

Originally Processed With FOIA(s):
2005-0954-MR; 2004-0722-F; 2005-0992-F; 2005-1003-F;

FOIA Number:
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FOIA MARKER

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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: National Security Council
Series: H-Files
Subseries: NSC Meetings Files

OA/ID Number: 90001
Folder ID Number: 90001-029

Folder Title:
NSC0036 - January 17, 1990 - Panama [1]

Stack:	Row:	Section:	Shelf:	Position:
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Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Memo	For POTUS from Brent Scowcroft re NSC Meeting [redacted] (3 pp.)	1/16/90	(b)(1)	S
01b. Talking Points	To be Made for NSC Meeting on Panama (1 pp.)	n.d.	(b)(1)	S
01c. Report	re Future Directions for U.S. Policy (11 pp.)	n.d.	(b)(1)	S
01d. Memo	re U.S. Policy (4 pp.)	n.d.	(b)(1)	S
01e. Talking Points	To be Made for NSC Meeting on Panama (1 pp.)	n.d.	(b)(1)	S
01f. Cable	re President Endara's Letter to President Bush (4 pp.)	1/11/90	(b)(1)	
01g. Cable	re President Endara's Letter to President Bush (7 pp.)	1/10/90	(b)(1)	
01h. Report	re Economic Recovery Program (14 pp.)	n.d.	(b)(1)	
01i. Letter	Informal State Translation of President Endara Letter to POTUS (4 pp.)	n.d.	(b)(1)	
01j. Talking Points	To be Made for NSC Meeting on Panama (1 pp.)	n.d.	(b)(1)	S
01k. Memo	Page 3 of memo re NSC Meeting (with handwritten edits) (1 pp.)	n.d.	(b)(1)	S

Page 1 of 2

Collection:

Record Group: Bush Presidential Records

Office: National Security Council

Series: H-Files

Subseries: NSC Meetings Files

WHORM Cat.:

File Location: NSC0036 - January 17, 1990 - Panama [1]

Pinksheet Number: bc154

OA/ID Number: 90001-029

Date Closed: 3/24/2008

FOIA/Sys Case #: 2005-0954-MR

Re-review Case #:

P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01l. Memo	To POTUS from Brent Scowcroft re NSC Meeting (with handwritten edits) [redacted] (1 pp.)	1/17/90	(b)(1)	S
01m. Memo	For Brent Scowcroft from William T. Pryce and Eric Melby re NSC Meeting on Panama (1 pp.)	1/16/90	(b)(1)	S
01n. Time Planning Sheet	re NSC Meeting on Panama (names, dates of birth, and social security numbers redacted) (1 pp.)	1/17/90	(b)(3), (b)(6)	

Page 2 of 2

Collection:

Record Group: Bush Presidential Records

Office: National Security Council

Series: H-Files

Subseries: NSC Meetings Files

WHORM Cat.:

File Location: NSC0036 - January 17, 1990 - Panama [1]

Pinksheet Number: bc154

OA/ID Number: 90001-029

Date Closed: 3/24/2008

FOIA/Sys Case #: 2005-0954-MR

Re-review Case #:

P-2/P-5 Review Case #:

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NSC/S PROFILE

RECORD ID: 9020050
RECEIVED: 11 JAN 90 13

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 16 JAN 90
SOURCE REF:

KEYWORDS: PANAMA
NSC

AGENDA

PERSONS:

SUBJECT: TALKERS W/ AGENDA & BACKGROUND PAPERS FOR 17 JAN NSC MTG RE PANAMA

ACTION: NOTED BY PRES

DUE DATE: 16 JAN 90

STATUS: C

STAFF OFFICER: PRYCE

LOGREF: 9020049 9020057

FILES: IFM O

NSCP: NS0036

CODES:

DOCUMENT DISTRIBUTION

FOR ACTION

FOR CONCURRENCE

FOR INFO
NSC CHRON

COMMENTS: _____

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DOC 6 OF 6

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b/c 3/13/08

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RECORD ID: 9020050

ACTION DATA SUMMARY REPORT

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 HUGHES	Z 90011113 FOR SIGNATURE
002	X 90011118 HUGHES SGD MEMO TO AGENCIES
003 HUGHES	Z 90011617 ADD-ON / FOR SIGNATURE
004	X 90011719 HUGHES SGD MEMO TO AGENCIES
005 SCOWCROFT	Z 90011707 FWD TO PRES FOR INFORMATION
006 PRESIDENT	Z 90011707 ADD-ON / FOR INFORMATION
006	X 90011917 NOTED BY PRES

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National Security Council
The White House

PROOFED BY: mc

LOG # 20050

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SYSTEM PRS NSC INT

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DOCLOG mc A/O 02

90 JAN 16 P 9: 15

SEQUENCE TO

HAS SEEN

DISPOSITION

Dep Exec

Philip Hughes

Bob Gates

Brent Scowcroft

Philip Hughes

Situation Room

West Wing Desk

NSC Secretariat

1

2

3

4

5

APZ

✓

mc 1/16

LMS 4/26

D

R

A = Action

I = Information

D = Dispatch

R = Retain

N = No further Action

cc:

VP

Sununu

Other _____

Should be seen by: _____

(Date/Time)

COMMENTS

NSC mtg on Jan. 17 at 11:00am

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01a. Memo	For POTUS from Brent Scowcroft re NSC Meeting [redacted] (3 pp.)	1/16/90	(b)(1)	S

Collection:

Record Group: Bush Presidential Records

Office: National Security Council

Series: H-Files

Subseries: NSC Meetings Files

WHORM Cat.:

File Location: NSC0036 - January 17, 1990 - Panama [1]

Document Partially Declassified
(Copy of Document Follows)
By SCS on 7/14/14

Date Closed: 3/24/2008	OA/ID Number: 90001-029
FOIA/SYS Case #: 2005-0954-MR	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #: 2005-0954-MR (109)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 12/17/2013

RESTRICTION CODES

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

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

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]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(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

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20050
Add On Two

THE WHITE HOUSE

WASHINGTON
January 16, 1990

THE PRESIDENT HAS SEEN



NATIONAL SECURITY COUNCIL MEETING

DATE: January 17, 1990
LOCATION: Cabinet Room
TIME: 11:00 a.m. - 12:00 p.m.
FROM: BRENT SCOWCROFT *BS*

DECLASSIFIED IN PART
PER E.O. 13526

2005-0954-MR
SCS 12/17/13

I. PURPOSE

To provide direction for future U.S. policy towards Panama.

II. BACKGROUND

The NSC meeting on Panama will consider two papers. The first, prepared by the Panama PCC and approved by the NSC Deputies Committee (Tab D), concentrates on the nature of the U.S. presence in Panama after Noriega, the new Panama Public Force, law enforcement issues and the configuration of U.S. military forces and dependents. It contains a number of recommendations for an NSD which has consensus agreement by the NSC Deputies.

The principal points of contention were on the nature of the U.S. presence in Panama and the form to be taken by the new Panama Public Force. (b)(1)

(b)(1)
The final language says that the Ambassador's control should be the same as it is with other countries with which we have friendly relations.

On the nature of the new Public Forces, all agree on the need to fragment and reduce their role as much as possible, and to maximize civilian control. Defense and CIA originally supported a small military capability but have agreed that this should be deferred.

The issue is whether we should run the risk of leaving Panama exposed to an undetermined future threat that the PF might not be able to handle alone -- absent a significant combat capability -- versus running the risk that the creation of such a capability now, with weak civilian institutions and military personnel accustomed to dominating the government, could itself be the instrument for destabilizing the democracy it is ostensibly designed to protect.

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Declassify on: OADR

cc: Vice President
Chief of Staff

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The Deputies Committee concludes that the new Public Forces ought to have some tactical elements which would be trained for crowd control and maintain a minimal capability to deal with threats which cannot be handled by the regular police. Organization should be along police rather than military lines and responsive to civilian authority.

The Panamanians have not yet made a decision on the Public Force. Vice President Arias Calderon, who has responsibility for the defense forces, seems inclined to allow a greater military role than Endara and Ford, partly because of the difficulty he faces in getting ex-PDF to accept a purely police role. You may want to reiterate your guidance that we should not press our advice on the Endara Government too strongly.

The Economic Paper (Tab E), prepared at the direction of Larry Eagleburger and John Robson, discusses an economic recovery program for Panama and agrees on recommendations in five areas where you can direct action be taken within existing resources. These include: Presidential and Congressional actions to unravel the sanctions; immediate, humanitarian assistance for housing, public works, small business aid and technical assistance; loans, guarantees and export opportunities to strengthen Panama's private sector and create jobs; use of DoD resources to boost the Panamanian economy; and rebuilding and expanding the USG economic relationship with Panama.

The sixth recommendation is for a supplemental appropriation of \$500 million in FY91 for balance of payments support, public and human capital investments, public sector restructuring, development support and paying off Panama's arrears to the international financial institutions.

The proposed program would provide in excess of \$1 billion of support for Panama's economy. State and Treasury believe it would respond constructively to President Endara's requests, outlined in his letter to you (Tab F).

There are strong interagency differences on the proposed supplemental. State and Treasury believe \$500 million is necessary to be credible, while acknowledging that at this stage they can only provide broad program areas on which the money would be spent. OMB and CEA believe \$250 million is adequate, of which \$130 million would be to clear arrears and \$120 million for public investment. They believe a larger supplemental could be difficult for the Panamanian economy to absorb in one year and would reduce pressures for reforming the economy. They also believe a larger supplemental could result in Andean countries demanding sizeable additional amounts for their drug efforts.

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OMB believes we need a better picture of Panama's inflows and outflows before deciding on any additional resources.

A supplemental of any size will require budgetary offsets, most likely from the defense budget. OMB believes it is probable that reductions of DoD budget authority of twice the amount requested for Panama will be needed to offset the outlays for Panama in 1990.

III. PARTICIPANTS

See Tab C.

IV. PRESS PLAN

White House photographer only.

V. SEQUENCE

Following your opening remarks, I will introduce the topic. Bill Webster's intelligence assessment will be followed by Jim Baker's presentations of the Panama Policy Options Paper and the Economic Recovery paper. I will summarize the discussion.

Attachments

Tab A	Agenda
Tab B	Points to be Made (with cards)
Tab C	List of Participants
Tab D	Paper Prepared by PCC
Tab E	Eagleburger/Robson Paper
Tab F	Endara's Letter to You on Economic Assistance

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20050
Add On Two

NATIONAL SECURITY COUNCIL MEETING

DATE: January 17, 1990
LOCATION: Cabinet Room
TIME: 11:00 a.m. to 12:00 p.m.

PANAMA

Agenda

- I. Opening Statement President
- II. Introduction Brent Scowcroft
- III. Intelligence Assessment William Webster
- IV. Panama PCC Policy Options Paper James Baker
- V. Discussion All Participants
- VI. Economic Recovery Paper James Baker
- VII. Discussion All Participants
- VIII. Summary Brent Scowcroft

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By b1c NARA, Date 3/13/08

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Declassify on: OADR

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Add On Two

POINTS TO BE MADE FOR NSC MEETING ON
PANAMA

- This is the first time we have met in a formal NSC setting since we accomplished our objectives in sending our armed forces to Panama. I want to congratulate you all again, and to ask you to let your people know how proud and pleased I am with the way we all worked as a team to accomplish our goals.
- I am particularly proud of the way our military forces responded, but I also want to express appreciation for all the hard work, thorough planning, excellent coordination and skillful implementation which went into our execution of the other options we pursued before we were forced to use the military option.
- I know that you and your agencies have now been working at a forced pace to develop plans for ensuring that the democracy which has been established in Panama has a chance to develop.
- Brent, why don't you begin the discussion for us.

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PER E.O. 13526
2005-0954-MR
SCS 2/28/13

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Add On Two

PARTICIPANTS

The President
The Vice President
James A. Baker, Secretary of State
Nicholas Brady, Secretary of Treasury
Richard Cheney, Secretary of Defense
Richard Thornburgh, Attorney General
Robert Mosbacher, Secretary of Commerce
Richard Darman, Director, Office of Management and Budget
Carla Hills, United States Trade Representative
John H. Sununu, Chief of Staff
Brent Scowcroft,
Assistant to the President for National Security Affairs
William Webster, Director of Central Intelligence
General Colin Powell, Chairman of the Joint Chiefs of Staff
Mark Edelman, Acting Director, Agency for International
Development
Deane Hinton, U.S. Ambassador to Panama
General Maxwell Thurman, Commander, U.S. Southern Command

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White House Guidelines

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

By b1c NARA, Date 3/13/08

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United States Department of State

Washington, D.C. 20520

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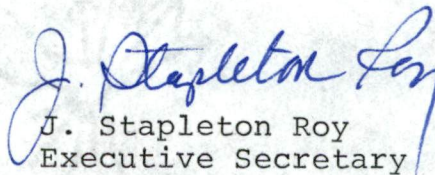
January 16, 1990

~~CONFIDENTIAL~~

MEMORANDUM FOR BRENT SCOWCROFT
THE WHITE HOUSE

Subject: NSC Meeting on Panama, Wednesday, January 17

The attached paper has been prepared for consideration by the National Security Council on Wednesday, January 17. Please have it distributed to participants as appropriate.


