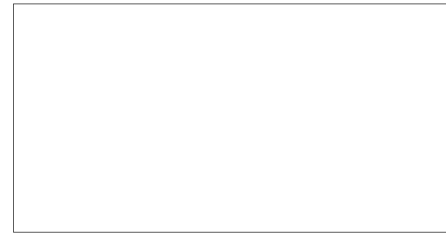




**Director of
Central
Intelligence**

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*Thursday
8 September 1983*

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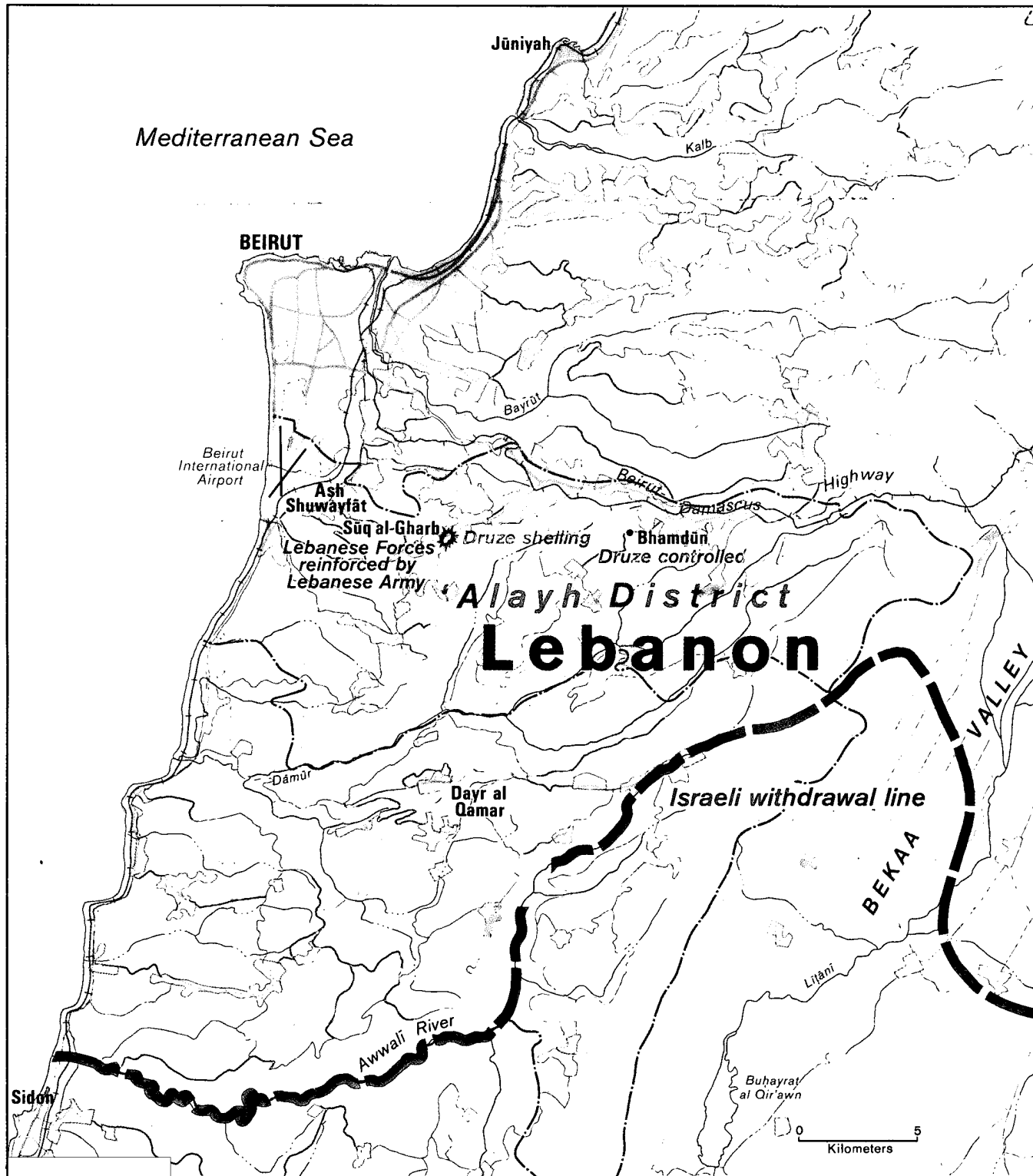
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LEBANON: Druze Militia Consolidating Positions

The Lebanese Army is unable to avert Druze attacks that are likely against Christian civilians in the eastern Alayh District. 


