

MEMORANDUM

6117

NATIONAL SECURITY COUNCIL

ACTION

November 9, 1973

~~TOP~~

~~SECRET / CODEWORD ATTACHMENTS~~

MEMORANDUM FOR BRENT SCOWCROFT

FROM: A. W. Marshall *AWM*

SUBJECT: Probabilities in Intelligence Analysis

With my approaching departure I think I should tell you of some experimental intelligence products I have had prepared in an attempt to get improved products to HAK. In any case, I would like to have your reactions to these products.

The genesis of this effort is as follows:

-- HAK said that top-level policymaking was essentially a matter of making complicated bets about the future. He wished that intelligence would supply him with estimates of the relevant betting odds.

-- He also said not to ask him what he needed because he could not tell, but that he would recognize it when he saw it.

-- My response has been in a few selected areas to develop experimental products for his review and reaction.

Three papers have been produced attempting to give him the betting odds. They are:

- The likelihood of Sino-Soviet war.
- The outbreak of hostilities in Cyprus.
- The Panamanian reactions in the Panama Canal negotiations.

Copies of these studies are at Tabs E, F, and G. These studies were sent to HAK who responded favorably, but he indicated more work was required (see Tab D).

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~~CODEWORD ATTACHMENTS~~

MORI/CDF C03358255 Pages 9-33
C05129177 pages 59-74

State Dept. review completed pages 59-74

NASA review completed pages 9-33

DIA, NSS reviews completed.

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2

The use of numerical probabilities in intelligence estimates has two possible benefits:

- Improved intelligence analysis with limited data.
- More effective communication of analysts' judgments to consumers.

My feeling is that one of the major failings of current intelligence products is their attempt to provide only one consensus judgment. Most NSC staff people feel that a more systematic presentation of several alternatives along with the weight of evidence or judgment in each would be more helpful.

Unfortunately, the three studies that are attached stressed improved analysis rather than improved communication between the analyst and consumer. However, an attempt to explore better communication practices has been made. The results of the Sino-Soviet paper are now available in three alternative formats. They each show estimates of the likelihood of hostilities as a function of major variables in the situation (see Tabs A, B, and C). Each chart would, if included in a product, be preceded by the following paragraphs:

"Attached is an estimate of the probability of a Soviet attack on China within the next twelve months. Because of an improved Chinese military posture and international position, the odds are fifteen to one against an attack. Of the factors affecting such an event, five were identified as most influential:

- Changes in the PRC's internal political situation, especially the development of pro-Soviet factions.
- The USSR's perception of the PRC's nuclear capability as a deterrent.
- Serious border incidents.
- Changes in USSR leadership affecting the attitudes of the key leadership.

SECRET

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- Changes in USSR external political/military alliances, which free or divert resources from potential use against the PRC.

Two of these can significantly increase the probability of attack:

- A deterioration of the PRC's internal political situation, occurring upon the death of Mao or Chou and accompanied by a breakdown in command and control.

- A view on behalf of the Soviets that the PRC does not have a credible deterrent."

Questions

-- Which, if any, of these alternative presentations improves upon the traditional product?

- Tab A
- Tab B
- Tab C

-- Which do you like best?

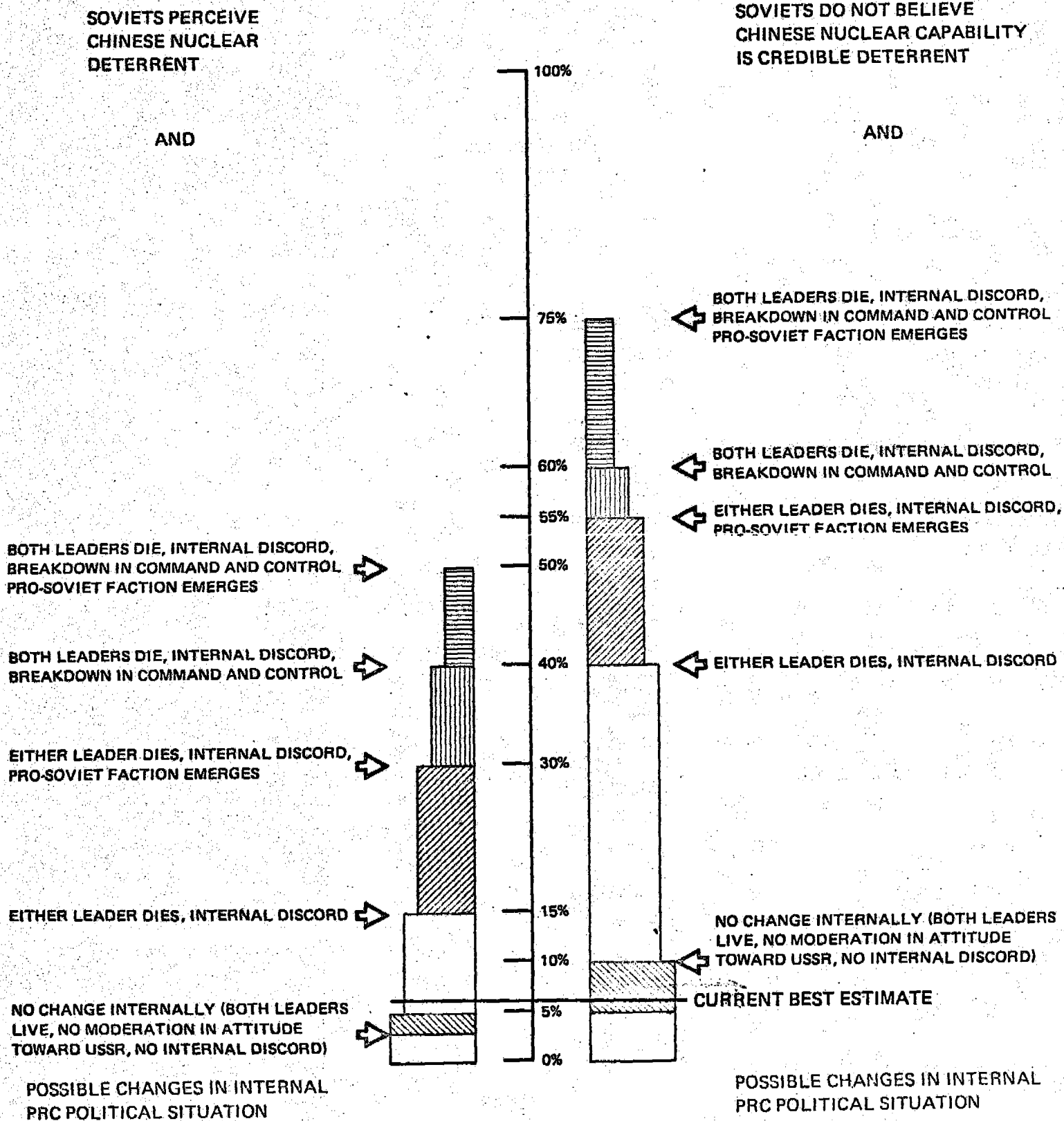
- Tab A
- Tab B
- Tab C

-- Do you have any additional approaches to suggest? For example, a tick-point, more verbal discussion of probabilities rather than charts?

I lean towards some verbal discussion in connection with the charts -- to explain, amplify, caution, etc.

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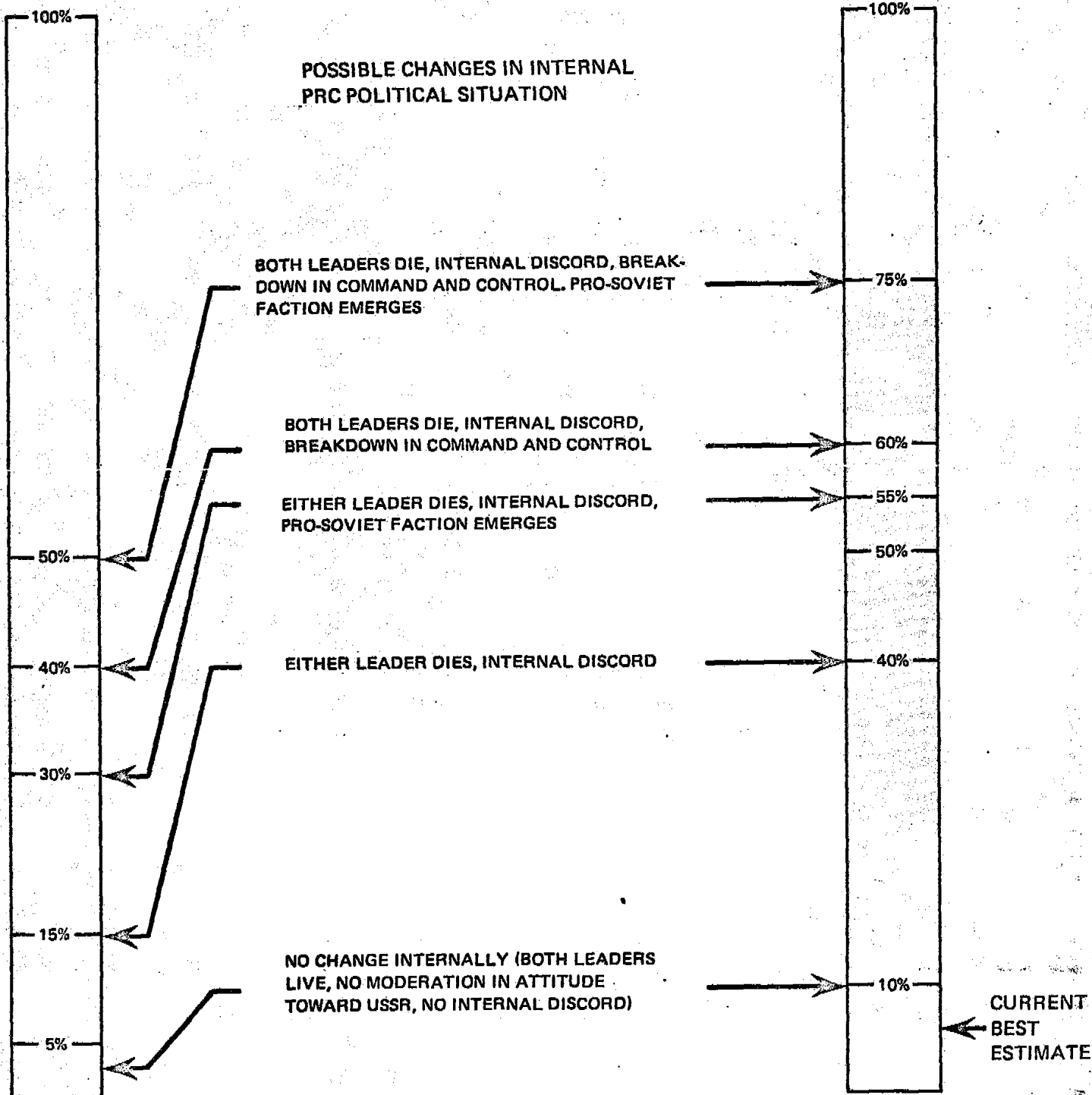
PROBABILITY OF A SOVIET ATTACK



