

Originally Processed With FOIA(s):
2009-0275-S

FOIA Number:
2009-0275-S

FOIA MARKER

**This is not a textual record. This is used as an
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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Scowcroft, Brent, Collection
Series: Latin American Files
Subseries: Panama Chronological Files

OA/ID Number: 91140
Folder ID Number: 91140-008

Folder Title:
Latin America - Panama (September 1990)

Stack:	Row:	Section:	Shelf:	Position:
G	34	3	5	5

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Memo	David A. Pacelli to Brent Scowcroft, Re: Memorandum on Panama for the President [FOIA RESTRICTIONS REDACTED] (1 pp.)	9/12/90	(b)(1)	S
01b. Memo	From Brent Scowcroft to POTUS, Re: Drug Laundering in Panama [FOIA RESTRICTIONS REDACTED] (2 pp.)	n.d.	(b)(1)	S
01c. Report	Re: [Classified Subject] (1 pp.)	n.d.	(b)(1)	S
01d. Report	Re: Panama: Money Laundering Situation (4 pp.)	n.d.	(b)(1)	S
01e. Report	Re: Panama: The Drug Trade after Noriega (8 pp.)	8/6/90	(b)(1)	S
01f. Memo	Re: Embassy Panama Comments on Report (4 pp.)	9/5/90	(b)(1)	S
02a. Memo	Brent Scowcroft to POTUS Re: The Current Situation in Panama (2 pp.)	n.d.	(b)(1)	S
02b. Memo	Brent Scowcroft to POTUS Re: The Current Situation in Panama (2 pp.)	n.d.	(b)(1)	S
02c. Memo	William T. Pryce to Brent Scowcroft Re: Update on Panama (1 pp.)	9/17/90	(b)(1)	S

Page 1 of 1

Collection:

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Pinksheet Number: cap1174
OA/ID Number: 91140-008
Date Closed: 5/18/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

~~SECRET~~
NSC/S PROFILE

RECORD ID: 9006995
RECEIVED: 04 SEP 90 16

TO: SCOWCROFT

FROM: PACELLI
PRYCE

CHRON FILE

DOC DATE: 12 SEP 90
SOURCE REF:



KEYWORDS: PANAMA

DRUGS

PERSONS: ENDARA, GUILLERMO

SUBJECT: MEMO TO PRES RE AIDING PANAMA PRES ENDARA RE DRUG LAUNDERING

ACTION: NFAR PER PACELLI

DUE DATE: 07 SEP 90

STATUS: C

STAFF OFFICER: PRYCE

LOGREF:

FILES: PA

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO
NSC CHRON

DECLASSIFIED

White House Guidelines

E.O. 12958, SEC 3.4 (B) September 11, 2006

By Cog NARA, Date 5/18/2009

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSMJT

CLOSED BY: NSDAI

DOC 2 OF 2

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WHORM Cat.:
File Location: Latin America - Panama (September 1990)

Document Partially Declassified
 (Copy of Document Follows)
 By MM on 8/19/2015

Date Closed: 5/18/2009	OA/ID Number: 91140-008
FOIA/SYS Case #: 2009-0275-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #: 2009-0342-MR(535)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 9/17/2014

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
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PRM. Removed as a personal record misfile.

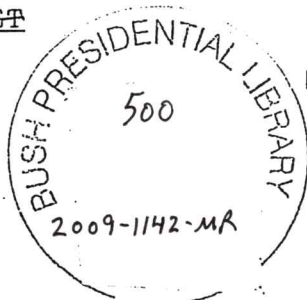
Freedom of Information Act - [5 U.S.C. 552(b)]

