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AUGUST 2, 1993

DEPT OF STATE APPEALS REVIEW PANEL (ARP)

Table with 2 columns: EOW/PA and Mandatory Review. Rows include Release, Excise, Deny, Declassify, Declassify in Part, and Class. Ret/Renew.

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--CUBA: FRAYING AT THE FRINGES

DISCONTENT OVER CUBA'S SERIOUSLY WORSENING STANDARD OF LIVING HAS BEGUN TO TAKE THE FORM OF OPEN PUBLIC DISTURBANCES. CASTRO FACES DIMINISHING OPTIONS AS FRUSTRATION AND ANGER OVER NEW PRIVATIONS OVERCOME FEAR OF REPRESSION.

THE DISASTROUS 1992/93 SUGAR HARVEST (ONLY 60 PERCENT OF LAST YEAR'S PRODUCTION) IS KEEPING THE ECONOMY ON ITS DOWNWARD SLIDE. THE STANDARD OF LIVING, ALREADY FALLEN TO THE LOWEST LEVELS SINCE CASTRO'S RISE TO POWER, CONTINUES TO DETERIORATE. SEVERAL RECENT VISITORS INCLUDING REGULAR TRAVELERS TO CUBA HAVE BEEN SHOCKED AT HOW BAD CONDITIONS HAVE BECOME THIS YEAR. HIT WITH FEAR OF DISEASES (THE OPTICAL NEURITIS EPIDEMIC AFFECTING SOME 40,000 PEOPLE, ANEMIA, BERIBERI, CHOLERA), IMMINENT COUNTRYWIDE HUNGER, AND DECAY OF SERVICES (MEDICINE, EDUCATION, ELECTRICITY, WATER), CUBANS ARE BECOMING MORE

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 OPEN IN EXPRESSING THEIR DISSATISFACTION.

SIMMERING DISCONTENT. THERE ARE SIGNS THAT GROWING DISCONTENT MAY BE NEARING THE BOILING POINT. SEVERAL PUBLIC DISTURBANCES ERUPTED IN THE OUTSKIRTS OF HAVANA ON JULY 9-10 IN APPARENT PROTEST OVER RECENT PROLONGED BLACKOUTS. IN A HALF DOZEN COMMUNITIES, GROUPS OF YOUTHS THREW ROCKS AT PUBLIC BUILDINGS AND CHANTED ANTIGOVERNMENT SLOGANS INCLUDING "ENOUGH OF HUNGER" AND "DOWN WITH CASTRO." ONE OF THE MORE SERIOUS INCIDENTS OCCURRED IN THE TOWN OF SANTA FE, SITE OF A PROTEST IN JUNE BY RESIDENTS ENRAGED WHEN POLICE SHOT AND KILLED A LOCAL YOUTH TRYING TO STEAL A COW.

THESE DISTURBANCES CLOSELY FOLLOW A RIOT IN NEARBY COJIMAR AT THE BEGINNING OF JULY. THREE UNARMED CUBANS WERE KILLED BY BORDER GUARD GUNFIRE DURING AN ABORTED ATTEMPT TO EMIGRATE TO THE US BY BOAT. THE GUARDSMEN AND POLICE (WHO ARRIVED SHORTLY AFTER THE SHOOTINGS TO SUPPORT THE SMALL PATROL) REPORTEDLY REFUSED TO ASSIST OR ALLOW OTHERS TO AID THOSE WOUNDED IN THE WATER. LOCAL RESIDENTS DISOBEYED THESE ORDERS AND HELPED THE

WOUNDED GET TO A HOSPITAL, THEN 150-200 PEOPLE OVERTURNED POLICE CARS AND STONED POLICE OFFICERS WHILE

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CHANTING ANTIGOVERNMENT SLOGANS. MINISTRY OF INTERIOR
TROOPS FINALLY HAD TO BE CALLED IN TO DISPERSE THE MOB.

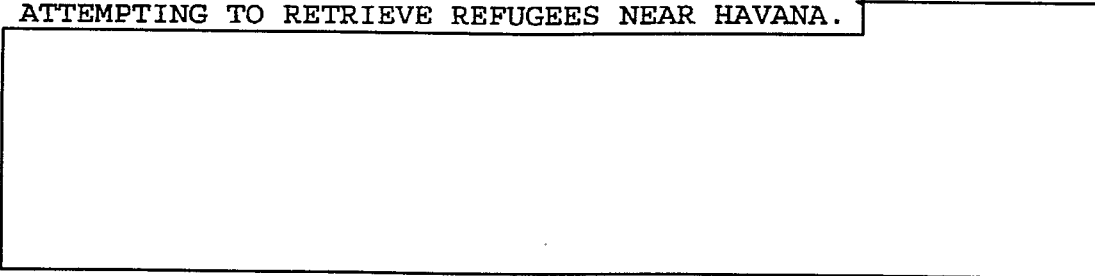
TARGETING DEFECTORS. CASTRO IN RECENT MONTHS HAS TAKEN
A HARD STANCE ON ILLEGAL EMIGRATION, ON SEVERAL
OCCASIONS USING DEADLY FORCE AGAINST WOULD-BE

