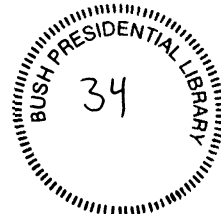




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DIRECTORATE OF INTELLIGENCE

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Panama: The Post-Election Political Landscape

(b)(1); (b)(3) 50 USC 403g

Summary

In the absence of a major US initiative following a fraudulent regime victory in the 7 May elections, we expect Defense Chief Noriega to have little difficulty in consolidating his grip on Panama and eliminating organized opposition to him. In the near term, a regime electoral victory will probably even buttress Noriega's support in the Defense Forces, which has feared that an opposition victory would lead to retaliation against the military. For their part, leaders of the Democratic Opposition Alliance (ADOC) are unlikely to risk regime reprisals by protesting fraudulent elections in the streets. Instead, they and Panamanian exiles will look to Washington for a strong reaction.

(b)(1); (b)(3) 50 USC 403g

Having surmounted the elections challenge, Noriega may find himself under increased pressure from his subordinates in the military to resolve bilateral tensions with the US. We believe he probably will turn his attention to the search for a rapprochement but may calculate that his ability to determine the electoral outcome will lead Washington to resign itself to an accommodation with him. With his confidence boosted by the elections, he will continue to see little reason to offer major concessions or to negotiate himself out of power.

(b)(1); (b)(3) 50 USC 403g

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Potential for Opposition Protests

While some violence is likely in polling places throughout the country when hundreds of opposition voters find themselves stricken from the voting registration list, we judge it unlikely that the election proceedings or fraudulent results will spark general unrest. Democratic Opposition Alliance (ADOC) leaders have made few plans for responding to fraudulent elections other than calls by some for a general strike, and we believe they will be loath to risk regime reprisals against themselves, their families, and properties by fomenting street demonstrations. ADOC leaders are undoubtedly aware of reports that the regime plans to arrest them immediately if they "incite anti-state activities." Moreover, some opposition leaders can be expected to seek refuge on US military bases if the regime follows through on reported preparations to perpetrate violence as an excuse to crack down on opponents. (b)(1); (b)(3) 50 USC 403g

Some of ADOC's supporters are likely to stage spontaneous demonstrations, however, raising the possibility of clashes with regime goon squads. Unorganized sporadic protests may occur in Colon and in some neighborhoods in Panama City, as well as in front of Electoral Tribunal headquarters, where protests occurred after the fraudulent 1984 elections. (b)(1); (b)(3) 50 USC 403g

Nevertheless, we judge that these actions will be shortlived, particularly if regime roughnecks and soldiers are visible on the streets in large numbers. None of the ADOC political parties maintains a large youth wing or a paramilitary capability, and regime opponents lack the organization and leadership--and the kind of logistical support and training available to the dominant ruling party's paramilitary Tendencia faction, for example--to sustain a confrontation beyond a few days. (b)(1); (b)(3) 50 USC 403g

Longer Term Consequences for the Opposition

Opposition leaders are sure to look to Washington immediately for a strong US reaction to the elections results. Most probably

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(b)(1); (b)(3) 50 USC 403g

will feel that they have done everything expected of them by waging an effective electoral campaign, and will almost certainly lobby for direct US intervention to oust Noriega. Some exile leaders may try to strike out on their own to remove the Defense Chief, but their chances of success are dubious, given that their activities have long been closely monitored by Panamanian security forces. In our view, the odds are at least 50-50 that deposed President Delvalle, who has played an increasingly marginal role in opposition politics, will resign before his term of office expires on August 31. (b)(1); (b)(3) 50 USC 403g

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The member parties of the ADOC coalition will probably continue to function but almost certainly will be consigned to the margins in the post-elections political scene. We estimate the regime will limit the opposition to no more than 15 or so of the 67 legislative seats through manipulation of the vote.¹ The Christian Democrats (PDC) are the best organized and most cohesive party in the opposition. As such, it will likely be the most capable of withstanding the effects of a regime crackdown on its leadership and activities. Even so, without broadbased popular support and legislative clout, its influence and room for action will almost certainly decline. Similarly, the small National Republican Liberal Movement (MOLIRENA) will continue as the main vehicle for some business and middle class interests but with reduced membership and influence in the legislature. (b)(1); (b)(3) 50 USC 403g

Other opposition groups probably will retrench and become politically ineffective.

-- The Civil Crusade, composed of pro-ADOC businessmen, is already crippled by the departure of many of its leaders and may be dissolved altogether after the elections. Others in the private sector will see the elections as an opportunity to return to "business as usual" and will hope for relative stability that can bring renewed foreign investment to Panama.

