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CHINA-US: Chinese Reaction to Premier's Visit

The positive treatment by Chinese media of Premier Zhao's talks in Washington underscores Beijing's continued encouragement of improved relations. [redacted]

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Official accounts of the Premier's talks with the President last week termed them "friendly, candid, and beneficial to mutual understanding." They quoted Zhao as saying that the visit will promote the "steady and durable" growth of China's relations with the US after two years of "jolts and uncertainties." Zhao emphasized that the improvement of ties is "an irresistible historical trend." [redacted]

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The Chinese highlighted Zhao's interest in purchasing US arms and noted that Chinese Defense Minister Zhang Aiping will visit the US in the near future. Although Zhao made remarks to US Congressmen ruling out comprehensive strategic cooperation with the US, the media pointed to specific mutual security concerns in Afghanistan and Kampuchea. Chinese media also replayed Zhao's statement that China does not follow a policy of "equidistance" between the US and the USSR. [redacted]

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Commentaries quoted Zhao as accepting recent US assertions of friendship for the people of Taiwan, but they repeated calls for the US to recognize the principle of one China. The Chinese news agency gave prominent coverage to Zhao's pledge that China will not assist other states to develop nuclear weapons. [redacted]

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Taipei gave the visit comprehensive and accurate treatment. The ruling Kuomintang's *Central Daily News* had earlier warned that Taiwan's security might be compromised by new agreements between the US and China. Later the media concluded that US-Chinese ties had improved, but Taiwan's position was unchanged. [redacted]

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Comment: Chinese leaders are clearly seeking to set the tone for a successful visit by the President in April. They undoubtedly hope the US in turn will avoid references to Taiwan that will force Beijing to react and cast doubt on a US commitment to a one-China policy. At the same time, they have begun to prepare the Chinese public—and Communist Party members—for the gradual improvement of security ties with the US. [redacted]

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BELGIUM: Strategy on INF

Prime Minister Martens is following a risky strategy in avoiding a positive decision on INF deployments until 1985. [Redacted]

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A Belgian official has told the US Embassy that Brussels will quietly continue INF preparations, and he expressed confidence that Belgium would deploy ground-launched cruise missiles. The official believes, however, that Martens will continue to deny that there is any automatic commitment to deployment. He will avoid a final positive decision until after the next national election, which is expected to be held in the spring of 1985. [Redacted]

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Comment: The strategy of making discreet basing preparations while delaying a final decision has avoided public controversy and splits in Martens's Flemish Social Christian Party. [Redacted]

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As preparations proceed, however, they may become more public, and INF equipment has to arrive well before March 1985 to permit the missiles to become operational then. Another year of delay on a Belgian decision also could delay the deployment schedule in the other basing countries. [Redacted]

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Progress in basing INF missiles depends in large measure on the presence of Martens and Foreign Minister Tindemans in the Cabinet. Martens—who has been in office for most of the past four years—has been troubled by health problems, and Tindemans has expressed interest in obtaining an EC post. If either were to leave the government, there is a chance that a replacement less committed to deployment would urge even more delay. [Redacted]

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Martens apparently is confident that the current Social Christian-Liberal coalition, which is favorably disposed to INF, will remain in office next year. There is no immediate threat to its stability, but government crises can arise quickly in Belgium. If the Socialists were to reenter the Cabinet following a crisis, prospects for INF probably would be damaged. [Redacted]

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Martens is counting on the Walloon Socialists—who now are in opposition—to acquiesce in deployment. They are more likely to do so if the decision is made before they have to accept responsibility for it as Cabinet members. [Redacted]

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SWEDEN-USSR: Troubled Relations

Sweden's relations with the USSR remain seriously strained, despite Stockholm's desire to improve them. [Redacted]

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US Embassy officials report that Prime Minister Palme will meet with Foreign Minister Gromyko today on the eve of the opening of the Conference on Disarmament in Europe to discuss ways of improving relations, which have been abnormally cool since a Soviet submarine ran aground near Karlskrona in September 1981. [Redacted]

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Comment: Palme's meeting with Gromyko is unlikely to result in a significant improvement in relations. The Prime Minister's handling of the submarine violations last spring was controversial, and he will have to avoid the impression that he is willing to compromise Sweden's neutrality and territorial integrity. [Redacted]

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The Soviets probably are disappointed that relations have deteriorated since Palme's Social Democratic government took over from the conservative-led government in 1982. They are particularly eager to project a positive image to the Nordic countries as the conference begins. Nonetheless, Moscow clearly is stung by the publicity Sweden has given to recent events, and it evidently has decided to leave any initiative on relations to Stockholm. [Redacted]

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INTERNATIONAL: Balkan Nuclear-Free Zone

An experts-level conference on Balkan cooperation is scheduled to convene today in Athens to discuss various regional issues, including a proposal to create a Balkan nuclear-weapons-free zone.