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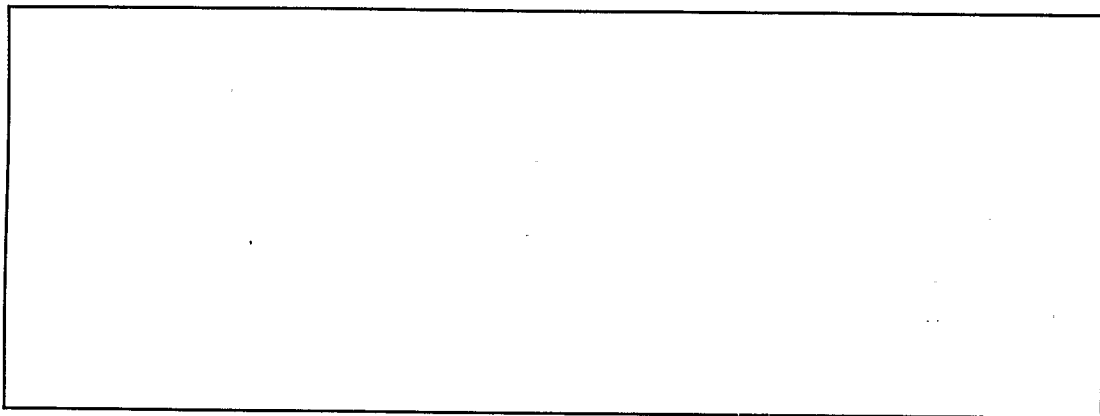
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DEFECTORS. IN FIVE SEPARATE INCIDENTS IN LATE JUNE, THE
CUBAN BORDER GUARD USED HAND GRENADES AND RIFLE FIRE
AGAINST SWIMMERS TRYING TO ESCAPE TO GUANTANAMO US NAVAL
BASE IN SOUTHEASTERN CUBA. FOUR BODIES WERE SEEN BEING
RETRIEVED BY CUBAN FORCES. DURING THE FIRST FOUR DAYS
OF JULY, CUBA CAPTURED THREE MIAMI-REGISTERED BOATS
ATTEMPTING TO RETRIEVE REFUGEES NEAR HAVANA.

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THE CUBAN ACTIONS IN JUNE AND JULY CAPPED A LONGER TERM
EFFORT TO TARGET DEFECTORS. AFTER BEING NEGLECTED FOR
MORE THAN 10 YEARS, THE CUBAN MILITARY MINEFIELD
SURROUNDING THE GUANTANAMO NAVAL BASE RECEIVED A MAJOR
REVAMPING, INCLUDING NEW MINES SET ABOVE GROUND IN CLEAR
WARNING AGAINST TRYING TO ENTER THE US BASE BY LAND. IN
ADDITION, CUBA BEGAN CONSTRUCTING A BRIDGE SPANNING THE
WATER ROUTE TO THE BASE, INCLUDING NEW GUARD POSTS AND
AN ANTISWIMMER WATER FENCE.

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[REDACTED] SOME RECENT EMIGRES CLAIM CUBAN HELICOPTERS HAVE DROPPED STONES ON THEM IN AN EFFORT TO SINK THEIR SMALL RAFTS.

DISCONTENT VS. CONTROL. THE RECENT SPATE OF DISTURBANCES HAVE BEEN RELATIVELY SMALL-SCALE, BUT THE FACT THAT THEY ARE HAPPENING AT ALL IS SIGNIFICANT. CASTRO CONTINUES TO WIELD A FORMIDABLE AND EFFECTIVE INTERNAL SECURITY APPARATUS AND, AS IS EVIDENT FROM THE MAJOR CRACKDOWN ON ACTIVISTS IN DECEMBER AND ARRESTS OF PROTESTERS ON MAY DAY, STILL DOES NOT TOLERATE EVEN MINOR DISSENT.

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--BOLIVIA: GONI TAKES THE REINS

BOLIVIA'S NEW PRESIDENT, NATIONALIST REVOLUTIONARY MOVEMENT (MNR) LEADER GONZALO ("GONI") SANCHEZ DE LOZADA, WILL SEEK TO STRENGTHEN DEMOCRATIC INSTITUTIONS AND RESTRUCTURE THE GOVERNMENT WHILE HE PROMOTES ECONOMIC LIBERALIZATION AND COMBATS CORRUPTION. A PRO-US, AMERICAN-EDUCATED MILLIONAIRE BUSINESSMAN, GONI FACES AN ARDUOUS TASK, BUT POPULAR EXPECTATIONS ARE HIGH.

PEACEFUL TRANSFER OF POWER. IN THE SECOND DEMOCRATIC TURNOVER SINCE DEMOCRACY WAS RESTORED IN 1985, THE CENTRIST MNR WILL BE BACK IN POWER AFTER A FOUR-YEAR HIATUS. GONI WON AN IMPRESSIVE 35-PERCENT PLURALITY IN

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A FIELD OF 14 CANDIDATES IN JUNE'S PRESIDENTIAL CONTEST. TWO OTHER PARTIES HAVE ALLIED WITH THE MNR TO ENSURE A 97-SEAT MAJORITY IN THE 157-SEAT CONGRESS, WHICH OFFICIALLY WILL ELECT GONI PRESIDENT ON AUGUST 6. (ABSENT A MAJORITY WINNER ON ELECTION DAY, THE CONSTITUTION PROVIDES FOR ELECTION OF PRESIDENTS BY THE NEW CONGRESS.)

THE TRANSITION HAS GONE SMOOTHLY. GONI'S SUBSTANTIAL

PLURALITY CONVINCED NEAREST RIVAL HUGO BANZER (21 PERCENT) TO CONCEDE DEFEAT RATHER THAN TRY TO REFORGE THE ANTI-GONI COALITION HE PUT TOGETHER IN 1989 TO DEPRIVE GONI OF THE PRESIDENCY. THIS TIME GONI COULD AFFORD TO SPURN COALITION OFFERS FROM THE INCUMBENT NATIONALIST DEMOCRATIC ACTION-MOVEMENT OF THE

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 REVOLUTIONARY LEFT (ADN-MIR) ALLIANCE AND THE FOURTH-PLACE POPULIST CONSCIENCE OF THE FATHERLAND (CONDEPA). HIS TWO PARTNERS WILL BE A SMALL LEFTIST PARTY (THE FREE BOLIVIA MOVEMENT, MBL), WHICH CAMPAIGNED ON AN ANTICORRUPTION PLATFORM, AND THE THIRD-PLACE POPULIST CIVIC SOLIDARITY UNION (UCS), OF PRESIDENTIAL RIVAL MAX FERNANDEZ.

