



**Director of
Central
Intelligence**

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GREECE-TURKEY: Aftermath of Naval Incident

A confrontation between Greece and Turkey seems to have been averted for the moment. [Redacted]

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Prime Minister Papandreou yesterday rescinded his decision to recall Greece's Ambassador to Turkey, following what the Greeks consider a satisfactory Turkish explanation of the naval incident in the Gulf of Saros. The Turkish Deputy Foreign Minister told the Ambassador that the Turks had not intended to cause a dangerous incident. [Redacted]

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US defense attaches in Greece and Turkey report that neither country appears to have placed its forces on alert, although the Greeks have sent some ships to patrol the Samothraki area. At a meeting yesterday of all NATO Permanent Representatives, both sides presented their views of the incident. Secretary General Luns again offered his services as mediator, and the other Allies urged maximum restraint. [Redacted]

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Comment: In the last few weeks bilateral relations have deteriorated markedly over the Cyprus question and the issue of territorial waters in the Aegean, and tensions are unlikely to subside any time soon. Papandreou's initial reaction to the incident reflects frustration over what he views as Ankara's dilatory approach toward a settlement on Cyprus and the willingness of the US to provide Turkey with increased military aid. The Greek left, in particular, believes the two are related. [Redacted]

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Papandreou's reversal on the recall of the ambassador probably is the result of the private counsel of military officers and President Karamanlis. He also is likely to be concerned about the public criticism of his policy by both the Communist and conservative opposition. [Redacted]

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[Redacted]


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SUDAN: Reactions to Nimeiri's Speech

Responses in the south to President Nimeiri's speech on Unity Day have been mixed, and he will have to follow up his rhetoric with more specific actions to achieve a political settlement. 

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Leading southern moderate Mboro told US Embassy officials that he and other southern politicians appreciated the conciliatory tone of the speech. Mboro said that the offer of amnesty to dissidents was significant. He also noted, however, that the publicity regarding expected US military assistance would reinforce dissident suspicions that Nimeiri wants a military solution. 


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The Embassy reports that other southerners in Khartoum have expressed concern about the vagueness of the speech and the absence so far of new initiatives. 


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Meanwhile, an Egyptian diplomat in Khartoum has told US officials that President Mubarak will meet with Nimeiri in Aswan tomorrow. Mubarak will urge Nimeiri to pursue a political settlement in the south. 

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Comment: Nimeiri's speech was sufficiently conciliatory to maintain the dialogue with southerners, but it failed to meet several key southern concerns. Southern politicians are likely to seek legal decrees guaranteeing the rights of non-Muslims under Islamic law. Before considering Nimeiri's offer of amnesty, dissident leaders probably will demand assurances that they will retain their military rank, pay, and privileges. 

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NICARAGUA-US: Protesting Insurgent Attacks

Managua is making diplomatic protests about increased insurgent attacks on coastal targets. [Redacted]

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The Sandinistas claim that on Wednesday a Panamanian freighter was seriously damaged as it entered the port of Corinto. They say that the damage may have been caused by a mine and that their investigation of the incident is continuing. Nicaragua has protested the attack to the US. [Redacted]

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[Redacted]

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[Redacted] According to press reports, a combined sea and air attack was made on the port of San Juan del Sur on Wednesday.

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[Redacted]

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Comment: The Sandinistas have sent four protests to Honduras in a week, and they may soon appeal to the Contadora countries or to the UN Security Council. Managua clearly is embarrassed about the incident at Corinto, having made public assurances that the port was safe after another mine damaged a Dutch-owned harbor dredge there last week. [Redacted]

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International insurers probably will declare Corinto a "war risk" port. Although this would at least double insurance rates, it would not substantially increase import costs. [Redacted]

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The Sandinistas, who have lost several patrol craft in recent insurgent actions, do not appear to have much prospect for quickly improving their coastal defenses to prevent renewed attacks. The USSR or Cuba could send experts to help in clearing the mines. [Redacted]

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WESTERN EUROPE-NICARAGUA: Socialists' Views on Election

Several West European socialist leaders have expressed tentative support for Nicaragua's decision to hold an election. [Redacted]