J. Stapleton Roy
Executive Secretary

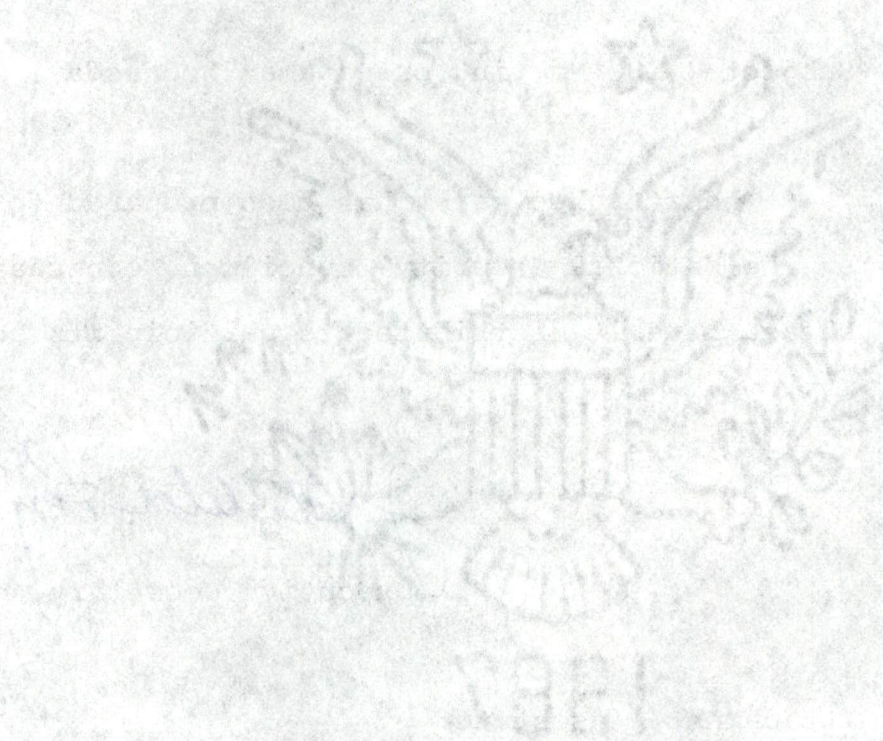
Attachment: as stated

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REMOVAL OF CLASSIFIED
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b1c 3/13/08

United States Department of State

Washington, D.C. 20520



90 JAN 16 P 4. 20

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01c. Report	Panama: Future Directions for U.S. Policy [FOIA restrictions redacted] (11 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records

Office: National Security Council

Series: H-Files

Subseries: NSC Meetings Files

WHORM Cat.:

File Location: NSC0036 - January 17, 1990 - Panama [1]

**Document Partially Declassified
(Copy of Document Follows)**

By MM on 4/21/2022

Date Closed: 3/24/2008	OA/ID Number: 90001-029
FOIA/SYS Case #: 2005-0954-MR	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #: 2005-0954-MR(111)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 7/17/2015

RESTRICTION CODES

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

- (b)(1) National security classified information
- (b)(2) Release would disclose internal personnel rules and practices of an agency
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Deed of Gift Restrictions

- C(1) Closed by Executive Order 13526, governing access to national security information
- C(2) Closed by statute or by the agency which originated the information
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- PRM. Removed as a personal record misfile

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

- P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]

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Deputies Committee

PANAMA: Future Directions for U.S. Policy

The President has asked that the National Security Council discuss future directions for U.S. policy in Panama. The following items and recommendations were identified for NSC consideration by the Deputies Committee. They reflect a consensus among the Deputies based on their review of a paper submitted by the Panama Policy Coordinating Committee. A draft National Security Directive is also attached.

1. Economic Recovery

- o Two sets of issues exist. First, we must act quickly to remove the various sanctions that were imposed on Panama due to the behavior of the Noriega regime. Second, we must determine what positive steps we can take to assist Panama's recovery consistent with U.S. resource limitations. If we do not move quickly to define our program, current excessive Panamanian expectations will rapidly turn into recriminations regarding both the delay and the inadequacy of U.S. response.

To remove the sanctions as soon as possible (including those on economic assistance, CBI, GSP, EXIM/OPIC, and sugar quotas) the President should exercise his waiver authority under Section 614 of the Foreign Assistance Act and the statutory certifications regarding "democratization" and "narcotics cooperation" should be made. We will also need to obtain Congressional action to approve our narcotics certification, and we should consider inclusion of other provisions to increase our flexibility, minimize statutorily-mandated delays, and ensure Congressional support. Such legislation should be ready for submission upon Congress' return and that we should work with the Congressional leadership to obtain expedited passage. We should not allow removal of prior sanctions to be delayed while the more complex issues of assistance for recovery are debated.

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2005-0954-MR
7/17/2015 MM

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-2-

To positively aid economic recovery, a variety of actions can be taken by the USG, both unilaterally and in conjunction with the GOP, to promote a return to full economic prosperity in Panama. Macro-economic analysis and forecasts are needed to assess how the downturn can be reversed. Foreign assistance is needed immediately for housing, public works and employment generation. In the longer term, the USG should seek to establish temporary AID programs, and develop administration of justice support. The USG can also take unilateral actions to encourage business confidence, including but not limited to: removing the quota on cotton pants, putting an EXIM guarantee program in place, providing technical advice on tourism promotion, and restaffing the Embassy. On the financial side, steps will be taken to address problems of the Panamanian banking system, including sending a team of banking experts to Panama to assess the financial position of Panamanian banks. In addition, a strategy is being devised to achieve a timely normalization of Panama's relations with the IMF, World Bank, and IDB, with a view to eliminating arrears and restoring policy-based lending for structural and sector adjustment, and project lending.

More specific recommendations beyond the following are being developed separately by an interagency task force under the direction of Deputy Secretaries Eagleburger and Robson. The PCC believes that the program being developed by the Eagleburger/Robson group should be announced by the President prior to the return of Congress, and any necessary implementing legislation be ready for submission immediately upon Congress' return.

Recommendations:

That the USG move quickly to certify Panama on drugs and democracy and complete a Section 614 waiver, and prepare the necessary legislation to remove all existing sanctions for submission on January 23, if possible.

Approve _____ Disapprove _____

That the program for economic recovery being developed by the Eagleburger/Robson group be ready for announcement by the President on January 22, if possible.

Approve _____ Disapprove _____

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-3-

2. The Nature of the U.S. Presence in Panama

- o During the almost two years since the indictment of Noriega in February 1988, we have taken various decisions affecting the size of our official presence and the circumstances under which our Embassy and other U.S. agencies in Panama have operated. This situation culminated in May 1989 when, following the annulment of the elections, our Ambassador was withdrawn, the staff at our Embassy was limited to 45 U.S. employees and Embassy dependents were ordered to depart Panama. 1.4 (c); 3.3 (b) (1)

given the hostile nature of the regime and the absence of normal diplomatic relations. In addition, U.S. military personnel and dependents were ordered either to return to military bases or to depart Panama. In the aftermath of the failed coup of October 1989, decisions were taken to reduce massively the number of military families living in Panama. In light of the events of the last three and a half weeks, adjustments in our current posture are required that reflect the dramatic change from an adversarial relationship with Panama to friendly cooperative political, economic and diplomatic relations with a significant Treaty partner.

- o The following specific actions were approved by the Deputies Committee in execution of this approach:
 - That the ceiling of 45 on U.S. Mission staff announced in May 1989 be lifted immediately; positions will be allocated as quickly as possible on the basis of program requirements through NSDD 38 procedures.
 - That the order issued in May 1989 directing dependents of U.S. Mission employees to depart Panama be rescinded; dependents will be permitted to return in accordance with normal procedures, which include appropriate threat assessments and recommendations by the Embassy's Emergency Action Committee.
 - That State amend the existing travel advisory to reflect the eased security situation.

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-4-

-- That instructions be issued to all U.S. agencies to respect ordinary procedures affecting the temporary travel of USG personnel to Panama (e.g., Embassy clearances are required prior to all temporary duty travel to Panama).

-- That the Department of State issue instructions to our Ambassador, in his capacity as chairman of the Panama Review Committee (PRC), to reactivate the PRC and its supporting subcommittees. The PRC, consisting of the Ambassador; the Commander, U.S. Forces, Southern Command, and the senior U.S. official of the Panama Canal Commission, is the mechanism established by Executive Order in the 1960's for the timely exchange of information among U.S. agencies in Panama. All concerned are to understand that the PRC should be used as the principal instrument for affecting necessary coordination among U.S. agencies in country. All members of the PRC will be encouraged to report through their respective chains of command whenever issues arise which, in their opinion, require Washington-level attention.

-- That the Department of State promptly submit recommendations and take other actions looking to the early reconstitution and subsequent resumption of activities of the various bilateral and trilateral committees and commissions whose work has been interrupted by the now-ended crisis in U.S.-Panama relations. These include the Panama Canal Consultative Committee, the U.S.-Japan-Panama Commission for the Study of Alternatives to the Panama Canal, and the Joint Commission on the Environment.

- o The Deputies Committee also endorsed the following additional recommendations for review by the NSC:

Recommendations:

That, effective immediately, the U.S. Ambassador in Panama is to exercise overall policy control of each U.S. Government agency's activities and relationships with the Government of Panama in country, as is customary within other countries with which we conduct friendly diplomatic relations.

Approve _____ Disapprove _____

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-5-

14(c); 14(d); 3.3(b)(1)

Approve _____

Disapprove _____

3. Supporting the Endara Government's Efforts to Structure the new Public Forces

- o The Endara government has moved significantly in the direction of separating out into various institutions functions previously performed by the Panama Defense Forces (PDF), creating a system of checks and balances. While the degree and nature of combat capability to have within the security forces remains in debate, the range of views has narrowed to relatively modest tactical elements. We believe that a disturbing trend has been arrested to recreate the PDF under another name, but this bears close watching.

There is a growing consensus within the Endara government that an ambitious separation of power is necessary and achievable to disaggregate a wide variety of police functions into separate institutions. These institutions are to be dispersed among a number of different civilian ministries. After initially hesitating, Vice President Arias Calderon (Minister of Government and Justice) has pressed the new Public Forces (PF) to accept the transfer of additional security functions to other entities within the GOP, to give up non-security, economic functions that fed past corruption, and to accept civilian control of PF finances. Progress has been made, but much jockeying is occurring over the issue of which civilian minister will have control. All U.S. representatives should continue to encourage the maximum, rational degree of disaggregation to ensure a proper set of checks and balances.

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-6-

For the present, Arias Calderon expresses trepidation over the prospect of recreating combat units, but nevertheless seems to be leaning in favor of creating a modest combat capability, citing both the possibility of a guerrilla threat and the difficulty in getting the Public Forces to accept a purely police role. Endara and Ford seem to be leaning the other direction and Arias Calderon is coming under increasing pressure from his party to stop the buildup even of police forces.

Although there is general agreement within the Deputies Committee that some type of specially qualified units are required beyond a mere police force and that these units need to be oriented toward the type of threat Panama may face, there is some disagreement within the Deputies Committee agencies as to the likelihood of significant threats developing over the near term.

How fertile Panamanian terrain might be for a guerrilla movement is debatable. Justice, State and JCS view the most likely threat to Panama as emanating from narcotrafficking or terrorism---and able to be dealt with by law enforcement entities. They point out that "mischievous making" by Cuba or Nicaragua came from within and through the old PDF and that there is no popular base for an insurgency. OSD and CIA attach a higher probability of some sort of "stirring the pot" by Cuba or Nicaragua and see a latent risk of a home-grown insurgency by disaffected former PDF officers and Noriega loyalists. Narcotrafficking patterns carrying over from the Noriega era could, in their view, become a serious problem for the Endara government.

On balance, the Deputies Committee believes the risk of creating a substantial combat capability is not worth running, at least for the next few years while the U.S. presence is dominant. The Deputies Committee agrees that Panama's future public security forces must take into account the Panamanian people's fear of a resurgence of the previous PDF's abuse of power and domination of the political system. All U.S. agencies agree that battalion-size military formations, as the old PDF had, are unnecessary for the foreseeable future.

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-7-

The real issue is whether we should run the risk of leaving Panama exposed to an undetermined future threat that the PF might not be able to handle alone--absent a significant combat capability--versus running the risk that the creation of such a capability now, with weak civilian institutions and military personnel accustomed to dominating the government, could itself be the instrument for destabilizing the democracy it is ostensibly designed to protect. If former military officers are inclined to express their dissatisfaction by attempting a coup, it seems counterproductive to place them in a position where their ability to mount a coup would be substantially enhanced.

The Deputies Committee concludes that the new Public Forces ought to have some tactical elements which would be trained for crowd control and maintain a minimal capability to deal with threats which cannot be handled by the regular police. Organization should be along police rather than military lines and responsive to civilian authority.

The Deputies Committee believes that it is prudent to defer the creation of military, vice police, tactical entities at this time. It is not intended to preclude the possibility of forming such forces sometime in the future. A continual evaluation of both internal and external threats might indicate the need for USG recommendations that Panama create forces proportional to the threat other than the police structure recommended here.

Recommendations:

That the U.S. continue to support the GOP's efforts to break up the PDF structure as much as possible into a number of small institutions assigned to various ministries and to separate off entirely those non-security functions, especially relating to economic matters.

Approve _____ Disapprove _____

That the U.S. defer to GOP wishes regarding combat forces, but continue to support actions that would help to avoid recreation of the Panama Defense Forces under another name. We should continue to encourage planning within the Endara

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Government to create tactical elements, organized on police lines under civilian authority, which would be trained for crowd control and maintain a minimal capability to deal with threats which cannot be handled by lightly armed police. U.S. training would be provided by civilian law enforcement personnel initially through the Administration of Justice program.

Approve _____ Disapprove _____

That studies of the projected threat should continue. It is not intended that support of tactical police elements at this time would preclude supporting the development of a proportional Panamanian military capability in the future in response to emergent threats.