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GETTING TOUGH. GONI'S PLANS TO GET TOUGH WITH CORRUPTION, AN ENDEMIC PROBLEM WHICH TAINTED INCUMBENT JAIME PAZ'S TERM, PROBABLY WILL LEAD TO THE NAMING OF MBL LEADER ANTONIO ARANIBAR AS ANTICORRUPTION CZAR OR MINISTER OF A RESTRUCTURED JUSTICE MINISTRY. VICE PRESIDENT CARDENAS, AN INDIGENOUS LEADER WHOSE PARTY MERGED WITH THE MNR FOR THIS ELECTION, WILL FOCUS ON "SOCIAL ISSUES," IN KEEPING WITH THE MNR'S PROMISE TO ADDRESS THE PROBLEMS OF BOLIVIA'S HERETOFORE MARGINALIZED INDIGENOUS MAJORITY. THE ARMED FORCES, WHICH MADE GOOD ON PROMISES NOT TO INTERFERE WITH THE VOTE, REMAIN ON THE SIDELINES WITH NO APPARENT APPETITE FOR POLITICAL POWER.

IT'S THE ECONOMY, GONI' THROUGH TWO DEMOCRATICALLY ELECTED ADMINISTRATIONS, BOLIVIA'S PARTIES HAVE COOPERATED IN PROMOTING A MODERATELY SUCCESSFUL ECONOMIC LIBERALIZATION PROGRAM THAT ALL RECOGNIZE AS ESSENTIAL

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TO THE COUNTRY'S ECONOMIC VIABILITY AND INTERNATIONAL CREDIBILITY. GONI CAMPAIGNED LARGELY ON HIS "EVERYBODY'S PLAN ("PLAN DE TODOS"), WHICH CALLS FOR A
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 DIMINISHED ROLE FOR GOVERNMENT, REDUCTION OF THE BUREAUCRACY, AND "CAPITALIZATION" (PRIVATIZATION) OF INEFFICIENT PARASTATAL CORPORATIONS TO MAKE BOLIVIA MORE ATTRACTIVE TO FOREIGN INVESTORS. BUT THE LATTER MAY BE PUT OFF BY THE 49-PERCENT CEILING ON FOREIGN HOLDINGS IN CURRENTLY PUBLIC CORPORATIONS, NOTWITHSTANDING GONI'S ASSURANCES THE MAJORITY OF SHARES WILL BE HELD BY PRIVATE BOLIVIAN CITIZENS RATHER THAN GOVERNMENT.

OTHER CAMPAIGN PROMISES THAT WILL BE HARD TO KEEP

INCLUDE CREATING 500,000 NEW JOBS, REDUCING THE BUDGET DEFICIT TO ZERO OVER FOUR YEARS, DOUBLING EXPENDITURES ON HEALTH AND EDUCATION, AND DEVELOPING RURAL INFRASTRUCTURE. GONI HAS YET TO IDENTIFY THE SOURCES OF FUNDING FOR THESE PROGRAMS OR THE SOCIAL PROGRAMS PROMISED TO THE INDIGENOUS CONSTITUENCY.

GONI'S LONG-TERM GOAL IS "ECONOMIC INDEPENDENCE," MEANING NO MORE FOREIGN AID. FOR THE FORESEEABLE FUTURE, HOWEVER, BOLIVIA WILL REMAIN DEPENDENT ON US AID AND ON CONTINUED BACKING BY INTERNATIONAL FINANCIAL INSTITUTIONS TO COVER ITS BALANCE-OF-PAYMENTS DEFICITS AND TO PROMOTE DEVELOPMENT.

DRUGS. GONI HAS INDICATED HIS DESIRE TO MOVE AHEAD WITH "IMAGINATIVE" PROPOSALS TO REDUCE AND EVENTUALLY ELIMINATE THE COCA BUSINESS FROM BOLIVIA, BUT HE HOPES TO TIE ACTIVE COLLABORATION WITH THE US TO A MASSIVE ALTERNATIVE DEVELOPMENT PROGRAM FUNDED BY INTERNATIONAL FINANCIAL INSTITUTIONS--A PROBABLE NONSTARTER. DURING
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 HIS JULY 9 MEETING WITH ASSISTANT SECRETARY WATSON, GONI PAID LIP SERVICE TO THE POSSIBILITY OF A NEW EXTRADITION TREATY DESIGNED TO FACILITATE PROSECUTION OF DRUG TRAFFICKERS, BUT HE BALKED AT A FORMAL COMMITMENT, PENDING CLARIFICATION OF WHAT BOLIVIA WOULD GET OUT OF

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IT BESIDES US GRATITUDE. (C) (DRAFTED BY JAMES ALLEN)

--NICARAGUA: THINGS FALL APART

THE CHAMORRO GOVERNMENT APPEARS INCREASINGLY ISOLATED AND IMPOTENT. DIALOGUE WITH THE DISAFFECTED NATIONAL OPPOSITION UNION (UNO) IS NOT PRODUCING RESULTS, RURAL VIOLENCE IS GROWING, THE SANDINISTA LEFT IS ATTACKING THE PARTY'S COOPERATION WITH THE GOVERNMENT, AND THE EXPOSURE OF SALVADORAN GUERRILLA (FMLN) ARMS CACHES AND INTERNATIONAL TERRORIST CONNECTIONS AGAIN THREATENS CRITICAL ECONOMIC AID.

