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The Director of Central Intelligence
 Washington, D.C. 20505

NIC #00923-88
 10 March 1988

National Intelligence Council

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM: Deane E. Hoffmann
 National Intelligence Officer for Economics

SUBJECT: Panama

1. Action: None, this is additional background for the NSPG on Panama.

2. Steve Danzansky told me this morning that the NSC is working on an in-house compromise on IEEPA. Under the compromise, the White House would issue a statement that the USG supports the court efforts of the Delvalle government and would be ready to help if Delvalle lost the court case on transfer of funds. That is, the USG is prepared to invoke IEEPA and to apply it selectively to canal and pipeline revenues, if needed.

3. As to the internal State dispute, EB argues that invoking IEEPA would pit the USG against Panamanians and, hence, would be counterproductive. The ARA argument is that IEEPA would be a safety net under the court order. Further, it would give US banks backing should they be pressured to send cash to Panama.

4. Ted Truman at the Federal Reserve told me that Noriega will ultimately be able to come up with cash overseas, and that the Fed would not be able to detect or block shipments of cash from the United States to replace overseas deliveries to Panama. Truman does not know how long it will take Panama to find enough connections to arrange for these overseas transfers. The importance of this is that no one in the USG can estimate how long it will take for Panama to alleviate its cash problems. One problem for Panama is that foreign banks who might supply cash are at risk that access to compensation might be blocked.

5. It seems to me events are moving very quickly:

-- Noriega cannot use drug money to fill in for hoarded cash shortages. The government needs singles, fives, and tens for cash purposes, not the larger bills used in the trade. Hence, there is no short-term prospect for providing cash for the economy.

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- Payrolls are due next week both for electrical workers and pipeline workers.
- A strike by electrical workers would shut down the pipeline since the pump station at the base of the mountains operates off the grid and has no power backup.

6. Lastly, NSC is trying to get the Bank of Boston to pay that portion of pipeline receipts that cover expenses, withholding only the portion due to Panama. The pipeline company cannot meet next week's payroll because of the bank's interpretation of the court order.

A handwritten signature in black ink, appearing to read "Deane E. Hoffmann".

Deane E. Hoffmann

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SUBJECT: Panama

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Remarks

Executive Secretary

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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March 10, 1988

MEMORANDUM FOR MR. DONALD GREGG
Assistant to the Vice President
for National Security Affairs


MR. MELVYN LEVITSKY
Executive Secretary
Department of State

MR. ROBERT B. ZOELICK
Executive Secretary
Department of Treasury

COL. WILLIAM M. MATZ
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Department of Defense

MR. JOHN N. RICHARDSON
Assistant to the Attorney General
and Chief of Staff
Department of Justice

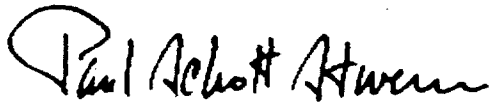
MR. L. WAYNE ARMY
Associate Director for National
Security and International Affairs
Office of Management and Budget


Executive Secretary
Central Intelligence Agency

RADM. JOSEPH C. STRASSER
Executive Assistant to the Chairman
Joint Chiefs of Staff

SUBJECT: National Security Planning Group Meeting
March 10, 1988 (U)

There will be a National Security Planning Group meeting on
Thursday, March 10, 1988 at 2:30 p.m. in the Situation Room.
The agenda for the meeting, which concerns Panama, is attached.
(S)


Paul Schott Stevens
Executive Secretary

Attachment
Agenda

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NATIONAL SECURITY PLANNING GROUP

Thursday, March 10, 1988

Situation Room

2:30 p.m. - 3:30 p.m.

PANAMA

Agenda

- I. Opening Statement..... The President
- II. Introduction..... Colin Powell
(5 minutes)
- III. Intelligence Assessment..... CIA
(5 minutes)
- IV. Policy Recommendations..... State
(15 minutes)
- V. Discussion..... All Parties
(30 minutes)
- VI. Summary..... Colin Powell
(5 minutes)

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