-- Organized labor, with its largely leftist, pro-Noriega leadership, is likely to toe the regime line. Frustrations over late salary payments and the firings of pro-opposition public-sector workers may result in some labor unrest, but we believe the regime will be able to manage it.

(b)(1); (b)(3) 50 USC 403g

¹This excludes Authentic Panamenista Party-Arnulfista legislators led by Hildebrando Nicosia (b)(1); (b)(3) 50 USC 403g

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(b)(1); (b)(3) 50 USC 403g

-- Likewise, Panama's highly nationalist students have not forged any substantial links with the opposition and are unlikely to launch major protests. (b)(1); (b)(3) 50 USC 403g
(b)(1); (b)(3) 50 USC 403g in accordance with a government decree, students will not return to classes until two weeks after the elections--a move intended to head off any possible campus unrest. (b)(1); (b)(3) 50 USC 403g

The Impact of the Elections on Noriega's Support in the Military

We believe a peaceful election--even a blatantly stolen one--will buttress Noriega's support in the military. The Defense Chief's ability to maintain the allegiance of his officers rests largely on their shared determination to retain control of the political arena, and the Defense Forces have played a key role in planning and executing election fraud. (b)(1); (b)(3) 50 USC 403g
(b)(1); (b)(3) 50 USC 403g Noriega's widespread unpopularity, officers appear convinced that the use of fraud to assure a regime victory is justified to protect the Defense Forces from opposition retaliation, and they appear prepared to weather international condemnation. Maintaining even a transparent facade of political legitimacy through the elections will allow the Defense Forces to claim a victory over the US and the domestic opposition. (b)(1); (b)(3) 50 USC 403g

(b)(1); (b)(3) 50 USC 403g

Noriega's Near Term Agenda

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The Defense Chief is unlikely to move Panama sharply to the left following the elections, but he will continue to broaden his sources of outside support, as well as to reduce Panama's economic

dependence on the United States, to maintain leverage with Washington. We believe Noriega will probably look increasingly to Cuba, Nicaragua, and Libya for economic, military, and intelligence assistance, although he will continue to proceed cautiously to avoid antagonizing anti-Communist officers in the Defense Forces and alarming the business community. He probably expects that, absent a strong US reaction, most Latin American governments--except Venezuela, which will probably condemn the election results--will move quickly to recognize the new administration. (b)(1); (b)(3) 50 USC 403g

Panama's economy probably will continue to deteriorate this year, possibly as much as 5 to 10 percent. Business confidence is likely to remain low because of continued poor relations with the United States and limited credit availability, which will encourage capital flight and discourage investment. The continuation of US sanctions may force some US and Panamanian businessmen to relocate to countries that enjoy US trade benefits. However, businessmen from Japan, Taiwan, and South Korea may view Duque's election as a sign of future stability, and begin looking for opportunities for limited new investment. The Colon Free Zone, the Canal, and the large US military presence will continue to provide employment, pumping US dollars into the economy. (b)(1); (b)(3) 50 USC 403g

The Duque administration probably will be able to muddle through over the next year or so by trimming expenditures and implementing revenue-generating measures. The regime is likely to fire some public employees, particularly those who supported the opposition, in conjunction with levying new taxes and fees. Noriega probably is also counting on post-election stability to increase income tax receipts. Panama City, which has run arrears to all of its creditors, is unlikely to receive any new loans from western sources, but Cuba, Nicaragua, and Libya will probably provide low levels of financial and material support. (b)(1); (b)(3) 50 USC 403g

Dealing with the US

Finally, Noriega probably will turn his attention to resolving the political impasse with the United States. He may already be under increased pressure from military officers to find a solution to bilateral tensions. (b)(1); (b)(3) 50 USC 403g

(b)(1); (b)(3) 50 USC 403g

We believe Noriega will continue to try to manage such pressures by testing the waters through intermediaries for signs of any interest in Washington in a rapprochement. Noriega probably will calculate that Washington's failure to dislodge him through the elections may lead US policymakers to resign themselves to the status quo and the need to accommodate him. The Defense Chief will likely use President-elect Duque to make initial overtures in an attempt to press Washington to grant the elections legitimacy. Duque will almost certainly request the immediate release of

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(b)(1); (b)(3) 50 USC 403g

- Panamanian government funds frozen in the United States, calculating that the US will have difficulty justifying their retention after he is installed as Panama's new president in September. The Defense Chief may relax media restrictions and curb the harassment of US citizens to project a moderate image for the new regime and to mollify Washington. Noriega's confidence in his staying power will have been boosted after weathering the elections, however, and he will see little reason to offer significant concessions to the United States.

(b)(1); (b)(3) 50 USC 403g