NATIONAL DIALOGUE...WHAT HAPPENED? PRESIDENT CHAMORRO'S MUCH-HERALDED ATTEMPT BEGINNING IN MAY TO ENGAGE THE UNO OPPOSITION IN A POLITICAL DIALOGUE HAS STALLED OVER THE ADMINISTRATION'S UNWILLINGNESS TO COMPROMISE ITS GOVERNING ARRANGEMENTS WITH THE SANDINISTAS AND REFUSAL TO AGREE TO UNO'S DEMAND FOR OUTSIDE VERIFICATION OF AGREEMENTS. THE PROPOSAL FOR A GENERAL AMNESTY HAS AROUSED FURTHER SUSPICIONS AND CONTENTION IN UNO, IN VIEW OF GOVERNMENT FAILURE TO RESOLVE A NUMBER OF

NOTORIOUS POLITICAL MURDERS OR FOLLOW UP ON THE TRIPARTITE COMMISSION'S INVESTIGATIONS OF HUMAN RIGHTS VIOLATIONS. IN THE PREVAILING ATMOSPHERE OF DISTRUST
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 AND POLARIZATION, RAPPROCHEMENT WITH CHAMORRO'S FORMER UNO ALLIES APPEARS UNLIKELY.

FSLN GOES ON THE OFFENSIVE. CHAMORRO ALSO IS BESET FROM THE LEFT, WITH SANDINISTA NATIONAL LIBERATION FRONT HARDLINERS CALLING FOR DISTANCING THE FSLN FROM THE GOVERNMENT, REVERSING THE GOVERNMENT'S "HARSH" ECONOMIC POLICY, AND MOBILIZING A "POPULAR STRUGGLE." AT AN IMPRESSIVELY LARGE RALLY ON THE JULY 19 ANNIVERSARY OF THE SANDINISTA REVOLUTION, FORMER PRESIDENT ORTEGA WARNED THAT THE GOVERNMENT WOULD NOT COMPLETE ITS TERM IF IT DID NOT END ITS IMF-INSPIRED ECONOMIC POLICY.

IN RESPONSE TO ORTEGA'S CRITICISM, PRESIDENCY MINISTER LACAYO ANNOUNCED JULY 26 A PAUSE IN THE ECONOMIC STABILIZATION PROGRAM WHILE THE GOVERNMENT UNDERTAKES A MONTHLONG STUDY AND DIALOGUE WITH ECONOMISTS AND OTHER INTERESTED PARTIES, INCLUDING THE SANDINISTAS. THE

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ECONOMIC DIALOGUE MAY PROVE STERILE, HOWEVER, BECAUSE THERE IS LITTLE COMMON GROUND BETWEEN FSLN DEMANDS FOR LOOSE CREDIT AND DEBT FORGIVENESS AND IFI REQUIREMENTS FOR FISCAL RESPONSIBILITY.

OTHER SANDINISTAS HAVE CRITICIZED THE FSLN'S LACK OF POLITICAL DIRECTION AND CALLED FOR A PARTY CONGRESS TO DEBATE AN ALTERNATIVE ROLE. MODERATE SANDINISTA LEADER SERGIO RAMIREZ, OFTEN MENTIONED AS A PRESIDENTIAL CANDIDATE OR RUNNING MATE FOR LACAYO IN 1996, WAS NOTABLY ABSENT FROM THE CELEBRATIONS, AS WAS MILITARY CHIEF HUMBERTO ORTEGA, WHO HAS DISTANCED HIMSELF FROM PARTY ACTIVITIES IN GENERAL AND HIS BROTHER'S MORE

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HARDLINE WING IN PARTICULAR.

VIOLENCE INCREASES IN THE NORTH. MEANWHILE, CHALLENGES TO THE GOVERNMENT'S AUTHORITY IN RURAL AREAS OF NORTHERN NICARAGUA HAVE ESCALATED. FORMER SANDINISTA SOLDIERS (RECOMPAS) ON JULY 21 ATTACKED THE NORTHERN CITY OF ESTELI;

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PERVASIVE INSECURITY IS DISCOURAGING AGRICULTURAL ACTIVITY IN THE NORTH AND HAS CAUSED THE FORMATION OF PRIVATE ARMED PROTECTION SERVICES. THE VIOLENCE REINFORCES THE CHAMORRO GOVERNMENT'S RELIANCE ON HUMBERTO ORTEGA AND THE SANDINISTA-DOMINATED SECURITY FORCES.

CACHES HIGHLIGHT LACK OF CONTROL. THE MAY 23 EXPLOSION OF A SALVADORAN FMLN ARMS CACHE IN MANAGUA AND THE SUBSEQUENT REVELATION OF INTERNATIONAL TERRORIST DOCUMENTS, SAFEHOUSES, AND ADDITIONAL CACHE SITES IN NICARAGUA HAVE SPOTLIGHTED THE GOVERNMENT'S FAILURE TO GAIN CONTROL OVER THE COUNTRY'S SANDINISTA-DOMINATED

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 SECURITY APPARATUS. THE THREATENED SUSPENSION OF US AID AS A RESULT OF THE DISCLOSURE AND EVIDENCE OF SANDINISTA COMPLICITY IS LIKELY TO PLUNGE NICARAGUA INTO ANOTHER ECONOMIC CRISIS. (S) (DRAFTED BY VIVIAN GILLESPIE)

--MEXICO: PRI LAUNCHES POLITICAL REFORMS

RECENTLY ANNOUNCED POLITICAL REFORMS IN MEXICO ARE INTENDED TO SHORE UP THE RULING PARTY'S IMAGE AT HOME AND ABROAD AND TO PREEMPT ANTICIPATED OPPOSITION CHARGES OF FRAUD IN NEXT YEAR'S PRESIDENTIAL ELECTION.