Approve _____ Disapprove _____

4. Fostering Support for the New Endara Government

- o To obtain political support on the domestic and international scene, the Endara government must develop an image of self-reliance and independence, while carrying out its responsibilities under the Panama Canal Treaties in a resumed bilateral relationship with the U.S. It must make progress toward rebuilding the economy, and show activity against drug trafficking and money laundering. Success in accomplishing these objectives will require USG assistance. However, in many of these endeavors, the U.S. role should be as low key as possible; we must not appear to be calling the shots. However, as part of an aggressive public diplomacy program, we will continue to give worldwide publicity to GOP actions and accomplishments. The upcoming Presidential inaugurations in several Latin American states present opportunities for the GOP to move beyond domestic political consolidation and adopt a more active international role. The Deputies Committee agreed that:

-- That the U.S. will continue to encourage efforts by the government of Panama both in Latin America and within Europe and OECD countries aimed at fostering diplomatic

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support internationally (e.g. by sending multi-party delegations to key Latin capitals).

-- That we will concurrently encourage Western hemisphere governments with upcoming inaugurations to extend invitations to the Endara government.

-- That the Vice President, during his forthcoming trip through Latin America, should privately encourage the establishment of full diplomatic relations with the new government.

5. Law Enforcement Related Issues

- o The most critical, immediate law enforcement need is to assist Panama in building a civilian law enforcement structure that is free of corruption and responsive to criminal threats. In addition, the U.S. government can work with the Panamanian government for enlarging and regularizing procedures for lawfully obtaining evidence, extraditing defendants and exchanging information. Lastly, a Presidential certification that Panama is cooperating in anti-drug efforts will permit the aforementioned assistance to the Panamanian law enforcement establishment.

Recommendations:

That the Presidential waiver of Section 614 of the Foreign Assistance Act for resumption of assistance to Panama include language to enable release of training and material assistance funds for Panamanian law enforcement functions.

Approve _____ Disapprove _____

That unified direction of all USG efforts to assist the GOP in reforming the law enforcement structure and in providing logistical and training assistance be established within the U.S. Embassy, under the policy supervision and direction of the Department of State. The capabilities of the Department of Justice should be fully utilized, consistent with the Administration of Justice program.

Approve _____ Disapprove _____

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That discussions be initiated with the GOP on an agreement for the exchange of evidence, including financial records, for use in criminal investigations and prosecutions and that we jointly explore the feasibility of updating and modernizing the current extradition treaty.

Approve _____ Disapprove _____

That discussions be initiated with the GOP to reach an arrangement on practical procedures for the boarding of Panamanian flag vessels to enforce U.S. narcotics laws. Such an understanding should be consistent with similar procedures agreed with other Western hemisphere nations and fully respect Panamanian sovereignty sensibilities. The arrangement should include, if possible, permission to enter Panamanian territorial waters and airspace for such narcotics enforcement purposes.

Approve _____ Disapprove _____

That GOP cooperation be sought in identifying additional Cuban front companies operating in Panama for purposes of black listing under the Cuban trade embargo. Such cooperation will be essential in eliminating Cuban influence during rebuilding of the Panamanian economy.

Approve _____ Disapprove _____

6. Configuration of U.S. Military Forces and Dependents in Panama

- o The immediate goal is to withdraw the U.S. forces introduced into Panama during Operation "Just Cause." The long term goal is to reduce forces to approximately the level present in May 1988 at the beginning of the buildup. The first phase of the drawdown is well underway. At the cessation of fighting, the U.S. had approximately 26,000 personnel in Panama, or a 33-battalion equivalent. The second phase will incrementally reduce the remainder of the combat forces that were part of the "Just Cause" operation. In July of 1990 there will be approximately

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-11-

13,000 troops remaining in Panama--about the level we had in May 1989 after the elections and the deployment of additional troops. The third phase will reduce the Panama force to a level of approximately 10,000--the long-standing level of our force presence under the Panama Canal Treaty umbrella.

The military forces in Panama are presently performing necessary security, recovery, and nation building missions. The sooner that other U.S. agencies and Panamanian forces and agencies can take over these missions, the sooner the combat and combat support troops can depart.

Tour length and dependent policies have been reviewed. Prior to the December operation, the U.S. Southern Command (SOUTHCOM) was on a steep decrease that would have reduced the November population of about 2900 families to about 500 by the end of June 1990. The tour length was 24 months for accompanied service members and 12 months for all others. The current proposal is to change the tour length to 36 months for accompanied personnel and 24 months for unaccompanied. SOUTHCOM will offer all those personnel previously scheduled to depart Panama by the end of June a chance to stay. Under this plan, the steady state for families would be about 4000, compared to 5700 a year ago when many lived off post. For the immediate future at least, all families will be living on post.

Recommendations:

That the drawdown of U.S. forces present in Panama as a result of the "Just Cause" operation proceed as quickly as possible, recognizing that the drawdown schedule will depend on the security situation and the backfill of U.S. military forces by other U.S. agencies, and Panamanian security forces and agencies.

Approve _____ Disapprove _____

That the tour length for SOUTHCOM personnel be established at 36 months accompanied and 24 months unaccompanied and that dependent flow to Panama begin as soon as UNCINSO believes appropriate.

Approve _____ Disapprove _____

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01d. Draft NSD	Re: U.S. Policy Towards Panama Post-Noriega [FOIA restrictions redacted] (4 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records

Office: National Security Council

Series: H-Files

Subseries: NSC Meetings Files

WHORM Cat.:

File Location: NSC0036 - January 17, 1990 - Panama [1]

**Document Partially Declassified
(Copy of Document Follows)**

By MM on 4/21/2022

Date Closed: 3/24/2008	OA/ID Number: 90001-029
FOIA/SYS Case #: 2005-0954-MR	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #: 2005-0954-MR(112)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 7/17/2015

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- P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]

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NATIONAL SECURITY DIRECTIVE _____

Memorandum for _____

Distribution:

Subject: U.S. Policy Towards Panama Post-Noriega (C)

The policy of the United States towards Panama following the departure of General Noriega from power continues to be vigorous support for the reconstitution of democratic government under the administration of President Endara. To that end, I direct that: (S)

1. The Secretary of State should provide for my signature necessary certifications regarding drugs and democracy in Panama, and prepare the necessary legislation to remove all existing sanctions for submission on January 23.
2. The program for economic recovery being developed by Deputy Secretaries Eagleburger and Robson should be ready for my announcement no later than January 22.
3. The ceiling on U.S. Mission staff announced in May 1989 is hereby lifted. Mission positions should be allocated as quickly as possible in accordance with NSDD 38 procedures.
4. The order issued in May 1989 directing dependents of U.S. Mission employees to depart Panama is hereby rescinded. The Secretary of State should permit the return of dependents in accordance with normal procedures, which include preparation of appropriate threat assessments and recommendations by the Embassy's Emergency Action Committee.
5. Effective immediately, all U.S. agencies will honor routine procedures affecting the temporary travel of U.S. Government personnel to Panama (e.g., no temporary duty travel is permitted without prior Embassy clearance).

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PER E.O. 13526

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-3-

12. The U.S. Government should defer to GOP wishes regarding combat forces, but continue to support actions that would help to avoid recreation of the Panama Defense Forces under another name. The U.S. should continue to encourage planning within the Endara Government to create tactical elements, organized on police lines under civilian authority, which would be trained for crowd control and maintain a minimal capability to deal with threats which cannot be handled by lightly armed police. U.S. training should be provided by civilian law enforcement personnel initially through the Administration of Justice program.
13. Studies by the Policy Coordinating Committee of possible emergent security threats in Panama should continue. It is not intended that support of tactical police elements at this time would preclude supporting the development of a proportional Panamanian military capability in the future in response to emergent threats.
14. The waiver of Section 614 of the Foreign Assistance Act should be submitted for my approval to enable resumption of assistance to Panama and should include language to enable release of training and material assistance funds for Panamanian law enforcement functions.
15. The unified direction of all U.S. Government efforts to assist the government of Panama in reforming the law enforcement structure and in providing logistical and training assistance should be established within the U.S. Embassy in Panama, under the policy supervision and direction of the Department of State. The capabilities of the Department of Justice should be fully utilized, consistent with the Administration of Justice program.
16. Discussions should be initiated with the government of Panama to reach an arrangement on practical procedures for the boarding of Panamanian flag vessels to enforce U.S. narcotics laws. Such an understanding should be consistent with similar procedures agreed with other Western hemisphere nations and fully respect Panamanian sovereignty sensibilities. The arrangement should include, if possible, permission to enter Panamanian territorial waters and airspace for narcotics enforcement purposes.

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17. The cooperation of the government of Panama should be sought in identifying additional Cuban front companies operating in Panama for purposes of black listing under the Cuban trade embargo. Such cooperation will be essential in eliminating Cuban influence during rebuilding of the Panamanian economy.
18. The drawdown of U.S. forces present in Panama as a result of the "Just Cause" operation should proceed as quickly as possible. The drawdown schedule will depend on the security situation and the backfill of U.S. military forces by other U.S. agencies, and Panamanian security forces and agencies.

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PAGE 1 OF 2

POINTS TO BE MADE FOR NSC MEETING ON
PANAMA

THE PRESIDENT HAS SEEN

- THIS IS THE FIRST TIME WE HAVE MET IN A FORMAL NSC SETTING SINCE WE ACCOMPLISHED OUR OBJECTIVES IN SENDING OUR ARMED FORCES TO PANAMA. I WANT TO CONGRATULATE YOU ALL AGAIN, AND TO ASK YOU TO LET YOUR PEOPLE KNOW HOW PROUD AND PLEASED I AM WITH THE WAY WE ALL WORKED AS A TEAM TO ACCOMPLISH OUR GOALS.
- I AM PARTICULARLY PROUD OF THE WAY OUR MILITARY FORCES RESPONDED, BUT I ALSO WANT TO EXPRESS APPRECIATION FOR ALL THE HARD WORK, THOROUGH PLANNING, EXCELLENT COORDINATION AND SKILLFUL IMPLEMENTATION WHICH WENT INTO OUR EXECUTION OF THE OTHER OPTIONS WE PURSUED BEFORE WE WERE FORCED TO USE THE MILITARY OPTION.

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PAGE 2 OF 2

- I KNOW THAT YOU AND YOUR AGENCIES HAVE NOW BEEN WORKING AT A FORCED PACE TO DEVELOP PLANS FOR ENSURING THAT THE DEMOCRACY WHICH HAS BEEN ESTABLISHED IN PANAMA HAS A CHANCE TO DEVELOP.
- BRENT, WHY DON'T YOU BEGIN THE DISCUSSION FOR US.

DECLASSIFIED
PER E.O. 13526
2005-0954-MR
SCS 2/28/13

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UNCLAS SECTION 01 OF 03 PANAMA 00198
STATE FOR ARA/PAN
AIDAC FOR LAC
E.O. 12356: N/A
TAGS: EFIN, ECON, EAID, PM
SUBJECT: PRESIDENT ENDARA'S LETTER TO PRESIDENT BUSH
- OUTLINING PANAMA'S ECONOMIC SITUATION AND
- ASSISTANCE REQUIRED

REF: PANAMA 191

1. THE FOLLOWING LETTER WAS PRESENTED TO AMBASSADOR
HINTON BY PRESIDENT ENDARA ON JANUARY 9. REFTTEL
CONTAINS OFFICIAL SPANISH TEXT. UNOFFICIAL ENGLISH
TRANSLATION IS PROVIDED BELOW.

BEGIN TEXT:

JANUARY 8, 1990

HIS EXCELLENCY
GEORGE BUSH
PRESIDENT OF THE UNITED STATES OF AMERICA
WHITE HOUSE
WASHINGTON, D.C.
EXCELLENCY:

AM WRITING TO YOU ON THIS FIRST OCCASION AS PRESIDENT
OF THE REPUBLIC OF PANAMA, NOW THAT THE OBJECTIVES
ANNOUNCED FOR THE ACTION THAT YOU WERE COMPELLED TO
TAKE ON DECEMBER 20, 1989 WERE ACHIEVED. WE TOTALLY
UNDERSTAND THE SERIOUSNESS OF YOUR DECISION, WE ARE
CERTAIN THAT THIS WAS NOT YOUR PREFERENCE AS IT WAS NOT
OURS, BEING CONSCIOUS OF THE PAINFUL LOSS OF
IRREPLACEABLE HUMAN LIVES OF NATIONALS FROM OUR TWO
COUNTRIES. I TAKE THIS OPPORTUNITY TO EXPRESS MY
CONDOLENCES AND TO REQUEST THAT YOU EXTEND THESE
SENTIMENTS OF SORROW TO THE FAMILIES OF THE U.S.
VICTIMS. WE ARE ALSO SURE THAT THINGS HAD REACHED A
POINT WHERE THERE WAS NO OTHER WAY TO GET RID OF
NORIEGA AND TO DESTROY THE CRIMINAL APPARATUS HE HAD
ESTABLISHED AT SUCH A HIGH COST FOR YOUR COUNTRY'S
YOUTH, AND TO RESTORE DEMOCRACY, FREEDOM, JUSTICE AND
DECENCY IN PANAMA.