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Spanish Prime Minister Gonzalez expressed guarded confidence last month that the Sandinistas would carry out an honest election. Since then, Socialist Party leaders have reaffirmed Gonzalez's offer of technical assistance to conduct the voting. A middle-level official of the French Socialist Party recently told a US diplomat that the French Government might send election observers. [Redacted]

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Swedish Prime Minister Palme, in recent conversations with US officials, expressed satisfaction with the decision to hold an election and appeared unconcerned about the details of the process. Socialist International Vice President Wischnewski of West Germany has publicly praised the decision to hold elections. He has promised to lobby in Bonn for resumption of West German aid to Nicaragua. [Redacted]

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[Redacted]

Comment: Despite their concern during the past year about the Sandinistas' undemocratic practices, socialist leaders in Western Europe now clearly believe that the election announcement and offers by the Sandinistas to negotiate with Washington represent an opportunity for the West to influence events in Nicaragua. They are likely to argue that the US should accept the election process as a positive development and should be more conciliatory toward Managua. [Redacted]

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Most socialist leaders may decide eventually to send party representatives rather than government observers, in order to reduce friction with the US. Moreover, the socialists might waver in their support if the Sandinistas offend Western public opinion by blatantly unfair election practices. [Redacted]

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[Redacted]

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JAPAN-USSR: Working-Level Talks

The meeting between Japanese Deputy Foreign Minister Nakajima and Soviet Vice Foreign Minister Kapitsa opening on Monday in Moscow is unlikely to yield more than cosmetic improvements in strained bilateral relations. [Redacted]

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Prime Minister Nakasone has stated publicly that Japan wants to broaden contacts with the new Soviet regime, [Redacted]

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[Redacted]

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The US Embassy believes the Foreign Ministry will use the meeting to signal the end of the restrictions on officially sponsored bilateral exchanges that were imposed after the invasion of Afghanistan. Japanese officials recently confirmed that the government will not oppose the impending resumption of visits by Soviet parliamentarians. [Redacted]

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[Redacted]

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Meanwhile, trade is stagnating. The Japanese-Soviet economic meeting scheduled for April has been postponed because of the failing health of its Japanese sponsor. [Redacted]

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Comment: Abe—like Nakasone—believes he can improve his domestic political standing by promoting an expanded dialogue with the USSR. As a result, Tokyo probably will try to create the impression of positive movement during the meeting in Moscow and in the months ahead. [Redacted]

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The Soviets are likely to become more aggressive in their efforts to influence Japanese public opinion, while insisting that Tokyo is responsible for the recent deterioration in relations and should take the first step to repair them. Significant improvements are unlikely any time soon because of the wide gap between the two countries and the rigidity of their positions. [Redacted]