IN EARLY JULY INSTITUTIONAL REVOLUTIONARY PARTY (PRI) PRESIDENT ORTIZ ARANA SURPRISED OBSERVERS BY ANNOUNCING THREE PROPOSALS FOR ELECTORAL REFORM IN ADDITION TO THE MODEST PROPOSALS THE PRI OFFERED IN MID-JUNE. THE PRI'S LATEST PACKAGE GOES FAR TOWARD MEETING THE OPPOSITION'S PRINCIPAL DEMANDS FOR MORE EQUITABLE COMPETITION AND ELECTION TRANSPARENCY. IT MAY HAVE BEEN DESIGNED TO GAIN ENDORSEMENT FROM THE NATIONAL ACTION PARTY (PAN), THE CONSERVATIVE OPPOSITION PARTY.

MORE THAN EXPECTED. THE MEASURES WOULD GIVE EACH STATE A THIRD SENATOR, WHO WOULD COME FROM THE MINORITY PARTY WITH THE MOST VOTES ABOVE A SPECIFIED MINIMUM. AT THE SAME TIME, THE PROCEDURE WHEREBY NEWLY ELECTED CONGRESSMEN RATIFY THEIR OWN ELECTION WOULD BE ENDED. ALSO TO BE SCRAPPED: THE SO-CALLED GOVERNABILITY CLAUSE, WHICH GUARANTEES A SIMPLE MAJORITY IN THE CHAMBER OF DEPUTIES TO THE PARTY THAT WINS AT LEAST 35

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 PERCENT OF THE VOTE. MOST OPPOSITION TO THE REFORMS COMES FROM PRI TRADITIONALISTS WHO BELIEVE THE PARTY IS GIVING UP TOO MUCH.

THE TEPID REFORM PACKAGE SUBMITTED TO CONGRESS IN JUNE PROPOSED FORMATION OF THREE APOLITICAL ELECTORAL COMMISSIONS TO OVERSEE CAMPAIGN FINANCING AND VOTER REGISTRY LISTS AND TO PROVIDE INFORMATION ON THE PHOTO

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ID CARD VOTERS WILL NEED IN 1994. THE REFORMS ALSO WOULD PERMIT INDEPENDENT MEXICAN ELECTION OBSERVERS BUT WOULD MAKE IT MORE DIFFICULT FOR SMALL PARTIES TO OBTAIN FEDERAL FINANCING IF THEY JOIN POLITICAL COALITIONS. THE NEW REGISTRATION REQUIREMENT IS SEEN AS A MOVE TO DETER SMALL PARTIES FROM BACKING PRESIDENTIAL ASPIRANT CUAUHTEMOC CARDENAS OF THE LEFTIST NATIONALIST DEMOCRATIC REVOLUTIONARY PARTY (PRD). THE PACKAGE ALSO INCLUDED REFORMS PROPOSED BY PRESIDENT SALINAS LAST NOVEMBER TO IMPROVE OPPOSITION ACCESS TO THE MEDIA, LIMIT CAMPAIGN SPENDING, AND RESTRICT CAMPAIGN FINANCING.

"RESTRICTED" DEMOCRACY. IN THE FACE OF GROWING OPPOSITION PRESSURE FOR SELF-RULE IN THE FEDERAL DISTRICT, MAYOR CAMACHO--A PRI PRESIDENTIAL ASPIRANT--MANAGED TO LIMIT THE POLITICAL OPENING. NEXT YEAR THE DISTRICT ASSEMBLY WILL GAIN LIMITED LEGISLATIVE AUTHORITY. STARTING IN 1997, THE MAYOR--NOW APPOINTED BY THE PRESIDENT--WILL BE CHOSEN BY THE PRESIDENT FROM THE MAJORITY PARTY IN THE ASSEMBLY AND THEN APPROVED BY THE ASSEMBLY. THE DISTRICT WILL RETAIN ITS "GOVERNABILITY" PROVISION.

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 THE REFORMS WILL CONTINUE TO WORK AGAINST ELECTION OF AN OPPOSITION MAYOR IN MEXICO CITY--HOME TO ABOUT ONE-FOURTH OF THE MEXICAN POPULATION--WHICH VOTED OVERWHELMINGLY FOR CARDENAS FOR PRESIDENT IN 1988. ANY DIRECTLY ELECTED MAYOR, ESPECIALLY ONE FROM THE OPPOSITION, WOULD BE A FORMIDABLE POLITICAL FIGURE AND A POTENTIAL RIVAL TO THE PRESIDENT.

EYE ON LOS PINOS. THE PRI IS GEARING UP FOR NEXT YEAR'S PRESIDENTIAL CAMPAIGN. IT FORMALLY INAUGURATED ELECTION PREPARATIONS IN EARLY JUNE AND IS EXPECTED TO RELEASE ITS NATIONAL ELECTORAL STRATEGY BEFORE THE END OF SUMMER. THE FOCUS IS ON BUILDING A COHESIVE POLITICAL MACHINE READY TO BEGIN THE CAMPAIGN IN EARNEST ONCE SALINAS ANNOUNCES HIS SUCCESSOR EARLY NEXT YEAR.

ANXIOUS PRI. THE PRI'S STRATEGY REFLECTS CONCERN OVER HIGH VOTER ABSENTEEISM IN RECENT STATE ELECTIONS. MODERATES SEEM CONVINCED THAT ELECTORAL REFORM, BY IMPROVING THE CREDIBILITY OF ELECTIONS, WILL ENHANCE THE PARTY'S ABILITY TO ATTRACT ENOUGH VOTERS TO GIVE ITS

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PRESIDENTIAL CANDIDATE THE LEGITIMACY TO GOVERN EFFECTIVELY. IN RECENT GUBERNATORIAL ELECTIONS WON BY THE PRI IN MEXICO AND NAYARIT STATES, OFFICIAL ABSENTEE RATES WERE ABOUT 40 PERCENT, DOWN FROM THE 60 PERCENT OR MORE IN SOME ELECTIONS EARLIER THIS YEAR.