IN UNDERTAKING THE GOVERNMENT OF THIS NATION, WE FIND
OURSELVES WITH A COUNTRY IN RUINS AS A CONSEQUENCE OF
TWENTY-ONE YEARS OF MILITARY RULE, THE OUTRAGES OF
DICTATORSHIP DURING THE LAST THIRTY MONTHS, THE
SANCTIONS OF THE U.S. GOVERNMENT, AND THE DAMAGES
PRODUCED BY THE MILITARY ACTION WHICH BEGAN LAST
DECEMBER 20, PLUS THE LOOTING AND DESTRUCTION WHICH
ENSUED WHEN THE FORMER DEFENSE FORCES COLLAPSED AND

POLICE PROTECTION VANISHED FOR A FEW DAYS. SOME OF THE SIGNALS OF THE COLLAPSE ARE AS FOLLOWS:

- DURING THE LAST TWO AND A HALF YEARS PANAMA'S GROSS NATIONAL PRODUCT HAS FALLEN MORE THAN 25 PERCENT, WHICH IS EQUAL TO YOUR COUNTRY'S DEPRESSION BETWEEN 1929 AND 1933.

- UNEMPLOYMENT IN THE URBAN AREAS, WHICH AT THE BEGINNING OF DECEMBER WAS 25 PERCENT OF THE LABOR FORCE, AT THIS MOMENT IS NEARING 33 PERCENT AND IT WILL CONTINUE INCREASING UNLESS WE TAKE DRASTIC MEASURES TO STOP THE BLEEDING.

-

- THE BANKING SYSTEM IS FUNCTIONING AT LESS THAN HALF OF ITS CAPACITY AND MORE THAN 80 PERCENT OF THE DEPOSITS ARE FROZEN.

- THE PUBLIC ADMINISTRATION IS PHYSICALLY DESTROYED AND ITS PERSONNEL DISORIENTED AND DISHEARTENED.

- THE PHYSICAL DESTRUCTION OF THE BUSINESSES IN PANAMA AND COLON AND THEP SURROUNDINGS IS WIDESPREAD.

- PERSONAL SECURITY IS STILL PRECARIOUS.

- THE PANAMANIAN PEOPLE ARE TORN BETWEEN THE PERSPECTIVE OF A DEMOCRATIC LIFE AND THE ECONOMIC RECONSTRUCTION IN THE FACE OF A MORAL APATHY AFTER SO MANY YEARS OF GENERALIZED CORRUPTION, PROTECTION FOR WRONGDOING, AND PERSECUTION.

FORTUNATELY, WE HAVE RECEIVED HUMANITARIAN ASSISTANCE WHICH WE APPRECIATE, BOTH FROM YOUR GOVERNMENT AND FROM

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UNCLAS SECTION 02 OF 03 PANAMA 00198

STATE FOR ARA/PAN

AIDAC FOR LAC

E.O. 12356: N/A

TAGS: EFIN, ECON, EAID, PM

SUBJECT: PRESIDENT ENDARA'S LETTER TO PRESIDENT BUSH U.S. PRIVATE ORGANIZATIONS, AS WELL AS FROM FRIENDLY COUNTRIES. THE UNFREEZING OF FUNDS, WHICH WERE PLACED IN ESCROW AS A RESULT OF THE SANCTIONS, HAS BEEN QUICK AND IT IS NECESSARY THAT THE UNITED STATES ACT WITH THE SAME SPEED TO LIFT OTHER SANCTIONS WHICH WERE ESTABLISHED BY LAW IN YOUR COUNTRY. NEVERTHELESS, WE NEED MUCH MORE GENEROUS AND TIMELY AID FROM THE UNITED STATES. IF WE CANNOT QUICKLY START RECONSTRUCTING THE ECONOMY, IT IS LIKELY THAT THE SACRIFICE OF HUMAN LIVES WILL BE IN VAIN. WITHOUT TIMELY ACTION, THE SURVIVAL OF DEMOCRACY IN PANAMA, WHICH HAS BEEN SO COSTLY TO ESTABLISH, COULD BE JEOPARDIZED. WE CANNOT AFFORD TO LOSE DEMOCRACY DUE TO THE LACK OF ECONOMIC SUPPORT. ON OUR PART, WE HAVE MADE EXTREMELY HARD AND DIFFICULT DECISIONS TO CONFRONT THE ECONOMIC AND FISCAL SITUATION, BUT YOUR GOVERNMENT'S SUPPORT, BOTH DIRECTLY AND THROUGH MULTILATERAL CREDIT INSTITUTIONS, IN COORDINATION WITH FRIENDLY COUNTRIES, IS ESSENTIAL. TO CONFRONT ECONOMIC RECONSTRUCTION, WE HAVE A PROGRAM THAT WE DEVELOPED IN THE BEGINNING OF LAST YEAR AND WHICH HAS BEEN UPDATED TO TAKE INTO CONSIDERATION THE EFFECTS OF THE MILITARY ACTION. THIS PROGRAM, WHICH WE HAVE ALREADY DISCUSSED WITH U.S. GOVERNMENT OFFICIALS, ATTEMPTS TO MAKE A DIRECT IMPACT ON EMPLOYMENT THROUGH

NON-GOVERNMENT ORGANIZATIONS AND PRIVATE BUSINESSES, TO NORMALIZE THE BANKING SYSTEM, TO REESTABLISH FISCAL DISCIPLINE, AND TO LIFT THE MONOPOLISTIC CONCESSIONS AND OBSTACLES ESTABLISHED BY THE DICTATORSHIP TO A FREE OPERATION OF THE ECONOMY. IN SHORT, WE NEED YOUR ECONOMIC SUPPORT FOR THE FOLLOWING ELEMENTS IN OUR PROGRAM:

1. CHORRILLO: ITS DESTRUCTION HAS LEFT 2,500 FAMILIES HOMELESS. THE CONSTRUCTION OF HOUSING AND THE COMPLEMENTARY INFRASTRUCTURE REQUIRES A DONATION OF 40 MILLION US DOLLARS.

2. SOCIAL EMERGENCY FUND: WE NEED TO CREATE 20,000 JOBS OVER THE NEXT TWO YEARS UNTIL THE ECONOMY IS BACK ON TRACK AND IS ABLE TO SIGNIFICANTLY REDUCE UNEMPLOYMENT. THE PROJECT CONSISTS OF A MECHANISM TO MAKE A DONATION TO SOCIAL PROJECTS THROUGH NON-GOVERNMENT ORGANIZATIONS TO GENERATE JOBS AT THE BOTTOM OF THE SOCIAL PYRAMID. WE NEED A DONATION OF 200 MILLION US DOLLARS OVER THE NEXT TWENTY-FOUR MONTHS.

3. THE BANKING SYSTEM: WE HAVE REQUESTED THAT THE U.S. TREASURY DEPARTMENT, TOGETHER WITH THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK, CREATE A TASK FORCE TO COME TO PANAMA AND HELP US DEVELOP A PLAN TO RESTORE THE OPERATION OF THE PANAMANIAN BANKING SYSTEM. THIS IS ESSENTIAL TO THE BANKING SYSTEM'S RECOVERY. THE PLAN TO BE DEVELOPED WILL CERTAINLY REQUIRE CONTINGENCY LINES OF CREDIT TO SUPPORT THE BANKS' LIQUIDITY WHEN THE RESTRICTIONS, WHICH EXIST ON CERTAIN TYPES OF BANK DEPOSITS, ARE LIFTED. WE ASK THAT YOU APPROVE THE PARTICIPATION OF THE TREASURY DEPARTMENT IN THIS MISSION AND FOR AN OPEN ATTITUDE TOWARD FINANCIAL SUPPORT WHICH WILL BE NECESSARY IN THE SHORT TERM AS A CONSEQUENCE OF THE PLAN THAT WE WILL DEVELOP WITH THE ASSISTANCE OF THE REQUESTED MISSION.

4. A PROGRAM FOR BUSINESS ENTERPRISES: AS A RESULT OF THE DESTRUCTION AND LOOTING, PRIVATE BUSINESSES LOST INVENTORIES AND OTHER ASSETS. OUR EXPERTS ESTIMATE THE LOSSES TO BE BETWEEN 700 AND 1,200 MILLION US DOLLARS. WE HAVE DESIGNED A PROGRAM FOR THESE BUSINESSES TO START OPERATING AGAIN THROUGH A COMBINATION OF DONATIONS AND LOANS WHICH WILL BE MADE THROUGH LOCAL AND FOREIGN PRIVATE BANKS (PRIMARILY FROM THE U.S.) OPERATING IN PANAMA. THESE BANKS WILL ASSUME THE RISK FOR THESE LOANS. FOR THIS PROGRAM, WE NEED AID TO MAKE UP FOR THE LOSSES -- 50 PERCENT IN LOANS UNDER CONCESSIONARY TERMS AND 50 PERCENT IN DONATIONS.

5. GOVERNMENT LOSSES: AS A RESULT OF THE EVENTS OF DECEMBER 20, THE PANAMANIAN GOVERNMENT SUFFERED LOSSES SUCH AS DESTRUCTION OF BUILDINGS, EQUIPMENT, INSTALLATIONS, AND CIVILIAN MATERIALS WHICH HAVE BEEN ACCOUNTED FOR IN A PRELIMINARY REPORT IN THE AMOUNT OF 35 MILLION US DOLLARS. WE REQUEST FROM YOU A DONATION

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UNCLAS SECTION 03 OF 03 PANAMA 00198

STATE FOR ARA/PAN

AIDAC FOR LAC

E.O. 12356: N/A

TAGS: EFIN, ECON, EAID, PM

SUBJECT: PRESIDENT ENDARA'S LETTER TO PRESIDENT BUSH
TO COVER THE FINAL AMOUNT WHICH WILL BE ESTABLISHED TO
COVER LOSSES.

6. SUPPORT GROUP: THE NORIEGA REGIME BEGAN A PHASE OF
NOT FULFILLING (THEIR OBLIGATIONS) WITH THE
MULTILATERAL FINANCIAL INSTITUTIONS AT THE END OF 1987
AND IN THE BEGINNING OF 1988, COINCIDING IN PART WITH
THE U.S. SANCTIONS. ON DECEMBER 31, 1989, THE
ARREARAGES IN PRINCIPAL AND INTEREST WITH THE THREE
MAIN ENTITIES WAS 536 MILLION US DOLLARS. THE
GOVERNMENT, OVER WHICH I PRESIDE, IS COMMITTED TO
NORMALIZING RELATIONS WITH THESE ENTITIES IN A
RESPONSIBLE MANNER SINCE THESE (ENTITIES) ARE THE BASIC
MECHANISM TO FINANCE A RATIONAL PROGRAM OF PUBLIC
INVESTMENT WHICH THE GOVERNMENT CANNOT DO ON ITS OWN.
FOR THIS REASON, WE REQUEST THAT YOUR GOVERNMENT
PRESIDE OVER A SUPPORT GROUP, FORMED BY THE U.S. AND
OTHER FRIENDLY COUNTRIES, TO CONFRONT WITH OUR SUPPORT
OVER THE SHORT TERM THE EXISTING ARREARAGES, COMMITTING
OURSELVES TO KEEP UP TO DATE, STARTING THIS YEAR.
FINALLY, WE MUST MENTION THAT THE U.S. SOUTHERN COMMAND
HAS BEEN AN IMPORTANT CONTRIBUTOR TO THE LOCAL
ECONOMY. IN THIS SENSE, AN EFFECTIVE WAY TO CONTRIBUTE
TO THE RECOVERY IS TO RESTORE THE LEVEL OF PURCHASES
WHICH WERE MADE PREVIOUSLY TO THE LOCAL ECONOMY, AND TO
BRING US MILITARY DEPENDENTS BACK TO PANAMA AS SOON AS
POSSIBLE. AMERICANS TRADITIONALLY HAVE LIVED WITH THE
PANAMANIAN IN HARMONY UNTIL THE HARRASMENT BEGAN BY
THE THUGS OF THE DEPOSED DICTATOR.
WE ARE CONVINCED, MR. PRESIDENT, THAT THIS REQUEST WILL
BE RECEIVED BY YOU IN THE SPIRIT OF GENEROSITY AND
JUSTICE WHICH HAS ALWAYS CHARACTERIZED THAT GREAT
NATION OVER WHICH YOU PRESIDE, AND WITH THE ASSURANCES
THAT ECONOMIC SUPPORT IS ABSOLUTELY ESSENTIAL TO
RECONSTRUCT OUR COUNTRY AND TO SAVE IT FOR DEMOCRACY.
THUS THE SACRIFICE MADE BY OUR TWO NATIONS WILL BE
MEANINGFUL.

/SIGNED/ GUILLERMO ENDARA-GALIMANY
PRESIDENT OF THE REPUBLIC OF PANAMA

HINTON

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IMMEDIATE

UNCLASSIFIED

0239

WHITE HOUSE SITUATION ROOM

PAGE 01 OF 07

PRT: VANERON

SIT: PRES-MSGs VAX

PREC: IMMEDIATE <CLAS> UNCLASSIFIED <DTG> 102201Z JAN 90

FM AMEMBASSY PANAMA

TO RUEHC/SECSTATE WASHDC IMMEDIATE 7591

INFO RUEHDC/USDOC WASHDC

RUEATRS/DEPTREAS WASHDC

UNCLAS SECTION 01 OF 03 PANAMA 00191

STATE FOR ARA/PAN

AIDAC FOR LAC

E.O. 12356: N/A

TAGS: EFIN, ECON, EAID, PM

SUBJECT: PRESIDENT ENDARA'S LETTER TO PRESIDENT BUSH

- OUTLINING PANAMA'S ECONOMIC SITUATION AND

- ASSISTANCE REQUIRED

1. THE FOLLOWING LETTER WAS PRESENTED TO AMBASSADOR HINTON BY PRESIDENT ENDARA ON JANUARY 9. THE OFFICIAL SPANISH TEXT IS PROVIDED BELOW. UNOFFICIAL ENGLISH TRANSLATION TO FOLLOW.