PROBABILITY OF A SOVIET ATTACK

IF SOVIETS PERCEIVE
CHINESE NUCLEAR
DETERRENT

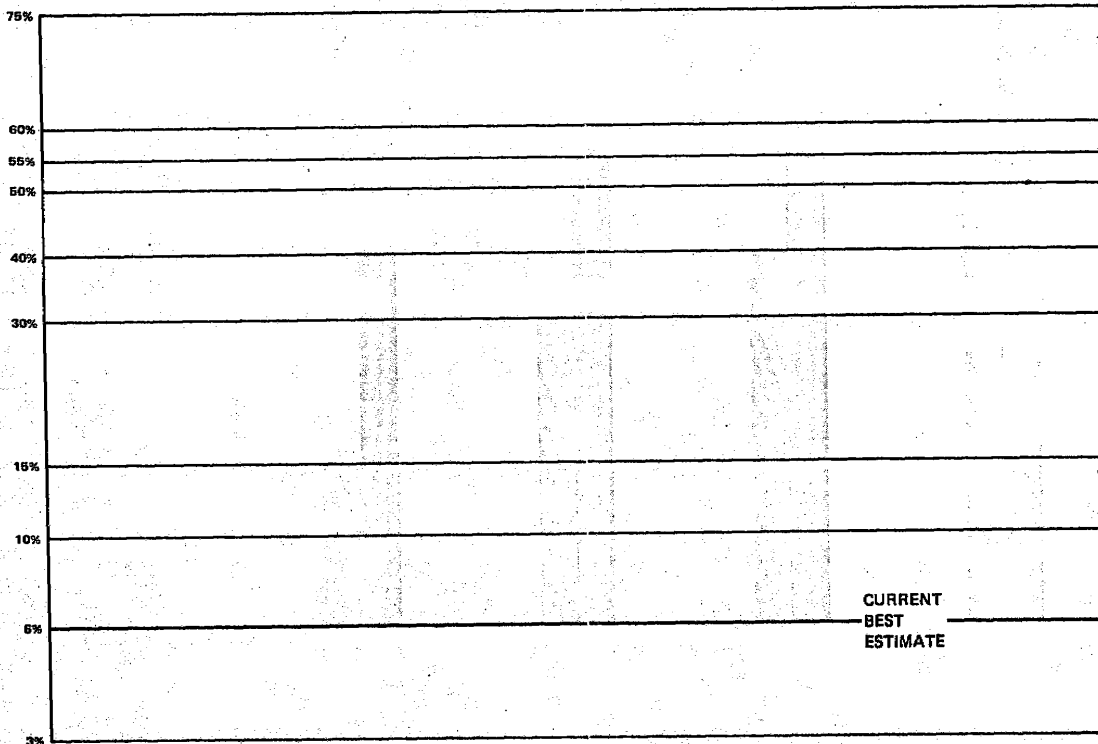
IF SOVIETS DO NOT
BELIEVE CHINESE NUCLEAR
CAPABILITY IS CREDIBLE
DETERRENT



PROBABILITY OF A SOVIET ATTACK

SOVIETS PERCEIVE
CHINESE NUCLEAR
DETERRENT

SOVIETS DO NOT BELIEVE
CHINESE NUCLEAR CAPABILITY
IS CREDIBLE DETERRENT



NO CHANGE INTERNALLY
(BOTH LEADERS LIVE, NO
MODERATION IN ATTITUDE
TOWARD USSR, NO
INTERNAL DISCORD)

EITHER LEADER DIES
INTERNAL DISCORD

EITHER LEADER DIES
INTERNAL DISCORD
PRO-SOVIET FACTION
EMERGES

BOTH LEADERS DIE
INTERNAL DISCORD
BREAKDOWN IN
COMMAND AND CONTROL

BOTH LEADERS DIE
INTERNAL DISCORD
BREAKDOWN IN
COMMAND AND CONTROL
PRO-SOVIET FACTION
EMERGES

POSSIBLE CHANGES IN INTERNAL PRC POLITICAL SITUATION

file

MEMORANDUM

Outside System

NATIONAL SECURITY COUNCIL

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SECRET/CODEWORD

Information/Action
13 March 1973

Handwritten initials and scribbles

Handwritten in a circle: "Secret 1-2"

MEMORANDUM FOR HENRY A. KISSINGER

FROM:

A. W. MARSHALL *AWM*

SUBJECT:

Experimental Intelligence Products to Improve the Communication of Uncertainty

Some while ago I initiated a program of experimental intelligence products. The payoffs have been slim, but a few results are beginning to appear. The purpose of this memorandum is to show you some samples of one particular line of products.

They have been designed to respond to:

-- An expressed view of yours that top level policy making involves making complicated bets on the future, and that you wished intelligence estimates were designed to give you the betting odds.

-- Your saying that while you could not describe the kinds of intelligence products you want, you would immediately recognize them when you saw them.

Three products have been developed thus far. They are:

-- The probability of Sino-Soviet hostilities in the next twelve months. (See Tab A)

-- The outlook for hostilities to develop in Cyprus. (See Tab B)

-- A study of the possibilities of a Canal treaty with Panama in the next year. (See Tab C)

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DECLAS - Impdet

BYAUTH - H. A. Kissinger

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If you have time I recommend you look at these products as a first step in responding to your needs. The Sino-Soviet study (Tab A) is the best of the set.

The products:

-- Attempt to produce estimates of betting odds.

-- Are put forward as the beginning of a survey of the market; to obtain answers to questions such as: Do you find this new type of estimate useful?, etc.

The attached products are not fully developed. More time thus far has been spent in developing a mode of analysis that will produce estimates of numerical probabilities attached to various possible future outcomes, than in developing alternative ways in which such estimates might best be communicated to top level policymakers. I now have the intelligence people working on the latter problem.

I have tried the currently available products on other members of the NSC staff. They have:

-- Liked the idea of the numerical probability estimates.

-- Found the detailed probability trees intellectually indigestible.

Do you find these products of any interest?

Yes AK *though still in*
No _____ *very elementary stage*
Comment _____

Have you any suggestions to make as to how to better display, or summarize the analysis results?

Comment _____

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DIAF



DIRECTORATE FOR INTELLIGENCE

**SPECIAL
INTELLIGENCE
PROJECT**

**AN APPRAISAL
OF THE PROBABILITY OF
AN OUTBREAK OF HOSTILITIES
ON CYPRUS**

1 NOVEMBER 1972 - 30 APRIL 1973

**A CASE STUDY ILLUSTRATING THE USE OF
PROBABILISTIC PROCEDURES**

CLASSIFIED BY DNPWA
EXEMPT FROM GENERAL DECLASSIFICATION
SCHEDULE OF EXECUTIVE ORDER 11652
EXEMPTION CATEGORY 2
DECLASSIFY ON DECEMBER 31, 1980

**NO FOREIGN DISSEM
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I HYPOTHESES AND DEFINITIONS

HYPOTHESES

This analysis develops a probability for each of the following hypotheses:

1. There will be at least one serious and widespread outbreak of hostilities on Cyprus during the next six months.
2. There will not be a serious and widespread outbreak of hostilities on Cyprus during the next six months.

DEFINITIONS

It is assumed in the following analysis that an outbreak of hostilities will almost certainly be precipitated by an incident. Although an incident may not directly bring about conflict, it could be expected to alter the situation on the island. For example, a major clash between Greek Cypriot factions would likely lead to considerably increased tension, which in turn would provide a dangerous environment for any further incidents. This property is incorporated in the analysis by defining five separate tension states:

- N** A "normal" situation. It is assumed that Cyprus is currently in this state.
- MGT** A moderate state of tension between the Greek Cypriot and Turk Cypriot communities.
- HGT** A high state of tension between Greek Cypriot and Turk Cypriot communities.
- MGG** A moderate state of tension between opposing Greek/Greek Cypriot factions.
- HGG** A high state of tension between opposing Greek/Greek Cypriot factions.

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II BACKGROUND

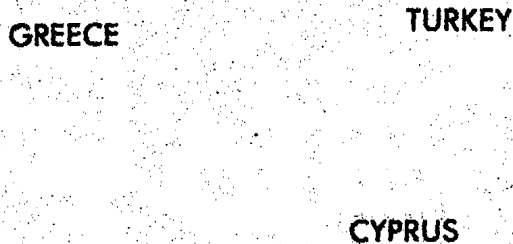


Figure 1

U.S. STRATEGIC INTERESTS

The importance of Cyprus stems from its proximity to the Middle East and the SE flank of NATO, Figure 1, and from the U.S. facilities located on the island. In addition to endangering these facilities, the outbreak of hostilities on Cyprus could also involve Greece and Turkey in open conflict, weakening the NATO alliance.

DEVELOPMENT OF THE CONFLICT

*origins of the
Greek and
Turk Cypriot
communities*

During most of its history, Cyprus has been ruled by outsiders. Its strategic location has been of value to every power that has dominated the eastern Mediterranean. The Greek character of some 80 percent of the population derives from early Greek colonization and some 800 years' rule under the Orthodox Christian Byzantine Empire. The minority Turkish population -- about 18 percent -- represents a formerly dominant element. The Turks, who came to the island after it was captured by the Ottoman Empire in 1571, ruled Cyprus for 300 years, until administration of the island was transferred to Great Britain in 1878:

enosis

Since Greek independence in the early 19th century, Greek Cypriots have pressed the claim for enosis -- that Cyprus should become an integral part of Greece -- first with the ruling Turks and later with the British. The Turkish Cypriots backed by Turkey have consistently opposed this union. Today this conflict over the issue of national identification continues unresolved and is at the heart of the Cyprus problem.

Figure 2

A cartoonist views the conflict between Greeks and Turks on Cyprus within the larger context of Greece vs Turkey.

Taken From The Guardian, Manchester



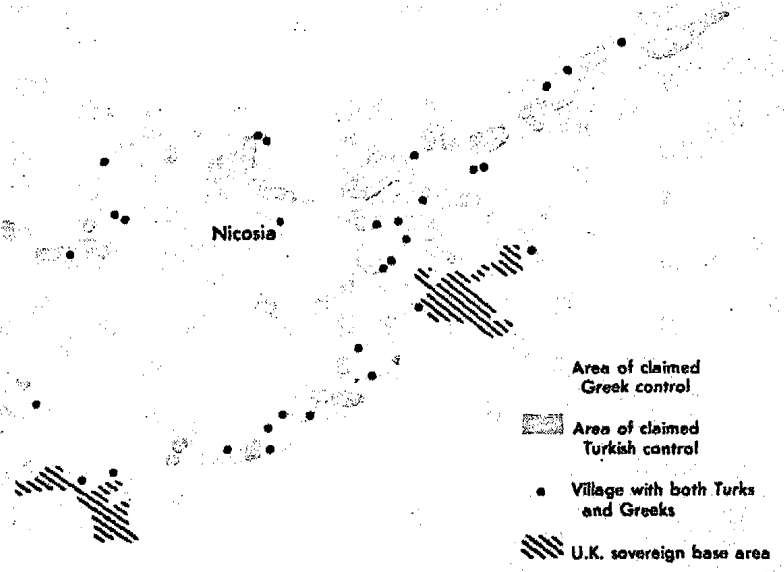
*formation
of the
Republic*

*London-Zurich
Agreements*

The dissolution of the British Empire created the setting for the Greek Cypriot guerrilla movement of the 1950's. Probably more than anything else it was the uncertainty of political control that exacerbated ethnic relations. The situation became acute in 1955 with the commencement of a guerrilla campaign against the British by the Greek Cypriot underground. The next four years were marked by incidents of violence, increasing communal unrest, and growing friction among the UK, Greece, and Turkey. British-Cypriot negotiations for limited self-government broke down in 1956 and the leader of the Greek Cypriot community, Archbishop Makarios, was exiled for a year. By 1958, the Archbishop's interest in enosis had slackened and he was expressing a desire for an independent Cyprus. In early 1959, Makarios was invited to London to join in tripartite talks among the UK, Greece, and Turkey, which produced the London-Zurich Agreements. Under these agreements, Cyprus became an independent republic based on the concept of administrative separation of the two communities without geographic partition. Geographic partition as a potential solution to the Cyprus problem would be extremely difficult to implement considering the dispersal of the Turk Cypriots, Figure 3.