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Diplomats from Bulgaria, Romania, Yugoslavia, and Greece will meet following nearly a year of preparations by Greek Prime Minister Papandreou. Albania has rejected Papandreou's invitation, while Turkey reportedly says it is not prepared to attend and would prefer postponing the meeting for two weeks. The Turks object to the emphasis on nuclear issues in the agenda and want the focus to be on other, less sensitive topics of multilateral cooperation.

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Comment: The longstanding animosity among these Balkan countries makes even the holding of a meeting an accomplishment. The conference, however, probably will not produce any significant agreements, partly because the delegates will need to devise an agenda acceptable to Ankara. Even with Turkish participation, the countries involved are unlikely to agree soon to hold the followup heads-of-government summit envisioned by Papandreou.

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Greece and Romania strongly support both a nuclear-free zone and expanded political and economic cooperation in the Balkans. Bulgaria also wants a free zone, but it will try to prevent discussion on multilateral political or economic cooperation. Sofia probably hopes that propaganda resulting from the meeting will persuade Moscow to abandon possible plans to base missiles in Bulgaria as a counterweight to INF deployment.

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Yugoslavia believes that proposals for regional nuclear-free zones can be useful in restoring momentum on arms control. Nevertheless, Belgrade shares Turkish reservations that a Balkan nuclear-free zone would give the East a strategic advantage. In addition, the Yugoslavs will press for an end to Bulgarian claims that Macedonians are Bulgarians and for Greek recognition of Macedonian nationality.

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CANADA-US: Acid Rain Controversy

Ottawa appears to be renewing its drive to secure a treaty with the US on reducing acid rain, and it probably will increase its public efforts as the Canadian general election draws closer. [Redacted]

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Environment Minister Caccia, in a speech in New Hampshire on 8 January, emphasized Ottawa's frustration at the lack of progress in negotiations on the acid rain problem. He said that the resolution of the difficulty "is only a matter of political will." Caccia stated that, without immediate ameliorative measures, acid rain will destroy the life in 48,000 Canadian lakes and endanger about 8 percent of the country's GNP by the year 2000. [Redacted]

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Ottawa recently also began to issue weekly reports on acid rain, based on readings taken at locations in eastern Canada. The sites were chosen because they have no local source of pollution and, Ottawa contends, are being damaged by acidic pollutants from the US. According to Caccia, the reports are designed to make US citizens aware of the dimensions of the problem and the US role in it.

[Redacted]

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Comment: Ottawa probably has revived its campaign because of the failure to reach agreement in recent high-level bilateral meetings. At those meetings, Caccia rejected US claims that further scientific investigation was needed. [Redacted]

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The government believes that the political influence wielded by US coal and utility industries is blocking a treaty. By speaking out on acid rain in US forums during the presidential election year, the Canadians probably hope to focus US public opinion on the need for immediate cleanup efforts. [Redacted]

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Canadian rhetoric is also designed to improve the Liberals' election prospects. In Canada, acid rain is an issue of unquestioned national importance, and the opposition parties are certain to attack the government for not securing US cooperation and for failing to eliminate Canadian sources of acid-rain-causing pollutants. Caccia's speech probably portends the start of an effort by the Liberals to head off opposition criticism. [Redacted]

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BELIZE: Challenge From Right Wing

Three conservative leaders of Prime Minister Price's party have said they will resign from the Cabinet today in response to recent Cabinet changes favoring the party's left wing. 


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 the threatened resignations are a ploy to force the Prime Minister to rescind his appointment of a leftist to head the Foreign and Home Affairs Ministries. Price told US Embassy officials that one of the Cabinet members—the leader of the party's right wing—is demanding privately that he be named deputy prime minister and minister of home affairs. The Prime Minister is unwilling to give the rightwing leaders more authority, but he reportedly is asking the other disaffected conservatives not to resign. 


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Price has added the Defense Ministry post to his own portfolio, which already includes the Finance Ministry. He also reportedly instructed a group of foreign diplomats to continue to approach him directly on foreign affairs issues. 