8 DE ENERO DE 1990

EXCELENTISIMO SENOR

PRESIDENTE DE LOS ESTADOS UNIDOS DE AMERICA

CASA BLANCA

WASHINGTON, D.C.

EXCELENTISIMO SENOR:

ME DIRIJO A UD. EN ESTA PRIMERA OCASION COMO PRESIDENTE DE LA REPUBLICA DE PANAMA, UNA VEZ LOGRADOS LOS OBJETIVOS ENUNCIADOS PARA LA ACCION QUE UD. SE VIO OBLIGADO A TOMAR EL 20 DE DICIEMBRE DE 1989.

ENTENDEMOS A CABALIDAD LA SERIEDAD DE SU DECISION, SEGUROS DE QUE ESA NO ERA SU PREFERENCIA, COMO TAMPOCO ERA LA DE NOSOTROS, CONSCIENTES DE LAS PERDIDAS TAN

UNCLASSIFIED

IMMEDIATE

UNCLASSIFIED

WHITE HOUSE SITUATION ROOM

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DOLOROSAS E INSUSTITUIBLES DE VIDAS HUMANAS DE NACIONALES DE NUESTROS DOS PAISES. HAGO PROPICIA LA OCASION PARA EXPRESARLE NUESTROS SENTIMIENTOS DE PESAR QUE LE ROGAMOS HAGA EXTENSIVOS A LOS FAMILIARES DE LAS VICTIMAS ESTADOUNIDENSES. TAMBIEN ESTAMOS SEGUROS QUE LAS COSAS HABIAN LLEGADO A UN PUNTO EN QUE NO HABIA OTRO CAMINO PARA SALIR DE NORIEGA DESTRUYENDO LA EMPRESA CRIMINAL QUE ESTE HABIA ESTABLECIDO A UN COSTO TAN ALTO PARA LA JUVENTUD DE SU PAIS Y RESTAURAR LA DEMOCRACIA. LIBERTAD. JUSTICIA Y DECENCIA EN PANAMA. AL ASUMIR EL GOBIERNO DE LA NACION NOS ENCONTRAMOS CON UN PAIS EN RUINAS COMO CONSECUENCIA DE VEINTIUN ANOS DE CONTROL POR LOS MILITARES. LOS DESMANES DE LA DICTADURA EN LOS ULTIMOS TREINTA MESES. LAS SANCIONES DEL GOBIERNO DE LOS ESTADOS UNIDOS Y LOS DANOS PRODUCIDOS POR LA ACCION MILITAR INICIADA EL 20 DE DICIEMBRE PASADO Y EL SAQUEO Y DESTRUCCION QUE SE PRODUJERON AL DESMORONARSE LAS ANTIGUAS FUERZAS DE DEFENSA Y DESAPARECER POR ALGUNOS DIAS LA PROTECCION POLICIAL. ALGUNAS DE LAS SENALES DEL COLAPSO SON LAS SIGUIENTES:

- EN LOS ULTIMOS DOS ANOS Y MEDIO EL PRODUCTO BRUTO DE PANAMA HA CAIDO EN MAS DE 25 PORCIENTO. LO CUAL ES IGUAL A LA CONTRACCION QUE EXPERIMENTO SU PAIS ENTRE

1929 Y 1933.

- EL DESEMPLEO URBANO QUE A PRINCIPIOS DE DICIEMBRE ERA DEL 25 PORCIENTO DE LA FUERZA DE TRABAJO, EN ESTOS MOMENTOS SE ACERCA A UN TERCIO Y CONTINUARA EN AUMENTO A MENOS QUE TOMEMOS MEDIDAS DRASTICAS PARA DETENER LA HEMORRAGIA.
- EL SISTEMA BANCARIO FUNCIONA A MENOS DE LA MITAD DE SU CAPACIDAD Y MAS DE CUATRO QUINTAS PARTES DE LOS DEPOSITOS ESTAN CONGELADOS.
- LA ADMINISTRACION PUBLICA ESTA FISICAMENTE DESTRUIDA Y EL PERSONAL DESORIENTADO Y DESMORALIZADO.
- LA DESTRUCCION FISICA DE LOS NEGOCIOS EN LAS

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CUIDADES DE PANAMA Y COLON Y ALREDEDORES ES
GENERALIZADA.

-
- LA SEGURIDAD PERSONAL TODAVIA ES PRECARIA.
- LA CIUDADANIA SE DEBATE ENTRE LAS PERSPECTIVAS DE LA
VIDA DEMOCRATICA Y LA RECONSTRUCCION ECONOMICA FRENTE AL
ALETARGAMIENTO MORAL DESPUES DE TANTOS ANOS DE
CORRUPCION GENERALIZADA. PATERNALISMO Y PERSECUCION.
AFORTUNADAMENTE HEMOS RECIBIDO AYUDA HUMANITARIA QUE
AGRADECEMOS. DE PARTE DE SU GOBIERNO Y ORGANIZACIONES
PRIVADAS DE SU PAIS. ASI COMO DE PAISES AMIGOS. LA
DESCONGELACION DE LOS FONDOS PRODUCTO DE LAS SANCIONES
HA SIDO RAPIDA Y ES NECESARIO QUE LOS ESTADOS UNIDOS
ACTUEN CON IGUAL CELERIDAD DESMONTANDO OTRAS SANCIONES
QUE SE ESTABLECIORON POR LA VIA LEGISLATIVA EN SU
PAIS. NECESIAMOS SIN EMBARGO. MUCHA MAS AYUDA

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UNCLAS SECTION 02 OF 03 PANAMA 00191

STATE FOR ARA/PAN

AIDAC FOR LAC

E.O. 12356: N/A

TAGS: EFIN. ECON. EAID, PM

SUBJECT: PRESIDENT ENDARA'S LETTER TO PRESIDENT BUSH
GENEROSA Y OPORTUNA DE PARTE DE ESTADOS UNIDOS. SI NO
LOGRAMOS INICIAR RAPIDAMENTE LA RECONSTRUCCION DE LA
ECONOMIA, ES BIEN POSIBLE QUE EL SACRIFICIO DE VIDAS
HUMANAS TERMINE SIENDO EN VANO. LA FALTA DE ACCION
OPORTUNA PONDRIA EN JUEGO LA SOBREVIVENCIA DE LA
DEMOCRACIA EN PANAMA CUYA INSTAURACION HA SIDO TAN
COSTOSA QUE NO ES JUSTIFICABLE QUE SE PIERDA POR FALTA
DE APOYO ECONOMICO.

POR NUESTRA PARTE, YA HEMOS TOMADO DECISIONES SUMAMENTE
DURAS Y DIFICILES PARA ENFRENTAR LA SITUACION ECONOMICA
Y FISCAL. PERO EL APOYO DE SU GOBIERNO, TANTO EN FORMA

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DIRECTA, COMO A TRAVES DE INSTITUCIONES MULTILATERALES DE CREDITO Y EN COORDINACION CON PAISES AMIGOS. ES ESENCIAL.

PARA ENFRENTAR LA RECONSTRUCCION ECONOMICA TENEMOS UN PROGRAMA QUE HABIAMOS ELABORADO DESDE PRINCIPIOS DEL AÑO ANTERIOR Y QUE HA SIDO ACTUALIZADO PARA TOMAR EN CUENTA LOS EFECTOS DE LA ACCION MILITAR. ESTE PROGRAMA QUE YA HEMOS DISCUTIDO CON FUNCIONARIOS DE SU GOBIERNO, PROCURA IMPACTAR DIRECTAMENTE EL EMPLEO A TRAVES DE LAS ORGANIZACIONES NO GUBERNAMENTALES Y LOS NEGOCIOS PRIVADOS. NORMALIZAR EL SISTEMA BANCARIO. RESTABLECER LA DISCIPLINA FISCAL Y DESMONTAR LAS CONCESIONES

MONOPOLICAS Y LOS OBSTACULOS AL LIBRE FUNCIONAMIENTO DE LA ECONOMIA QUE HABIA ESTABLECIDO LA DICTADURA. EN TERMINOS CONCRETOS NECESITAMOS SU APOYO ECONOMICO PARA LOS SIGUIENTES ELEMENTOS DE NUESTRO PROGRAMA:

1. CHORRILLO: SU DESTRUCCION HA DEJADO SIN TECHO A 2.500 FAMILIAS. EL PROGRAMA DE CONSTRUCCION DE VIVIENDAS Y LA INFRAESTRUCTURA COMPLEMENTARIA REQUIERE UNA DONACION DE USDOLS 40 MILLONES.
2. FONDO DE EMERGENCIA SOCIAL: SE REQUIERE CREAR 20.000 PUESTOS DE TRABAJO POR DOS AÑOS HASTA QUE LA ECONOMIA SE REACTIVE LO SUFICIENTE PARA LOGRAR UNA REDUCCION SIGNIFICATIVA DEL DESEMPLEO. EL PROYECTO CONSISTE EN UN MECANISMO PARA HACER DONACIONES A OBRAS CON SENTIDO SOCIAL, A TRAVES DE ORGANIZACIONES NO GUBERNAMENTALES QUE GENEREN OCUPACION EN LA BASE DE LA PIRAMIDE SOCIAL. NECESITAMOS UNA DONACION DE USDOLS 200 MILLONES PARA SER UTILIZADOS EN LOS PROXIMOS VEINTICUATRO MESES.
3. SISTEMA BANCARIO: HEMOS SOLICITADO AL DEPARTAMENTO DEL TESORO DE SU GOBIERNO PARA QUE, CON EL FONDO MONETARIO INTERNACIONAL Y EL BANCO MUNDIAL, INTEGREN UNA MISION DE URGENCIA QUE VENGA A PANAMA A AYUDARNOS A

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ELABORAR UN PLAN PARA RESTABLECER EL FUNCIONAMIENTO DEL SISTEMA BANCARIO PANAMENO. LO CUAL ES ESENCIAL PARA LA RECUPERACION. EL PLAN QUE SE ELABORE SEGURAMENTE REQUERIRA LINEAS DE CREDITO DE CONTINGENCIA PARA APOYAR LA LIQUIDEZ DE LOS BANCOS CUANDO SE LEVANTEN LAS RESTRICCIONES QUE EXISTEN SOBRE CIERTOS TIPOS DE DEPOSITOS BANCARIOS. SOLICITAMOS QUE APRUEBE LA PARTICIPACION DEL DEPARTAMENTO DE TESORO EN ESTA MISION Y UNA ACTITUD ABIERTA AL APOYO FINANCIERO QUE SERA NECESARIO A CORTO PLAZO COMO CONSECUENCIA DEL PLAN QUE ELABOREMOS CON LA ASISTENCIA DE LA MISION SOLICITADA.

4. PROGRAMA PARA LOS NEGOCIOS: COMO RESULTADO DE LA DESTRUCCION Y DEL SAQUEO SE HAN PRODUCIDO PERDIDAS DE INVENTARIOS Y OTROS ACTIVOS EN LOS NEGOCIOS PRIVADOS QUE NUESTROS EXPERTOS ESTIMAN ENTRE USDOLS 700 Y USDOLS 1.200 MILLONES. HEMOS CONCEBIDO UN PROGRAMA PARA PONER A FUNCIONAR NUEVAMENTE ESOS NEGOCIOS MEDIANTE UNA COMBINACION DE PRESTAMOS Y DONACIONES QUE SE HARIAN A TRAVES DE LA BANCA PRIVADA NACIONAL Y EXTRANJERA (EN MEDIDA IMPORTANTE DE ESTADOS UNIDOS) QUE FUNCIONA EN PANAMA EN EL CUAL DICHOS BANCOS ASUMEN EL RIESGO. PARA ELLO SE REQUIERE UN APOYO POR EL MONTO DE LA PERDIDA EN LA FORMA DE 50 PORCIENTO EN PRESTAMOS EN CONDICIONES CONCESIONALES Y 50 PORCIENTO EN DONACIONES.

5. PERDIDAS ESTATALES: COMO RESULTADO DE LO OCURRIDO A PARTIR DEL 20 DE DICIEMBRE, EL ESTADO PANAMENO HA SUFRIDO PERDIDAS POR DESTRUCCION DE EDIFICIOS, EQUIPOS, INSTALACIONES Y MATERIALES CIVILES QUE SE HAN REPORTADO EN UN MONTO PRELIMINAR DE USDOLS 35 MILLONES. SOLICITAMOS A UDS. UNA DONACION PARA CUBRIR EL MONTO

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UNCLAS SECTION 03 OF 03 PANAMA 00191

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AIDAC FOR LAC

E.O. 12356: N/A

TAGS: EFIN. ECON. EAID. PM

SUBJECT: PRESIDENT ENDARA'S LETTER TO PRESIDENT BUSH
QUE FINALMENTE SE ESTABLEZCA DE LAS PERDIDAS SUFRIDAS.