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Figure 3



To secure the agreement of all parties it was necessary to include a Treaty of Guarantee which gave Greece, Turkey, and the UK the right to intervene jointly or individually in the internal affairs of the island should this be deemed necessary to uphold the agreements. In December, 1959, Makarios was elected President of Cyprus and took office the following August, when the island became a state.

*their
breakdown*

*hostilities in
1964*

The London-Zurich Agreements did not solve the Cyprus problem. Lack of mutual confidence prevented the two communities from cooperating in running the government. The Greek majority were determined to rid themselves of the constitutional provisions which gave the Turkish minority a veto power in matters of foreign affairs, defense, and key domestic issues. For their part, the Turkish Cypriots clung rigidly to the constitutional safeguards as their best protection against the Greek majority. In late 1963, President Makarios presented 13 amendments to the constitution that would have created a unitary state under majority rule -- that is, Greek Cypriot rule. Turkey quickly rejected these proposals. In the tense atmosphere precipitated by these events, a minor incident sparked violence which rapidly engulfed the island. The more numerous and better organized Greek communal forces seized the initiative and isolated the Turkish community. The intercommunal fighting created a grave danger of war between Greece and Turkey. A British peacekeeping force went into action in January 1964, but failed to prevent new violence. The United Nations peacekeeping force was activated the following March. It has remained there since, working constantly to prevent minor incidents from developing into renewed fighting.

*hostilities in
1967*

From 1964 through 1967 numerous efforts were made to find a settlement which Greece, Turkey and the Cypriots could all accept. A number of formulas were considered and rejected. No major crisis occurred until November 1967, when an attack on two Turkish Cypriot villages by Greek Cypriots led to a major confrontation between Greece and Turkey. War was averted by the emergency mediation of Presidential Emissary Cyrus Vance, working with the three countries concerned. The crisis ebbed when the Greeks agreed to withdraw some 7,000 of their forces from the island. It was also agreed that discussions would be held on the understanding that Cyprus would remain independent. Negotiations between representatives of the two ethnic communities on the island began in June 1968, and in an expanded format, they are continuing today.

CURRENT FORCES AT WORK

Gen. Grivas

The delicate balance in Cypriot affairs suffered a severe jolt with the return last year of the violence-prone hero of Greek Cypriot military endeavors against both the British and the Turks, Gen. George Grivas. Although his clandestine return to Cyprus on about the 1st of September 1971 has been followed by months of underground activity, the General has shown little inclination for dynamic action during his current stay on the island. While his private intentions are unknown, Grivas remains a dangerous and unsettling factor in the Cyprus equation, and if he chooses to make a move against his old rival Makarios or against the Turk Cypriots, violence will likely follow.

Negotiations on the Cyprus problem, deadlocked and inactive for almost a year, resumed in the summer of 1972. Participating representatives from mainland Greece, Turkey and the United Nations may be able to force a compromise on some issues but the talks are in danger of stalemate at any time.

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Politically, President Makarios remains very strong. If he chooses to run for re-election in 1973, he will be re-elected. The only other figure with a strong national following, Gen. Grivas, apparently has no personal political aspirations. His goal is the union of Cyprus with Greece, although the means for achieving this remains clouded.

As long as Makarios remains in office, he will continue to pursue a nonaligned and increasingly independent role for Cyprus and any proposed settlement which would counter these policies will be opposed by the Archbishop. Makarios is expected to continue to dominate all other political forces on the island for the foreseeable future.

**“ I HAVE SURVIVED 13 GREEK PRIME MINISTERS.
I SHALL SURVIVE THE FOURTEENTH TOO. I SHALL
ASK FOR AID FROM MOSCOW. ”**

**ARCHBISHOP MAKARIOS
1971**

II PROBABILITY ANALYSIS

OVERVIEW

If serious hostilities are to develop on Cyprus, they are almost certain to escalate from an incident (although there is an outside chance that hostility can develop without an incident). Many minor incidents occur daily; however, this analysis will only consider those that, at a minimum, have a clear potential for violence.

a probability diagram

Figure 4 indicates that an incident can either lead directly to hostilities, in which case the dot at the end of the branch indicates that the analysis terminates, or it can bring about a changed state of tension which in turn may promote hostilities at a later time. In either case, there are several alternative sequences of events which could mediate the impact of an incident. The analysis below therefore begins with the stepwise development of a probability diagram that traces out these alternative sequences of events. Using the probability diagram, the likelihood is calculated of going from one tension state to another, or to hostilities, in a three-week period. This is a sufficiently short period to capture the dynamics following an incident and long enough for there to be a reasonable chance of an incident occurring.

Once these probabilities have been calculated, they are incorporated into a Markov model which is used to chain together a sequence of probability diagrams in order to assess the probability of moving from the current state of tension into hostilities as a function of an increasing interval of time.

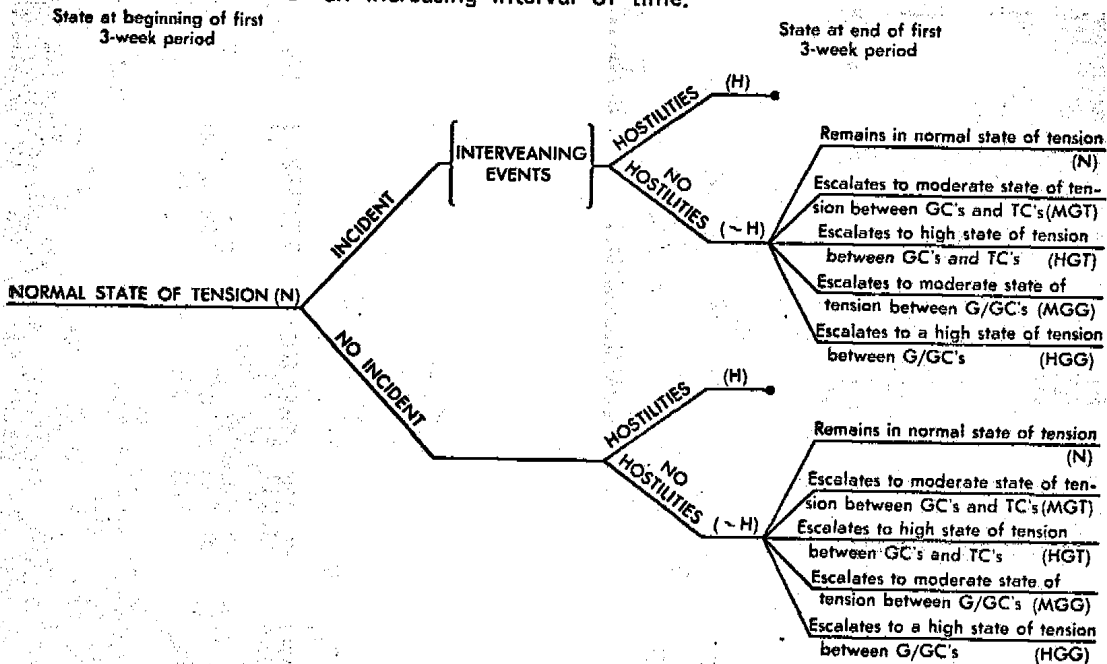


Figure 4

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(The reader who is not concerned with the details of the analysis may wish to skip the next two sections of this chapter and proceed directly to the final section titled, "Conclusion -- The Probability of Hostilities".)

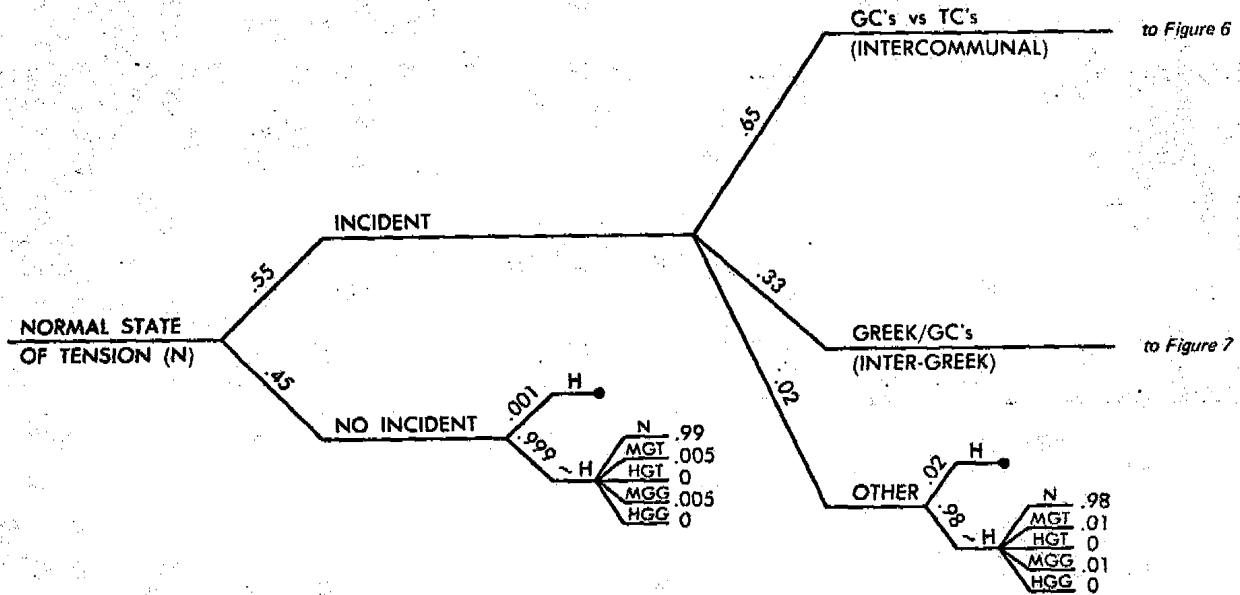


Figure 5

instigation of incident

PROBABILITY DIAGRAM

The probability diagram in Figure 5 identifies three types of incidents which might lead to hostilities. The first two branches describe the most important types: (1) those between Greek Cypriots (GC's) and Turk Cypriots (TC's), called intercommunal incidents, and (2) those between antagonistic factions of GC's, called inter-Greek incidents. Based on an analysis of reported incidents over the past six months, it is about twice as likely that any given incident will be intercommunal rather than inter-Greek. Figures 6 and 7 which follow will develop the implications of the intercommunal and inter-Greek incidents respectively.

The third branch of Figure 5 describes all other kinds of incidents and is included to exhaust all possibilities. An incident between Soviet and Turkish vessels off the coast of Cyprus, during a Turkish troop rotation, is an example of this category. This type of incident is very unlikely to occur and very unlikely to lead to hostilities so, although it is included in this analysis, it will not be discussed further.