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Comment: The Prime Minister's major concern is to stem factionalization in his party before the national election campaign gets under way. He is unlikely to undermine his authority or invite leftwing protests by meeting the conservatives' demands. Price also probably believes that curtailing the right wing—which frequently challenges his policy decisions—will serve party unity over the long term. 

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Price would further strengthen the left—already helped by his Cabinet shuffle—if he accepts the conservatives' resignations. He could alienate some support by doing so, but the loss in local elections last month may have persuaded him that the party needs new faces to attract voters. The disaffected conservatives and the opposition party could join forces, however, to pose a strong challenge. 

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SOUTH AFRICA-ANGOLA: Military Withdrawal

The commander of South African military forces in Namibia and Angola told journalists on Friday that his troops would be withdrawn from Angola by yesterday. [Redacted]

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[Redacted]

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Comment: Pretoria probably will withdraw its conventional units from Angola within the next few days. It will, however, continue aggressive patrolling in southern Angola to monitor SWAPO and Angolan forces. South Africa has enough troops in northern Namibia to reoccupy its area of recent activity with little preparation. [Redacted]

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MOROCCO: Unrest in Casablanca

Moroccans may attempt demonstrations against deteriorating economic conditions during the Islamic Conference in Casablanca this week. According to the US Consulate and the defense attache, a general strike and another round of student demonstrations are to begin today in Casablanca. [Redacted]

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[Redacted] Islamic fundamentalists are distributing tracts attacking the government. The leader of Morocco's major trade union has told US Embassy officials, however, that the union will not participate in any strikes during the conference. About 20,000 security personnel are in Casablanca for the summit, according to the Consulate. [Redacted]

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Comment: January is traditionally a month for labor strikes in Morocco because contract negotiations are often under way. Demonstrations over economic grievances, particularly during the conference, would encourage Islamic fundamentalists and other disaffected groups to take advantage of the situation. King Hassan will want to avoid embarrassment during the summit, and security forces can be expected to deal quickly with disturbances. [Redacted]

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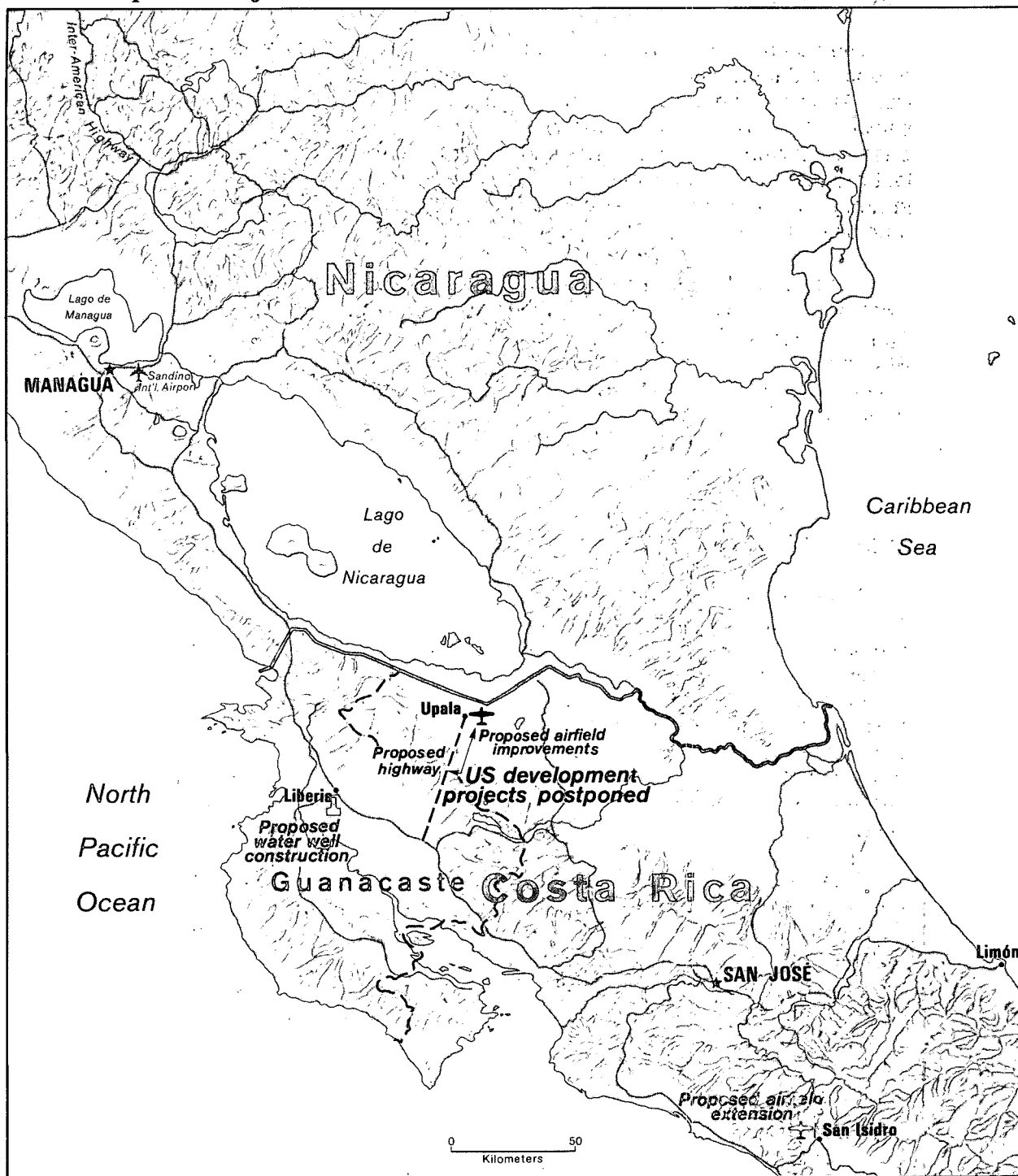
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US Development Projects in Costa Rica