6. GRUPO DE APOYO: EL GOBIERNO DE NORIEGA ENTRO EN
UNA SITUACION DE INCUMPLIMIENTO CON LAS ENTIDADES
FINANCIERAS MULTILATERALES ENTRE FINES DE 1987 Y
PRINCIPIOS DE 1988. COINCIDIENDO EN PARTE CON LAS
SANCIONES DE ESTADOS UNIDOS. AL 31 DE DICIEMBRE DE
1989 EL MONTO ATRASADO EN PRINCIPAL E INTERESES CON LAS
TRES ENTIDADES PRINCIPALES ES DE USDOLS 536 MILLONES.
EL GOBIERNO QUE PRESIDIO TIENE EL PROPOSITO DE
NORMALIZAR RESPONSABLEMENTE SUS RELACIONES CON ESAS
ENTIDADES POR SER EL MECANISMO FUNDAMENTAL PARA EL
FINANCIAMIENTO DE UN PROGRAMA RACIONAL DE INVERSIONES
PUBLICAS. PERO NO TIENE LA POSIBILIDAD DE HACERLO POR
CUENTA PROPIA. POR ELLO LE SOLICITAMOS QUE SU GOBIERNO
ACEPTE PRESIDIR UN GRUPO DE APOYO INTEGRADO POR ESTADOS
UNIDOS Y OTROS PAISES AMIGOS PARA ENFRENTAR, CON UN
APORTE NUESTRO A CORTO PLAZO, EL ATRASO EXISTENTE.
COMPROMETIENDONOS A MANTENERNOS AL DIA A PARTIR DE ESTE
MISMO AÑO.

FINALMENTE. DEBEMOS MENCIONAR QUE EL COMANDO SUR DE LOS
ESTADOS UNIDOS HA SIGNIFICADO UNA INYECCION IMPORTANTE
DE RECURSOS PARA LA ECONOMIA DOMESTICA PANAMENA. EN
ESE SENTIDO, UNA MANERA EFECTIVA DE CONTRIBUIR A LA
RECUPERACION ES LA DE RESTITUIR EL NIVEL DE COMPRAS QUE
SE HACIAN ANTERIORMENTE A LOS ABASTECEDORES PANAMENOS Y
TRASLADAR NUEVAMENTE A PANAMA, TAN PRONTO ELLO SEA
FACTIBLE. A LOS DEPENDIENTES DE LOS MIEMBROS DE LAS
FUERZAS ARMADAS DE ESTADOS UNIDOS QUE TRADICIONALMENTE
HABIAN CONVIVIDO CON LOS PANAMENOS EN FORMA ARMONICA,
HASTA QUE SE DESATO LA PRESECUCION DE LAS HUESTES DEL
DERROCADO DICTADOR.

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ESTAMOS CONVENCIDOS SENOR PRESIDENTE. QUE ESTA
SOLICITUD SERA RECIBIDA POR USTED CON EL ESPIRITU DE
GENEROSIDAD Y JUSTICIA QUE SIEMPRE HAN ANIMADO A ESA
GRAN NACION CUYO GOBIERNO USTED PRESIDE Y EN LA
SEGURIDAD DE QUE ES ABSOLUTAMENTE NECESARIO UN APOYO
ECONOMICO EFICAZ PARA RECONSTRUIR NUESTRO PAIS Y
SALVARLO PARA LA DEMOCRACIA. A FIN DE QUE HAGA SENTIDO
EL SACRIFICIO EN QUE HAN INCURRIDO NUESTROS DOS PUEBLOS.

(FIRMADO) GUILLERMO ENDARA GALIMANY
PRESIDENTE DE LA REPUBLICA DE PANAMA
HINTON

BT

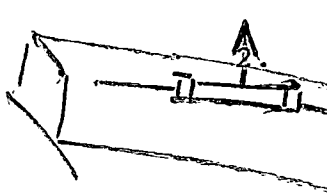
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PARTNERSHIP WITH PANAMA: AN ECONOMIC RECOVERY PROGRAM

The Eagleburger/Robson team has completed a preliminary assessment of Panama's economic condition and prospects. The team recommends that the President immediately:

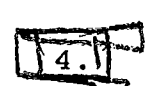
1. Initiate all actions required to remove legislated sanctions to Panama's participation in various trade and financial benefit programs;



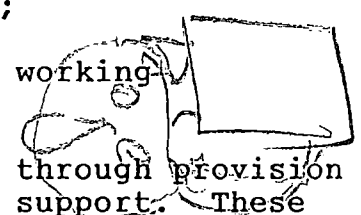
2. Extend immediate humanitarian assistance of \$42 million in grants and loan guarantees to address housing needs of those left homeless, to provide critical employment through emergency public works, to rehabilitate small business and to provide crucial technical assistance;



3. Provide loans, guarantees and market access that will open trade and investment opportunities valued in excess of \$500 million and generate private sector jobs;



4. Direct a series of measures to use DOD muscle to provide economic benefits to Panama;

5. Rebuild and expand the USG economic working relationship with Panama;
 6. Promote sustained economic recovery through provision of an additional \$500 million in US support. These funds would ensure sufficient financing for Panama's import requirements and an appropriate level of credit for business. In addition, such funding would allow the U.S. to play a leadership role in helping Panama normalize its relations with the international financial institutions by eliminating arrears.
- 

All items except No. 6 can be accomplished with existing resources. Taken in its entirety, the proposed program would provide in excess of \$1 billion of support for the economy. The program would address constructively those areas of assistance President Endara raised in his letter to President Bush. (See attachment)

The Economic Situation in Panama

The Endara government, though still at a formative stage, has established an economic team and promulgated the outlines of an open and market oriented economic program. The Canal and oil pipeline are operational, and basic public services are intact.

Panama has a population of 2.4 million. At the end of 1987 its GDP was \$4.3 billion and had been growing during 1985 and 1986 at 2 to 3 percent. The adult literacy rate is estimated at 87%.

The Panamanian economy has deteriorated substantially since mid-1987, with output declining sharply in all sectors except for activities associated with the Canal. Manufacturing production dropped by nearly 25% and construction by over 60%. Overall GDP at the end of 1989 had declined 16% to about \$3.6 billion.

The major causes of this deterioration, in addition to the US sanctions, were increasing political uncertainty, a severe erosion of confidence, a contraction of bank credit and a drop in government expenditure. In particular, public investment fell to less than half its 1987 level.

Budget deficits have jumped from less than 1% to over 10% of income because of an even larger drop in government revenues, both from the sanctions and from the decline in domestic tax revenues as national income fell. Panama does not have chronic fiscal difficulties, and the current deficits are a symptom, not a cause of the economic problems. Raising spending to at least previous levels will be an important element in Panama's recovery. Even with the sanctions removed, budget deficits are likely to continue until output levels have been fully revived.

As a consequence of the weakened domestic economy, the banking sector contracted from a loss of deposits, as international and domestic investors shifted deposits elsewhere. Bank credit to Panama's private sector is 20% below the 1986 level. Restrictions on withdrawing deposits have further disrupted Panama's banking system.

Panama continues to have low inflation, in part because its usage of the U.S. dollars as its currency makes it unable to conduct expansionary monetary policy. This also means that any fiscal deficits must be financed through domestic or foreign

borrowing, foreign assistance or accumulation of arrears. Since 1987, large fiscal deficits were financed by a massive buildup of arrears to all creditors.

Unemployment, estimated at 25% or over 200,000 unemployed workers is a major economic and political problem. In 1987 it was 12%. Also, public sector institutions have been undermined through neglect and pervasive corruption by the previous government.

The capacity for a rapid rebound in the economy is present if: 1) financial stability, credit availability and access to international capital markets are re-established; 2) government investment expenditure is revived; and 3) the new government's actions (including maintenance of public order) inspire confidence on the part of businessmen and bankers. There is a capacity for rapid growth in construction and tourism. The Panamanian business community is astute and well organized.

The Action Plan

The United States already is providing relief to Panama. SOUTHCOM has provided subsistence and temporary shelter at the Balboa High School for 2,800 former residents of the Chorrillo slum area which was burned by retreating PDF forces. AID has provided \$250,000 to continue temporary housing and assistance for those people for 90 days. DOD is providing \$2 million for demolition of the former PDF headquarters at El Chorrillo and AID has contributed \$300,000 to pay private contractors for rubble removal. The contractors are employing former Chorrillo residents on the job. AID is also developing cost and engineering data preparatory to repairing a low-income apartment complex at the Chorrillo site which was heavily damaged by looters. Completion will enable 300 families to return to their former residences.

Private sector initiative is the key to Panama's recovery. Part of the restoration of confidence must come from implementation of the government's economic reform policies, including the dismantling of excessive government intervention and a variety of monopolistic arrangements for favored enterprises. American action must be designed to reinforce the confidence of the private sector. In addition, the Endara Government must act quickly and forcefully to carry out its stated objective of ridding Panama of corruption from all elements of the government in order to set an example for the country.

While we cannot do everything the Panamanian Government and the private sector would wish, moving promptly with a substantial program will send an important signal. The recommended action plan would instill confidence by promptly creating trade and investment opportunities for Panama. The proposed measures provide an opportunity for the President and the Congress to demonstrate strong bipartisan support for the economic success of the new Panamanian government.

PARTNERSHIP WITH PANAMA:
AN ACTION PLAN TO FOSTER ECONOMIC RECOVERY

I. PRESIDENTIAL CERTIFICATIONS AND CONGRESSIONAL ACTIONS TO UNRAVEL SANCTIONS ON PANAMA

The President should authorize statutorily-required consultations, with a view to exercising his authority under section 614 of the Foreign Assistance Act to waive restrictions on assistance programs.

The Secretary of State should certify that Panama has met the four "democratization" criteria of Section 561(a) of the Foreign Operations Appropriations Act.

Similarly, the President should make the necessary narcotics certification under Section 481(h) of the Foreign Assistance Act and Section 802(b) of the Trade Act of 1974.

--In connection with the narcotics certification, a joint resolution approving the President's certification should be enacted in order to avoid statutorily-mandated certification delays in resumption of assistance and benefits.

--We should seek narrow "revocation of sanctions" legislation in connection with this joint resolution within the first week after Congress returns on January 23. This would avoid certain restrictions (e.g. the \$50 million maximum to any country under 614) and demonstrate firm Congressional support and cooperation.

These actions would restore Panama's eligibility for numerous programs and benefits, including:

--Caribbean Basin Initiative, which would open up a wide variety of trade and investment benefits.

--Generalized System of Preferences, which would provide duty-free access to the U.S. for Panamanian products.

--Restoration of Panama's sugar quota, which would allow sales at the higher prices prevailing in the U.S. market.

--Eximbank programs, which would finance exports of U.S. products to Panama.

--OPIC programs, which would finance and insure U.S. investments in Panama.

--Bilateral economic (and security) assistance.

--Allowing affirmative US votes on loans by multilateral development banks.

II. IMMEDIATE, HUMANITARIAN ASSISTANCE

AID: (\$42 million, consisting of \$30 million in previous year ESF deobligated from the Sudan and Somalia programs, \$2 million from ongoing regional programs, plus \$10 million already available, off-budget Housing Investment Guarantee funding)

-- Housing: The President should direct AID to provide \$20 million of replacement housing for 2,500 poor families who lived in the Chorrillo area which was burned by retreating PDF forces. Alternatives, including constructing housing at the old site, are being considered in an effort to reach the best solution to the shelter program. AID grant funds will cover 50 percent of the cost with funding under an AID Housing Investment Guaranty Loan comprising the other 50 percent.

-- Public Works: To address Panama's severe unemployment problem and restore deteriorated infrastructure, the President should direct AID to fund a \$12.0 million emergency public works program, principally for Panama City and Colon, but also including rural areas. This program would be continued beyond this initial phase if funding for additional assistance to Panama is provided.

-- Small Business Rehabilitation Fund: The President should direct AID to fund a \$5.0 million program aimed at helping get back into operation those small businesses suffering losses from looting that do not have access to the formal credit system. This amount could be increased if additional funding for Panama becomes available.

-- Technical Assistance: AID will provide a grant of \$3.0 million to fund technical assistance for GOP agencies in

response to requests for help in developing new budgets, and in preparing plans for reorganizations, divestiture of unnecessary functions, and privatization of government-owned enterprises. An additional \$2 million will be provided from AID funds to begin addressing needs of the moribund justice system and nascent civilian police force.

Corporate Assistance: The President should direct the Secretary of the Treasury and the Secretary of Defense to explore whether it is possible to provide transport under the Denton Amendment and tax deductions for U.S. firms wishing to donate products.

III. LOANS, GUARANTEES AND EXPORT OPPORTUNITIES TO STRENGTHEN PANAMA'S PRIVATE SECTOR AND CREATE JOBS

Export Credit: The President should direct:

- Eximbank and its affiliate, the Foreign Credit Insurance Association (FCIA), to provide up to \$400 million in short term insurance and medium term guarantees to finance sales of American products needed by Panamanian business to replenish inventories and capital equipment.
- AID to use \$15 million in Trade Credit Insurance Program (TCIP) funds authority to support additional Eximbank lending to private sector borrowers.

OPIC: The President should direct the President of the Overseas Private Investment Corporation (OPIC) to reopen its insurance and finance programs to support American private investment in Panama. These programs, combined with OPIC's new equity investment and venture capital efforts, would be intended to facilitate \$50 million in new American private investment in the next 12-18 months. OPIC will lead an investment mission to Panama on February 26 to launch these efforts.

Agricultural Sales: The President should direct the Secretary of Agriculture to initiate, in cooperation with the appropriate USG agencies, the following programs in Panama.

- PL 480 Title I: \$15 million of concessional lending for sales of U.S. vegetable oil, legumes, corn and other miscellaneous commodities.

- GSM 102/103: \$15 million in USDA guarantees to finance sales of US soymeal and miscellaneous commodities.

Sugar Quota: The President should direct the United States Trade Representative:

- to restore Panama's suspended 1990 sugar quota, providing a trade opportunity estimated at \$14 million, while preserving jobs.
- to restore to Panama export opportunities of about \$14 million lost as a result of revocation of its 1989 sugar quota. (This would be accomplished by giving Panama a large enough share of any future increase in the global quota to fully compensate it for the quota lost in 1989.)

