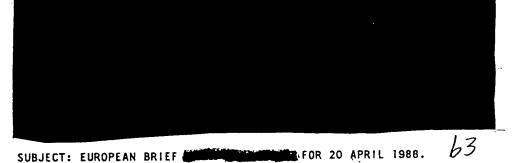
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FROM: DD1/O/CPAS.

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1. PERSIAN GULF: SITUATION REPORT

IRANIAN RESPONSES

MORE SUBDUED

IRANIAN ACTIONS YESTERDAY WERE LESS CONFRONTATIONAL AND MORE

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DEFENSIVE. THE THIRD MERCHANT SHIP ASSOCIATED WITH THE UAE HIT SINCE MONDAY.

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THE COMMANDER OF IRAN'S NAVY ADMITTED PUBLICLY YESTERDAY THAT AN IRANIAN MISSILE PATROL BOAT WAS SUNK, TWO FRIGATES DAMAGED, 15 SAILORS KILLED, AND AN UNSPECIFIED NUMBER INJURED ON MONDAY.

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COMMANDER OF THE REVOLUTIONARY GUARD NAVY DID NOT REPORT ANY LOSSES. BOTH THREATENED FURTHER ACTION AGAINST US FORCES.

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AT COMMERCIAL TARGETS AND UNDOUBTEDLY WERE IN RESPONSE TO ITS LOSSES ON MONDAY—
FOR NOW, IRAN MAY TRY TO SHOW THAT IT HAS NOT BEEN COWED BY CONTINUING TO ATTACK VULNERABLE MERCHANT SHIPS AND OIL PLATFORMS IN THE SOUTHERN GULF. TEHRAN MAY KEEP LOOKING FOR OPPORTUNITIES TO STRIKE AT THE FEW PLATFORMS OPERATED PRIMARILY BY US OILWORKERS. IRANIAN MILITARY FORCES WILL DEFEND THEMSELVES BUT ARE LESS LIKELY FOR NOW TO SEEK A CONFRONTATION WITH US FORCES.

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IRANIAN POLITICAL REACTION

IRANIAN LEADERS ARE CALLING THE US ATTACK ON IRANIAN INTERESTS IN THE GULF AND IRAQ'S ASSAULT ON AL FAW A COORDINATED EFFORT TO SAVE BAGHDAD FROM DEFEAT AND DESTROY THE ISLAMIC REPUBLIC. TEHRAN CLAIMS US HELICOPTERS PARTICIPATED IN THE IRAQI ATTACK AND ACCUSES KUWAIT OF ALLOWING IRAQ TO USE BUBIYAN ISLAND AS A STAGING AREA. ASSEMBLY SPEAKER RAFSANJANI SUGGESTED YESTERDAY THAT THE SOVIETS MAY HAVE PARTICIPATED IN THE CONSPIRACY BY REITERATING THEY GAVE IRAQ THE MISSILES USED AGAINST IRANIAN CITIES.

TEHRAN HAS WARNED THAT THE US "ENTRY" INTO THE WAR ON IRAQ'S SIDE WILL BRING AN IRANIAN RESPONSE THAT "WILL SEVER THE ROOTS OF THE US EXISTENCE IN THE REGION." IRANIAN LEADERS HAVE URGED A NATIONWIDE MOBILIZATION TO CONTINUE THE WAR AND THWART IRAN'S MANY ENEMIES.

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THAT PORTRAYING IRAN'S RECENT SETBACKS AS A US-LED CONSPIRACY WILL HELP FOCUS POPULAR ANGER AWAY FROM THE CLERICAL REGIME. THE APPEARANCE OF COORDINATION BETWEEN EXTERNAL ENEMIES IS LIKELY TO STRENGTHEN HARDLINERS IN TEHRAN WHO WILL ARGUE THAT IRAN MUST ULTIMATELY RESPOND AGGRESSIVELY IN THE FACE OF SETBACKS OR RISK BEING PERCEIVED AS WEAK AND VULNERABLE.

