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REITERATING US POLICY SUPPORTING FREE AND OPEN ELECTIONS, THE AMBASSADOR AND DCM INITIATED DISCUSSION ON THE POSSIBLE FIRST STEPS OF AN OPPOSITION GOVERN-MENT SHOULD ARNULFO ARIAS WIN THE ELECTION, SPARKING STRONG CONDEMNATION BY THE CANDIDATES OF GOVERNMENT AND MILITARY CORRUPTION AND THE NEGATIVE IMPACT OF PANAMA'S DEFENSE FORCES (PDF) ON THE DEMOCRATIC PROCESS IN PANAMA. WHILE THE CANDIDATES PROVIDED SOME INDICATIONS THEY ARE TRYING TO ENCOURAGE ARNULFO ARIAS TO ADOPT A LESS BELLIGERENT AND MORE GRADUALIST APPROACH TO NEGOTIATIONS WITH THE PDF, IT APPEARS THEY ARE NOT BEING VERY SUCCESSFUL AND STILL ARE ENGAGED IN FASHIONING A UNIFIED STRATEGY FOR IMPLEMENTING THEIR INTENDED RESTRUCTURING OF THE DEFENSE FORCES. END SUMMARY.

3. ELECTION CLIMATE: AT AN APRIL 18 DINNER TO INTRODUCE SENATORS JOHNSTON AND CHILES TO OPPOSITION CANDIDATES, SECOND VICE-PRESIDENTIAL CANDIDATE RICARDO ARIAS CALDERON CRITICIZED THE EXTENT OF GOVERNMENT INTERFERENCE IN PARTISAN POLITICS, EMPHASIZING THE GOVERNMENT'S NEAR MONOPOLY OF THE MEDIA AND THE STEPPED UP PRESS ATTACKS ON ARNULFO ARIAS' ALLEGED "NAZI" PAST AND COMPLICITY IN THE REPORTED KILLINGS OF JEWS IN CHIRIQUI PROVINCE IN THE EARLY 1940S. WHILE DISMISSING THE ALLEGATIONS AS NOTHING MORE THAN A MALICIOUS SLANDER CAMPAIGN, THE CANDIDATES EXPRESSED CONCERN WITH WHAT THEY SAW AS GOVERNMENT MANIPULATION OF PUBLIC OPINION NOT ONLY IN PANAMA BUT IN THE US AS WELL. SPECIFICALLY, THE CANDIDATES EXPRESSED DISPLEASURE WITH A CABLE NEWS NETWORK (CNN) TELECAST REPLAYING THE "NAZI" THEME AND CLAIMING THE EMBASSY WAS WORRIED THAT AN ARIAS VICTORY WOULD SPARK TROUBLE. THE AMBASSADOR REITERATED THAT THE EMBASSY WAS IMPARTIAL AND HAD NOT BEEN THE SOURCE OF THE CNN STORY, A CLARIFICATION WELCOMED BY THE CANDIDATES. NEVERTHELESS, ARIAS CALDERON VOICED DEEP CONCERN AT THE "UNFAIR ELECTION ATMOSPHERE" CONFRONTING PANAMANIAN VOTERS AND CITED WHAT HE TERMED A PATTERN OF INCREASED PDF INVOLVE-MENT IN POLITICS IN THE PAST WEEKS. HE REFERRED SPECIFICALLY TO THE OPEN "POLITICKING" DEMONSTRATED BY PDF CHIEF GENERAL NORIEGA'S RECENT ORCHESTRATION OF A MARCH THROUGHOUT THE CITY IN SUPPORT OF THE DEFENSE FORCES. THE CANDIDATES STATED THAT THE PDF WAS BEGINNING TO ACT LIKE A POLITICAL PARTY AND'N RIEGA LIKE A CANDIDATE WITH HIS HIGHLY PUBLICIZED TRAVELLING AROUND THE COUNTRY. 4. OPPOSITION'S PROSPECTS AND OUTLOOK: DESPITE THEIR DEPICTION OF AN UNFAIR ELECTORAL CLIMATE AND THEIR OBVIOUS APPREHENSION OF WHAT THE ELECTION MAY BRING, THE CANDIDATES PREDICTED THEY WOULD WIN, POSSIBLY BY A TEN PERCENT MARGIN. THEY ANTICIPATED A LARGE VICTORY AND CLAIMED THAT A WINNING MARGIN OF 100,000 VOTES WOULD BE SUFFICIENT TO SHIELD THEM FROM A PDF IMPULSE TO MOVE AGAINST ARNULFO AFTER THE ELECTION. WITH ANYTHING LESS THE CANDIDATES

BELIEVED THE GOVERNMENT COULD STILL FIND A WAY TO "COOK THE BOOKS" AND STEAL THE OPPOSITION'S VICTORY DESPITE THE INTRICATE AND LABORIOUS VOTING SAFE-GUARDS CONTAINED IN THE ELECTORAL LAW. IN SUCH AN EVENT, THE CANDIDATES REPEATEDLY DISAVOWED ANY SUPPORT FOR THE ISOLATED OUTBREAKS OF CIVIL VIOLENCE THEY FELT PROBABLY COULD RESULT. ARIAS CALDERON SAID THAT IN THE EVENT OF FRAUD, THE OPPOSITION REALISTICALLY HAD NO MEANS WITH WHICH TO RESIST THE OUTCOME. ALTHOUGH E.O. 12356: DECL: OADR

TAGS: PREL, OTRA, PM

SUBJECT: CODEL JOHNSTON DISCUSSES ELECTIONS AND HE DID SUGGEST THE POSSIBILITY OF SOME FORM OF GENERAL STRIKE, HE DID NOT CREDIT THAT OPTION WITH MUCH CHANCE OF PRODUCING ANY REAL CHANGES. WHEN WE RAISED THE QUESTION OF THE,/I OPPOSITION'S WILLINGNESS TO ACCEPT THE DEMOCRATIC RESPONSIBILITY OF CONCEDING DEFEAT IF THEY WERE TO LOSE A FREE AND FAIR ELECTION, ARIAS CALDERON REPLIED THAT IN LIGHT OF ALL THE GOVERNMENT/PDF INTERFERENCE TO DATE, THERE CAN BE NO "FAIR" ELECTION AT THIS POINT THAT ELECTS A GOVERNMENT CANDIDATE. WHILE HE WOULD AGREE THAT THERE WOULD BE A GOVERNMENT IN PANAMA, HE WOULD REFUSE TO CALL IT LEGITIMATE. 5. OPPOSITION'S ATTITUDES TOWARDS PDF IN POST-ELECTION PERIOD:

- THE CANDIDATES WERE UNITED IN THEIR BELIEF THAT PDF CORRUPTION WAS BECOMING GENERALIZED THROUGHOUT SOCIETY, CREATING CYNICISM AND SAPPING THE WILL OF INDIVIDUAL ENTREPRENEURS TO WORK WITHIN THE SYSTEM. IN ARIAS CALDERON'S VIEW, THE PDF'S CONCERNS ARE TWO-FOLD ONLY: IT DOES NOT WANT ITS PAST DEEDS INVESTIGATED AND IT WANTS TO CONTINUE UNDISTURBED WITH THE MONEY-MAKING EMPIRE IT HAS CREATED. - THE QUESTION OF CHANGING THE ROLE OF THE PDF IN AN INCREMENTAL FASHION SHOULD THE OPPOSITION WIN WAS RAISED BY THE AMBASSADOR AND DCM WHO, IN RESTATING THE US INTEREST THAT FREE AND OPEN ELECTIONS TAKE PLACE AND THAT THE LEGITIMATE OUTCOME BE RESPECTED BY ALL PARTIES AND GROUPINGS IN PANAMA, UNDERLINED THE POINT THAT IT WAS IN NO ONE'S INTEREST FOR ANOTHER MILITARY COUP TO TAKE PLACE. BOTH CANDIDATES ASSERTED THAT THEY WISHED TO AVOID A CONFRONTATION. ARIAS CALDERON SPECIFIED THE RELOCATION OF THE PDF BUDGET WITHIN THE STATE BUDGET AS ONE WAY OF RESTORING CONTROL WITHIN A CIVILIAN FRAMEWORK. HE LATER CONFIDED TO THE AMBASSADOR THAT HE HAD TRIED TO DISCOURAGE ARNULFO ARIAS' MORE PROVOCATIVE CAMPAIGN CHARGES AGAINST THE PDF, BUT THE OLD MAN COULD NOT BE SILENCED. SENATOR CHILES TOLD US HE ALSO TALKED WITH RODRIGUEZ ABOUT MODERATION,

AND BELIEVES THE INTERCHANGE MAY HAVE BEEN HELPFUL. - FIRST VICE-PRESIDENTIAL CANDIDATE CARLOS RODRIGUEZ RETURNED TO THE THEME OF PDF CORRUPTION SEVERAL TIMES INSISTING THAT PANAMA WAS AS BAD AS MEXICO ("THE FUSE IS LONGER IN PANAMA, BUT IT'S LIT"). BOTH CANDIDATES WERE UNWILLING TO ACCEPT THE IDEA THAT ANYONE BUT THE OPPOSITION CAN TURN PANAMA FROM THIS RUINOUS COURSE. NEVERTHELESS, ARIAS CALDERON ADMITTED THAT DESPITE SEVERAL MEETINGS BETWEEN OPPOSITION CANDIDATES AND THE PDF SENIOR STAFF, THE OPPOSITION DID NOT HAVE A FIRM IDEA OF THE INTERNAL STRUCTURE OF THE DEFENSE FORCES NOR DID THEY KNOW WHOM THEY WOULD DEAL WITH IN ANY FUTURE NEGOTIATIONS WITH THE MILITARY. 6. COMMENT: BOTH THE PANAMANIAN CANDIDATES AND

SENATORS JOHNSTON AND CHILES APPEARED PLEASED WITH THE OPPORTUNITY TO EXCHANGE VIEWPOINTS IN AN OPEN AND FRANK DISCUSSION. IT ALLOWED US AN EXCELLENT OCCASION TO EXPRESS ONCE AGAIN FULL SUPPORT FOR FREE AND OPEN ELECTIONS IN PANAMA. BRIGGS NNNN

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