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6995 Re-do



NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 12, 1990

COPY
Beers & Canas

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

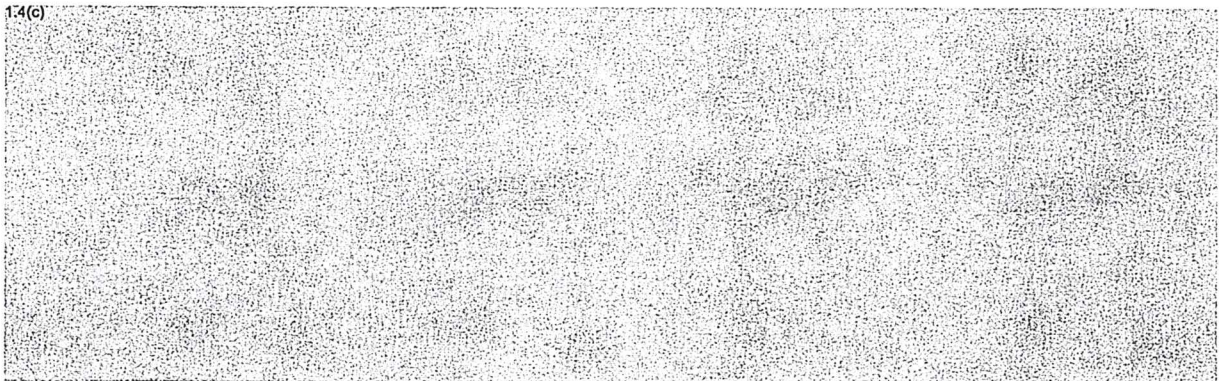
THROUGH: WILLIAM T. PRYCE *WTP*

FROM: DAVID A. PACELLI *DAP*

SUBJECT: Memorandum on Panama for the President

Attached at Tab I is a memorandum answering a question by the President conveyed to us by Bob Gates on what more we could do to help President Endara fight drug laundering in Panama. ^{14(c)}

^{14(c)} In preparing your memorandum, we have drawn from a State Department memorandum which we requested (Tab II), as well as our conversations with ^{14(c)} and DEA.



Concurrences by: *Beers* and Richard Canas ^{14(c)}

RECOMMENDATION

That you sign the Memorandum to the President at Tab I.

Attachments

Tab I Scowcroft Memorandum to the President
Tab A PDB Item
Tab II State Department Memorandum on Drug Laundering
Tab III ^{14(c)}
Tab IV Embassy Cable

~~SECRET~~

Declassify on: OADR

~~SECRET~~

DECLASSIFIED IN PART
PER E.O. 13526

2009-0342-MR
9/17/2014 JH

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DECLASSIFIED IN PART
PER E.O. 13526

2009-0342-MR
9/17/2014 MA

THE WHITE HOUSE
WASHINGTON



INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT
SUBJECT: Drug Laundering in Panama

Purpose

To answer your question whether there is anything more we should be doing to help President Endara fight drug laundering in Panama.

Background

You asked whether there was more we could do to help Endara ^{14(c)}

Clearly, Panama remains an important money laundering center, and the traffickers and some bankers are attempting to adapt to recent countermeasures.

Endara has been generally cooperative with us on anti-narcotics issues, although the Panamanian government has limited resources to commit to the drug war and lacks trained personnel. It will require several years of effort -- and U.S. help -- to build its anti-drug capability. Panama's slowness to conclude a Mutual Legal Assistance Agreement (MLAA) with us has been noted in the U.S. press, but the recent seizure of 2.3 tons of cocaine may offset adverse publicity Panama has gained on the laundering issue.

We think our level of effort in assisting Panama on the anti-narcotics fight is about right, including \$8 million in AID money for judicial reform, INM-sponsored training for Panamanian prosecutors, and training and equipment to the police under the Department of Justice's ICITAP program. The following measures are specifically targeted on money laundering:

- The Embassy is pushing hard for Panama to sign the MLAA which had been initialed on August 9. Although Panama has no problems with the provisions directly related to drugs, it is now considering weakening the provisions related to tax investigations due to pressures from the financial and legal communities.