BY ACTING NOW TO IMPROVE THE PERCEPTION OF FREE AND FAIR ELECTIONS, THE PRI HOPES TO UNDERCUT THE CREDIBILITY OF ANTICIPATED OPPOSITION CHARGES OF ELECTORAL FRAUD IN THE AUGUST 1994 PRESIDENTIAL VOTE. THE REFORMS ARE UNLIKELY

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 SIGNIFICANTLY TO AFFECT THE PRI'S DOMINANCE, HOWEVER, THOUGH THEY WOULD REWARD THE PROBUBINESS PAN WHILE THEY WOULD COMPLICATE CARDENAS'S EFFORTS TO FORM AN ALLIANCE OF SMALL PARTIES, AS HE DID IN 1988. CONGRESS WILL CONSIDER THE ELECTORAL REFORMS DURING A SPECIAL AUGUST SESSION. (C) (DRAFTED BY ANGELO IOFFREDA)

--PANAMA: AN ELECTION PRIMER

WITH PRESIDENTIAL AND LEGISLATIVE ELECTIONS IN PANAMA SCHEDULED FOR MAY 1994, A UNIFYING LEADER OR POPULAR CAUSE HAS YET TO EMERGE. THE ENDARA ADMINISTRATION'S CONTINUING UNPOPULARITY HAS RUBBED OFF ON THE POLITICAL ESTABLISHMENT AT LARGE, MAKING IT POSSIBLE FOR GRASSROOTS MOVEMENTS TO PLAY KINGMAKER.

POLITICAL ENNUI. PRESIDENT ENDARA'S WEAK LEADERSHIP AND FAILURE TO DEFINE A CLEAR POLITICAL COURSE HAVE FOSTERED A PERSISTENT, LOW-LEVEL MALAISE. DISAGREEMENTS IN THE RULING COALITION OVER ECONOMIC REFORMS AND POLITICAL PATRONAGE CONTRIBUTE TO A SENSE OF DRIFT. ALTHOUGH THE EXECUTIVE AND LEGISLATIVE BRANCHES ARE STABLE AND FUNCTIONING, THEIR PERCEIVED "CARETAKER" NONCHALANCE AT A TIME WHEN STREET CRIME IS RISING AND JUDICIAL REFORM REMAINS UNADDRESSED HAS COST THEM POPULAR SUPPORT. THAT UNPOPULARITY MANIFESTED ITSELF LAST NOVEMBER WHEN A REFERENDUM TO AMEND NORIEGA'S 1983 CONSTITUTION TURNED INTO A VOTE OF CONFIDENCE IN THE ADMINISTRATION, AND THE GOVERNMENT WAS DEFEATED BY A 2-TO-1 MARGIN.

ECONOMIC WOES. PANAMA'S 1.8-PERCENT INFLATION AND

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 8-PERCENT GDP GROWTH IN 1992 WERE AMONG LATIN AMERICA'S

BEST, BUT THE OFFICIAL UNEMPLOYMENT FIGURE OF 13.6 PERCENT OMITTED PERSONS NO LONGER LOOKING FOR WORK; A PRIVATE PANAMANIAN FIRM ESTIMATES ACTUAL UNEMPLOYMENT AT 27 PERCENT, RISING TO 40 PERCENT IN POCKETS OF SERIOUS POVERTY. OPPOSITION PARTIES IN THE LEGISLATIVE ASSEMBLY ARE BLOCKING THE GOVERNMENT'S PRIVATIZATION PROGRAM, EVEN THOUGH THE SALE OF MONEY-LOSING STATE ENTERPRISES IS A KEY CONDITION FOR MULTILATERAL ASSISTANCE IN REPAYING PANAMA'S FOREIGN DEBT.

THE ADMINISTRATION'S INABILITY TO COME TO TERMS WITH PANAMA'S FOREIGN CREDITORS PUTS AT RISK FURTHER IFI OR COMMERCIAL LOANS TO IMPROVE BASIC PUBLIC SERVICES. PANAMA RECENTLY ANNOUNCED ITS INTENTION TO JOIN THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT), BUT EARLY ACTION ON ADMISSION IS UNLIKELY.

INEFFECTIVE POLICE. MORE THAN THREE YEARS INTO ENDARA'S TERM, THE PANAMANIAN PUBLIC FORCE (FPP) REMAINS FAR FROM THE EFFECTIVE, FULL-FLEDGED NATIONAL POLICE SERVICE ENVISIONED IN 1990 AS THE REPLACEMENT FOR NORIEGA'S DETESTED MILITARY. MANY CURRENT FPP EMPLOYEES PREVIOUSLY SERVED IN NORIEGA'S PANAMANIAN DEFENSE FORCES, AND THE FPP ALSO FACES A POTENTIAL CHALLENGE FROM NUMEROUS PRIVATE SECURITY FIRMS STAFFED LARGELY BY FORMER PDF PERSONNEL. SMALL, INDIGENOUS TERRORIST CELLS DO NOT POSE A LONG-TERM THREAT TO GOVERNMENT STABILITY, BUT THEY CAN CARRY OUT RANDOM BOMBINGS AND OTHER DISRUPTIVE ACTIONS, SOMETIMES WITH THE COLLABORATION OF

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 FPP PERSONNEL. A US SERVICEMAN WAS MURDERED ON THE EVE OF A VISIT BY PRESIDENT BUSH IN JUNE 1992, AND AN ASSASSINATION ATTEMPT AGAINST ENDARA LAST APRIL LED TO THE ARRESTS OF MORE THAN A DOZEN FPP OFFICIALS, INCLUDING A PROVINCIAL POLICE CHIEF.