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Army units, deployed within a 10-kilometer radius of Beirut, cannot expand their area of control to oppose Druze forces advancing on the Christian town of Dayr al Qamar. Up to 40,000 Christian refugees are at the town, which is suffering from food and water shortages. The government is requesting MNF protection for Red Cross convoys sent to Dayr al Qamar. 

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Druze units also are moving toward Suq al Gharb. The Lebanese Army reinforced Christian Lebanese Forces militia units there on Tuesday. 


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French aircraft overflew suspected Druze artillery positions yesterday in reaction to the shelling of the French Embassy compound in which three French soldiers were killed. 


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Comment: The threat of renewed Muslim violence in Beirut is preventing major Army deployments beyond their current positions into the Alayh and Shuf Districts. Army and Lebanese Forces units probably can prevent the Druze from capturing the strategic high ground of Suq al Gharb, but the Army is not likely to attempt a move further into the mountain region. A massacre of Christian refugees is possible at Dayr al Qamar. 

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Palestinians are fighting alongside Druze militiamen. Several hundred Palestinian fighters may have participated in the Druze attack on Bhamdun on Monday. Syria almost certainly directed the Palestinians to join in the fighting. 

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WESTERN EUROPE: More Reactions to Shootdown

West European governments continue to support the US position on the Soviet downing of the South Korean airliner, but decisions on sanctions are not yet firm. [Redacted]

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The Greek cabinet refusal on Monday to join a strong condemnation of the Soviets by the 10 EC members in Madrid or to accept a compromise has prevented a statement on the issue by the EC. The other nine members are continuing to urge Greece to join with them at the CSCE in a denunciation of the shootdown. In their speeches in Madrid yesterday, the Foreign Ministers of Spain, the UK, Canada, and West Germany denounced Moscow for shooting down the Korean plane. [Redacted]

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Several West European states are expressing doubt that their legal obligations permit them to abrogate bilateral air traffic agreements with the USSR. Belgian Foreign Minister Tindemans, however, says that Brussels may take symbolic actions, possibly including a denial of landing rights to Aeroflot. [Redacted]

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Meanwhile, in response to the call on Tuesday by the International Federation of Airline Pilots Associations for a 60-day ban on Soviet air traffic, the national pilots' organizations of France, the UK, Norway, Sweden, and Denmark have announced that they will participate in the boycott. West German pilots are urging Lufthansa to join in. [Redacted]

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Comment: West European nations will continue to castigate the Soviets on this issue in Madrid, the Security Council, and probably the International Civil Aviation Organization. Most West European governments will not make final decisions on the form and extent of sanctions or other diplomatic actions, however, until their foreign ministers return from Madrid. Some are likely to want further consultations with their NATO or EC partners before taking any actions. [Redacted]

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Some states, including Ireland—to which Aeroflot business is significant—will be reluctant to join a government-sponsored civil aviation boycott even for a limited period. Nevertheless, the airline pilots' ban is preempting some official decisions, and some West European governments may consider it more effective than government action. [Redacted]

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NETHERLANDS: Parliamentary Resolution on INF

The Dutch parliament has adopted a resolution urging that British and French nuclear systems be included in arms control negotiations.

[Redacted]

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The motion was supported by the governing Christian Democrats and various leftwing parties. It was opposed by the Liberals, who are coalition partners of the Christian Democrats.

[Redacted]

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Dutch officials have for some time said that British and French systems should be included eventually in arms control talks. Foreign Minister van den Broek reiterated this position during the debate, while continuing to oppose inclusion in the current INF negotiations. The British have expressed concern about the motion to the Dutch Government.

[Redacted]

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Comment: The resolution is nonbinding, and Christian Democratic leaders apparently allowed it to pass in order to head off a more negative proposal. The leaders probably were concerned that the stronger motion would have drawn support from within their party and could have caused divisions in its ranks.

[Redacted]

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Van den Broek's comment that he would "raise the issue" of including British and French forces in the START talks commits the government to very little. It has probably allowed him to fend off pressure from within the Christian Democratic Party for the moment. Nevertheless, the vote is a further indication of the desire of Dutch politicians to achieve an arms control agreement in order to avoid INF deployment in the Netherlands.