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Declassify on: OADR

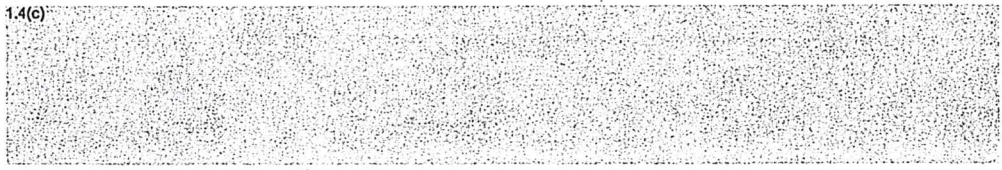
cc: Vice President
Chief of Staff

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- We are helping with training to track currency transactions. At government instruction, the National Banking Commission issued regulations in May compelling banks to verify their customers' identity and obtain other information for currency transactions above \$10,000. The system is not foolproof, and a concerted effort by bank officials to disguise illicit transactions might go undetected by inexperienced investigators for some time. In the next few weeks, we will send an agent and an analyst to help train the Attorney General's financial investigations unit, as well as helping to get its computer on-line.
- The Panamanian government has been cooperating on freezing drug-related assets. In December 1989 and January of this year, the government froze hundreds of suspected money launderers' bank accounts and it has continued to give us important information about these accounts. This summer, the accounts of some Cali cartel figures were frozen, upon our request.
- 1.4(c) 

Despite these measures, Panama needs to take specific actions before the end of the year to persuade the U.S. Congress that it is making progress on drug laundering, particularly by signing a MLAA.

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DEPARTMENT OF STATE

SEP-7 1980

S/S #

B

C

1017

MESSAGE NO. 055566 CLASSIFICATION SECRET No. Pages 4
 FROM: ARA/PAN 4047-4986 4906
 (Officer name) (Office symbol) (Extension) (Room number)
 MESSAGE DESCRIPTION Report on Money laundering in Panama

TO: (Agency)	DELIVER TO:	Extension	Room No.
<u>NSC</u>	<u>Bill Pryce</u>	<u>395-8942</u>	<u>361</u>
<u>NSC</u>	<u>Dave Pacelli</u>	<u>395-3860</u>	<u>361</u>

FOR: CLEARANCE ☐ INFORMATION ☐ PER REQUEST ☒ COMMENT ☐

REMARKS: _____

S/S Officer: 

DECLASSIFIED
 Department of State Guidelines
 E.O. 12958, SEC 3.4 (B), July 21, 1997
 By Cap NARA, Date 5/18/2009

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Panama: Money Laundering Situation

(C) The USG has never had reliable information about the extent of money laundering in Panama. Instead, the amount of money laundering in Panama during the Noriega years is only now coming to light. Thus, it is not possible to do a valid comparative analysis of the extent of money laundering pre- and post-Operation "Just Cause." What is clear is that the new government of Panama, unlike its predecessor which was dedicated to fostering and abetting money laundering and other illegal activity, is actively interested in suppressing such activity. Recent information from Panama indicates that money laundering continues to be a problem and will remain so, but the availability of the information connotes the willingness of the new government to cooperate with us within the limits of its admittedly strained human and material resources.

(C) Several factors contribute to the use of Panama as a money laundering center: its immediate proximity to Colombia, its extensive international trade which makes it attractive as a transshipment point for drugs and precursor chemicals, the breakdown of law and order during the dictatorship, the sophistication and international nature of Panama's financial sector, and a dollar economy. With the economic recovery now underway, money launderers find it easier to disguise illicit activities than was the case when no legitimate investors were placing money in Panama. The GOP's resources to carry out investigations are highly limited, and it lacks trained law enforcement personnel and the plethora of competing demands on the political leadership of the country. Some reports have stated that money laundering is particularly prevalent in the Colon Free Zone (CFZ), but an analysis of total trade flows places a low ceiling on the extent to which money laundering is possible in the CFZ.