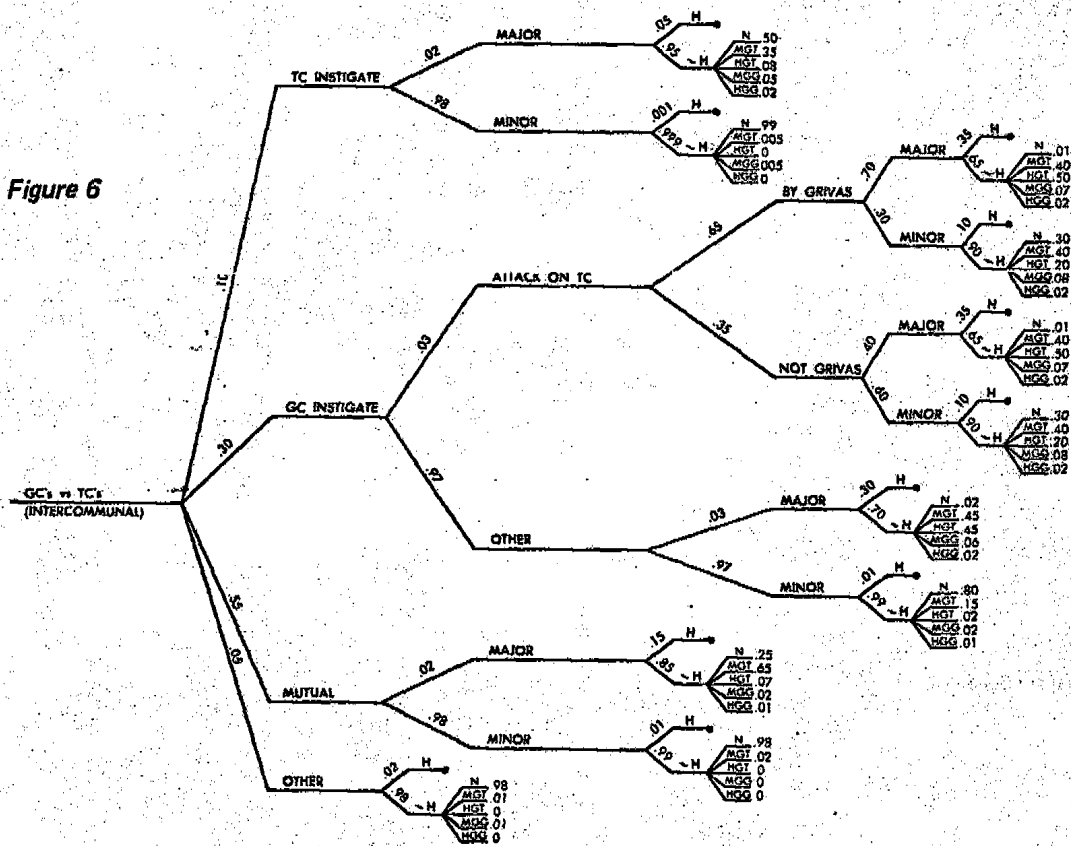
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intercommunal incidents

TC initiated

Figure 6 continues the GC vs TC branch of Figure 5 to further categorize the type of intercommunal incident according to who instigates it. Although the TC's could initiate an intercommunal incident, as shown by the top branch of Figure 6, they are outnumbered, outgunned and hold generally to a defensive posture; any incident they perpetrate therefore is unlikely to be major. More likely, it would be a situation from which they would quickly withdraw and one that they would be anxious to resolve.

Figure 6



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GC instigated

On the second branch of Figure 6 the GC's instigate the intercommunal incident. They are more aggressive and have initiated several incidents in the past. The most significant example is the attack on TC villages which brought on the 1967 crisis; evidence also points to GC instigation of several lesser incidents. While it is unlikely that any given GC-instigated incident will be in the form of an attack, if an attack should occur then Grivas would most likely be responsible for it. Furthermore, an attack by Grivas could be expected to be of major proportions, while any GC attack conducted by forces other than the Grivasites would stand a good chance of being contained, smoothed out, and eventually negotiated out of the picture. The category designated "other" covers all other types of GC-instigated intercommunal incidents, and it is here we could expect the vast majority of incidents to fall. Most of these incidents would be of little significance and could be quickly contained and negotiated away.

*mutually
initiated*

The third branch of Figure 6 describes incidents that are mutually instigated by both sides. These appear to be brought on by the peculiar circumstances on the island, where opposing forces often stand toe to toe, rather than by the design of either side. It follows that such an intercommunal incident would be of minor proportions with both sides being well disposed to quash an incident that neither instigated to begin with.

*non-Cypriot
initiated*

The fourth branch of Figure 6, designated "other", makes the breakdown exhaustive. An intercommunal incident brought on by Arab terrorists on Cyprus is an example of this type of incident. Here too both sides would be disposed to contain the incident and it would likely have a minor impact on hostilities.

*resultant
hostilities or
tension states*

The terminal branches on Figure 6 show that every intercommunal incident will culminate either in hostilities or in one of the five tension states. As expected, the high probabilities of hostilities follow the major intercommunal incidents, particularly those instigated by the GC's.

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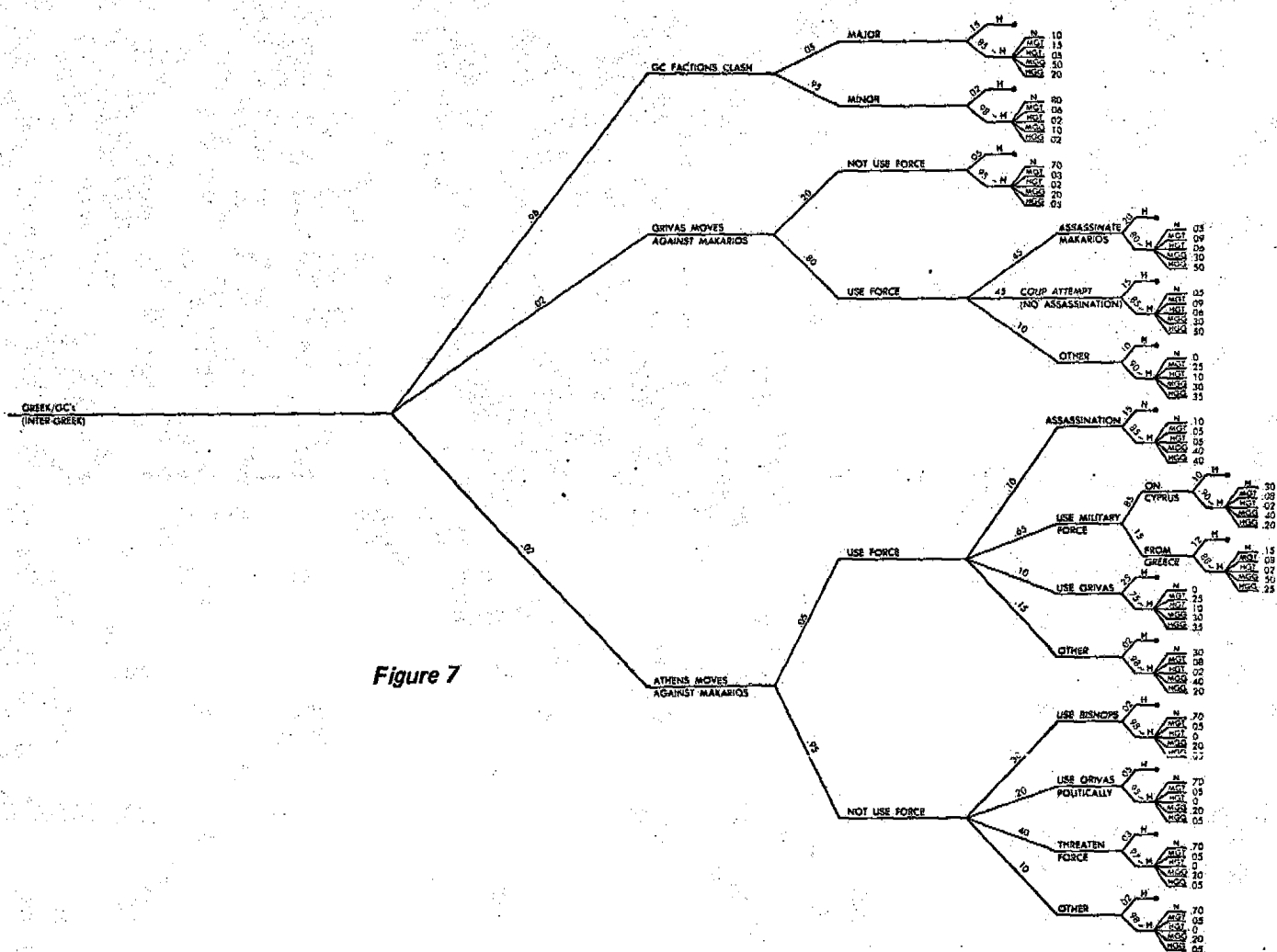


Figure 7

an inter-Greek incident

Figure 7 is an analysis of the inter-Greek problem; the second of the three kinds of incidents contained in Figure 5. The return of Gen. Grivas to Cyprus, the conflict between Makarios and the Athens leadership, and the several clashes between opposing GC factions all lend substance to fears that the spark to set off explosive violence will come from inter-Greek fighting rather than an intercommunal clash. Open inter-Greek fighting on the island could quickly spill over into TC areas and develop into full intercommunal hostilities.

The top branch of Figure 7, some form of clash between the Greek and GC factions, is by far the most likely kind of inter-Greek incident. Over the past several months there have been several instances of clashes, mainly between the GC factions supporting Grivas and those supporting Makarios. There are other, overlapping factions, e.g., those identified with the Cypriot Bishops, who have attacked Makarios on religious grounds, and also forces identified with the Athens leadership. Clashes between GC factions do not constitute a direct threat to Makarios, however, and an incident of this type would most likely be of minor proportions leaving Cyprus in a normal state of tension.

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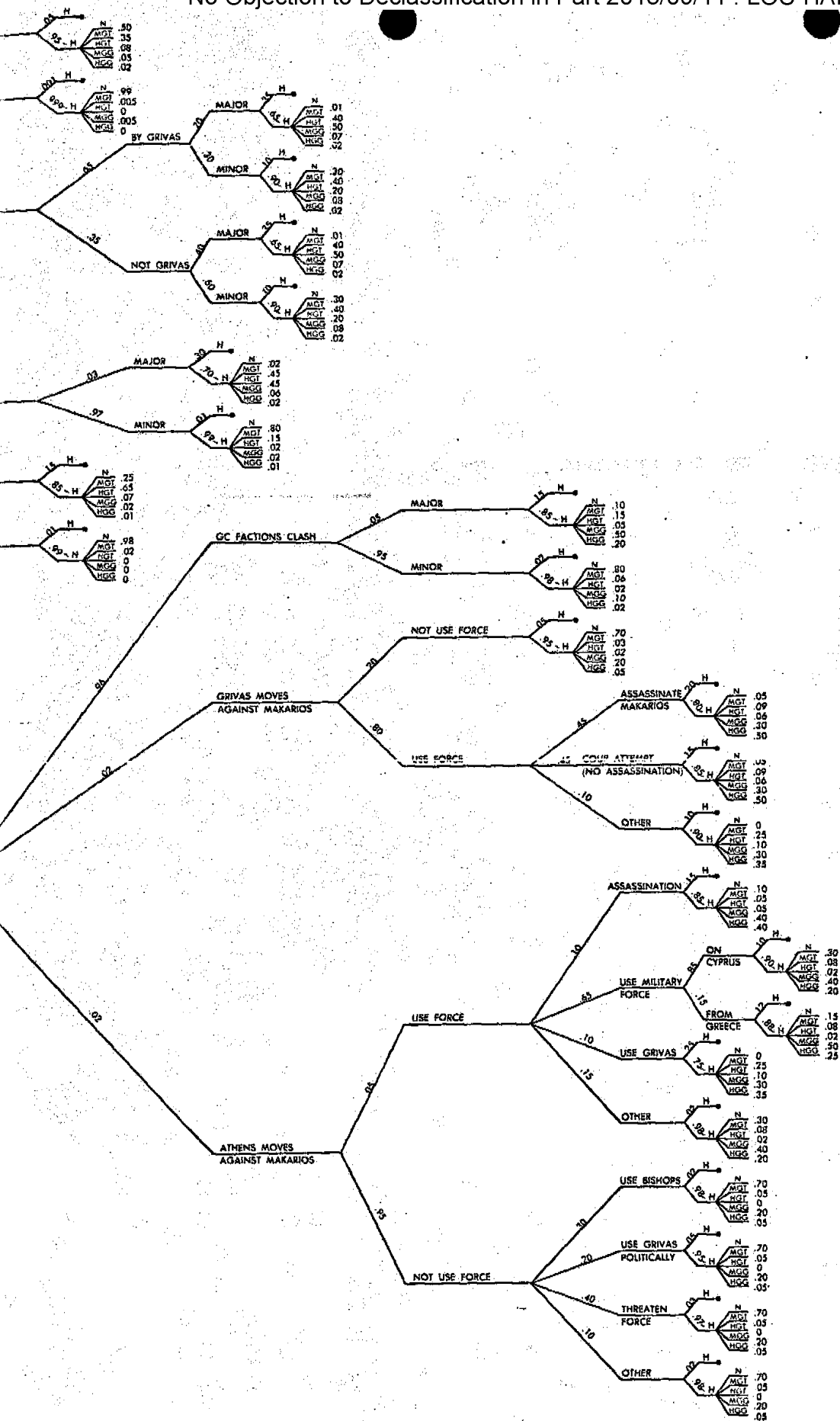
Grivas

The second branch of Figure 7 addresses an inter-Greek incident instigated by General Grivas moving directly against Makarios. The use of force is characteristic of Grivas, and there is a high probability that if he strikes, it will be a violent blow. The two principle alternatives are (1) Assassination of Makarios, and (2) Coup d'etat. It is also possible that Grivas will not use force at all. He may (3) rely upon a political front organization to challenge Makarios or upon the dissident Cypriot Bishops.