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PANAMA: Presidential Candidate Withdraws

Retired National Guard Commander Paredes, in a surprise move, has announced he will not be a candidate in the presidential elections next year. [Redacted]

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The prepared statement issued on Tuesday by Paredes indicated that he sought to avoid a heated electoral campaign that would divert attention from the country's economic problems. Paredes added that a victory at the polls probably would be attributed to his ties to the Guard, rather than to his own qualifications, and that a loss would damage the Guard's standing. [Redacted]

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Comment: Paredes—long considered the presidential front-runner—may have been forced to reassess government support for his candidacy following the removal earlier this week of several cabinet officers considered loyal to him. In addition, new National Guard Commander Noriega recently has sought to assure the political opposition that the military will remain neutral in the coming elections, thus implying that he no longer supports Paredes's candidacy. [Redacted]

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In line with his major theme of national unity, Paredes had hoped to win support for his candidacy from a significant portion of the opposition, as well as from the government and leftist parties. The failure of this theme to catch on, however, may have contributed to his decision not to run. [Redacted]

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On the other hand Paredes may merely be testing the extent of his popular support, hoping that his withdrawal will prompt widespread pleas that he reconsider. He also may be attempting to draw out his potential opponents, using a temporary withdrawal as a ploy. In the past Paredes has often retracted ill-advised or hasty announcements when they did not secure the response he wanted.

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USSR-WESTERN EUROPE: Threats of Retaliation Against INF

In the most categorical statement by an authoritative Soviet Foreign Ministry official so far, USA Department Chief Bessmertnykh told the Belgian Ambassador on 31 August that the Soviets would respond to INF deployments by "stopping" the INF negotiations. He said they also would end the moratorium on SS-20 deployment in Europe. In addition, they would take some unspecified "political" action in Europe and develop a strategic response that would put the US in the same position in which the US INF deployments put the USSR. Bessmertnykh stated the West should not expect missiles in Cuba or Nicaragua. [redacted]

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Comment: Most Allies take such threats seriously and assume that Moscow may break off negotiations temporarily when INF basing begins in December. West European leaders are concerned about the effect on public opinion, but this tactic almost certainly will not delay deployments. At the meeting of the NATO Special Consultative Group last Friday, however, the West German and British representatives urged the US to publicize its willingness to continue talks after deployments begin. [redacted]

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DENMARK: Crucial Vote on Budget

The center-right coalition government of Prime Minister Schlueter probably will survive a special budget vote tomorrow. Influential members of the rightwing, antitax Progress Party, which normally supports the government, have threatened to bring it down by voting against the reduction of subsidies to local governments. Schlueter is threatening to call an early election if the government loses. [redacted]

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Comment: The one-year-old minority government has consistently staked its existence on an economic austerity program designed to reduce large deficits in the federal budget and in international payments. Schlueter's chances rest on the reluctance of most of the parties to have an election now. Nevertheless, the government probably will offer the Progress Party a compromise, such as an income tax reduction, in order to retain its support. [redacted]

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EL SALVADOR: Guerrillas Withdraw

The situation in San Miguel remains quiet, according to the US defense attache. The Army has had to send only a small detachment to reinforce the city. Salvadoran military sources acknowledge losses of 19 killed and 35 wounded in the recent action, but they have provided no information on insurgent losses. [Redacted]

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Comment: The guerrillas apparently have withdrawn completely from the area. The hit-and-run attack on San Miguel inflicted heavy casualties on the defenders, destroyed three road bridges and one railroad bridge, and gained considerable publicity. Although the attack has not regained the military initiative for the guerrillas, it demonstrates that the insurgents still have the resolve and strength to strike hard at government troops and installations. [Redacted]

[Redacted]

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CHINA-US: Trade Restrictions Lifted

Beijing has announced that it is lifting prohibitions against purchases of US cotton, synthetic fibers, and soybeans and restrictions on imports of other US agricultural products. These measures have been in effect since January, when Beijing retaliated against US quotas on textile imports. A new bilateral textile trade agreement was signed last month. [Redacted]

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Comment: The Chinese have reduced their excess inventories of fiber and probably are ready to begin buying US polyester and nylon, although not at the level of last year, when they bought nearly \$100 million worth. China reentered the US market for small quantities of wheat last week, the first purchases since late 1982. Good domestic harvests, however, have reduced China's need for US cotton and soybeans. [Redacted]

