SOME AREAS; SLUGGISH ECONOMIC PERFORMANCE  
AND NO SIGNS OF MAJOR INVESTMENT FROM EITHER DOMESTIC  
OR INTERNATIONAL SOURCES; A HEAVY BURDEN OF INTER-  
NATIONAL DEBT, THE HIGHEST PER CAPITA IN LATIN  
AMERICA; AND THE NEED FOR AUSTERITY, IMPOSED TO SOME  
EXTENT BY THE IMF. BARLETTA WAS CHOSEN AS THE  
GOVERNMENT PRESIDENTIAL CANDIDATE AT LEAST PARTLY  
BECAUSE OF HIS ECONOMIC EXPERTISE AND REPUTATION  
AS AN INTERNATIONAL BANKER. HIS ELECTION HAS RAISED  
EXPECTATIONS THAT WILL BE DIFFICULT TO SATISFY. HE  
WILL NEED MONEY, AND LOTS OF IT. HE IS LIKELY TO  
LOOK TO US FOR A BIG CHUNK OF HIS REQUIREMENTS.  
IN THE ABSENCE OF SUFFICIENT FUNDING FROM OTHER  
SOURCES, THE BARLETTA GOVERNMENT MAY SEEK TO  
INCREASE REVENUES FROM THE PANAMA CANAL.

7. THEMES FOR DISCUSSION DURING BARLETTA'S WASHINGTON  
MEETINGS: IT IS IN OUR INTEREST TO SUPPORT BARLETTA  
AS MUCH AS POSSIBLE BOTH POLITICALLY AND ECONOMICALLY,  
AS THE BEST OPTION FOR IMPLANTING AND STRENGTHENING  
DEMOCRATIC, CIVILIAN RULE IN PANAMA. MOREOVER, HIS

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PANAMA 8053

DTG: 210057Z JUL 84

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~~APPROACH TO BILATERAL AND INTERNATIONAL PROBLEMS IS  
LIKELY TO BE CONSTRUCTIVE AT LEAST TO BEGIN WITH,  
HOWEVER, IT SHOULD BE MADE CLEAR TO BARLETTA THAT  
OUR SUPPORT CARRIES WITH IT CERTAIN EXPECTATIONS,  
INCLUDING COOPERATION IN MILITARY AND PANAMA CANAL  
MATTERS, DRUG CONTROL, AND CENTRAL AMERICA, AS WELL  
AS IN THE AREA OF POLITICAL DEVELOPMENT LOOKING  
TOWARDS THE 1989 PRESIDENTIAL ELECTIONS. THEMES OF~~

INTEREST TO US CAN BE DIVIDED INTO FIVE CATEGORIES:

- PANAMA CANAL TREATY IMPLEMENTATION.
- NARCOTICS ENFORCEMENT AND MONEY LAUNDERING.
- CENTRAL AMERICA AND CONTADORA.
- POLITICAL DEVELOPMENT.
- ECONOMIC RECOVERY AND DEVELOPMENT.

8. TREATY IMPLEMENTATION: THE PANAMA CANAL TREATIES HAVE WORKED EXTREMELY WELL. DISAGREEMENTS AND DIFFERENCES IN INTERPRETATION HAVE INEVITABLY ARISEN, BUT HAVE BEEN HANDLED ADEQUATELY UNDER THE TREATY STRUCTURE ITSELF. SEVERAL OF THESE ISSUES COME TO A HEAD BY SEPTEMBER 30 OF THIS YEAR, DRIVEN BY THE FIVE YEAR HORIZON UNDER THE TREATY. INCLUDED ARE THE DISPOSITION OF THE U. S. ARMY SCHOOL OF THE AMERICAS (USARSA); THE REVERSION AND POSSIBLE LEASEBACK OF PANAMA CANAL COMMISSION HOUSING TO THE U. S. FORCES; AND THE LOSS OF CERTAIN PRIVILEGES (PX, COMMISSARY, AND APO) BY PANAMA CANAL COMMISSION EMPLOYEES. SINCE BARLETTA DOES NOT ASSUME OFFICE UNTIL OCTOBER 11, HE WILL NOT BECOME DIRECTLY SEIZED OF THESE ISSUES, AND THUS FAR HE HAS SHOWN A MARKED RELUCTANCE TO BECOME INVOLVED. HOWEVER, HE WILL HAVE TO DEAL WITH THEIR FALLOUT, AND HIS COOPERATIVE ATTITUDE COULD GREATLY FACILITATE ANY ARRANGEMENTS REACHED WITH RESPECT TO THESE ISSUES.