Athens

On the third branch of Figure 7, the inter-Greek incident is caused by Athens moving against Makarios. A move by Athens is less likely to involve force than is a move by Grivas. In the unlikely event that Athens uses force, the options are assassination, direct military intervention, work through Grivas, or some other means. The most likely alternative is for Athens to use the strong military forces at its disposal on the island rather than forces brought in from mainland Greece. Athens has a regular Greek Army contingent of almost 1000 men on Cyprus, and the Greek Cypriot National Guard is officered by mainland Greek Army officers. Another option open to Athens is to use the Grivas forces, however, whatever connections exist between Athens and Grivas are obscure, making this option unlikely. Other contingencies, not readily foreseen, are included for completeness.

It is much more likely that Athens will not resort to force in an effort to oust Makarios. Options under this category are: (1) Athens supports the Cypriot bishops in pressing their case from the religious angle. The prospect that this will prove effective is slight, but it is a continuing form of pressure which represents an effort to unseat the Archbishop from his temporal office. (2) Athens uses the Grivas organization as a political tool to confront Makarios on purely political grounds. (3) Athens uses the threat of force. In view of the resident Greek forces on the island and the Greek officer corps of the Greek Cypriot National Guard, Athens can apply significant pressure on Makarios. This is the most likely of the above options. Other measures (4) which Athens may take in pursuit of this goal are less likely.

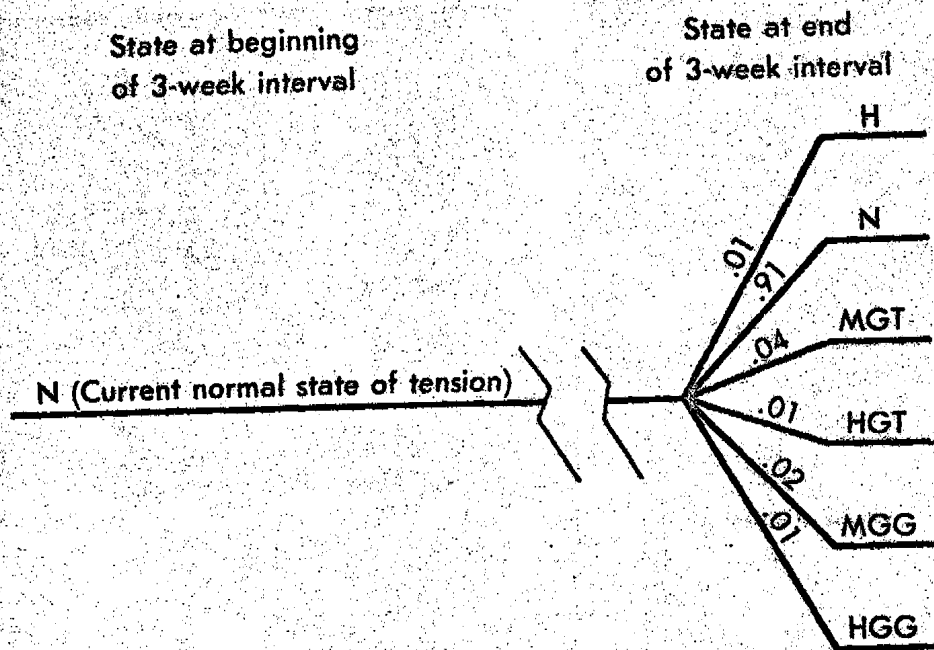


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a simplification

Because of this, the large probability diagram, which is useful for analysis of the many possible implications of an incident, can be summarized by the simple diagram of Figure 9. It displays the expected probability of terminating in each of the six possible end states. There is a one percent chance of moving into hostilities during the three-week interval but Cyprus is far more likely to continue in a normal state of tension.

Figure 9



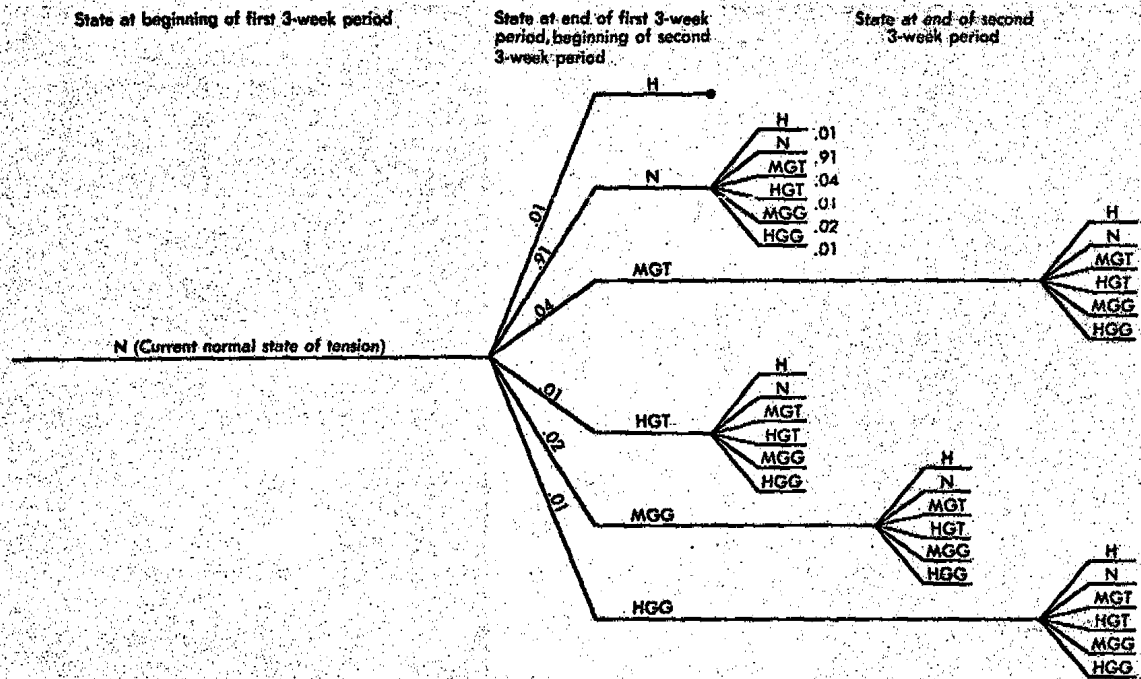
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MARKOV MODEL

*extending
beyond three
weeks*

Figure 10 extends the analysis for a second three-week period; here too the process terminates in the same six end states. If Cyprus is in a normal state of tension at the end of the first three-week interval, then the probabilities shown in Figure 9 are also applicable for the second three-week period. However, if Cyprus has escalated into a higher state of tension, different probabilities are required, in this case probabilities which imply a higher likelihood of moving into hostilities.

Figure 10



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Figure 11

Example, if Cyprus were in a state of moderate Greek-Turk tension at the beginning of any 3-week period, there is a 10 percent chance of moving to a state of high Greek-Turk tension at the end of that period.

State at end of first 3-week period

STATES	1 N	2 MGT	3 HGT	4 MGG	5 HGG	H
1 N	.91	.04	.01	.02	.01	.01
2 MGT	.51	.30	.10	.02	.01	.06
3 HGT	.16	.35	.35	.03	.01	.10
4 MGG	.48	.06	.02	.29	.09	.06
5 HGG	.15	.07	.02	.34	.34	.08

State at beginning of first 3-week period

State at end of first 3-week period

STATES	1 N	2 MGT	3 HGT	4 MGG	5 HGG	H
1 N	.91	.04	.01	.02	.01	.01
2 MGT	.51	.30	.10	.02	.01	.06
3 HGT	.16	.35	.35	.03	.01	.10
4 MGG	.48	.06	.02	.29	.09	.06
5 HGG	.15	.07	.02	.34	.34	.08

State at beginning of first 3-week period

a summary matrix

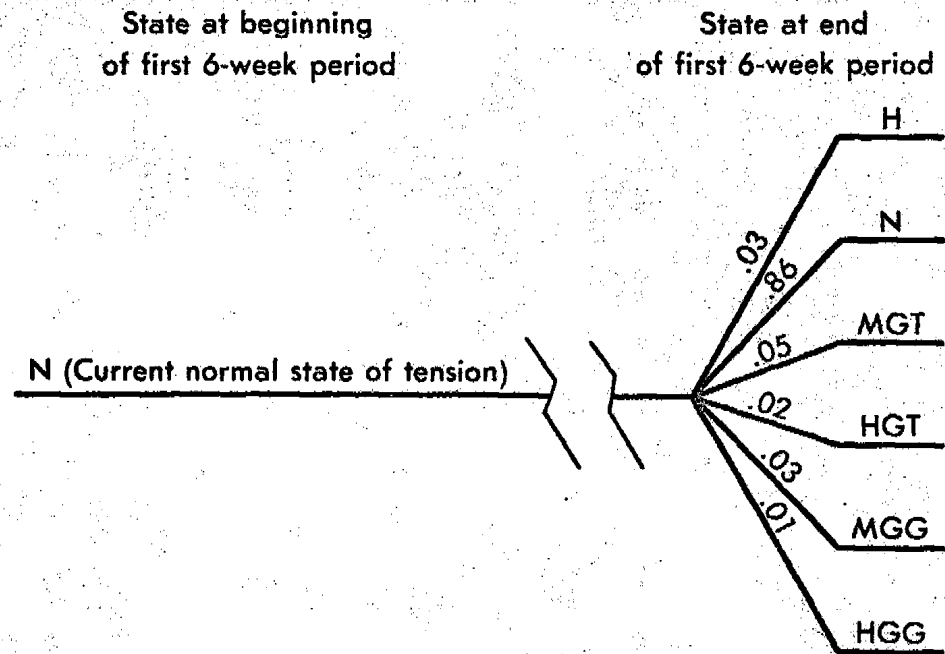
Figure 11 displays the transition probabilities -- the probability of moving from one state to another in any three-week period -- assessed for all possible states. For example, it shows that there is a 91 percent chance of remaining in the normal state at the end of any three-week period if Cyprus was in the normal state at the beginning of the period; a 4 percent chance of moving to a state of moderate Greek-Turk tension, and so forth. Implicit in this matrix is an important underlying assumption; namely, that the probability of moving from one state to another is dependent only on the state at the beginning of any period, not on how that beginning state was reached. For example, suppose Cyprus was first in a normal state of tension, then in a state of high Greek-Turk tension and then in a state of moderate Greek-Turk tension; the probability that it will next move to the normal state, or to any other state, is only dependent upon it currently being in a state of moderate Greek-Turk tension, not how it got into that state. This assumption makes it unnecessary to re-assess the transition probabilities for extensions of the probability diagram of Figure 10 beyond six weeks. Thus, calculation of the probability that Cyprus will be in a particular state for any given multiple of the basic three-week period can be easily accomplished.