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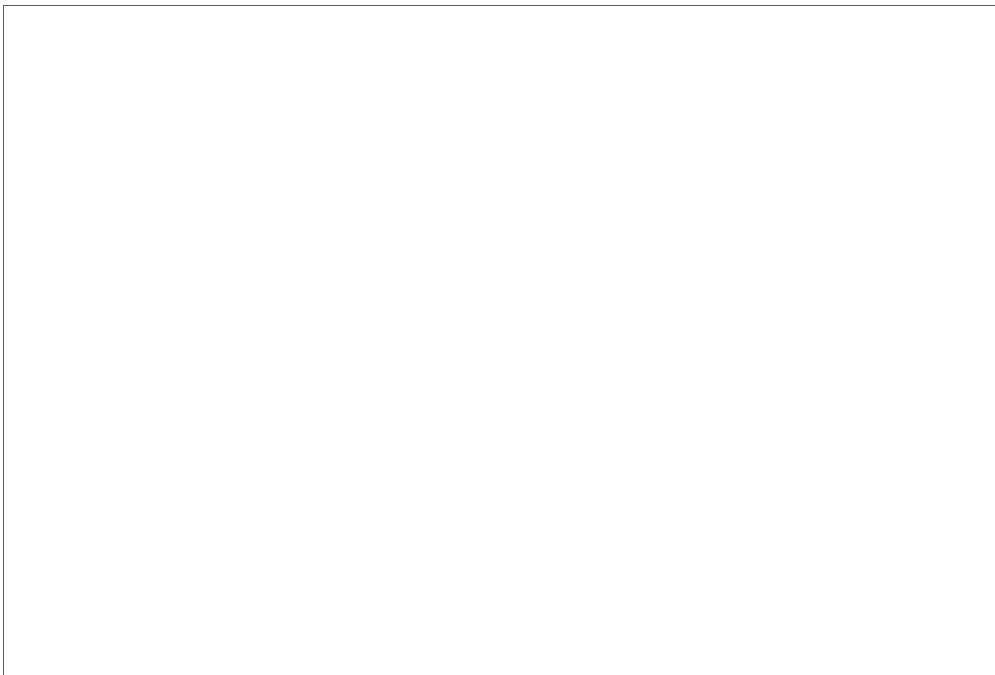
CANADA-EAST GERMANY: Long-Term Grain Agreement

Canada and East Germany are to sign an agreement calling for East German purchases of 1 million tons of grain per year for three years beginning in 1984. Canadian officials say it has been initialed and probably will be signed on Friday. [Redacted]

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Comment: The agreement probably involves medium- to long-term commercial credits guaranteed by the Canadian Government. Such arrangements would allow Canada to sell more grain to East Germany, largely at the expense of US sales. East Berlin has not been able to obtain two-year financing from US bankers and has been trying to find new sources of supply. The agreement will meet about one-third of East Germany's annual grain import needs. [Redacted]

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Special Analysis


LEBANON: Prospects for Gemayel

President Gemayel almost certainly will have to offer his Druze and Muslim opponents significant concessions—such as reducing the political power of the Christians and possibly abrogating the agreement with Israel—if he is to stop Lebanon's slide toward civil war. Gemayel's prospects for remaining as President may be in jeopardy, particularly if the Shia Amal militia in West Beirut actively supports the current Druze offensive. Damascus almost certainly believes that a government more amenable to Syrian views will emerge in Beirut, and it is likely to urge the Druze to continue their offensive. 

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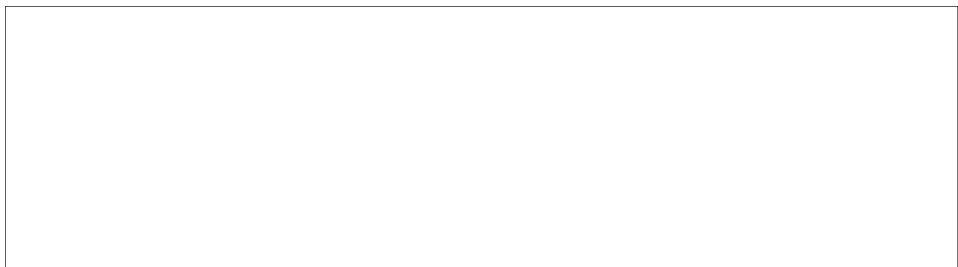
The government now has to use the Army to defeat its opponents or yield to their demands for political reform and for changes in policy. The Army has moved to establish a defensive line around the Beirut suburbs to halt the Druze advance, but it will have difficulty recovering much of the territory already lost to Druze forces. Gemayel's fate hinges on the performance of the Army, on the amount of pressure Syria is prepared to exert on Lebanon, and on whether other Muslim militias join in the fighting in support of the Druze. 