9. OUR LONG TERM PRINCIPAL INTERESTS IN THIS AREA ARE:  
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~~SECRET~~ SECTION 03 OF 04 PANAMA 08053

EXDIS  
WHITEHOUSE FOR NSC  
DEPT PASS PANCANAL COMM PN  
E.O. 12356: OADR  
TAGS: OVIP, PREL, PM (ARDITO BARLETTA, NICOLAS)  
SUBJECT: BACKGROUND AND THEMES FOR THE VISIT OF  
-- ~~THE EFFICIENT AND ECONOMICAL FUNCTIONING OF THE~~  
~~CANAL UNTIL THE END OF THE TREATY AND THEREAFTER.~~  
-- ~~UNHINDERED USE OF OUR MILITARY FACILITIES IN PANAMA.~~  
-- ~~THE NEGOTIATION OF A CONTINUED MILITARY PRESENCE~~  
~~IN PANAMA AFTER THE YEAR 2000.~~

DISCUSSION OF THESE TOPICS WILL NECESSARILY BE A  
LITTLE ELLIPTICAL, BUT IT IS IMPORTANT FOR BARLETTA  
TO GO AWAY WITH AN UNDERSTANDING OF WHERE OUR MAIN  
INTERESTS LIE.

10. NARCOTICS MATTERS: THIS IS BECOMING A SUBJECT  
OF GROWING IMPORTANCE TO US, AND BARLETTA SHOULD  
UNDERSTAND THAT WE WILL INCREASINGLY JUDGE OUR  
RELATIONSHIP WITH OTHER COUNTRIES ON THE BASIS OF  
THEIR PERFORMANCE IN THE NARCOTICS AREA. THE  
CONGRESS IS ALSO LIKELY TO CONSIDER PERFORMANCE ON  
NARCOTICS IN REVIEWING LEGISLATION INCLUDING  
ASSISTANCE AND OTHER ECONOMIC BENEFITS. THE PANAMANIAN  
HAVE BEEN BOTH SUCCESSFUL AND COOPERATIVE RECENTLY  
ON THE ENFORCEMENT SIDE (SHIPBOARDING AGREEMENT,  
INAIR CASE, DARIEN DRUG LABORATORY BUST, DIETHYL  
ETHER INTERDICTIONS) AND WE HOPE COOPERATION WILL  
CONTINUE. OUR MAIN INTEREST AT THIS STAGE IS  
REACHING AN AGREEMENT WITH PANAMA ON AT LEAST A  
LIMITED EXCHANGE OF INFORMATION ON FINANCIAL  
TRANSACTIONS INVOLVING NARCOTICS GENERATED FUNDS.  
THERE REMAINS ABSOLUTE RESISTANCE IN PANAMA TO ANY  
GENERAL BREACH OF BANK SECRECY BECAUSE OF A PERCEIVED  
NEGATIVE IMPACT UPON THE BANKING INDUSTRY, ONE OF  
PANAMA'S LARGEST EMPLOYERS. WHILE THERE HAS BEEN  
SOME POSITIVE RESONANCE IN PANAMA TO U.S. PRODDING  
FOR A COOPERATIVE AGREEMENT LIMITED TO DRUG-RELATED  
MONEY FLOWS, WE MUST KEEP UP THE MOMENTUM.

11. PANAMANIAN ATTORNEY GENERAL CHANG VEGA WAS IN  
WASHINGTON AND RETURNED WITH A DRAFT OF A LIMITED  
AGREEMENT. DR. CARLTON TURNER, THE PRESIDENT'S  
SPECIAL ADVISER ON NARCOTICS, VISITED PANAMA IN  
JUNE AND URGED ACTION ON THE DRAFT AGREEMENT. THE

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LAME DUCK ILLUECA GOVERNMENT HAS DONE NOTHING. AS ONE OF THE AUTHORS OF PANAMA'S BANKING LAW, ~~BARLETTA~~ MAY ALSO BE RELUCTANT TO CONTEMPLATE SUCH AN AGREEMENT. HE SHOULD NOT BE LEFT WITH THE ILLUSION THAT THIS ISSUE CAN BE SHUNTED TO THE PERIPHERY OF OUR BILATERAL RELATIONSHIP, OR THAT WE WILL BE WILLING TO ACCEPT GOOD ENFORCEMENT COOPERATION IN LIEU OF AN AGREEMENT ON AN EXCHANGE OF FINANCIAL INFORMATION. ~~BARLETTA SHOULD BE PRESSED FOR A DATE ON WHICH DISCUSSIONS OF THE DRAFT LIMITED AGREEMENT CAN RESUME.~~