(C) Upon taking office, the Endara administration quickly took important steps to combat money laundering. It formed a Cabinet-level anti-narcotics committee to coordinate national drug control policy. The Panamanian Supreme Court has ruled that the Attorney General has the authority to compel financial institutions to produce information about bank accounts (including coded bank accounts), and to freeze money in accounts under investigation. In December 1989 and January 1990, the GOP froze hundreds of suspected money launderers' bank accounts. It has given and continues to give us important information about these accounts. During the summer, the Attorney General's office froze accounts of the Cali cartel based on a USG request. We continue to receive information useful to U.S. prosecutors based on this request. The GOP is also interpreting its drug law aggressively to obtain money laundering information and provide it to other countries' law enforcement officials.

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2009-0342-MR
MM 4/30/2015

(C) The cooperation in money laundering cases which the USG has obtained under these mechanisms has been very significant. We have been seeking to institutionalize that cooperation in other types of cases by negotiating a mutual legal assistance agreement (MLAA) with the GOP. The MLAA would substantially streamline the cumbersome procedure the GOP is now forced to use to provide us information and would enhance our ability to obtain information in a form admissible in U.S. courts. After stalled discussions, an agreement was initialled on August 9. The GOP is now reviewing the text and there have been some signs of wavering in the face of anticipated pressures from the financial and legal community. We are working hard to bring about an early signature of the agreement as negotiated. It should be noted that the resistance to the MLAA is directed at the law enforcement cooperation in areas other than drug trafficking and money laundering (e.g., U.S. securities violations). Panama has been willing for some time to sign a MLAA focused on drugs and drug money; the USG has pressed for broader scope in light of our other law enforcement interests.

(C) On February 13, the Panamanian Cabinet passed Decree 41 requiring the National Banking Commission (CNB) to issue regulations compelling banks to verify their customers' identity and obtain statements from them about currency and certain negotiable instruments transactions of more than \$10,000. The decree gives strong enforcement powers to the National Banking Commission. The CNB regulations took effect May 15, 1990. Some powerful financial interest groups in Panama believe the U.S. pressured the GOP to implement the cash transactions reporting (CTR) regulations to destroy their financial center, and some of these interest groups have alleged that there have been violations of the CNB regulations. However, the financial institutions appear to be complying with the new regulations. Inspections by the CNB of the 17 banks showing the largest variation in cash transactions demonstrated that the banks are complying with the regulations, and irregularities were merely the result of inexperience with the forms. Nonetheless, no CTR system is foolproof. A concerted effort by bank officials to disguise illicit transactions might go undetected by the GOP's inexperienced investigators for some time. The provision to the GOP of specific information on possible violations as it becomes available and firm enforcement action will be critical in keeping the banks honest.

(U) In June, Panamanian courts issued an arrest warrant for Guillermo Salazar, a Colombian charged with laundering millions of dollars for the Medellin cartel. Since Salazar had already been extradited by Colombia to the U.S. to face trial, this action was largely symbolic, but nevertheless sent a signal that Panama intends to clamp down on money laundering.

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- 3 -

(8) There have been public allegations that high-level officials of the Endara government were associated with banks and individuals involved in money laundering. Ambassador Hinton has discussed this matter with President Endara, Vice President Ford, and others. Each of them denies any personal knowledge of money laundering by the banks with they were associated, and each denies personal involvement in illegal activities. The officials have resigned from the boards of the banks in question. One of the officials allegedly involved in these activities tells us that Noriega invented the charges to embarrass him because he was a long-time foe. Individuals who oppose the current administration appear to be resurrecting the charges for the same reason.