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Since this weekend, Druze forces have driven the Christian Lebanese Forces militia out of several towns in the Alayh District, and they now control the Beirut-Damascus Highway from the Syrian forward line to the town of Alayh. The Syrians have provided the Druze with tanks and other heavy weapons. They may also have provided artillery support for Druze operations, and they apparently have directed Palestinian units to join in the fighting. 

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The Druze currently control the high ground overlooking Beirut and the Army's positions, and they will be able to shell these areas. The Druze also can shell the airport, disrupting airlifts to the Army. 

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The Syrian Response

The Syrians almost certainly will increase their assistance to the Druze if the Army and the Lebanese Forces make substantial advances against the Druze in the Shuf and Alayh Districts. 




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For the time being, Damascus does not have to intervene directly. By using the Druze, the Syrians believe they can force Gemayel to accommodate their demands. On Monday the Syrians released a memorandum to the Arab League General Secretariat that calls for sanctions and the expulsion of Lebanon from the Arab League and that indicates President Assad is confident he can ignore any Arab requests that he moderate his policy. 

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The Muslim Response

To date, most of the fighting has been in the Alayh and Shuf Districts. Fighting would again break out in the capital, however, if Muslim forces decide to fight in support of the Druze offensive. 


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The most important Muslim force in Beirut is the Shia Amal militia, commanded by Nabih Barri. He is already under intense pressure from Druze leader Walid Junblatt to send his forces into the streets. 

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Barri has political ambitions, and in the past he has resisted destroying his relations with the government. Lebanese officials are working hard to keep Barri out of the current round of fighting. 

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If the Army is widely believed to be fighting only to protect Christian positions in the Shuf and Alayh, Barri probably will respond to Syrian and Druze demands that he commit his militia. The strongest Army units that were maintaining order in the capital have left the city, and the temptation to seize control of West Beirut may be too great for Shia Amal fighters, even if Barri does not order them to take it. 

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Outlook

The best Gemayel can hope for now is a stalemate in the Shuf and Alayh. The violence in Lebanon, however, will continue until the government makes substantial concessions to Junblatt and Barri. Gemayel, for example, could appoint a new prime minister and cabinet that would include the two opposition leaders. 

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A new cabinet would insist on significant policy changes, such as the abrogation of the agreement with Israel. It probably would also eventually attempt to force Gemayel out of the presidency and to create new arrangements for sharing power that would recognize the majority status of Lebanese Muslims. [Redacted]

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Gemayel could try some half measures in an effort to save his government and to prevent civil war, for example including Barri in his government in the hope of splitting the Druze-Shia alliance. Such a move, however, would not alter Druze opposition to the government. Many radical Shias already disavow Barri's leadership, and they probably would continue to fight. [Redacted]

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The Israelis have said they would be more helpful to Gemayel if he established formal relations with them. Nevertheless, Israel would be extremely reluctant to send its forces back into the Shuf and Alayh. [Redacted]

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Any attempt by Gemayel to increase Muslim or Druze political power would be resisted by the Phalange and the Lebanese Forces militia. The latter is intent on preserving control over the Christian heartland and might move to depose Gemayel rather than allow him to make such concessions to his opponents. [Redacted]

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If Gemayel is unwilling or unable to achieve a political solution, Army Commander Tannous, who has continued to maintain contacts with the Muslim opposition, may be tempted to seize power. He apparently is willing to compromise with government opponents, and he may be prompted to act against Gemayel if factional fighting threatens to split his Army. [Redacted]

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Special Analysis

CHILE: Fifth National Protest

Recent negotiations between the government and moderate opposition leaders on political liberalization in Chile have made some progress. They failed, however, to head off a fifth day of national protest today. Organizers have urged peaceful protests, but radicals will try to foment violence in order to undermine talks scheduled to resume in mid-September. The armed forces still support President Pinochet while also favoring political concessions. Unless there is massive violence, it will be difficult for Pinochet to reverse the opening up of the political process that his Interior Minister has started.