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MORE WEST EUROPEAN REACTIONS

THE WEST EUROPEANS CONTINUE TO CRITICIZE IRAN'S RENEWED MINING OF THE PERSIAN GULF BUT ARE DIVIDED OVER THE EXTENT OF SUPPORT FOR THE US RESPONSE. THE WESTERN EUROPEAN UNION YESTERDAY CALLED FOR AN IMMEDIATE END TO ALL MINING AND OTHER ACTS AGAINST INTERNATIONAL SHIPPING, WITHOUT MENTIONING IRAN, AND NOTED SUCH MINING PROVOKES

SHIPPING, WITHOUT MENTIONING THE DUTCH
SELF-DEFENSE MEASURES.
WANTED TO CONDEMN THE MINING WITHOUT MENTIONING THE US, WHILE THE LANGE THE LINE. IN SEPARATE STATEMENTS, THE ITALIANS WANTED TO CONDEMN THE MINING WITHOUT MENTIONING THE US, WHILE THE FRENCH PREFERRED A WEAKER LINE. IN SEPARATE STATEMENTS, THE ITAL SAID THE IRAN HAD INVITED US RETALIATION, SPAIN CONDEMNED THE MINING, AND NORWAY CALLED FOR A UN PRESENCE IN THE GULF.

DUTCH, FRENCH, AND ITALIAN NAVAL FORCES HAVE REPORTED FINDING LEAST SEVEN MORE MINES THIS WEEK IN THE GULF.

WWILL MEET IN THE HAGUE MONDAY TO BELGIANS, DUTCH, WAILL MEET IN THE HAD DISCUSS COMBINING THEIR OPERATIONS IN THE GULF.

AND DENHARK ON MONDAY, THE MUTED SUPPORT FROM BELGIUM REFLECTS A FEAR THAT THE ESCALATION OF FIGHTING WILL DRAG THE WEST EUROPEANS INTO THE CONFLICT EVEN FURTHER. HAVING FAILED TO TAKE AN OFFICIAL POSITION ON THE US RESPONSE TO IRAN'S MINELAYING LAST OCTOBER, THE FRENCH ARE NOT LIKELY TO ISSUE A STATEMENT ON THE INCIDENTS OF MONDAY. INCIDENTS OF MONDAY.

LACK OF MINELAYING ACTIVITY WAS ONE REASON BELGIUM HAD FOR PULLING OUT OF THE GULF. THE COALITION GOVERNMENT NOW BEING FORMED IN BRUSSELS WILL MAKE THE FINAL DECISION. THE NEW GOVERNMENT MAY INCLUDE MEMBERS OF THE FLEMISH SOCIAL DEMOCRATIC PARTY, WHICH HAS OPPOSED THE DEPLOYMENT TO THE GULF.

SOVIET CRITICISM

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A PRAVDA COMMENTARY YESTERDAY CONDEMNED US ACTIONS IN THE GULF AS ACTS OF PIRACY AND REVENGE UNBEFITTING A GREAT POWER. THE COMMENTARY SAID THE ACTION WAS PART OF A BROADER STRATEGY TO SECURE WESTERN INFLUENCE IN THE OIL-RICH REGION AND SHOWED DISREGARD FOR FREEDOM OF NAVIGATION IN THE GULF. PRAVDA LINKED THE TIMING OF THE US MOVES TO THE ASSASSINATION OF PLO OFFICIAL ABU JIHAD, HINTING THAT WASHINGTON, AND TEL AVIV ACT IN UNISON IN THE MIDDLE EAST. IN THE MEANTIME.

THE MEANTIME.

FIGHTING BETWEEN TEHRAN AND BAGHDAD, HAS ELIMINATED ANY PROSPECT FOR ENFORCING THE UN CEASE—FIRE RESOLUTION ON THE IRAN—IRAQ WAR.

MOSCOW IS READY TO USE THE NEWEST EVENTS IN THE GULF AS A FURT EXCUSE FOR DELAYING THE SIGNING OF AN ENFORCEMENT RESOLUTION.

2. PANAMA: SITUATION REPORT -

BANKING DEVELOPMENTS

AFTER THE BANKS OPENED MONDAY TO ACCEPT PEPOSITS, CUSTOMERS WERE ALLOWED TO WRITE CHECKS BUT NOT FOR CASH, AND THE REGIME ANNOUNCED THAT PUBLIC UTILITIES WILL BEGIN ACCEPTING SUCH CHECKS,

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THE ANNOUNCEMENT THAT PUBLIC UTILITIES WILL ACCEPT CHECKS DRAWN ON LOCAL BANKS IS PROBABLY ANOTHER ATTEMPT TO LEND AN APPEARANCE OF NORMALCY TO THE FINANCIAL SYSTEM. TO THE SOON CLOSE AGAIN IF THE REGIME CANNOT FIND A BANK TO PERFORM CHECK-CLEARING OPERATIONS. THE BANKS PLAN TO CLEAR CHECKS ON A BANK-BY-BANK BASIS. BUT THIS IS CUMBERSOME. FOR DOMESTIC BANKS TO FUNCTION NORMALLY. THE REGIME NEEDS TO FIND A BANK TRUSTED BY ALL BANKS-ALMOST CERTAINLY A FOREIGN BANK TO CLEAR TRANSACTIONS FOR THE WHOLE SYSTEM.