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Once the transition probabilities have been assessed, it is possible to reduce the six-week probability diagram of Figure 10 to the simpler diagram shown in Figure 12. This figure shows that at the end of six weeks there is a 3 percent probability of moving into hostilities but again, the most likely outcome is that Cyprus will remain in a normal state of tension. One reason that the probability of moving into hostilities is higher than at an end of three weeks is that there is twice as much time for hostility to develop. A second, more important, reason is that the increased time permits escalation to take place. That is, it is possible to arrive at hostility not only by moving there directly from a normal state of tension but also, indirectly, by escalating from a normal to a higher state of tension and then moving into hostilities.

escalation

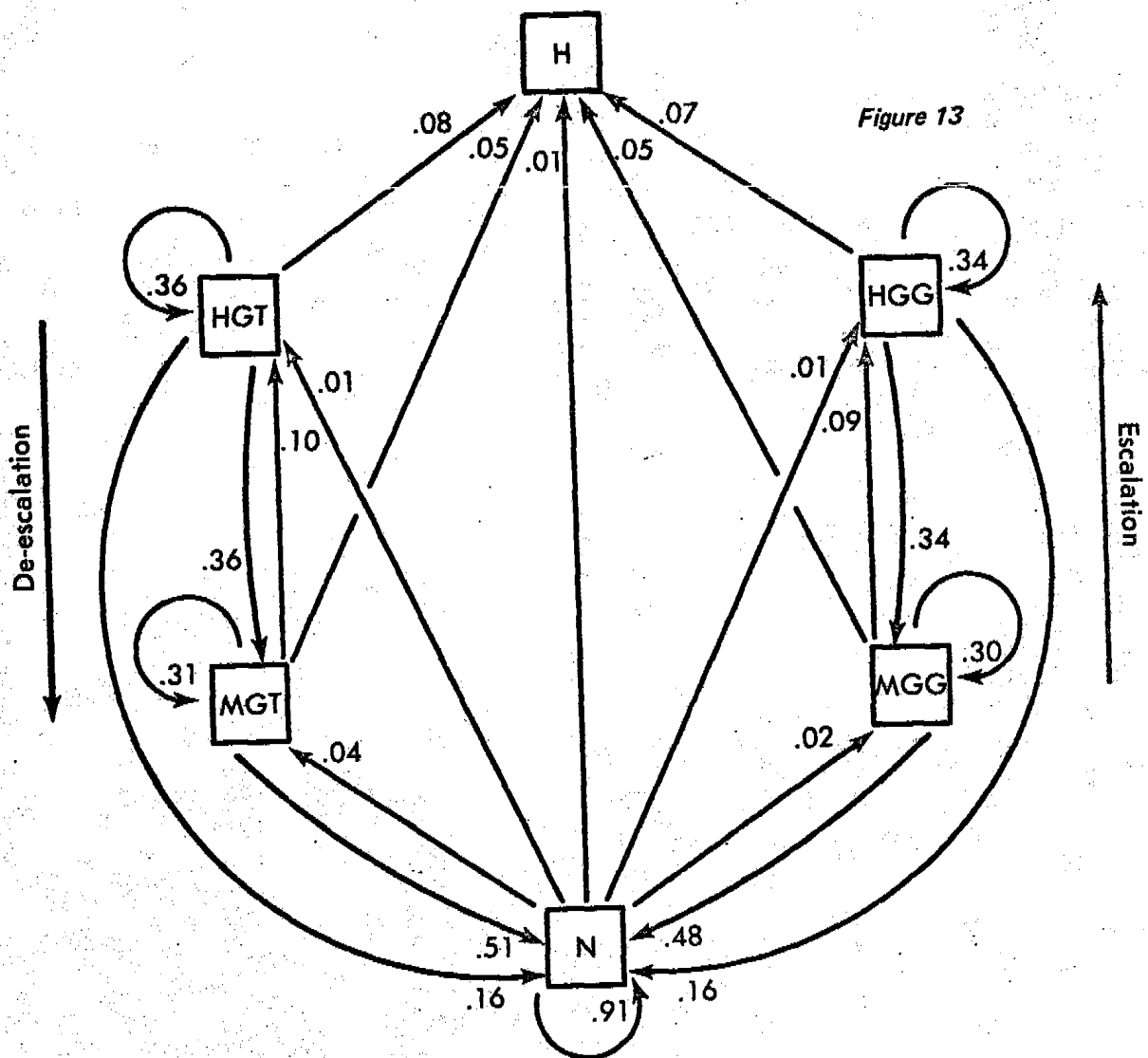
Figure 12



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and
de-escalation

The process of escalation and de-escalation is fully incorporated only by extending the time horizon many periods. The abbreviated state diagram, Figure 13, shows how this escalation and de-escalation can occur. Each arrow refers to a single three-week period. The probabilities attached to the connecting arrows come from the matrix in Figure 11. The red arrows show escalation toward hostility or increased tension, the green arrows show movement toward decreased tension, and the yellow arrows imply that the state doesn't change. Tension between the Greeks and Turks is shown on the left and that among Greeks on the right. The arrows which connect these left-and-right-hand states are not shown. Any possible sequence, such as escalation followed by de-escalation, can be represented by chaining together a sequence of three-week transitions. For example, Figure 14 shows such a sequence for a period of nine weeks. Beginning in the normal state, it would be possible first to transition to moderate Greek-Turk tension (1); next, to remain at moderate Greek-Turk tension (2); then to escalate to high Greek-Turk tension (3); and finally to de-escalate to a normal state (4).



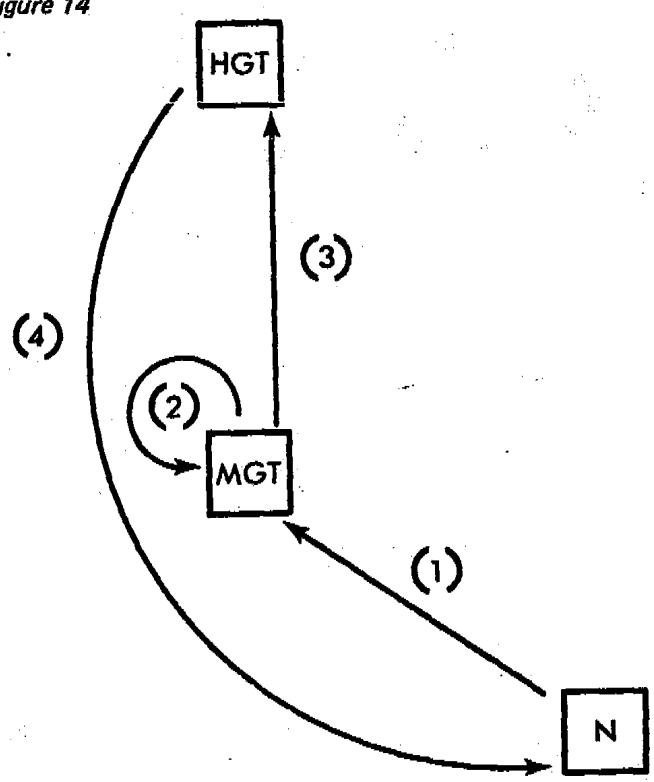
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The process described by Figure 13 is called a Markov chain. Because of the particular transition probabilities given in Figure 11, this Markov chain, which represents the forces at work on Cyprus, indicates that there is a high probability of Cyprus being in low states of tension in the future. First, it is more likely (91 percent) to remain in a normal state than it is to move into a higher state of tension. Second, if it enters a higher state it has only a 30-36 percent chance of remaining there and, if it leaves, the most likely transition is a de-escalation to a lower state of tension.

*de-escalation
is more
likely*



Figure 14



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*% time in each
tension state*

Figure 15 shows, as a function of time, the probability that Cyprus will be in the normal state; assuming that the process begins in the normal state and has not yet reached hostilities. Beyond approximately four months, the figure shows that there is about an 85 percent chance that Cyprus will be in the normal state and only about a 15 percent chance that it will be in a higher state of tension.