BACK AT THE LAUNDRY... LOW PAY, INADEQUATE RESOURCES, AND POLITICAL MANIPULATION ALSO MAKE PANAMANIAN COUNTERNARCOTICS OFFICIALS VULNERABLE TO CORRUPTION. ENDARA REMOVED ATTORNEY GENERAL CRUZ LAST NOVEMBER AFTER CRUZ ORDERED THE RELEASE OF US DOLS 38 MILLION IN FROZEN BANK ACCOUNTS BELONGING TO SUSPECTED DRUG TRAFFICKERS.

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DESPITE SEVERAL MAJOR NARCOTICS SEIZURES OVER THE PAST YEAR, BUREAUCRATIC INFIGHTING BETWEEN THE ATTORNEY GENERAL'S OFFICE AND OTHER LAW ENFORCEMENT AGENCIES OFTEN HINDERS THE GOVERNMENT'S OVERALL ANTIDRUG EFFORT. THE ADMINISTRATION CURRENTLY APPEARS TO BE WAVERING OVER

A COMMITMENT TO INCORPORATE MEASURES TO COMBAT MONEY LAUNDERING IN DRAFT BANKING REFORM LEGISLATION THIS YEAR. THESE FACTORS CONTRIBUTE TO PANAMA'S GROWING REPUTATION AS A NARCOTICS TRANSIT POINT AND MONEY-LAUNDERING CENTER.

CANAL TREATIES. SUCCESSFUL IMPLEMENTATION OF THE PANAMA CANAL TREATIES, WHICH REQUIRE THE US TO RETURN THE CANAL AND ALL US MILITARY INSTALLATIONS IN PANAMA BY 1999, REMAINS THE MAJOR CHALLENGE IN BILATERAL RELATIONS. THE LEGISLATIVE ASSEMBLY EARLIER THIS YEAR CREATED A NATIONAL AUTHORITY TO SUPERVISE CONVERSION OF REVERTED

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 US PROPERTIES TO PUBLIC AND PRIVATE USE. LATER THIS YEAR THE ASSEMBLY WILL DEBATE CREATION OF ANOTHER ENTITY TO ADMINISTER THE CANAL AFTER THE US DEPARTURE.

PANAMANIAN IN GENERAL ARE POORLY INFORMED ABOUT ISSUES AFFECTING THE CANAL AND THE MAGNITUDE OF THE TASK BEFORE THEM, SO THEIR APPROACH TO THE TRANSITION IS FRAGMENTED AND PARTISAN. THE FUTURE OF THE CANAL AND OF THE US MILITARY PRESENCE IN PANAMA ALMOST CERTAINLY WILL PLAY A MAJOR ROLE IN THE 1994 ELECTION.

THE "MORNING LINE." ENDARA'S GOVERNMENT WILL BE REPLACED BY ANOTHER COALITION WHOSE CONFIGURATION WILL EMERGE OVER THE NEXT 8-10 MONTHS. THE DEMOCRATIC REVOLUTIONARY PARTY (PRD) REMAINS THE LARGEST SINGLE PARTY AND CONTINUES TO TRY TO DISTANCE ITSELF FROM ITS NORIEGIST PAST, BUT IT CANNOT GOVERN ALONE. THE CURRENT GOVERNING ALLIANCE--ENDARA'S ARNULFISTA PARTY (PA), THE NATIONALIST REPUBLICAN LIBERAL MOVEMENT (MOLIRENA), AND THE AUTHENTIC LIBERAL PARTY (PLA)--ALSO COULD BE RETURNED TO POWER WITH OR WITHOUT ITS FORMER COALITION PARTNER, THE CHRISTIAN DEMOCRATIC PARTY (PDC). THE PRD, MOLIRENA, AND THE PDC ALL FACE SEVERE INTERNAL DIFFERENCES, HOWEVER, WHILE PA AND MOLIRENA DISAGREE OVER WHICH PARTY SHOULD OCCUPY THE PRESIDENCY IN A NEW COALITION GOVERNMENT.

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NEW BLOOD. PUBLIC SQUABBLING AMONG THE ESTABLISHED PARTIES HAS FOSTERED THE EMERGENCE OF MORE THAN A DOZEN POLITICAL MOVEMENTS, RANGING FROM HIGHLY PERSONALISTIC ELECTORAL VEHICLES TO SINGLE-ISSUE GROUPS SERVING SUCH

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 DIVERSE CONSTITUENCIES AS ENVIRONMENTALISTS AND PROTESTANT EVANGELISTS. IF THE PRESENT POLITICAL LEADERSHIP VACUUM PERSISTS, ONE OR MORE OF THESE NEW PARTIES COULD HOLD THE BALANCE OF POWER IN THE NEXT

ADMINISTRATION AND LEGISLATURE. (C) (DRAFTED BY ROBERT L. LUACES)

--PERU: CANTUTAGATE

A CONGRESSIONAL INVESTIGATION OF MILITARY HUMAN RIGHTS ABUSES THAT UNEARTHED EVIDENCE OF DEATH SQUADS HAS EXACERBATED CIVIL-MILITARY RELATIONS AND RAISED QUESTIONS ABOUT THE AUTONOMY OF PERU'S CONSTITUENT ASSEMBLY.

DISAPPEARANCES ARE DECEIVING. ON APRIL 2, CONGRESS (CCD) OPENED AN INVESTIGATION INTO THE "DISAPPEARANCE" AND PRESUMED MURDER OF 10 STUDENTS AND A PROFESSOR--ALLEGED SENDERO LUMINOSO (SL) MEMBERS--FROM LIMA'S LA CANTUTA UNIVERSITY IN JULY 1992. AN OPPOSITION LEGISLATOR WAS GIVEN A PURPORTEDLY FACTUAL ACCOUNT OF THE INCIDENT AUTHORED BY A GROUP OF DISSIDENT MILITARY OFFICERS. A CCD SPECIAL INVESTIGATIVE COMMITTEE SUMMONED ARMY COMMANDING GENERAL HERMOZA TO TESTIFY, BUT ON APRIL 16 THE SUPREME COUNCIL OF MILITARY JUSTICE (CSJM) OPENED ITS OWN CASE, CREATING A JURISDICTIONAL DISPUTE.