CBI/GSP: The President should direct the United States Trade Representative to initiate an educational program to ensure that Panama makes full use of trade benefits under the CBI/GSP programs. We estimate that \$50 million in Panamanian exports could receive duty free entry under these programs in the first year.

Textiles: The President should direct the removal of a burdensome quota on cotton pants, restoring trade benefits worth about \$5 million.

FAA: In order to ease air travel to and from Panama, the President should direct the FAA to conclude a Memorandum of Agreement on the provision of technical assistance to provide, inter alia, for flight inspection of air navigation aids, supply of air navigation parts and equipment, as well as temporary assignment of FAA personnel.

Bilateral Investment Treaty: The President should announce that if GOP agrees, we will re-submit the already-negotiated bilateral treaty to Congress for ratification, thereby providing an assured framework for new investment flows.

Conventions Tax Deduction: To boost Panamanian tourism, the President should announce that we can permit firms, under established tax guidelines, to deduct expenses of conventions held in Panama, if Panama negotiates a

Tax Information Exchange Agreement with us. He should direct the Secretary of the Treasury to immediately contact GOP to explore this action.

Section 936: Similarly, the President can announce that we can make Panama eligible for below-market cost Section 936 funds now held in Puerto Rico, again on condition that Panama negotiates a Tax Information Exchange Agreement.

Financial Team: To address the problems of the Panamanian banking sector, a team of banking experts from the IMF, IBRD, the Treasury Department, and the Fed. will go to Panama on an expedited basis to assess the position of Panamanian banks.

Business Development: The President should direct Commerce Secretary Mosbacher to lead a business development mission of private sector chief executive officers in March. In addition, Commerce is prepared to support Panamanian export missions to the United States, make US traders and investors aware of opportunities in Panama and undertake other cooperative initiatives to stimulate trade and investment.

IV. USING DOD MUSCLE TO SUPPORT THE PANAMANIAN ECONOMY

Preferential Purchase: The President should direct the prompt resumption of preferential buying of Panamanian goods and services by U.S. military authorities, the Panama Canal Commission and all other US Government entities, in accordance with the provisions of the Panama Canal Treaty of 1977.

Highway and Railway Improvements: The President should direct U.S. military authorities to undertake a training program aimed at providing repairs to the Trans-Isthmian Highway and Panama Railway, necessary for support of normal military activities in Panama.

Dependents: The President should direct that the drawdown of U.S. military dependents should cease, and that dependents of U.S. military personnel now stationed in Panama should be authorized to return to Panama once the security situation permits.

Property Transfer: The President should announce U.S. willingness to discuss with appropriate Panamanian authorities an acceleration of property transfers from the U.S. military to Panamanian authorities; for example, the

U.S. might be prepared to consider returning the portions of Fort Amador it retains to the Government of Panama as part of a land development/tourism promotion effort by Panama.

Canal Widening: The President should direct the initiation of diplomatic level talks with Panamanian authorities to examine the widening of the Panama Canal.

V. REBUILD THE USG WORKING RELATIONSHIP WITH PANAMA

The President should direct that:

The Secretary of State eliminate the ceiling on State staffing at the U.S. Embassy in Panama. The Ambassador should propose a new staffing pattern bearing in mind the need to implement the President's program for the country.

The Administrator of AID reopen the AID mission in Panama;

The Secretary of the Treasury send a Treasury attache;

The Secretary of Commerce send an attache and open all the programs of the Foreign Commercial Service;

The Administrator of the Environmental Protection Agency (EPA) review the possibility of administering environmental education programs;

The Secretary of Health and Human Services (HHS) continue core funding for the Gorgas tropical disease lab as a line item in the HHS Congressional budget request, thereby preserving a \$2 million program that sustains 50 jobs; and

The Administrator of the Small Business Administration (SBA) send a team of technical experts to meet with Panamanian public and private officials to foster the creation and growth of small- and medium-sized businesses.

The State Department and the Treasury follow up on implementation of the umbrella narcotics cooperation agreement signed by Panama and the USG on January 9. Treasury should provide the GOP with assistance and seek reciprocal assistance in investigation and prosecution

of cases related to drug trafficking and money laundering. Other agencies should provide assistance in the areas of training, equipment, establishment of an information center, a ship-rider and ship-boarding agreement and customs and coast guard training.

The Department of Agriculture give priority consideration to reestablishing the foot and mouth disease prevention program including a regional diagnostic laboratory in Panama to fight the spread northward of the screwworm in cattle.

The Secretary of State, working with Panamanian and Japanese authorities, urge a resumption of activity by the Panama Canal Alternatives Study Commission.

VI. STAGE TWO: PROMOTING SUSTAINED ECONOMIC RECOVERY

Significant but temporary external economic assistance will be required to assure that Panama's economy returns to a sustained growth pattern. This undertaking will be a partnership involving the United States, Panama, other donor countries and international financial institutions.

The President should therefore seek an additional \$500 million in U.S. assistance. An indicative breakdown of these funds is as follows:

	<u>Amount</u> (millions)
1. <u>Balance of Payments Support/Business Credit</u>	\$185.0
Funds would be used for restocking of inventory, replenishment of capital equipment, and economic reactivation. Assistance would focus on encouraging economic policy reform.	
2. <u>Public Investment Program</u>	145.0

This program would generate employment, increase demand for goods and services, and provide productive investments for the economy. Financing would be provided for road repairs, port maintenance, school repairs and maintenance, scholarships, improvement of basic services and human capital development. Work would be contracted out to private firms.

3. Public Sector Restructuring 20.0

This program would help the new government establish a solid foundation of a smaller, more honest and efficient civilian government that can overcome a legacy of corrupt military domination. Assistance will be provided to address the needs of the moribund justice system and the nascent civilian police force, to strengthen fiscal management and accountability, to help privatize parastatal enterprises, and to replace essential commodities and equipment needed to deliver key public services.

4. Development Support Fund 20.0

This fund will address other important development needs which bear on the country's economic recovery such as initiation of programs for private sector export promotion and watershed protection for the Panama Canal.

5. Normalization of Relations with International Financial Institutions 130.0

Funds would represent a U.S. contribution to an international donor effort to make Panama once again eligible for new lending from the IMF, IBRD and IDB through clearing outstanding arrears.

Total \$500.0

Strategy for Normalizing Panama's Relations with International Financial Institutions

Panama began to accumulate external payment arrears to the international financial institutions (IFIs) at the end of 1987. By end-1989, arrears to the IMF, IBRD, and IDB totalled \$540 million.

The Endara Government is committed to restoring normal relations with the IFIs, including eliminating arrears and keeping current on payments falling due starting in 1990. The GOP views the IFIs as key to renewing a rational long-term public investment program. The IFIs traditionally have been an important source of external credit for Panama, especially for infrastructure projects such as water supply, power and road rehabilitation.

To initiate the restoration of normal relations with the IFIs, the Endara Government has invited the IMF and IBRD to send a team to Panama during the last week of January. During this visit, negotiations will begin on policies that would form the basis of an economic adjustment program. The IMF Board can approve a program for Panama once agreement on policies is reached. However, Panama will not be able to use the Fund's resources until the arrears are cleared.

An IMF-approved program will enable Panama to negotiate a Paris Club rescheduling of official debts. The IMF program also will provide the basis for discussions with commercial banks on an eventual commercial bank financing package.

In the coming months, the IBRD and IDB will develop project pipelines for both structural adjustment and project lending. A total lending program from the IFIs in the range of \$400-500 million is envisioned for Panama in 1990.

The President should direct the Secretary of the Treasury to establish a Support Group of friendly donor countries to help clear Panama's arrears to the IFIs. Treasury will ask the IDB to play a special role in the Support Group and to garner Latin American financial support for Panama.

The timing of the arrears clearing process depends on how quickly financing arrangements can be made. Treasury anticipates arrears to be cleared through a sharing mechanism in which the IFIs, the USG, Panama, and other bilateral donors carry proportionate amounts of the arrears burden. The USG's cash contribution will total \$130 million. The IFI's share will consist of up-front disbursements of policy-based loans to which bridge financing from Treasury's Exchange Stabilization Fund will be arranged. Treasury anticipates that IFI up-front disbursements will total \$150 million.

The GOP already has indicated a willingness to use its own resources to help clear arrears. Under the proposed scenario the GOP would contribute \$130 million to help clear arrears. Panama could put aside the \$130 million remaining in Accounts #2 and #3 at the New York Fed for the purpose of clearing arrears to the IFIs.

Other bilateral donors will be expected to provide a total of \$130 million to the arrears clearing process. Japan is expected to be a key contributor among various bilateral donors and a possible source of co-financing of an IBRD Structural Adjustment Loan. Treasury expects to begin approaching other countries once an IMF team has come back from Panama, a

preliminary understanding is reached on a policy framework, and the USG is prepared to state what resources it is ready to commit.

The President should direct that the United States support an early and generous rescheduling of Panama's debt to foreign governments under the auspices of the Paris Club.

The restoration of normal relations with the IFIs will send a crucial message to the international financial community about the positive direction of the Endara Government's economic policy, laying the foundation for talks with commercial bank creditors. Commercial bank debt totalled \$1.9 billion at end-1989, nearly one-half of Panama's total external public debt. Interest arrears to commercial banks at end-1989 totalled \$433 million. Amortization and interest due on commercial debt in 1989 was over \$500 million. The USG will support the conclusion of a satisfactory financing package for Panama's commercial bank debt that addresses the amount of debt and the level of debt service payments in the context of the Brady plan. Such a package might include a refinancing of arrears, a debt buy-back, and with financial support from the IFIs, debt and debt service reduction instruments.

Informal State Translation
President Endara Letter to President Bush

Your Excellency:

This is the first occasion I have had as President of the Republic of Panama to address you, since the objectives established for the action which you were obliged to undertake on December 20, 1989 have been accomplished. We understand completely the seriousness of your decision, and are convinced that it was not your preference--as it was not ours--given the painful and irreplaceable loss of life of citizens of both our countries. I take this opportunity to express our condolences, and we ask that you convey them to the families of the American casualties. We know the situation had deteriorated so much that there was no other path to take to get rid of Noriega, destroying the criminal enterprise which he had established at the expense of the youth of your country, while restoring democracy, liberty, justice, and decency to Panama.

As we take office, we face a country in ruins as a consequence of twenty-one years of military control, the ravages of the dictatorship of the last thirty months, the sanctions of the United States Government, the damages produced by the military action which began on December 20, and the looting and destruction which occurred when the old Defense Forces disintegrated and police protection disappeared for a few days. Some of the signs of the collapse are the following:

* In the last two and a half years, the Gross Domestic Product of Panama has fallen more than 25%, which is equivalent to the contraction which your country experienced between 1929 and 1933.

* Urban unemployment which was close to 25% at the beginning of December, is now approaching a third of the workforce, and will continue to rise unless we take drastic steps to stop the hemorrhage.

* The banking system is functioning at less than half its capacity and more than four-fifths of deposits are frozen.

* Public administration is physically destroyed and personnel are disoriented and demoralized.

* The physical destruction of businesses in Panama and Colon and their surroundings is generalized.

* Personal security is still precarious.

* Citizens are debating prospects of democratic life and economic reconstruction while confronting the moral devastation which has resulted from so many years of generalized corruption, paternalism, and persecution.

Fortunately, we have received humanitarian assistance for which we are grateful, from your Government and private organizations in your country, as well as from other friendly nations. The unfreezing of assets blocked by the sanctions has been swift, and it is necessary for the United States to act with similar speed to do away with other sanctions established through legislative channels in your country. We need, however, still more opportune and generous assistance from the United States. If we cannot begin our economic reconstruction quickly, it is possible that the sacrifice of human lives will have been in vain. The lack of opportune action could put into play the survival of democracy in Panama, the installation of which was so costly, and the loss of which would be unjustifiable if it were due to a lack of economic support.

We have, for our part, already made extremely difficult decisions to confront the economic and fiscal situation, but the support of your government, directly, through multilateral lending institutions, and in coordination with friendly nations, is essential.

In order to address economic reconstruction, we have a program we put together at the beginning of last year and which has been brought up-to-date to take into account the effects of the military action. The program, which we have discussed with officials of your government, seeks to impact directly on employment through non-governmental agencies and private businesses, normalize the banking system, re-establish fiscal discipline, and disassemble the monopolies and obstacles to a free functioning of the economy which had been established by the dictatorship. In concrete terms, we need your economic support for the following elements of our program:

1. Chorillo: Its destruction has left 2,500 families homeless. The construction of housing and accompanying infrastructure requires a donation of \$40 million.

2. Emergency Social Fund: 20,000 jobs must be created for two years, until the economy is sufficiently reactivated to achieve a significant reduction in unemployment. The project consists of a mechanism to make donations to social works, through non-governmental agencies, which generate employment at the base of the social pyramid. We need a donation of \$200 million to be used in the next 24 months.

3. Banking System: We have asked the Treasury Department of your government to, together with the IMF and the World Bank, set up an urgent mission to travel to Panama to help us put together a plan to re-establish the Panamanian banking system, which is essential for recovery. The plan will clearly require contingency lines of credit to support bank liquidity when restrictions on certain types of bank deposits are lifted. We ask that you approve the participation of the Treasury Department in this mission, and maintain an open attitude toward the financial support which will be needed in the short term as a consequence of the plan we will put together with the mission.