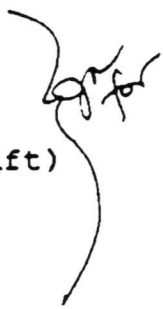
(9) Unlike many other countries in the region, Panama already has strong money laundering legislation, and needs U.S. assistance only in enforcing it. To that end:

- The U.S. has provided over \$450 million to Panama for economic recovery.
 - o The funds include \$8 million administered by AID for judicial reform.
- U.S. Customs will offer training to combat money laundering.
- INM-sponsored training, included in the bilateral narcotics agreement, will help Panamanian prosecutors develop better investigative techniques.
- Training and equipment being provided to the Panamanian Technical Judicial police by the DOJ ICITAP program, DEA, and INM are currently too basic to be a factor in combatting money laundering, but as the force becomes more professional it will receive further training in money laundering.
- We will continue to work to obtain early signature and ratification of the mutual legal assistance agreement, and to promote that agreement with the Panamanian public.
- We are enhancing our intelligence collection on money laundering, and are exploring ways to share this information with Panamanian authorities with a view toward facilitating some high profile prosecutions of bank officials and employees.
- The inter-agency Policy Coordinating Committee will be discussing other ways in which the U.S. can help fight money laundering in Panama.

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Panama: Money Laundering Situation
SEARAPAN 7772, September 6, 1990

Drafted: ARA/PAN: Julieta Valls Noyes, 647-4986
Cleared: ARA/PAN: Richard Dotson
INM/P: Elizabeth Carroll
L/LEI: Julie Oettinger
Embassy Panama/NAU: Candis Cunningham (draft)
Embassy Panama/Econ: John Dawson (draft)
Embassy Panama/Legal: Robin Frank (draft)
Approved: ARA: Mike Kozak



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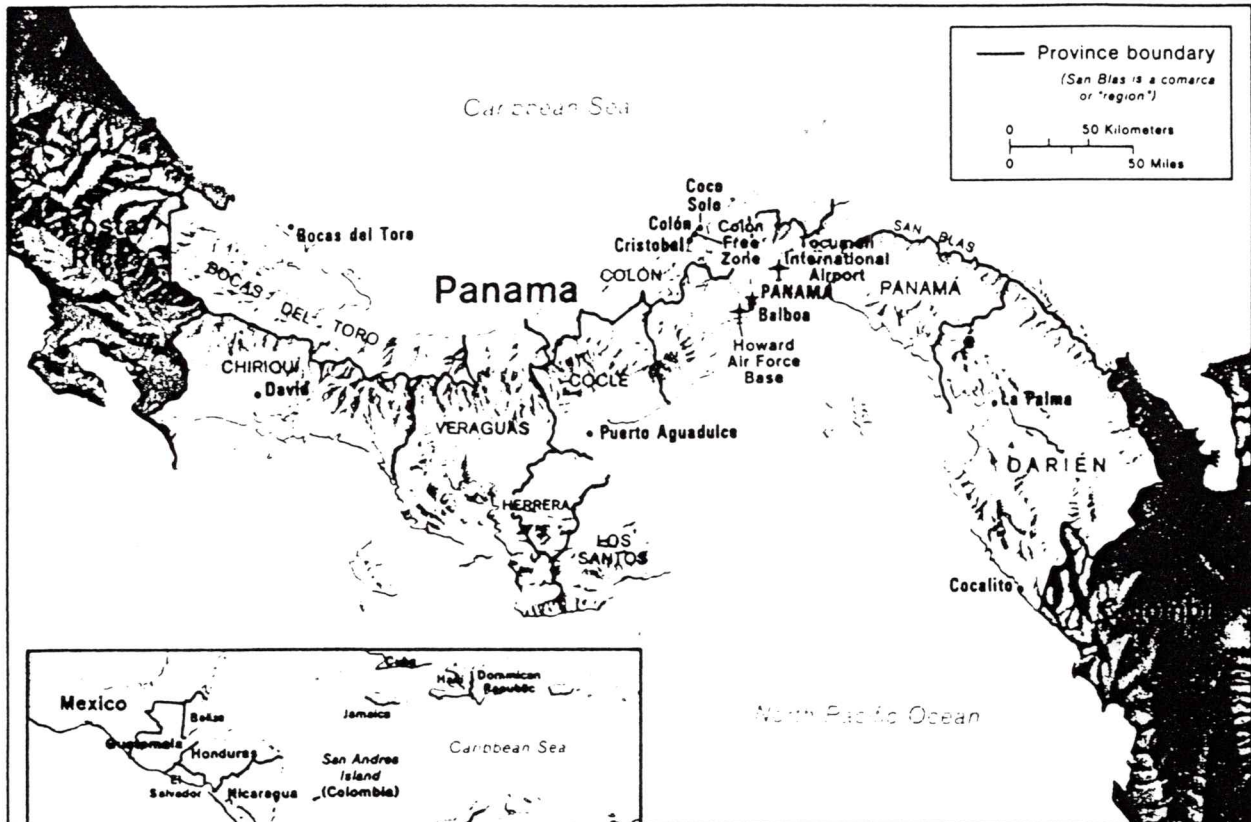
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Unclassified