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COSTA RICA-US: Projects Suspended

President Monge apparently has decided to postpone some development projects at Upala involving US military engineers because of growing domestic opposition. Costa Rican officials have told the US Embassy that the presence of armed US personnel would require Monge to obtain approval from the legislature, which strongly opposes military activities near the Nicaraguan border. The Costa Ricans cite the need to avoid protracted debates that might delay passage of the budget and other economic measures required to achieve a new agreement with the IMF. San Jose reportedly will welcome scaled-down US aid, however, such as the construction of water wells in western Guanacaste Province and improvement of San Isidro Airfield, south of San Jose. [Redacted]

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Comment: Monge has been under intense pressure from leaders of his party to cancel the projects, which they believe could jeopardize Costa Rica's claim to neutrality and worsen relations with Managua. The President probably remains committed to the development of the Upala region and may attempt to reintroduce the suspended projects when tension in the border area subsides. Meanwhile, he probably wants to demonstrate his continuing interest in US aid by consenting to projects located away from the Nicaraguan border. [Redacted]

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CHINA-HONG KONG: Beijing Ignores Violence

Beijing has so far not reported the riots that broke out in Hong Kong on Friday. The violence, which has not resumed, was caused by gangs of young criminals who took advantage of disruptions caused by a strike of taxi drivers who were protesting huge increases in licensing fees. Before the violence, Beijing's representatives in the colony had given only lukewarm support to the drivers and had urged them to negotiate with the Hong Kong Government and to avoid creating instability. [Redacted]

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Comment: Beijing is probably anxious to preserve the improved atmosphere in its talks with the British concerning Hong Kong. China also is interested in limiting any damage to Hong Kong's troubled economy. Both Beijing and London will be careful to avoid actions that could increase tensions in the colony. [Redacted]

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WEST GERMANY: Divisions in Green Party

Retired Army General Bastian, a leading member of the Green Party in the Bundestag, has underscored the persisting divisions in the party by charging that it is being infiltrated by Communists and is showing an anti-American bias. Bastian also criticized his fellow deputies from the Green Party for inefficiency and for adopting a one-sided approach to the disarmament debate by claiming that the US is the power most likely to start a nuclear war. He has threatened to quit the party if it continues on this course. [Redacted]

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Comment: Bastian, who acts as the Greens' expert on defense issues, is one of the party's most respected spokesmen. His departure would reduce the credibility of the party's arguments in the nuclear arms debate and could cause a decline in its support. Bastian's call for moderation and pragmatism is likely to add to the intensity of debates now coming to a head in the party. Cooperation with the Social Democrats and the participation of Communists and other radical leftists in the Green Party are among the issues in dispute. [Redacted]

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BAHRAIN-FRANCE: Possible Purchase of Mirage Fighters

Crown Prince Hamad of Bahrain has told US Embassy officials that his country now leans strongly toward purchasing French Mirage fighters. He says that Qatari and Kuwaiti purchases of the Mirage F1 and that US delays in responding to requests for the F-16A have given France an advantage. The F-16 is now a second choice, and the F-5E is a distant third. [Redacted]