HERMOZA TESTIFIED GRUDGINGLY AND EVASIVELY BEFORE THE CCD COMMITTEE ON APRIL 20, REPUDIATING THE DISSIDENT

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 OFFICERS' DOCUMENT, AND ON APRIL 21-22 TANKS PATROLLED LIMA'S STREETS TO DRAMATIZE MILITARY REJECTION OF THE PROBE. IRONICALLY, THE LA CANTUTA INCIDENT HAS BEEN POLITICIZED AND SENSATIONALIZED AT A TIME WHEN

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DISAPPEARANCES AND EXECUTIONS BY SECURITY FORCES HAVE DECLINED DRAMATICALLY.

ROBLES OBLIGES. ON MAY 5 AN ARMY GENERAL WHOSE CAREER HAD HIT A DEAD END REQUESTED POLITICAL ASYLUM AT EMBASSY LIMA IN RETURN FOR COMPLETE INFORMATION ON LA CANTUTA AND OTHER MILITARY HUMAN RIGHTS ABUSES. GEN. RODOLFO ROBLES PUBLICLY CHARGED THAT A SPECIAL UNIT OF THE ARMY'S NATIONAL INTELLIGENCE SERVICE (SIN), ON ORDERS FROM SHADOWY PRESIDENTIAL ADVISER VLADIMIRO MONTESINOS, HAD EXECUTED THE COLLEGIANS WITH HERMOZA'S APPROVAL. SOURCES HAVE TOLD EMBASSY LIMA IT WAS KNOWN IN MILITARY CIRCLES THAT DEATH SQUADS WERE OPERATING UNDER MILITARY INTELLIGENCE AUSPICES.

ROBLES AND HIS FAMILY WERE GRANTED SAFE CONDUCT TO BUENOS AIRES ON MAY 7, AFTER WHICH ROBLES WAS DISCHARGED

AND FORMER COLLEAGUES BEGAN PUBLICLY DENOUNCING HIM AS A TRAITOR. ALTHOUGH GEN. WILLY CHIRINOS, CITED BY ROBLES AS ONE OF HIS SOURCES ON HIT SQUADS, DENIED HAVING FURNISHED HIM SUCH INFORMATION, CHIRINOS HAD BEEN HEAD OF ARMY INTELLIGENCE AND HENCE HAD BEEN PRIVY TO SUCH INFORMATION.

CONTEMPT OF CONGRESS. QUESTIONS ABOUT THE CCD'S AUTHORITY TO COMPEL TESTIMONY FROM MILITARY PERSONNEL

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REMAIN UNRESOLVED. LEGISLATORS WHO SUPPORT PRESIDENT FUJIMORI TRIED TO WEAKEN CONGRESSIONAL INVESTIGATIVE AUTHORITY IN ORDER TO AVOID ANTAGONIZING THE ARMED FORCES AND POSSIBLY DESTABILIZING THE REGIME.

NOTWITHSTANDING A REPORT BY OPPOSITION MEMBERS OF THE CCD'S SPECIAL INVESTIGATIVE COMMITTEE CITING MILITARY INVOLVEMENT IN LA CANTUTA AND URGING THAT HERMOZA BE FIRED, THE CCD PLENUM ON JUNE 26 EXONERATED THE ARMED FORCES AND ASSERTED THAT THEY SHOULD HAVE SOLE AUTHORITY TO INVESTIGATE THE INCIDENT.

SUBSEQUENTLY TOLD EMBASSY LIMA THE MILITARY INVESTIGATION COULD TAKE ABOUT SIX MONTHS.

IMPLICATIONS. THERE IS LITTLE DOUBT THE ARMED FORCES ARE ENGAGING IN A HIGH-LEVEL COVERUP OF LA CANTUTA, AND THE NEGATIVE PUBLICITY HAS PUT BOTH HERMOZA AND FUJIMORI

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ON THE DEFENSIVE. SEVERAL REPORTS OF THE DISCOVERY OF REMAINS THAT COULD BELONG TO THE KIDNAPPED COLLEGIANS BEGAN SURFACING ON JULY 9 BUT WERE DISMISSED BY THE ARMED FORCES AS AN SL-INSPIRED HOAX.

DURING THE CCD INVESTIGATION AND THE ACCOMPANYING CONTROVERSY, FUJIMORI, WHILE SUPPORTIVE OF HERMOZA, HEDGED BY ACKNOWLEDGING THE CCD'S AUTONOMY TO INVESTIGATE. THEN HIS CCD LOYALISTS REBUFFED A VALIANT OPPOSITION EFFORT TO RETAIN INVESTIGATIVE AUTHORITY AND ASSIGN BLAME, SPARING THE PRESIDENT FURTHER INVOLVEMENT.

TO HIS CREDIT, FUJIMORI HAS MADE NOTABLE CONCESSIONS TO INTERNATIONAL HUMAN RIGHTS PRESSURE. WHILE THE MILITARY
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INVESTIGATION OF THE CANTUTA INCIDENT PROCEEDS, HE MIGHT WELL TRY TO DEFLATE THIS ISSUE BY FIRING HERMOZA, SENDING HIM INTO GOLDEN EXILE, OR OFFERING UP SEVERAL TROOPS AS SACRIFICIAL LAMBS. (S) (DRAFTED BY JAMES ALLEN) WHARTON

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