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P/Memo - Panama - Drug
National Security Council
The White House

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URGENT NOT PROOFED: _____ SYSTEM PRS NSC INT
BYPASSED WW DESK: _____ DOCLOG LM SAO

	SEQUENCE TO	HAS SEEN	DISPOSITION
<u>Ken Hill</u>	<u>1</u>	<u>KE</u>	<u>A</u>
<u>Bill Sittmann</u>	<u>2</u>	<u>W</u>	
<u>Bob Gates</u>	<u>3</u>	<u>8</u>	
<u>Brent Scowcroft</u>	<u>4</u>		
<u>Bill Sittmann</u>			
<u>Situation Room</u>			
<u>West Wing Desk</u>	<u>5</u>	<u>21.10.13</u>	<u>A</u>
<u>NSC Secretariat</u>			
<u>Pacelli</u>	<u>6</u>	<u>DAP</u>	<u>FOR Ledo</u> <u>OBE</u>

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other _____

Should be seen by: _____
(Date/Time)

COMMENTS

Send back for
updating
OBE/No further action necessary
DISPATCH INSTRUCTIONS: DAP
10/18/90

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NSC/S PROFILE

RECORD ID: 9007364
RECEIVED: 17 SEP 90 11

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 18 SEP 90
SOURCE REF:

KEYWORDS: PANAMA

CHRON FILE

PERSONS:

SUBJECT: THE CURRENT SITUATION IN PANAMA

ACTION: NOTED BY PRES DUE DATE: 20 SEP 90 STATUS: C

STAFF OFFICER: PRYCE LOGREF:

FILES: PA NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO
NSC CHRON
PRYCE

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cop NARA, Date 5/16/2009

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSDAI CLOSED BY: NSMEN DOC 2 OF 2

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THE WHITE HOUSE
WASHINGTON

read with interest
CB 3-18

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM:

BRENT SCOWCROFT *BS*

SUBJECT:

The Current Situation in Panama

DECLASSIFIED
PER E.O. 13526

2009-0452-MR
MM 8/31/2015

Despite difficulties, President Endara is continuing to make progress in bringing democracy and development to Panama.

His coalition with Billy Ford and Ricardo Arias Calderon is fraying under the pressures of the partners' growing inclination to seek their own long-term political gains, but Endara seems to be able to bring things back together each time there is a serious rift. Billy has criticized Ricardo's handling of the security situation, and Ricardo has questioned Billy's leadership of the economic recovery program, but there is forward movement in both areas. The latest flap was a fight in the legislature where the other coalition parties joined with former Noriega supporters to keep the Christian Democrats from getting the presidency for the second year in a row when the Christian Democrats refused to rotate the slot. Arias was furious. Endara put things back together by arranging for the Christian Democrats to get additional committee chairmanships.