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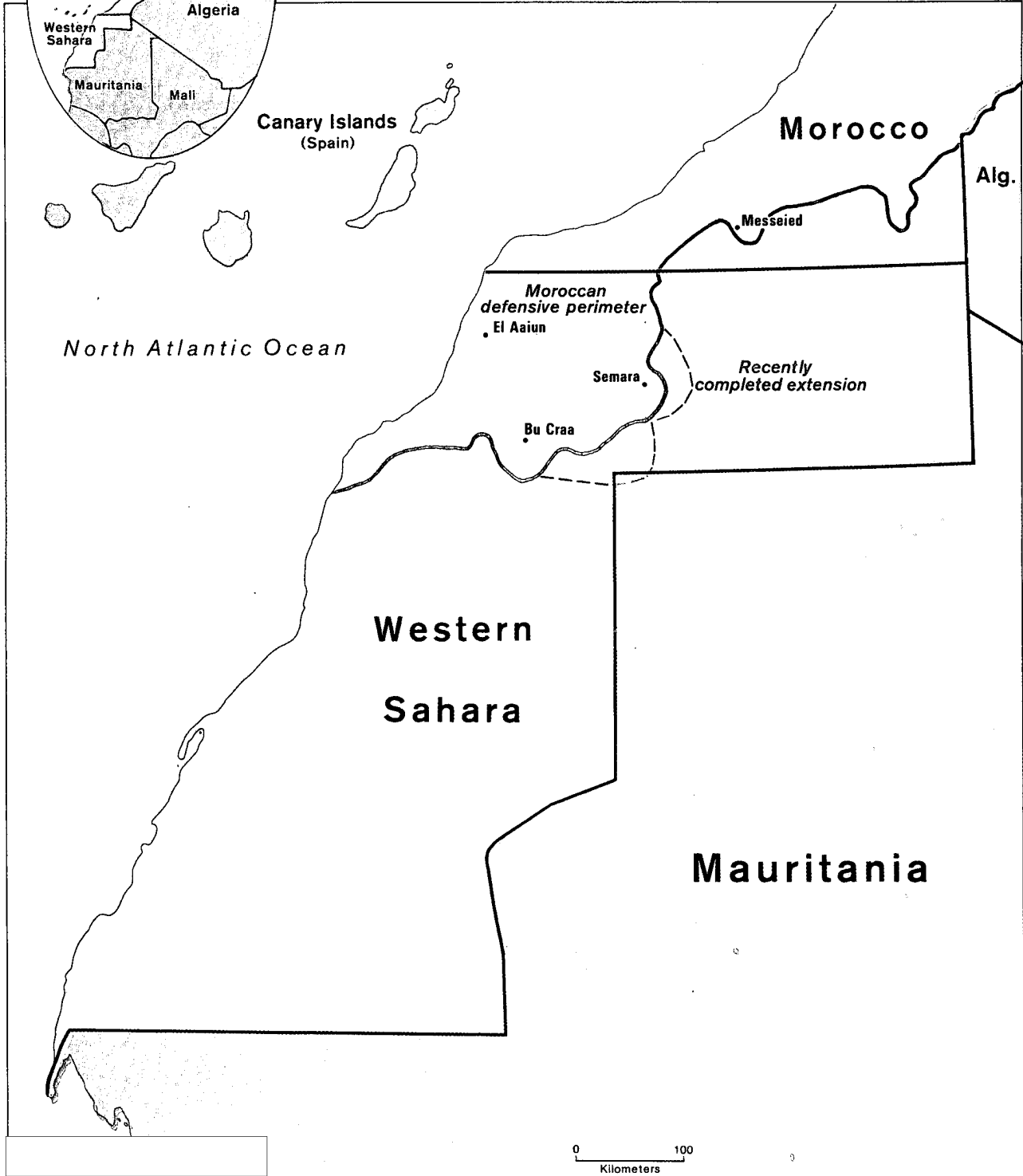
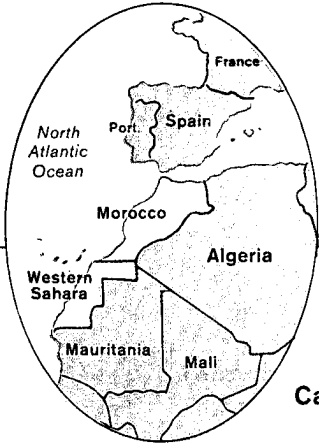
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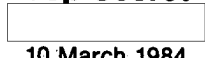


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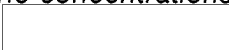
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MOROCCO-WESTERN SAHARA: Guerrillas Suffer Setbacks

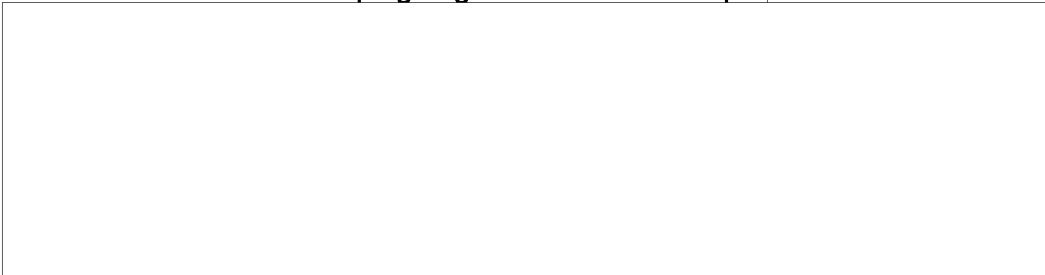
Morocco's recent extension of its defensive barrier in Western Sahara and attacks against Polisario concentrations have weakened the insurgents' military capability. 