12. REGIONAL POLICY AND CONTADORA: PANAMA HAS BEEN PRIVATELY SUPPORTIVE OF U. S. POLICIES IN CENTRAL AMERICA, AND HAS ALSO PLAYED AN INCREASINGLY IMPORTANT LEADERSHIP ROLE IN THE CONTADORA PROCESS. HOWEVER, ~~PANAMA'S OBJECTIVE RECENTLY APPEARS TO BE TO SEEK QUICK SIGNATURE BY THE FIVE CENTRAL AMERICAN COUNTRIES TO AN AGREEMENT, DESPITE ITS FAULTS. WE SHOULD MAKE CLEAR TO BARLETTA THAT WE STRONGLY SUPPORT THE CONTADORA PROCESS, BUT THAT FACE-TO-FACE NEGOTIATION OF THE ISSUES BY THE CENTRAL AMERICANS IS ESSENTIAL TO A STABLE PEACE IN THE REGION, AND THAT AN AGREEMENT WHICH IGNORED SIGNIFICANT ISSUES OR LEFT THEM UNRESOLVED WOULD BE WORSE THAN NO AGREEMENT AT ALL.~~

13. POLITICAL DEVELOPMENT: IF WE ARE TO SUPPORT ~~BARLETTA IN ORDER TO STRENGTHEN DEMOCRACY AND ENHANCE CIVILIAN RULE IN PANAMA, IT SHOULD BE UNDERSTOOD THAT WE EXPECT PROGRESS IN THE AREA OF POLITICAL DEVELOPMENT LOOKING TOWARDS BETTER ELECTIONS IN 1989 AND AN EVEN BREAK FOR THE DEMOCRATIC OPPOSITION.~~

SPECIFICALLY, WE HOPE TO SEE:

-- FURTHER IMPROVEMENTS IN THE ELECTORAL LAW AND IN ELECTORAL MANAGEMENT TO AVOID A REPETITION OF

THE FAULTS OF THE RECENT ELECTION.

-- REASONABLE ACCESS BY THE DEMOCRATIC OPPOSITION TO THE MEDIA, INCLUDING A FAIR AND NON-DISCRIMINATORY POLICY BY THE GOVERNMENT WITH RESPECT TO THE ESTABLISHMENT  
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~~SECRET~~ SECTION 04 OF 04 PANAMA 08053

EXDIS  
WHITEHOUSE FOR NSC  
DEPT PASS PANCANAL COMM  
E. O. 12356: OADR  
TAGS: OVIP, PREL, PM (ARDITO BARLETTA, NICOLAS)  
SUBJECT: BACKGROUND AND THEMES FOR THE VISIT OF  
OF NEW PUBLICATIONS OR RADIO OR TELEVISION STATIONS.  
-- THE RETURN OF GOVERNMENT OWNED OR CONTROLLED  
MEDIA TO PRIVATE OWNERSHIP AND CONTROL.  
-- FULL PUBLIC INVESTIGATION OF THE INCIDENT OF  
MAY 7 THAT RESULTED IN ONE KILLED AND SOME FORTY  
INJURED.

14. ECONOMIC RECOVERY: PANAMA'S ABILITY TO BE  
FORTHCOMING IN AREAS OF INTEREST TO US DEPENDS IN LARGE  
MEASURE ON ITS ECONOMIC SITUATION AND PROSPECTS.  
UNEMPLOYMENT IS ALREADY HIGH AND IS EXPECTED TO RISE  
FURTHER, INCREASING THE POTENTIAL FOR VIOLENT PROTEST.  
PROGRESS TOWARD DEMOCRATIC POLITICAL DEVELOPMENT IS  
NOT LIKELY TO OCCUR IF THE SITUATION WORSENS MARKEDLY.  
DEBT SERVICE PAYMENTS ARE CONSUMING NEARLY 50 PERCENT  
OF GOP REVENUES AND THE DEBT MAY BECOME UNMANAGEABLE AT  
SOME POINT, GIVEN HIGH INTEREST RATES AND LOW ECONOMIC  
GROWTH. IT IS IN OUR INTEREST TO URGE BARLETTA TO  
IMPLEMENT RAPIDLY MEASURES DESIGNED TO PROMOTE PRIVATE  
SECTOR GROWTH, REDUCE WASTAGE OF RESOURCES, AND LIMIT  
RECOURSE TO NEW BORROWING.