4. Business Program: Destruction and looting have caused loss of inventory and other assets in private businesses which our experts estimate at between \$700 and \$1,200 million. We have conceived a program to put those businesses back to work with a combination of loans and donations, to be made through private national and international banks operating in Panama (with important contributions from the United States), with those banks to assume the risk involved. For this we require support for the total lost, in the form of 50% in loans with concessional conditions, and 50% in the form of donations.

5. State Losses: As a result of the events of December 20, the Panamanian government has suffered losses from the destruction of buildings, equipment, and military and civilian installations, which preliminary reports put at \$35 million. We ask you to donate the funds necessary to cover the final total.

6. Support Group: The Noriega government entered into arrearages with multilateral financial institutions between the end of 1987 and the beginning of 1988, coinciding in part with the imposition of U.S. sanctions. By December 31, 1989, the arrearages in principal and interest with the three principal entities come to \$536 million. My government has the objective of responsibly normalizing its relations with those entities, being as they are the fundamental mechanism for the financing of a rational program of public investment which we cannot handle alone. To this end, we have asked your government to preside over a Support Group integrated by the United States and other friendly countries to confront the arrearages problem with contributions from us in the short term, and a commitment from us to remain current starting this year.

Finally, we must mention that the Southern Command of the United States has provided an important source of revenues for the domestic Panamanian economy. In this sense, an effective way of contributing to recovery would be to reinstate

purchasing from Panamanian suppliers; and return to Panama, as soon as possible, the dependents of Armed Forces personnel stationed in Panama, who had traditionally lived with Panamanians in harmony until a wave of persecution was unleashed by the fallen dictator.

We are convinced, Mr. President, that this request will be met by you with the spirit of generosity and justice which has always characterized the great nation over which you preside, and with the certainty that efficient economic support for the reconstruction of our nation is necessary for the salvation of its democracy; such support would justify the sacrifice which has been made by both our peoples.

Guillermo Endara Galimany
President of the Republic of Panama

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POINTS TO BE MADE FOR NSC MEETING ON
PANAMA

- Thank you Mr. President. I think that your team did do you proud in carrying out your decisions, and in presenting the options.
- I understand that because of preliminary work which has been done there is general agreement on the options presented in the Panama PCC Paper and its draft National Security Directive. Here I expect the principal focus of our discussion will be on the future role of the Panama public force.
- I expect that we should spend most of our time on Larry's and John's paper on an Economic Recovery Program for Panama. Here, I understand that there is general agreement on most of the recommendations for action in the paper, but not on the difficult question of a supplemental appropriation.
- Bill, why don't you lead off with a brief intelligence assessment -- then perhaps Dean Hinton and Max could give us a very brief review of how they view things on the ground.
- Then I would propose that Jim give a quick review of the PCC options paper, that we approve it in principle.
- After that, Jim could present the Economic Recovery Paper.

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PARTICIPANTS

The President
The Vice President
James A. Baker, Secretary of State
Nicholas Brady, Secretary of Treasury
Richard Cheney, Secretary of Defense
Richard Thornburgh, Attorney General
Robert Mosbacher, Secretary of Commerce
Richard Darman, Director, Office of Management and Budget
Carla Hills, United States Trade Representative
John H. Sununu, Chief of Staff
Brent Scowcroft,
Assistant to the President for National Security Affairs
~~Robert M. Gates,~~
~~Assistant to the President and Deputy for National Security~~
~~Affairs~~
William Webster, Director of Central Intelligence
General Colin Powell, Chairman of the Joint Chiefs of Staff
Mark Edelman, Director, Agency for International Development
Deane Hinton, U.S. Ambassador to Panama
General Maxwell Thurman, Commander, ~~SOUTHCOM~~
Acting U.S. Southern Command

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White House Guidelines

E.O. 12958, SEC 3.4 (8) September 11, 2006

By blc NARA, Date 3/13/08

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3

OMB believes we need a better picture of Panama's inflows and outflows before deciding on any additional resources.

A supplemental of any size will require budgetary offsets, most likely from the defense budget. OMB believes it is probable that reductions of DoD budget authority of twice the amount requested for Panama will be needed to offset the outlays for Panama in 1990.

III. PARTICIPANTS

See Tab C.

Attachments

Tab A Agenda
Tab B Points to be Made (with cards)
Tab C List of Participants
Tab D Paper Prepared by PCC
Tab E Eagleburger/Robson Paper
Tab F Endara's Letter to You on Economic Assistance

IV. Press Plan (all caps)

White House photographer only

V. Sequence (all caps)

Following your opening remarks, I will introduce the topic. Bill Webster's intelligence assessment will be followed by Jim Baker's presentations of the Panama Policy Options Paper and the Economic Recovery paper. I will summarize the discussion.

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2005-0954-MR
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NATIONAL SECURITY COUNCIL MEETING

DATE: January 17, 1990

LOCATION: Cabinet Room

TIME: 11:00 a.m. to 12:00 p.m.

PANAMA

Agenda

- I. Opening Statement President
- II. Introduction Brent Scowcroft
- III. Intelligence Assessment William Webster
- IV. Panama PCC Policy Options Paper James Baker
- V. Discussion All Participants
- VI. Economic Recovery Paper James Baker
- VII. Discussion All Participants
- VIII. Summary Brent Scowcroft

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White House Guidelines

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

By blc NARA, Date 3/13/08

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Add On Two

NATIONAL SECURITY COUNCIL ~~DEPUTIES COMMITTEE~~ MEETING

DATE: January 17, 1990
LOCATION: Cabinet Room
TIME: 11:00 a.m. to 12:00 p.m.

PANAMA

Agenda

- I. Opening Statement President
- II. Introduction Brent Scowcroft
- III. Intelligence Assessment William Webster
- IV. Panama PCC Policy Options Paper James Baker
- V. Discussion All *Participants*
- VI. Economic Recovery Paper James Baker
- VII. Discussion All Participants
- VIII. Summary Brent Scowcroft

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

By blc NARA, Date 3/13/08

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Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
011. Memo	To POTUS from Brent Scowcroft re NSC Meeting (with handwritten edits) [redacted] (1 pp.)	1/17/90	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0036 - January 17, 1990 - Panama [1]

Document Partially Declassified
(Copy of Document Follows)
 By SCS on 7/11/14

Date Closed: 3/24/2008	OA/ID Number: 90001-029
FOIA/SYS Case #: 2005-0954-MR	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #: 2005-0954-MR (120)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 12/17/2013

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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(b)(1) National security classified information [(b)(1) of the FOIA]
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 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
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 (b)(9) Release would disclose geological or geophysical information

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THE WHITE HOUSE
WASHINGTON

NATIONAL SECURITY COUNCIL MEETING

DATE: January 17, 1990
LOCATION: Cabinet Room
TIME: 11:00 a.m. - 12:00 p.m.
FROM: BRENT SCOWCROFT

DECLASSIFIED IN PART
PER E.O. 13526

2005-0954-MR
SCS 12/17/13

Center



close up

I. PURPOSE

To Provide direction for future U.S. policy towards Panama.

II. BACKGROUND

Committee
The NSC meeting on Panama will consider two papers. The first, prepared by the Panama PCC and approved by the NSC Deputies (Tab D), concentrates on the nature of the U.S. presence in Panama after Noriega, the new Panama Public Force, law enforcement issues and the configuration of U.S. military forces and dependents. It contains a number of recommendations for an NSD which has consensus agreement by the NSC Deputies.

The principal points of contention were on the nature of the U.S. presence in Panama and the form to be taken by the new Panama Public Force. (b)(1)

(b)(1)
The final language says that the Ambassador's control should be the same as it is with other countries with which we have friendly relations.

On the nature of the new Public Forces, all agree on the need to fragment and reduce their role as much as possible, and to maximize civilian control. Defense and CIA originally supported a small military capability but have agreed that this should be deferred.

The issue is whether we should run the risk of leaving Panama exposed to an undetermined future threat that the PF might not be able to handle alone -- absent a significant combat capability -- versus running the risk that the creation of such a capability now, with weak civilian institutions and military personnel accustomed to dominating the government, could itself be the instrument for destabilizing the democracy it is ostensibly designed to protect.

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cc: Vice President
Chief of Staff

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01n. Time Planning Sheet	re NSC Meeting on Panama (names, dates of birth, and social security numbers redacted) (1 pp.)	1/17/90	(b)(3), (b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0036 - January 17, 1990 - Panama [1]

Date Closed: 3/24/2008	OA/ID Number: 90001-029
FOIA/SYS Case #: 2005-0954-MR	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

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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 (b)(9) Release would disclose geological or geophysical information

NSC TIME PLANNING SHEET

TYPE: NSC
~~NSC/NSPG/PCG/PRG~~

DATE AND TIME: 11/17 11AM

LOCATION: Cabinet Rm

DURATION: 1 hour

SUBJECT: Paranoid

Participants	Invited	Agency Rep.	Date of Birth	Social Security Number	Confirm
VP	☒	<u>James Ford</u>			
STATE	☒	<u>Mr. Baker</u>			
		<u>Donald Cameron</u>			
TREASURY	☒	<u>Nicholas Brady</u>			
		<u>James Ford</u>			
BAKER (PERSONAL)		<u>Charles Hallara</u>		(b)(6)	
DOD	☒	<u>Paul Wolfowitz</u>			
JUSTICE	☒	<u>HGT (Hartman)</u>			
		<u>Robert Rood</u>			
MEESE (PERSONAL)					FAX
JCS	☒	<u>James L. Jones</u>			
		<u>Webster</u>			
CIA	☒	<u>[Redacted]</u>			(b)(3) USC 403g
OMB	☒	<u>Richard L. Garman</u>			
USCIS	☒	<u>John M. McInerney</u>			(b)(6)
WALTERS (PERSONAL)		<u>Commence of Michael Farnen</u>			
ACDA	☒	<u>Mark Edelman</u>			(b)(6)
AID		<u>Frederick F. Hick</u>			
USIA	☒	<u>Carla Hill</u>			(Susan)
USTR		<u>John T. Taylor</u>			X7210 Fax
H. BAKER		<u>Ann B. Smith</u>			
		<u>Don F. [Redacted]</u>			
		<u>[Redacted]</u>			
		<u>John M. Mallett</u>			(b)(6)

COMMENTS:

☐ Principals

☒ Principals-Plus-1

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NSC/S PROFILE

RECORD ID: 9020057
RECEIVED: 11 JAN 90 13

TO: SCOWCROFT

FROM: HAGIN, J

DOC DATE: 10 JAN 90
SOURCE REF:

KEYWORDS: NSC

PERSONS:

SUBJECT: PRES APPROVED ACTIVITY RE NSC MTG 17 JAN

ACTION: FOR RECORD PURPOSES

DUE DATE: 13 SEP 90

STATUS: C

STAFF OFFICER: NONE

LOGREF: 9020049 9020050

FILES: IFM O

NSCP: NS0036

CODES:

DOCUMENT DISTRIBUTION

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DOC 1 OF 1

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RECORD ID: 9020057

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

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THE WHITE HOUSE
WASHINGTONMEMORANDUM

TO: General Scowcroft
FROM: JOSEPH W. HAGIN
SUBJECT: APPROVED PRESIDENTIAL ACTIVITY
EVENT: NSC Meeting
DATE: January 17, 1990 ----- Wednesday
TIME: 11:00 a.m.
DURATION: One Hour
LOCATION: Cabinet Room
ATTIRE: Business suit
REMARKS REQUIRED: Talking Points
MEDIA COVERAGE: White House Photographer only
FIRST LADY PARTICIPATION: No
ADDITIONAL INFORMATION:

CONTACT: _____, _____

TELEPHONE: OFFICE _____ HOME _____

NOTE: PROJECT OFFICER, SEE ATTACHED CHECKLIST

Ed Rogers	Marlin Fitzwater	David Bates
James Cicconi	David Demarest	David Valdez
Fred McClure	Jean Lamb	USSS - PPD
Susan Porter Rose	Sig Rogich	Gary Walters
Patty Presock	John Keller	WHCA Audio/Visual
Chriss Winston	Tim McBride	WHCA Operations
Laurie Firestone	J. Bonnie Newman	C. Boyden Gray
William Kristol	Paul Bateman	John Herrick
Jackie Kennedy		

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RECORD ID: 9020050
RECEIVED: 11 JAN 90 13

TO: AGENCIES

FROM: HUGHES

DOC DATE: 16 JAN 90
SOURCE REF:

KEYWORDS: PANAMA
NSC

AGENDA

PERSONS:

SUBJECT: DISTRIBUTION OF PAPERS FOR NSC MTG ON 17 JAN RE PANAMA

ACTION: HUGHES SGD MEMO TO AGENCIES

DUE DATE: 16 JAN 90

STATUS: C

STAFF OFFICER: PRYCE

LOGREF: 9020049 9020057

FILES: IFM O

NSCP: NS0036

CODES:

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FOR ACTION

FOR CONCURRENCE

FOR INFO
NSC CHRON
PRYCE

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National Security Council The White House

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	SEQUENCE TO	HAS SEEN	DISPOSITION
Dep Exec	<u>1</u>	<u>/</u>	<u>A</u>
Philip Hughes	<u>2</u>	<u>LPB</u>	
Bob Gates			
Brent Scowcroft			
Philip Hughes			
Situation Room			
West Wing Desk	<u>3</u>	<u>mc 1/16</u>	<u>D/N</u>
NSC Secretariat	<u>4</u>	<u>LPMS 4/16</u>	<u>R</u>

A = Action

I = Information

D = Dispatch

R = Retain

N = No further Action

cc: VP Sununu Other _____

Should be seen by: _____
(Date/Time)

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