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 the Moroccans have finished extending the berm an additional 250 kilometers, forcing the Polisario to vacate many camps around Semara and the Mauritanian border. The extension was begun last December following Polisario attacks in the Semara area. It is part of a more aggressive Moroccan strategy that has included a large ground operation outside the berm and a more intense air campaign against Polisario camps. 

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The Moroccans also claim they have destroyed two-thirds of the mobile launchers for the insurgents' SA-6 missiles, which have been the guerrillas' most successful defense against air attacks. This claim, however, has not yet been confirmed. 

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Comment: The extension of the berm to the south and east has forced the Polisario out of several long-established camps. The insurgents are being forced back toward Mauritania and Algeria.




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Morocco has improved its defensive position and now is better able to detect Polisario forces. The berm near Semara now encloses a network of dry riverbeds that the Polisario used to mask the movement of its artillery to within range of Moroccan outposts. 

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Rabat's recent successes probably will make King Hassan even more reluctant to negotiate directly with the Polisario political leadership. This would further reduce the insurgents' chances to win concessions at the bargaining table. 

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[Redacted]

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COLOMBIA: Possible Debt Servicing Disruptions

Colombia's deteriorating financial position probably will result in its failure to make some debt service payments in the next few months.

[Redacted]

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The US Embassy reports the seasonal drop in coffee earnings is larger than normal and foreign exchange controls appear ineffective in holding down imports. Moreover, there are some indications that capital flight is increasing despite tight foreign exchange controls.

[Redacted]

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Bogota is having little success in obtaining new foreign credits.

[Redacted]

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[Large Redacted Block]

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Colombia's foreign exchange reserves could be exhausted in three to four months.

[Redacted]

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Unless the government begins necessary economic adjustments foreign commercial lending is likely to stop. Bogota would then have to request an extension of payments and probably a rescheduling of its foreign debt.

[Redacted]

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[Redacted]

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[Redacted]

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NORTH KOREA-SOUTH KOREA-US: Reaction to Exercise

North Korea's reaction to the annual South Korean-US military exercise, Team Spirit, continues to be restrained. P'yongyang publicly ordered an increased level of readiness somewhat lower than the "semistate of war" alert in 1983.

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[Redacted]

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[Redacted] In addition, the North Koreans made only a pro forma protest of the exercise at a recent meeting of the Military Armistice Commission.

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Comment: North Korea's proposal of 10 January for tripartite talks probably accounts for the muted response. P'yongyang has made considerable effort to contrast the "reasonableness" of its offer with "war maneuvers" by the US and South Korea. When the major field training portion of the exercise begins later this month, however, it may raise the level of its alert.