15. THEMES BARLETTA IS LIKELY TO RAISE: AS INDICATED  
ABOVE, BARLETTA'S CONCERNS ARE LIKELY TO BE FOCUSED  
MAINLY ON MONEY AND ECONOMIC BENEFITS, INCLUDING:  
-- BENEFITS FOR PANAMA UNDER THE CBI.  
-- POSSIBLE MILITARY ASSISTANCE.  
-- U. S. ASSISTANCE AND SUPPORT WITH IFF'S AND THE  
INTERNATIONAL BANKING COMMUNITY IN MANAGING PANAMA'S  
DEBT BURDEN AND FUTURE BORROWING.  
-- INCREASED CANAL REVENUES.  
-- LAUNCHING MAJOR CANAL IMPROVEMENT PROJECTS.  
-- ESF ALLOCATION -- TIMING AND AMOUNT; URGENT NEED  
FOR FINANCIAL ASSISTANCE FOR 1985-87.  
-- TEXTILE QUOTAS OR OTHER POSSIBLE U. S. RESTRICTIONS  
ON PANAMANIAN EXPORTS TO THE USA.  
-- HIGH INTEREST RATES WHICH MAKE PANAMA'S DEBT BURDEN  
MORE SEVERE.  
SINCE IT IS IN OUR INTERESTS TO SUPPORT BARLETTA

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AS MUCH AS POSSIBLE, WE WILL WANT TO BE AS FORTHCOMING AS WE CAN IN THE ECONOMIC AREA. MOREOVER, ~~A DOLLAR'S WORTH OF ASSISTANCE EARLY ON IS LIKELY TO BE WORTH TEN DOLLARS LATER IN TERMS OF STRENGTHENING BARLETTA IN THE FACE OF THE PDF AND PRD, AND IN WINNING FOR HIM THE BROADLY BASED SUPPORT HE NOW LACKS.~~ NATURALLY, IT SHOULD BE CLEAR THAT ASSISTANCE IS CONTINGENT ON THE PERFORMANCE OF HIS GOVERNMENT IN AREAS OF INTEREST TO US.

16. CONCLUSION: IN SHORT, ~~THE DEPENDENT NATURE AND LIMITED MANDATE OF THE BARLETTA GOVERNMENT MAKE IT LESS THAN THE IDEAL VEHICLE FOR REALIZING SOME OF OUR POLICY OBJECTIVES IN PANAMA, AND THE PDF IS LIKELY TO REMAIN THE REAL POLITICAL POWER FOR SOME TIME TO COME.~~ HOWEVER, IT IS IN OUR LONGTERM INTERESTS TO WORK THROUGH BARLETTA AND THE CIVILIAN GOVERNMENT EVEN ON MATTERS OF DIRECT INTEREST TO THE PDF. THIS MAY MEAN PUTTING UP WITH A CERTAIN AMOUNT OF FRUSTRATION AND DELAY ON MATTERS OF INTEREST TO US WHILE THE BARLETTA GOVERNMENT ORGANIZES ITSELF AND LEARNS HOW TO MANAGE RELATIONS WITH THE NEW LEGISLATIVE ASSEMBLY; BUT WE SHOULD AVOID THE TEMPTATION TO SHORT CIRCUIT THE PROCESS BY GOING DIRECTLY TO THE PDF ON KEY ISSUES. PRYCE

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# WITHDRAWAL SHEET

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*Collection Name*

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*File Folder*

PANAMA: PRESIDENT BARLETTA

*FOIA*

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THE WHITE HOUSE

WASHINGTON

*file Power 74337 24*SITUATION ROOM CHECKLIST

September 25, 1984

~~SECRET~~Barletta's Current Situation and Short-Term Goals

Panamanian President-elect Barletta told Ambassador Briggs on September 21 that he wants U.S. help in three areas: support against the opposition, help in emphasizing civilian predominance in his government, and \$60 million in grant aid. Barletta also wants to know if the U.S. can convince the opposition not to hold a mass rally on October 9 to protest his inauguration because of perceived electoral fraud.

- o He believes that with \$60 million in grants he will have a chance to impose real and viable austerity on Panama and successfully reschedule loan repayments. Barletta intends to mention this to Shultz on October 10.

In his first 90 days, Barletta intends to revise the labor code, curtail corruption within the government, sharply cut government spending, and present new taxes. Except for the corruption issue, he expects these to be unpopular and he will initially need the help of General Noriega and the Panamanian defense forces. He intends to signal very clearly at the outset that he -- not Noriega -- is in charge. (S)

Panama 10389, PSN 34931

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