SETTLEMENT FEELERS

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NORIEGA PROBABLY BELIEVES HE CAN GAIN VALUABLE INFORMATION AND GAUGE HIS OPTIONS MOST EFFECTIVELY BY KEEPING LINES OF COMMUNICATION TO THE OPPOSITION OPEN HE IS NOT LIKELY TO MAKE MAJOR CONCESSIONS AS LONG AS HE THINKS HE CAN WEATHER THE CRISIS.

3. DEMMARK: NEW ELECTIONS SET

PRIME MINISTER SCHLUETER WILL TRY TO MAKE THE ELECTION ON 10 MAY A REFERENDUM ON DENMARK'S NATO MEMBERSHIP, WHICH HE SAYS IS THREATENED BY THE PARLIAMENTARY RESOLUTION TIGHTENING GOVERNMENT POLICY ON SHIP VISITS.

THE STRONG NEGATIVE REACTIONS TO THE RESOLUTION FROM THE NATO ALLIES AND THE UNWILLINGNESS OF THE OPPOSITION SOCIAL DEMOCRATS TO AMEND IT. THE GOVERNING PARTIES WILL PORTRAY THE SHIP-VISIT ISSUE AS THE LATEST IN A SERIES OF SOCIAL DEMOCRATIC-SPONSORED RESOLUTIONS THAT HAVE WEAKENED DEMMARK'S RELIABILITY AS A NATO ALLY.

SCHLUETER'S EFFORTS TO FOCUS THE ELECTION ON NATO MEMBERSHIP MAY OVERCOME PRELIMINARY PROJECTIONS OF A LOW VOTER TURNOUT--WHICH TRADITIONALLY HAS BENEFITED THE WELL-ORGANIZED SOCIAL DEMOCRATS. POLLS HAVE CONSISTENTLY SHOWN THAT A MAJORITY OF DANES SUPPORT DEMMARK'S NATO MEMBERSHIP. IN ADDITION, THE NON-SOCIALISTS WILL BE ABLE TO STRESS THEIR HANDLING OF THE ECONOMY, INCLUDING TOUGH POLICIES THAT LAST YEAR CONTRIBUTED TO A 40-PERCENT DECLINE IN THE CURRENT ACCOUNT DEFICIT, WHICH MOST DANES HAVE LONG REGARDED AS THE COUNTRY'S CHIEF ECONOMIC PROBLEM.

THE SOCIAL DEMOCRATS ARE LIKELY TO TRUMPET THEIR OWN SUPPORT FOR NATO MEMBERSHIP AND CONDUCT A NATIONALISTIC CAMPAIGN CASTING THE SHIP-VISIT ISSUES AS A US-DENMARK DISPUTE. THEY WILL ATTACK THE GOVERNMENT'S PERCEIVED WEAKNESSES ON SOME ECONOMIC ISSUE, SUCH AS UNEMPLOYMENT. AND THEY WILL TRY TO DEFLECT EFFORTS BY NONSOCIALISTS TO EXPLOIT THE APPARENTLY WEAKENED POSITION OF SOCIAL DEMOCRATIC CHAIRMAN AUKEN, WHO HAS BEEN FAULTED FOR HIS HANDLING OF THE SHIP-VISIT ISSUE EVEN WITHIN HIS OWN PARTY.

IF THE NONSOCIALISTS WIN A CLEAR VICTORY, THE SHIP-VISIT ISSUE MAY REMAIN UNRESOLVED BECAUSE THE GOVERNMENT IS UNLIKELY TO CAPTURE A CLEAR MAJORITY. THE RADICAL LIBERALS MAY, HOWEVER, BE WILLING TO REVERSE THEIR VOTE FOR THE SOCIAL DEMOCRATIC RESOLUTION THAT PASSED LAST THURSDAY AND SUPPORT A REFORMULATED POLICY. NONETHELESS, ANOTHER NONSOCIALIST GOVERNMENT WOULD CONTINUE TO RELY ON THE SOCIAL DEMOCRATS IN FORMULATING OVERALL DEFENSE POLICY.