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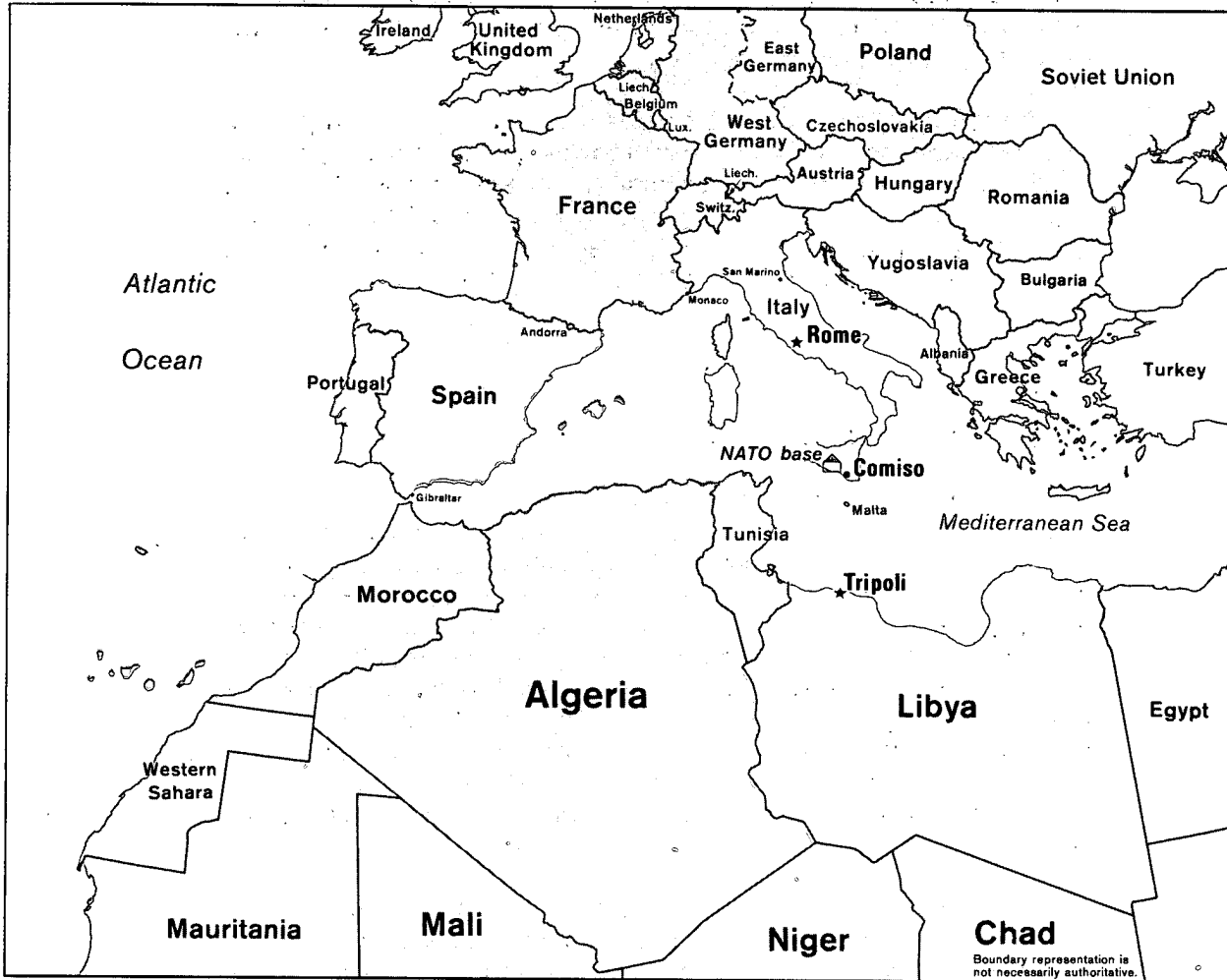
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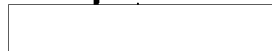
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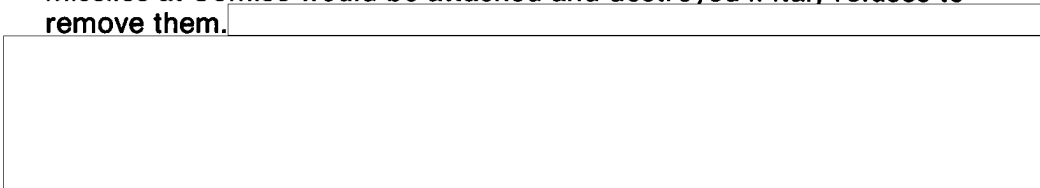


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LIBYA-ITALY: Possible Threat to NATO Facility

Libyan leader Qadhafi may be exploring the possibility of striking the NATO air station at Comiso, Italy, where US cruise missiles are being based. The General People's Congress—nominally the highest legislative body in Libya—recently passed a resolution that the missiles at Comiso would be attacked and destroyed if Italy refuses to remove them.

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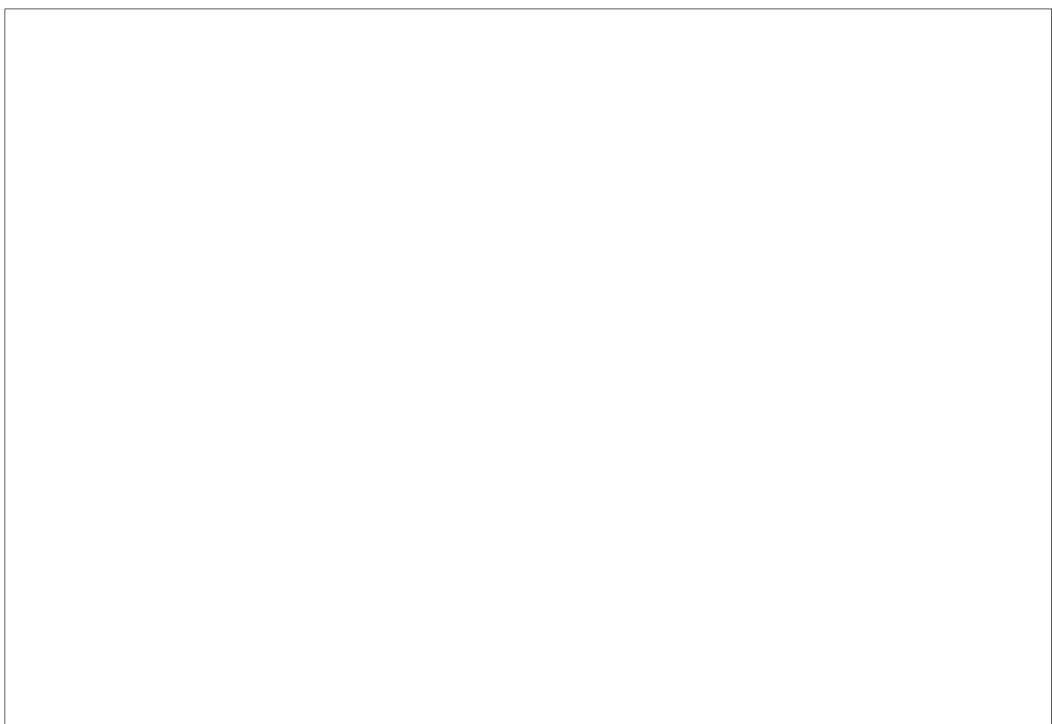
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Comment: Qadhafi recently has become more belligerent toward US military forces in the Mediterranean, and he may be considering taking action against Comiso. He often uses the General People's Congress to endorse his policy decisions, and he views the cruise missiles as a threat to Libya.

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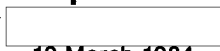


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YUGOSLAVIA: Anniversary of Riots in Kosovo


Some disturbances by Albanian nationalists are likely in Kosovo this month and in April on the third anniversary of massive riots by ethnic Albanians, but the overall security situation is calm. On Thursday a bomb exploded in Pristina, the provincial capital, and on Wednesday Albanian nationalists tried unsuccessfully to firebomb a local headquarters of the Communist Party. The day before, as part of a continuing crackdown, a judge had sentenced seven Albanians to long prison terms for "hostile propaganda." 

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Comment: The number and intensity of disturbances has declined each year since the riots and the trend probably will continue this year. Nevertheless, Albanian nationalists, encouraged by Tirana's propaganda, will try to demonstrate the strength of their demand that Kosovo should become an independent Yugoslav republic rather than remain a province of Serbia. Serb leaders, with the backing of some federal officials, will hold party leaders in Kosovo responsible for any nationalist excesses during demonstrations. The Serbs are particularly concerned that protests could accelerate emigration from Kosovo and southern Serbia by Serbs and Montenegrins. 

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GREENLAND-EC: Withdrawal Agreement

Greenland's Parliament almost certainly will approve an agreement today ending the island's 11-year membership in the EC. The agreement, which is scheduled to take effect on 1 January, will permit EC members to retain limited fishing rights in Greenland's waters in return for an annual EC aid payment of about \$22 million. Greenland is to remain associated with the EC as an overseas territory and is to receive preferential trade access to EC markets for its fishery products. 

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Comment: Greenland's economy probably will grow somewhat more slowly because of the withdrawal, but the government claims that it is necessary to allow Greenlanders to get control of their resources and safeguard their culture. Home Rule chairman Motzfeldt, the leader of the governing moderate party and a longtime friend of the US, may lose some support. A few party members believe the level of the EC's access to Greenland's fishing waters under the new agreement is still too great. 

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[Redacted]

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Special Analysis

LEBANON: Outlook for Reconciliation Talks

The second round of Lebanese national reconciliation talks in Lausanne will face serious problems. The factions disagree on basic reforms of the political system. The Druze and Muslims will demand extensive changes, while Christian leaders are determined to preserve Christian predominance. Key proposals relating to this complex issue probably will be deferred to subsequent negotiations, which are likely to break down if violence flares again around Beirut. [Redacted]

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President Gemayel's abrogation of the troop withdrawal agreement with Israel satisfied a principal demand of the Syrians and the opposition and opened the way for this new round of talks, but the issue of internal political reform remains extremely contentious. At some point, the conferees will have to address the fundamental problem of confessional power sharing in the government and the Army that the Lebanese have been unable to resolve during the past nine years of intermittent civil war. [Redacted]

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Opposition Grievances

The Druze and Shias are allotted few positions of influence under the current system of government. They will demand radical changes in the confessional makeup of the government. [Redacted]

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Druze leader Junblatt and Shia leader Barri, whose militias now control West Beirut and the Shuf, expect to translate their military victories into political gains. They will no longer accept a political system dominated by Christians. [Redacted]

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The Shias are now the largest population group in the country—about 40 percent. Barri is incensed by the Army's mistreatment of the Shias, and he will demand that Shias be appointed to top positions in the military. Barri—who has long sought a top cabinet post—may eventually insist that the prime minister be a Shia. [Redacted]

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Junblatt and Barri are no longer publicly demanding Gemayel's resignation, but both suggested to the US Ambassador last week that genuine reconciliation may not be possible if Gemayel remains. They were pessimistic that the conference would result in a durable settlement. [Redacted]

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Opposition leaders met in Damascus last weekend to coordinate their strategy, but their fragile alliance probably will break down as the Druze, the Shias, and the Sunnis squabble among themselves about what to demand at the conference. Each confessional group has its own interests to pursue and hopes to prevent substantial gains by any other. [Redacted] skirmishes between Shias and Sunnis are already becoming common in West Beirut.

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[Redacted]

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Christian Intransigence

Christian leaders, despite their losses on the battlefield, are unlikely to agree to the reforms demanded by their opponents. [Redacted] the Christian community is split between hardliners and those willing to consider some accommodation with the Druze and the Muslims. Nonetheless, nearly all Christian leaders will resist radical reforms that eliminate Christian preeminence and give control of the government and the Army to the Muslims and the Druze. [Redacted]

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Hardliners, including the leaders of the Lebanese Forces militia, have denounced all negotiations with the opposition and may try to create a separate Christian "canton" north of Beirut. Many Christians, fearing that a Muslim-dominated government would not protect them, believe that they have to abandon the idea of a united Lebanon and concentrate instead on defending the Christian heartland. [Redacted]

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Prospects

Gemayel has the nearly impossible task of trying to appease all sides. His strategy almost certainly will be to bring key Christian, Druze, and Muslim leaders into a government of national unity under his direction. [Redacted]

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The President presumably hopes that such a move would relieve the pressure on him by making all factions responsible for government decisions. Gemayel also will expect Syria to prevent the Druze and the Muslims from making excessive demands. [Redacted]

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The Syrians probably will try to maintain a balance of power among the various factions in Lebanon. [Redacted]

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[Redacted] President Assad almost certainly believes he can best control the situation in Lebanon by supporting Gemayel, while pushing simultaneously for reforms that give limited political concessions to the Muslims. [Redacted]

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The conference is likely to break up in several days, after each faction has submitted a set of proposals. The proposals will then have to be negotiated over a long period of time. 

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A solution will remain elusive and ultimately may prove unattainable. The years of civil war have fostered a deep sense of mistrust and hatred among the confessional groups. Any faction that is dissatisfied with the negotiations could sabotage the process by intensifying the violence around Beirut. 

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