Economic recovery, which got off to a slow start, now seems to be making progress. After two years of decline, real growth for 1990 is projected at 3-6 percent. Tax revenues are up, and a widely-feared run on the banks after unfreezing of bank assets in July did not materialize. In fact, the unfreezing has enhanced private sector confidence. The Government has announced a far-reaching economic plan, and while talks with the international financial institutions on the plan are going slowly, the World Bank believes a structural adjustment loan will be possible. We are working with the Japanese and others to complete a program for Panama to clear its IFI arrearages but doubt this can take place before the end of the year.

Disbursement of our \$420 million aid package has been slower than we hoped, partly because the Panamanian Congress only approved disbursement on August 24, but we now expect the pace to quicken. Some funds will be held up by the need for Panama to meet mutually agreed structural reform conditions. Our shelter program for the El Chorrillo area, also slow in getting off the ground, is now in full gear. We expect all families to be out

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Declassify on: OADR

cc: Vice President
Chief of Staff

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2

of the temporary facility at Fort Albrook by December 1. Most of the families which qualify (over 1200 families) are opting for a \$6,500 basic house constructed outside the Chorrillo area. Unemployment has come down from previous levels, but remains a serious problem at 25 percent in the cities.

The Government has been having a tough time establishing a public order force which is effective and subject to civilian control. After firing a succession of former military officers as Force Director, Endara appointed a civilian chief in August. Just last week, Arias Calderon announced the firing of 142 officer and non-com holdovers, including all the remaining lieutenant colonels who served under Noriega. At the same time, the Government plans to commission 48 new police officers trained in the United States. Calderon also announced the establishment of a special police unit for maintaining security in the Canal area which should improve service there. We are heavily involved in training the new force. Problems remain with public acceptance of the force, and with its performance in controlling crime, but it is far better than it was in January and is continuing to improve. We expect to end U.S. military police joint patrols before December 20.

We were all troubled by Endara's call for an investigation of the damages caused by Operation Just Cause in his September 1 opening speech to the legislature. He knows indemnification is a non-starter, and we expect him to refrain from advancing a formal claim, but the issue could get out of control.

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THE WHITE HOUSE
WASHINGTONINFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: The Current Situation in Panama

DECLASSIFIED
PER E.O. 135262009-0452-MR
MM 8/31/2015

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cc: Vice President
Chief of Staff~~SECRET~~

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2

~~SECRET~~

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7364

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 17, 1990

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: WILLIAM T. PRYCE *WTP*

SUBJECT: Update on Panama

Attached is a Memorandum to the President (Tab I) in response to his query about the current situation in Panama. We understand the memorandum is to be held very short, to be done at once, and to concentrate on political, economic and law and order developments. The memorandum utilizes information provided by the State Department and has been informally cleared by State.

Concurrence by: Eric Melby *EM*

RECOMMENDATION

That you sign the Memorandum to the President at Tab I.

Attachment
Tab I Memorandum to the President

DECLASSIFIED
White House Guidelines
E.O. 13526, SEC 3.4 (b), September 11, 2006
By *TS* NARA, Date *7/23/13*

~~SECRET~~

Declassify on: OADR

~~SECRET~~

Update on Panama
National Security Council
The White House

PROOFED BY: WEA LOG # 7364
 URGENT NOT PROOFED: ✓ SYSTEM PRS NSC INT
 BYPASSED WW DESK: _____ DOCLOG LWS A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	<u>1</u>	<u>KH</u>	<u>A</u>
Bill Sittmann	<u>2</u>	<u>copy</u> ✓	
Bob Gates	<u>3</u>	<u>Had copy</u>	
Brent Scowcroft	<u>4</u>		
Bill Sittmann			
Situation Room			
West Wing Desk	<u>5</u>	<u>APNSA Has Seen</u>	<u>awaiting</u>
NSC Secretariat			<u>from</u>
			<u>return</u>

A = Action **I = Information** **D = Dispatch** **R = Retain** **N = No further Action**

cc: VP Sununu Other _____

Should be seen by: _____
 (Date/Time)

COMMENTS

Exec Sec office has diskette

DISPATCH INSTRUCTIONS: