

FORM 3007 OBSOLETE PREVIOUS
9-75 EDITIONS

IN 169634

WARNING NOTICE
SENSITIVE INTELLIGENCE SOURCES AND METHODS INVOLVED

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SECRETFURTHER DISSEMINATION AND USE OF THIS INFORMATION SUBJECT TO
CONTROLS STATED AT BEGINNING AND END OF REPORT.

(classification)

OFFICIALS HAS BEEN UNFAVORABLE. [REDACTED] COMMENT: THE PAY CUT WAS ONE OF A NUMBER OF AUSTERITY MEASURES ANNOUNCED BY TORRIJOS DURING A CEREMONIAL SPEECH INAUGURATING THE FELIPILLO SUGAR MILL ON 22 JANUARY.)

2. [REDACTED] COMMENTED THAT THE MAJORITY OF THE GN GENERAL STAFF AND THE CABINET WERE CAUGHT BY SURPRISE WHEN TORRIJOS ANNOUNCED THE AUSTERITY MEASURES ON 22 JANUARY. HE SAID THERE IS A GREAT DEAL OF CRITICISM OF TORRIJOS FOR WHAT MOST OFFICIALS CONSIDER A COSMETIC RATHER THAN REAL ATTEMPT TO RESOLVE THE COUNTRY'S ECONOMIC PROBLEMS. MANY CIVILIAN OFFICIALS, HE SAID, ARE APPALLED BY WHAT THEY REGARD AS TORRIJOS' TOTALLY ARROGANT PRETENSE FOR KNOWING HOW BEST TO DEAL WITH PANAMA'S ECONOMIC SITUATION. [REDACTED] SAID "OPPOSITION TO THESE MEASURES WAS IMMEDIATELY EXPRESSED IN PRIVATE BY MANY GOVERNMENT LEADERS INCLUDING PRESIDENT DEMETRIO BASILIO L A K A S AND VICE PRESIDENT GERARDO G O N Z A L E Z VERNAZA.

3. [REDACTED] SAID THE MOVE WOULD PROBABLY HAVE BEEN BETTER RECEIVED, AND AT LEAST COORDINATED, HAD TORRIJOS DISCUSSED THE MATTER WITH THE GENERAL STAFF AND HIS CABINET RATHER THAN PUBLICLY ANNOUNCING A PROGRAM WITHOUT HAVING THOUGHT THE IDEA THROUGH.

S E C R E T

(b)(3)

(b)(1)
(b)(3)(b)(1)
(b)(3)(b)(1)
(b)(3)(b)(1)
(b)(3)

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[Redacted]

(b)(3)

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[Redacted] SAID TORRIJOS' STATEMENTS ABOUT THE AUSTERITY MEASURES WERE SO VAGUE AND SWEEPING THAT THE GOVERNMENT WAS SUBSEQUENTLY DELUGED WITH REQUESTS FOR CLARIFICATIONS, COMPLAINTS, AND REQUESTS FOR EXEMPTIONS. HE SAID THAT SINCE TORRIJOS HAS ALREADY ACQUIESCED TO SOME REQUESTS FOR EXEMPTION, SUCH AS TEACHERS, DOCTORS AND TECHNICIANS, HE MUST NOW BACK-PEDDLE EVEN MORE, AND POSSIBLY EVEN SCRAP THE PROGRAM.

(b)(1)
(b)(3)

4. [Redacted] SAID HE BELIEVED TORRIJOS BASIC INTENT WAS CORRECT AND GOOD, BUT THAT HIS FAILURE TO PLAN AND COORDINATE HIS THINKING WITH HIS MILITARY AND CIVILIAN ADVISERS; HIS INABILITY TO ARTICULATE THE PLAN, AND HIS RELUCTANCE TO HOLD THE LINE ON EXEMPTIONS HAVE CAST THE PROGRAM'S FUTURE IN DOUBT.

(b)(1)
(b)(3)

5. [Redacted] COMMENT: THE AUSTERITY MEASURES ANNOUNCED BY TORRIJOS UNDOUBTEDLY WERE ALSO INTENDED TO BOLSTER THE IMAGE OF THE GOVERNMENT IN THE PUBLIC EYE. [Redacted]

(b)(1)
(b)(3)

[Redacted] FOR THE FIRST TIME IN RECENT YEARS SENIOR GN OFFICERS ARE CONCERNED ABOUT THE POPULAR IMAGE OF AND SUPPORT FOR THE TORRIJOS GOVERNMENT. THE CHRONIC ECONOMIC AND POLITICAL PROBLEMS WITH THE STUDENT, LABOR AND PRIVATE SECTORS ARE THE SOURCE OF THIS CONCERN. [Redacted]

(b)(1)
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S E C R E T

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(b)(3)

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SAID THAT IN LARGE PART, THE ABUSIVE AND WIDESPREAD CORRUPTION ON THE PART OF CIVILIAN AND MILITARY AUTHORITIES IS RESPONSIBLE FOR THE EROSION OF THE GOVERNMENT'S POPULARITY AND PRESTIGE. HE SAID TORRIJOS AND THE GENERAL STAFF HAVE DISCUSSED "TIGHTENING AND CLEARING UP THE MORE OBVIOUS CORRUPT PRACTICES," BUT NONE OF THE SENIOR GOVERNMENT OFFICIALS WERE ENTHUSIASTIC ABOUT RELINQUISHING THEIR INTERESTS IN EXTRAOFFICIAL OR ILLEGAL MONEY MAKING ENTERPRISES, THUS LITTLE OR NOTHING HAS BEEN DONE TO IMPROVE THE SITUATION.)

6.



(b)(1) (b)(3)

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SECRET