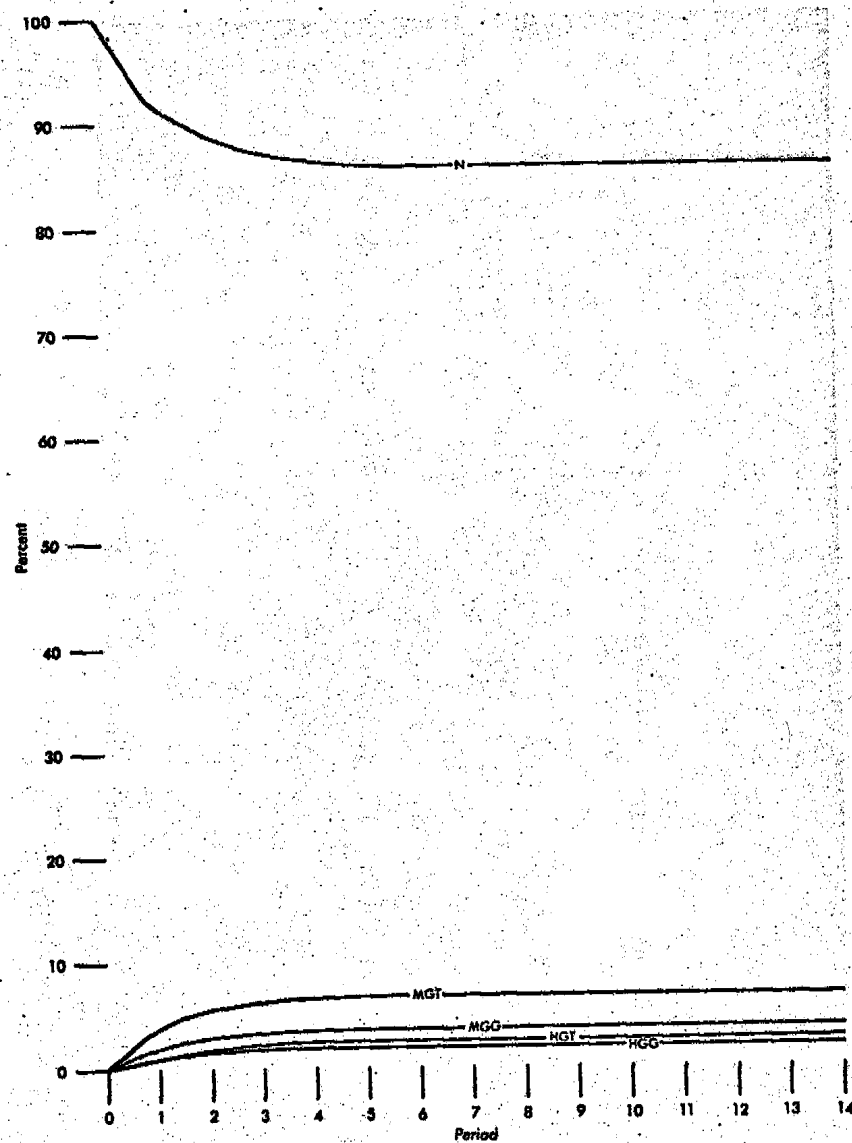


Figure 15

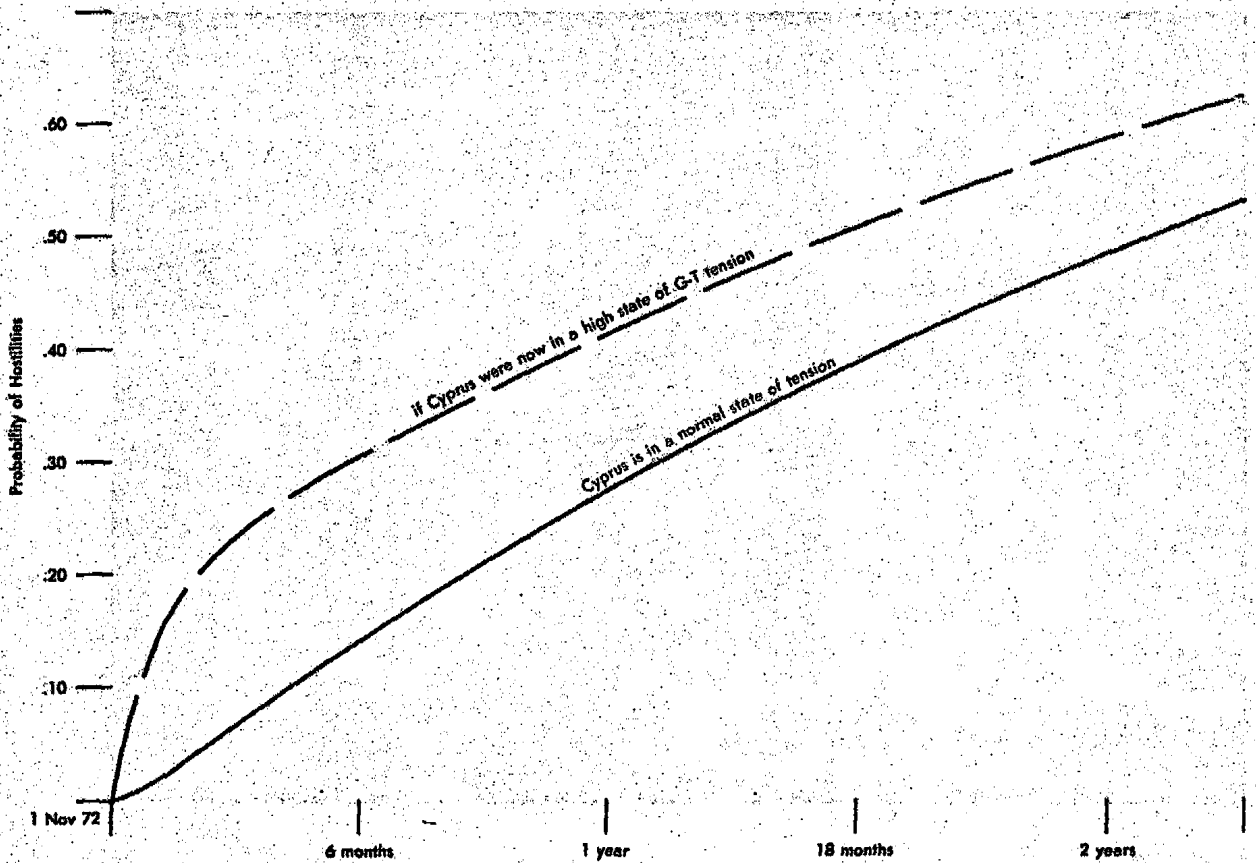
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CONCLUSION :
THE PROBABILITY OF HOSTILITIES

*14% chance
of hostilities
within 6
months.*

The goal of this analysis is to assess the probability that hostilities will begin on Cyprus. The red curve in Figure 16 shows how that probability increases with time. This curve is derived from the matrix in Figure 11. It shows that there is about a 14 percent chance that hostilities will begin within a six-month period and that it is about as likely as not (48 percent) that hostilities will occur within two years. These assessed probabilities are based on starting in the current, normal, state of tension. If, on the other hand, Cyprus were now in a high state of tension, there would be a much greater chance of hostilities beginning. For example, if there were now a high state of tension between GC's and TC's the probability of hostilities would be given by the dashed curve in Figure 16. In that case, there would be about a 30 percent chance of hostilities within six months and 50 percent within a year and a half.

Figure 16



IV

THE PROCESS OF ANALYSIS · SOME OBSERVATIONS

THE ANALYSIS

The use of structured analysis procedures improved on a completely intuitive analysis in two major ways. First, it encouraged the analyst to think through his problem in a clear and logical manner. Factors affecting the likelihood of hostilities were explicitly identified and uncertainties surrounding the occurrence of future events were formally incorporated into the analysis. Second, the use of probability diagrams and the Markov model provided a means for the analyst to play his intuitive assessments with respect to hostilities against the implications of the model to insure logical consistency. For example, the analyst a) made a direct assessment of the probability of hostilities, then b) assessed the probability of hostilities indirectly through the probability diagram, c) assessed the percentage of time in a tension state, and d) judged a time in the future such that he would be indifferent as to whether hostilities would occur before or after that time.

as a bet

*inconsistencies
adjustments*

As it happened, these separate assessments were incompatible with each other given the underlying structure of the model which the analyst felt was correct. Consequently, it was necessary to adjust the different assessments, constrained both by the logic of the model and by the analyst's knowledge of Cyprus. It is not the case that the analyst assessed the probability of hostilities and then constructed a model that was compatible with that assessment. On the contrary, given the feedback from the model, he adjusts all of his assessments until convergence was achieved between the implications of the model and his perception of the situation.

COMMUNICATION

In addition to sharpening the analyst's perception of the structure of his problem, these analytic procedures also enhance the communication of the likelihood of hostilities and the reason for that likelihood. In the first place, the use of a percentage, 14 percent, to describe the likelihood of hostilities is certainly more meaningful than the use of a verbal qualifier such as "unlikely". In addition, the use of the probability diagram and Markov model communicates a quantitative justification for the probability assessment so that if the reader does not agree with that assessment, he not only knows that he disagrees, but where and by how much. The use of the analytic model thus serves to focus dialogue and debate in specific areas instead of on the assessment as a whole.

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Read Personal Study



**DIRECTORATE OF
INTELLIGENCE**

Intelligence Memorandum

State Dept review completed pages
59-74

Panama: 1973 - The Year of the Treaty?

MORI/CDF C05129177 Pages
59-74

Secret

181

28 November 1972
No. 2438/72

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
28 November 1972

INTELLIGENCE MEMORANDUM

PANAMA: 1973—The Year of the Treaty?

The current round of canal negotiations which began in June 1971 has been stalled for the past eight months, in part because General Torrijos was unwilling to commit himself on substantive issues or allow the talks to move from an exploratory to a bargaining phase. Having solidified his position and legitimized his rule, Torrijos can now begin to focus on the canal issue. The gulf between the Panamanian and US positions is substantial, but Panama apparently believes that the US can be pressured into offering additional concessions. Negotiations will probably resume in Panama in the near future.

Torrijos has approached the negotiations with ambivalence and apprehension. Panama's position as he perceives it is one of moral superiority, but material and tactical inferiority. He believes that international opinion supports Panamanian aspirations for control of the Canal Zone and that even the US public, if it could only be informed, would regard the current situation as anachronistic. On the other hand, aside from his ability to embarrass Washington, Torrijos realizes that Panama has relatively little bargaining leverage. Most of the give is on the US side, most of the get is on the Panamanian side.

Because Torrijos does not approach the negotiations as an equal with equivalent points to concede, he seems deeply suspicious of the normal negotiating process. He apparently sees the canal issue more as a political rather than a diplomatic problem. As such, it would require a broad agreement on principles blocked out at the top with only the details left for the diplomatic technicians to handle.

Despite suggestions from the US and his own foreign policy advisers that he develop a completed position on all issues, Torrijos thus far has

Note: This memorandum was prepared by the Office of Current Intelligence and coordinated within CIA.

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retained maximum flexibility and has only limned some of the basic ingredients of the new treaty. There are, of course, certain points that Torrijos regards as essential to any agreement: a definite termination date for a new treaty after which the canal would be turned over to Panama; full Panamanian jurisdiction over the Canal Zone, including an immediate end to trials of Panamanians in US courts. On a number of other issues, such as compensation, a status of forces agreement, and land use, Torrijos has not yet made up his mind, but these issues appear to be negotiable.

A major impediment to an agreement is the inability of Torrijos' aides to persuade him that a US offer is a good one or that it is firm and final. Afraid of being outmaneuvered, he is probably unwilling to trust any outline of the US position that does not come directly from the highest levels of government. Also, he has tended to believe that threats and pressure might bring greater concessions. Over the past few months Panama has attempted to lay the groundwork for the possible application of such pressure. Panamanian ambassadors around the world have publicized Panama's side on the canal issue, Panamanian representatives have sought support at various international conferences, and a major effort has been made to have the United Nations Security Council meet in Panama City in March.

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Preparations for Negotiation

To negotiate or not to negotiate has never been the problem. Instead, when to negotiate, where to negotiate, how to negotiate, and what to negotiate have been the questions. It took the Torrijos government a year to find answers to the first two questions and another year to resolve the third. The fourth question still appears to be the object of continuing discussion, if not confusion.

Torrijos inherited the canal problem at a most difficult time. Panamanian dissatisfaction with the 1903 treaty had culminated in bloody rioting in January 1964. A number of Panamanians and US soldiers were killed, and subsequently Panama broke relations with the US and complained to the UN and the OAS. In April, relations were resumed, and representatives of both countries initiated discussions on means of eliminating sources of conflict. In December, President Johnson announced that the US was prepared to negotiate a new treaty, and for nearly three years an arrangement that would satisfy Panamanian aspirations without impairing US security interests was sought. Finally, in June 1967, Presidents Johnson and Robles announced agreement on three draft treaties: one on the present canal, one on US military base rights and status of forces, and on a new sea-level canal.

as their interest groups + military interests

Panama never acted on the draft treaties which had quickly come under intense political fire. The Robles government became involved in the bitterly fought campaign preceding the May 1968 presidential election, and Arnulfo Arias, who won the election, barely had time to adjust his presidential sash before he fell victim to the military coup that brought Torrijos to power in October 1968.

The 1967 drafts made major concessions to Panama. They voided the hated perpetuity clause, and called for the cession of the lock canal to Panama by the year 2000 and the reversion of a proposed sea-level canal by the end of 2067. Panama would have promptly received land and water areas no longer needed for defense or canal operations. The fixed annuity of about \$2 million was done away with, and, in its place, Panama was awarded a royalty on tonnage passing through the canal which at present transit levels would have yielded approximately \$24.4 million in fiscal 1972. Nevertheless, the agreement was criticized and later rejected because instead of giving Panama full sovereignty over the Canal area, a foreign enclave under a joint US-Panamanian administration in which Panama was a minority partner was to be continued. It was also hit because it did not commit the US to build a sea-level canal and because it perpetuated the large US military presence.

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Without concerning himself at all with the merits of the case, Torrijos seems to have immediately grasped three points. First, he could not accept the drafts as they were. Presenting himself as a true nationalist and reformer, he had to put his own stamp on a treaty and had to get a better deal than had the oligarchs. Second, some mending of fences with the US was required before Washington would even discuss the canal issue with him. The US, he sensed, was not ready to cozy up to a government that had so blatantly flouted the popular will and that lacked even minimum constitutional underpinnings. Third, the canal issue was too complex and far too important to negotiate without some degree of planning and preparation. Torrijos had only the vaguest conception of the underlying issues, even less idea what he wanted to achieve, and virtually no time to devote to the matter. He first had to consolidate his power and learn how to run a government.

By mid 1969 he had apparently begun to feel more secure in his position and confident enough to tackle the canal issue. A canal advisory group was appointed to study the 1967 drafts, and the government-controlled press began to focus on the canal issue. When Torrijos was in New York in September 1969, he told US officials that he would like to resume the negotiations as soon as possible.

Torrijos at that point had developed no clear negotiating goals, strategy, or timetable. Although Torrijos occasionally mentioned that he was under domestic pressure to resume negotiations, the public showed little interest in the canal issue. The people were seized instead with gaining a fix on where the Torrijos government was heading, particularly in internal affairs.