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Comment: Hamad's statements may be designed to help persuade the US to release the F-16A for export. The Saudis will have some influence on Manama's final choice, because Bahrain is counting on financial aid from Saudi Arabia and from the Gulf Cooperation Council for 12 to 15 fighters as well as trainer aircraft that it plans to buy. In November 1982 Bahrain refused to buy F-20 or F-16/79 fighters, asking instead for the more advanced F-15s. The F-16A has the same engine as Saudi F-15s, and Bahraini acquisition of the F-16A would assist in increasing the degree of equipment standardization between the two air forces. [Redacted]

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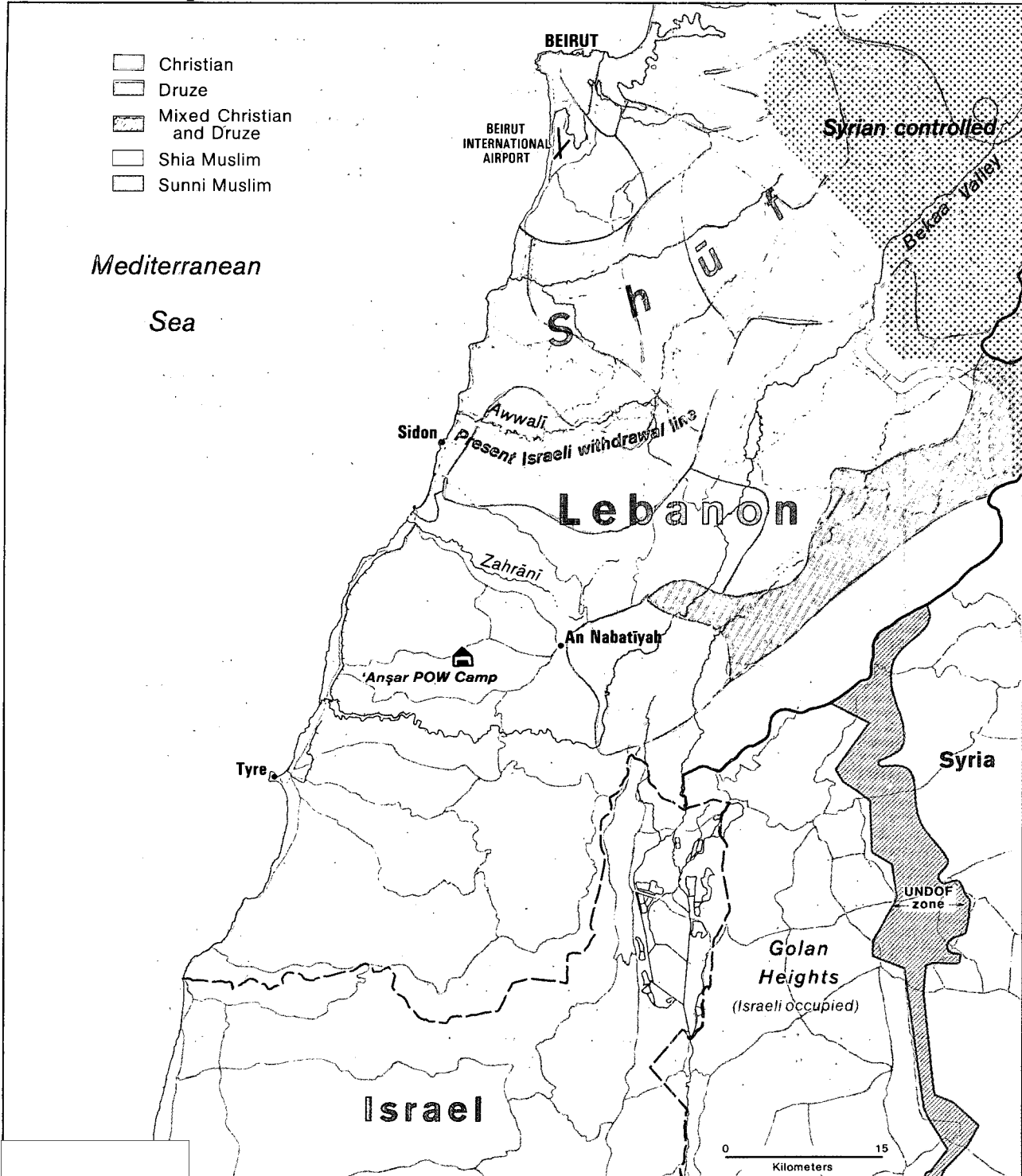
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Religious Groups in Southern Lebanon



