

THE WHITE HOUSE
WASHINGTON

January 24, 1990

NATIONAL SECURITY DIRECTIVE 34

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF HEALTH AND HUMAN SERVICES
THE SECRETARY OF TRANSPORTATION
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
THE CHIEF OF STAFF TO THE PRESIDENT
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY
AFFAIRS
THE DIRECTOR OF CENTRAL INTELLIGENCE
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
CHAIRMAN, JOINT CHIEFS OF STAFF
ADMINISTRATOR, AGENCY FOR INTERNATIONAL
DEVELOPMENT
ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY
PRESIDENT AND CHAIRMAN, EXPORT-IMPORT BANK
OF THE UNITED STATES
ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION
PRESIDENT AND CHIEF EXECUTIVE OFFICER,
OVERSEAS PRIVATE INVESTMENT CORPORATION

SUBJECT: Partnership with Panama: Action Plan to Foster
Economic Recovery (U)

The U.S. must make every effort to assist the Government of Panama (GOP) and the Panamanian people in their efforts to restore the health of Panama's economy. Private sector initiative, supported by the government's economic reform policies, will be the key to Panama's recovery. To assist Panama, I direct that the following action plan be implemented forthwith: (U)

I. Humanitarian Assistance

The Administrator of the Agency for International Development shall initiate a \$42 million humanitarian assistance program for Panama, covering:

~~CONFIDENTIAL~~

Declassify on: OADR

~~UNCLASSIFIED~~

Declassified/Released on 7-25-9
under provisions of E.O. 12958
by D. Van Tassel, National Security Council

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- replacement housing for the former residents of the Chorillo area;
- an emergency public works program, principally for Panama City and Colon, but also including rural areas;
- small business rehabilitation to assist those businesses affected by the looting that do not have access to the formal credit system; and
- technical assistance to GOP agencies. (U)

The Secretaries of the Treasury and Defense shall develop ways to assist U.S. firms wishing to donate products to Panamanian businesses. (U)

II. Loans, Guarantees and Export Opportunities to Strengthen Panama's Private Sector and to Create Jobs

The President of the Export-Import Bank (Exim) shall, consistent with statutory criteria, provide up to \$400 million in short-term and medium-term guarantees, through Exim and its affiliate, the Foreign Credit Insurance Association, to finance sales of American products. (U)

The Administrator of AID shall, consistent with statutory criteria, use \$15 million in Trade Credit Insurance Program funds authority to support additional Eximbank lending to private sector borrowers. (U)

The President of the Overseas Private Insurance Corporation (OPIC) shall reopen its insurance and finance programs to support American private investment in Panama. (U)

The Secretary of Agriculture shall initiate, in cooperation with appropriate agencies, a \$15 million P.L. 480 Title 1 program and a \$15 million GSM 102/103 program for Panama. (U)

The United States Trade Representative shall:

- restore Panama's suspended 1990 sugar quota and, consistent with U.S. policy, compensate Panama for its foregone 1989 quota;
- initiate an educational program to ensure Panama makes full use of trade benefits under the Caribbean Basin Initiative and Generalized System of Preferences programs; and
- remove the quota on cotton pants. (U)

The Secretary of Transportation shall arrange for the Federal Aviation Administration to negotiate a Memorandum of Agreement

with the GOP on the provision of technical assistance, in order to ease air travel to and from Panama. (U)

The Secretary of State shall, if the GOP so wishes, arrange that the already-negotiated bilateral investment treaty be resubmitted to Congress. (U)

The Secretary of the Treasury shall:

- discuss with the GOP the conclusion of a Tax Information Exchange Agreement (TIEA), thus permitting U.S. firms, under established tax guidelines, to deduct expenses of conventions held in Panama. A TIEA would also make Panama eligible for Section 936 funds;
- working with other interested agencies and organizations, offer technical assistance to the Panamanian banking sector;
- initiate discussions with the GOP with the view toward concluding an agreement pursuant to Section 4702 of the Anti-Drug Abuse Act of 1988 for the exchange of large currency transaction information. (U)

The Secretary of Commerce shall lead a business development mission to Panama and undertake other efforts to stimulate trade and investment with Panama. (U)

III. Department of Defense Assistance

The Secretary of Defense shall:

- resume promptly preferential buying of Panamanian goods and services by U.S. military authorities in Panama, the Panama Canal Commission and all other U.S. entities, in accordance with the provisions of the Panama Canal Treaty of 1977;
- undertake a training program aimed at providing repairs to the Trans-Isthmian Highway and the Panama Railway, necessary for support of normal DOD activities in Panama;
- authorize the return of U.S. military dependents to Panama, when he determines the military situation permits;
- discuss with the GOP an acceleration of property transfers from the U.S. military to Panamanian authorities;
- working with the Secretary of State, examine with the GOP the possibility of widening the Panama Canal. (U)

IV. Rebuilding the U.S. Working Relationship with the GOP

The U.S. Ambassador to Panama shall submit recommendations for staff and programs from other U.S. agencies such as AID, Treasury, Commerce, Agriculture, Health and Human Resources, the Environmental Protection Agency and the Small Business Administration. ~~(C)~~

The Secretary of State, working with the GOP and the Government of Japan, shall urge resumption of the Panama Canal Alternative Study Commission. (U)

V. 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 (IFIs). (U)

The Secretaries of State and the Treasury, in cooperation with the Director of OMB, are directed to seek an additional \$500 million in FY 90 for U.S. assistance to Panama. This amount shall be offset from other programs. They should develop a legislative strategy to support this request. The \$500 million shall be used to help Panama normalize relations with the IFIs for balance of payments support and business credit, for a public investment program, for public sector restructuring and for development support. ~~(C)~~

The Secretary of the Treasury shall 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. (U)

The Secretaries of State and the Treasury shall work for an early and generous rescheduling of Panama's debt to foreign governments under the auspices of the Paris Club. (U)

The Secretary of the Treasury shall work toward 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 strengthened debt strategy. (U)

VI. Oversight

Agencies should report implementation of these activities to the Assistant to the President for National Security Affairs who will coordinate and review the implementation of this economic action program. (U)

By TBL