[Redacted]

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Government and moderate opposition leaders recently opened a dialogue when Sergio Jarpa—a conservative diplomat who was appointed Interior Minister on 10 August—began meeting with opposition labor, human rights, and political leaders. As a result, the government has announced several limited concessions that have encouraged an atmosphere more conducive to dialogue and compromise. Even the assassination last week of Santiago's military governor did not disrupt the negotiations. [Redacted]

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Nevertheless, the government was unable to head off another day of national protest. Fundamental differences on the timing and nature of the political transition remain, and the opposition wants to build on its momentum before Christmas and the three-month summer vacation period in the Southern Hemisphere. The moderate opposition also is reluctant to lose the momentum it has developed for the sake of a compromise that could be criticized by the left as a sellout. [Redacted]

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Strategies for September

Democratic opposition leaders will continue efforts to control violence, broaden participation in the protests and extend them to more areas, and maintain unity by focusing the protests on a specific set of demands—the Democratic Alliance's platform. In view of recent signs of flexibility on the part of the government, the opposition probably will agree to continue to negotiate with Jarpa even after the protest. [Redacted]

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The government also is likely to be willing to continue negotiations in hopes of ending the monthly protests or, failing that, of buying time to try to divide the opposition. At the same time,

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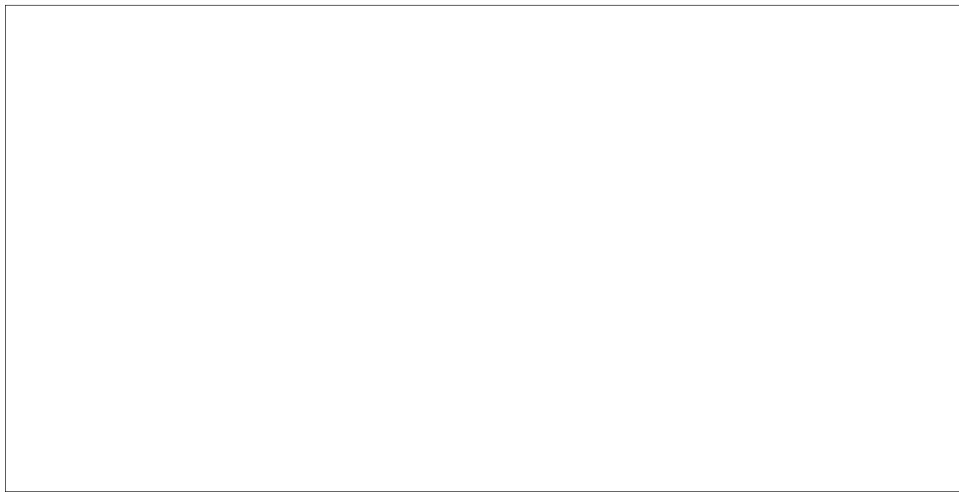
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growing concern over Communist plans to foment violence this month probably will result in a large security police presence in Santiago and in special precautions throughout the country. Besides the day of national protest today, other critical days this month include the 10th anniversary of the military coup on Sunday, Chilean Independence Day on 18 September, and Armed Forces Day on the 19th. [Redacted]

[Redacted]

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Outlook

Unless the protests become so extensive and violent that the government fears a complete loss of control—which seems unlikely—the negotiation process probably will continue. Nevertheless, Jarpa and the opposition will have difficulty negotiating a settlement soon. The protests may continue for the rest of this year at roughly the same level as those in August. [Redacted]

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During this period, Pinochet is likely to offer some concessions on legalizing political parties and holding congressional elections before 1989, but he would drag out the process in hopes of dividing the opposition. Pinochet will be urged from both inside and outside the government to speed up the transition. He will try to persuade conservatives and the military that he has been making a reasonable effort to meet opposition demands. [Redacted]

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Without some progress in the negotiations, the moderates will continue their protests while leftist terrorists will try to sabotage the dialogue. The economy will continue to stagnate, and international criticism of the regime will increase. These developments would be likely to prompt the military to compel Pinochet to make major concessions on political reforms or risk being removed from office. [Redacted]

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