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Special Analysis**LEBANON-ISRAEL: Tension in the South**

Attacks by Lebanese Shias against Israeli soldiers in southern Lebanon have intensified since mid-December, prompting repressive countermeasures by the Israeli Defense Forces south of the Awwali River. As a result, what had been primarily an indigenous guerrilla campaign against the 18-month Israeli occupation is becoming transformed into a resistance movement that includes Sunni and Christian elements. There is a danger that the Shia population, which normally is divided, could be driven into the arms of the Islamic Amal or other radical Shias who look to Iran for help.

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The Israelis have reacted to bolder and more frequent attacks on their troops by making mass arrests, conducting predawn house searches, imposing daytime curfews, and putting restrictions on movement across the Awwali. These actions have persuaded local residents that Israel intends to annex the area.

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The US Embassy in Beirut fears that southern Lebanese are becoming radicalized by the occupation. Moreover, the situation is alienating the Lebanese in the south from the central government.

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In recent weeks the predominantly Sunni city of Sidon has become the focal point of resistance. Local Sunni and Christian leaders have endorsed antioccupation activities, and the Israeli presence has at least temporarily united the divided Shia leadership.

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This unprecedented display of cross-sectarian solidarity will increase Israel's headaches in the area. It eventually could become an insurmountable problem for the Lebanese Government. Unless the government can extend its authority into the area and alleviate some of the harsher aspects of the Israeli presence, it may permanently forfeit sovereignty over southern Lebanon.

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Tel Aviv's Dilemma

Israel is conducting a major policy review of its presence in Lebanon, as a result of the local resistance and mounting casualties in the south. Israeli officials may be considering withdrawing troops from the Sidon area and redeploying farther south along the Zahrani River. If the Israelis proceed with a pullout before security arrangements

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with the Lebanese Government can be worked out, fighting is likely to erupt along the coastal highway, bringing the violence closer to Israel's northern border. [Redacted]

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Tel Aviv has sought to deal with its security dilemma by trying to create a Shia militia that would act as an Israeli surrogate. Most Shias dislike this plan, and Sunni and Christian leaders are disturbed at the prospect of another Israeli-backed militia. [Redacted]

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The Embassy notes that the effort to recruit Shias has been unsuccessful, partly because Israelis do not take into account Shia sensitivities. Moreover, several pro-Israeli Shias have been murdered. [Redacted]

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Grievances in the South

The Lebanese Government also faces problems in the south. Beirut has traditionally ignored residents of the predominantly Shia and agricultural region. During the civil war, portions of the south were routinely referred to as "Fatah Land," in recognition of the area's virtual abandonment to the PLO. [Redacted]

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Southerners are becoming alienated from the rest of the country as a result of Beirut's inaction in the face of the occupation. Local leaders repeatedly have called for the Army to move into the south to relieve the fear of annexation and to forestall violence if the Israelis leave. The increasingly impatient southerners have little respect for a government that sends them no material aid, provides no armed presence, and apparently gives liberation of the region a low priority. [Redacted]

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Many southerners initially welcomed Israel's invasion in June 1982, because it freed them from the Palestinian presence. Now, however, most view Israeli military rule as oppressive. [Redacted]

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The Embassy reports that Foreign Minister Salem has complained of capricious Israeli behavior. As an example, he notes that Israeli troops have forced Lebanese to perform folk dances before allowing them to cross Awwali bridges. [Redacted]

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Lebanese frustration with the occupation has been aggravated by the deteriorating economic situation and the belief of local residents that Israeli actions are designed to disrupt the south's ties to the rest of the country. Israel routinely violates its pledge of 1982 not to export to Lebanon any goods that compete with Lebanese commodities. [Redacted]

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Local businessmen claim it is difficult to move produce to regional markets because the Israeli Defense Forces allow only favored shippers access to the port at Sidon. The Israelis also frequently close traffic across the Awwali River, hindering transport of products to and from Beirut. The highway from Sidon to Israel generally remains open, however, and Israel continues to allow Lebanese to import goods duty free via the Israeli port of Haifa. [Redacted]

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The most dangerous aspect of events in the south probably is the radicalization of the Shia population. Although Shia loyalties are still uncertain, there is a growing risk that the occupation and the government's neglect will foster a potent Iranian-style Shia radicalism south of the Awwali. [Redacted]

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