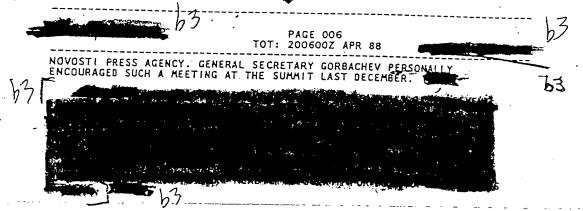
4. USSR-US: INFORMATION TALKS

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TALKS OPENING TODAY IN WASHINGTON BETWEEN SOVIET AND US OFFICIALS ARE LIKELY TO INVOLVE HEATED EXCHANGES ABOUT SOVIET DISINFORMATION PRACTICES. THE SOVIETS ARE SENDING A 17-MEMBER DELEGATION TO THE THEE-DAY TALKS TO DISCUSS WAYS TO IMPROVE BILATERAL COOPERATION, INCLUDING THE PRINT AND ELECTRONIC MEDIA. THE HEAD OF THE SOVIET DELEGATION, WALENTIN FALLY, IS CHAIRMAN OF THE

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5. THAILAND: VISITING FOREIGN MINISTER UNDER FIRE AT HOME

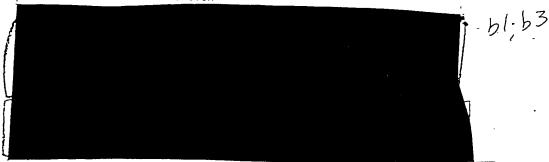
THAI FOREIGN MINISTER SIDDHI'S VISIT TO WASHINGTON BEGINNING TOMORROW COMES WHEN HE IS UNDER INCREASING PRESSURE IN BANGKOK.

AFFAIRS FOR EIGHT YEARS--WILL BE SINGLED OUT FOR ESPECIALLY SHARP CRITICISM DURING THE COMING DEBATE OVER A NO-CONFIDENCE MOTION AGAINST THE ENTIRE CABINET. AGAINST THE ENTIRE CABINET.

AND PROBABLY WILL NOT STEP DOWN. DESPITE GROWING OPPOSITION IN THE LEGISLATURE. HIS CRITICS, HOWEVER, MAY FORCE SIDDHI TO ASSUME A LOWER PROFILE ON FOREIGN POLICY ISSUES WITH DOMESTIC REPERGUSSIONS, SUCH AS THE COPYRIGHT ISSUE, IN ORDER TO DEFLECT CHARGES HE IS NOT LOOKING OUT FOR THAI INTERESTS.

SIDDHI'S AGENDA IN WASHINGTON

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X--THE FOREIGN MINISTER IS LIKELY TO EXPRESS HIS APPRECIATION THAT WASHINGTON POSTPONED A DECISION ON GSP UNTIL THE END OF THIS YEAR AND MAY OFFER REASSURANCES THAT THE CONTROVERSIAL COPYRIGHT AMENDMENT PROBABLY WILL PASS DURING THE SPRING LEGISLATIVE SESSION.

X--HOWEVER, HE MAY URGE THAT BANGKOK BE ALLOWED MORE TIME TO ENACT OTHER MEASURES SOUGHT BY WASHINGTON--ESPECIALLY PROTECTION OF PHARMACEUTICAL PATENTS--THAT FACE SUBSTANTIAL PUBLIC OPPOSITION.

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AMERICAS

X--GRENADE EXPLOSION AT US-COSTA RICAN CULTURAL CENTER IN SAN JOSE INJURED FIVE, INCLUDING TWO US CITIZENS . . . SIMILAR TO BOMBING OF US CONSULATE TWO YEARS AGO BY RADICALS PROTESTING US AIRSTRIKE AGAINST LIBYA.

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EUROPE

X--COURT'S 13-YEAR SENTENCE FOR ABBAS HAMMADI STIFFER THAN EXPECTED . . . SHOW OF JUDICIARY'S INDEPENDENCE MAY HURT EFFORT TO FREE LAST HOSTAGE . . . HIZBALLAH MAY ATTACK WEST GERMAN INTERESTS TO DISCOURAGE SIMILAR TREATMENT OF BROTHER MOHAMMED.

X--TURKISH CYPRIOTS LAST WEEK BEGAN STAMPING TOURIST PASSPORTS
OF TRAVELERS FROM SOUTH . . . SOUTH RESPONDED BY LETTING ONLY
DIPLOMATS THROUGH CHECKPOINT . . . TURKISH CYPRIOTS EVIDENTLY
SEEKING TO SHOW INDEPENDENCE, UNDERMINE GREEK-TURKISH RAPPROCHEMENT.

MIDDLE EAST

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