Torrijos' initial push for negotiations may, therefore, have been less an interest in getting talks going as a tactic to get the US to deal with and accept his government. Rather than excite hopes that he would quickly succeed where other governments had failed, Torrijos seemed merely to want to convince the public that the US would negotiate with and support his Provisional Junta Government.

Torrijos' concern over the direction of US-Panamanian relations increased during the next few months. A coup attempt by military rivals in December 1969 was blamed on the US by Panamanian officers who were frantically trying to divert Torrijos' suspicions. In February 1970 an aide to deposed president Arias claimed the US had supported his efforts to organize a coup; when the aide was unable to complete his plans, he fled to safety in the Canal Zone. In July 1970 the three colonels who had led the December coup attempt escaped from jail with the help of a US Navy civilian employee

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residing in the Zone. In August, a Canal Zone policeman who was a Panamanian national confessed that he had used the Zone as a refuge while plotting against the junta and that he had acted as a link between plotters in Miami and anti-government elements in Panama. Torrijos bitterly resented the availability of the Zone as a safe haven for his opponents, and one of his negotiating objectives—full Panamanian jurisdiction over the Zone—began to coalesce. Probably more than ever, Torrijos viewed the resumption of active negotiations as necessary proof of US acceptance of his regime.

In August 1970, as the media began a drumbeat of propaganda against the Zone, Torrijos formally rejected the 1967 drafts, indicating that the government had its own idea on the canal agreement. The frost in US-Panamanian relations persisted, and there were hints that Panama would denounce the 1903 treaty before the United Nations General Assembly. Calmer heads prevailed, however, and instead of a confrontation, there was, in October, an amiable meeting between President Nixon and Panamanian President Lakas, who was visiting the US in conjunction with the 25th anniversary celebration of the UN.

Despite this meeting, US-Panamanian relations remained somewhat roiled as Torrijos made the most of every opportunity to exploit problems with the Zone and to extract maximum propaganda mileage. If the government's agitation over accumulated irritants was the stick used to prod the US toward negotiations, the Torrijos government did not forget the carrot. Panamanian negotiating objectives, to the extent that they were formulated, were couched in very broad and seemingly reasonable terms. Whether deliberate or not, there seemed to be a slurring of differences, an implication that agreement could be reached in short order and a hint that if desires for jurisdiction could be met, then perhaps Panama would be accommodating on other points. In late June 1971 negotiations were formally resumed.

Negotiations—Phase One

The Panamanians approached canal negotiations with an almost religious fervor. They were searching for the promised land and were beyond the point where minor changes or a more cosmetic packaging of the 1903 treaty structure would suffice. It was not out of character, therefore, that when the Panamanian negotiators repaired to the bargaining table, they were ready to stake out a maximum position on broad issues, but were weak on details and limited in flexibility. It quickly became apparent, for example, that Panama saw no possibility for a trade-off between increased jurisdiction and a longer time frame for the treaty. Although the government had

*Worshipful!
in negotiations*

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rejected the 1967 drafts, the drafts were clearly regarded as a bargaining floor. Similarly, all of the concessions that Panama had previously won were considered to be closed to further negotiation. The only question, as the Panamanians saw it, was how the terms could be further improved.

The Panamanians immediately insisted that a new treaty must have a fixed termination date. When they won that point, they indicated they were not pleased with a proposal providing for US control of the present canal for 50 years, the present canal with an added lane of locks another 35 years, and alternatively a sea-level canal for another 40 years—even though the final termination date was earlier than provided for in the 1967 drafts. The Panamanians also demand an end to the Canal Zone government and the establishment of Panamanian control over all normal governmental responsibilities such as police, fire, hospitals, schools, and the mails. Furthermore, they demanded that Panama be granted full jurisdiction in the Zone within five years, that all US commercial activities be turned over to private ownership within two years, and that all US criminal jurisdiction over Panamanians be ended as soon as a new treaty went into effect. They hinted that US base rights treaties with Spain should set a standard for compensation.

Panama no longer viewed the level of compensation provided by the 1967 drafts—approximately \$20-25 million—as adequate; they suggested instead amounts two and three times as large. Panama insisted that the US cede substantial land and water areas, particularly near Panama City and Colon and that Panama have the final say on secondary uses of the land retained by the US for the operation and defense of the canal. Panama objected to the denial of the canal to nations at war with the US, arguing that the canal should be completely neutral. Although not prepared to discuss defense arrangements in depth, the Panamanians proposed that their own forces play a role in canal defense and that any other functions, such as hemispheric defense, be separately and specifically negotiated.

Even on the issue of canal expansion—virtually the only quid pro quo Panama could offer in return for the myriad concessions sought from the US—Panama remained hard nosed. The negotiators opposed a US request for a straight 25-year option during which a decision on expansion could be made. Instead, Panama argued that the US should have a 15-year option, renewable for two five-year periods and that the US should pay for each renewal.

The junta played down public commentary on the progress of the talks. Nevertheless, the canal issue was kept before the public eye and efforts were

made to garner declarations of support. The official mood was alternatively optimistic and threatening as the Torrijos government studied the US position and assayed Washington's willingness to compromise.

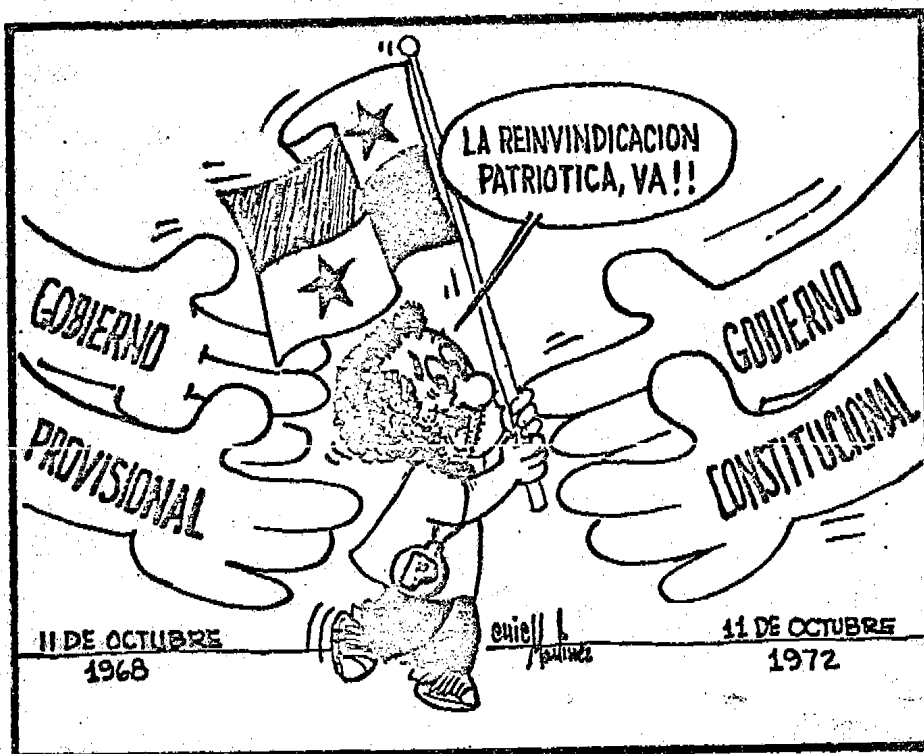
Late in the summer of 1971, when preparations were beginning for a massive celebration of the third anniversary of Torrijos' seizure of power, Panamanian concern over the progress of the negotiations was reflected in rumors that there would be anti-US demonstrations or even incursions into the Zone. As the anniversary approached, however, Panama apparently had second thoughts. The rumors died down, and at a mammoth rally Torrijos limited himself to a thinly veiled threat to lead the people into the Zone if the negotiations failed. who

By November, the air of expectancy about a new canal treaty had shifted to pessimism. Once again the government began to create a more tense and uneasy atmosphere, and its relationship with the Canal Zone government noticeably cooled. Rumors of a student incursion into the Zone again were generated, and Torrijos warned that failure to achieve a satisfactory agreement would lead to a "spontaneous" explosion.

Despite these ill-considered attempts to give the negotiations a nudge, the talks in Washington were proceeding in a businesslike and constructive manner. In December 1971, however, a decision point was reached. The Panamanian negotiators had articulated and then refined their position and, in turn, had received a detailed US offer. There had been a frank and open exchange as both sides explored the issues. The Panamanians had little room for maneuver, however, and returned home for new instructions.

The Panamanian negotiators were probably surprised to find that Torrijos viewed the progress of the negotiations with a jaundiced eye. He was unenthusiastic about the US offer and was not willing to give the negotiators additional flexibility. He was apparently uninformed on details and was not yet prepared to make the hard decisions that were necessary. In short, he did not regard the negotiations with much sense of urgency. When the Panamanian negotiators returned to Washington after the Christmas holidays, it was clear that no basic policy decision had been made.

From January through July 1972, the Panamanian negotiators attempted to persuade Torrijos to issue new instructions so that they could make a reasonable counteroffer. But, aside from four sessions in March, the talks have been stalled because the Panamanian team was not in a position to participate in the negotiations.



The vindication of the fatherland is on the march!

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Part of the difficulty was caused by a dispute within the Panamanian foreign policy apparatus. With Torrijos playing an essentially negative role—criticizing US proposals rather than suggesting alternative solutions—the negotiators were forced to compete with a number of individuals and groups basically espousing an idealistic, nationalistic line. The Foreign Relations Advisory Council, for example, composed of a number of experts, weighed in with an extremely chauvinistic position. Foreign Minister Tack, though somewhat more reasonable than the council, also advocated an uncompromising stance.

Periodically the US was told that a comprehensive Panamanian position was being drafted. In June, for example, when US negotiators visited Panama, Torrijos claimed that a paper would be ready within ten days. In July, one of the Panamanian negotiators indicated that a position paper, which he described as “flexible” and “really forthcoming,” was almost completed. It was becoming clear by this time, however, that Torrijos was preoccupied with domestic matters, particularly the August legislative elections, and was not interested in pursuing negotiations until after the US elections in November.

The Domestic Situation

In October 1971, during the anniversary celebrations, Torrijos had presented two themes to his audience. He spoke about the canal, and he promised that there would be national elections by the following August. Given the government's limited capacity and Torrijos' own temperament, it was clear that both paths could not be traveled at the same time. It was probably about this time that Torrijos decided to concentrate on the elections rather than on the negotiations.

There were cogent reasons for such a choice. The extralegal nature of his regime had always been a sore point with Torrijos. He had promised elections before, but each time he had allowed the date to slip by. He felt also that there was a direct link between his desire to legitimize the government and his search for a new treaty relationship with the US. Although he spoke of ratifying a treaty through a plebiscite, he believed that the US would not sign a treaty before constitutional government had returned to Panama. He also felt that his bargaining position in the negotiations would be strengthened by an election.

Torrijos perceived the election as little more than a vote of confidence on his rule. Panama's many political parties did not participate in the

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balloting for the 505-member assembly, which was skewed in favor of the rural areas where literacy and sophistication were low and Torrijos' popularity high. The candidates, carefully screened by the government, were mainly local figures without experience in politics.

The assembly was elected in August 1972, convened on 11 September, and remained in session only one month. It had only two rubber-stamp functions: to elect a president and vice president, and to approve a new constitution. The National Guard provided escort officers to each provincial delegation to ensure that delegates were properly informed of Torrijos' wishes. Provisional President Lakas and junta member Sucre were elected constitutional president and vice president. Torrijos, in a "spontaneous" gesture of affection, was granted full powers to continue running the government. The constitution was approved with minimal alternations.

The biggest publicity splash for the assembly was its resolution calling on Torrijos to demonstrate Panama's sovereignty over the Zone by refusing the \$2-million annuity from the US. The resolution was not binding, and the regime claimed that it came as a complete surprise, but Torrijos said in response to reporters' questions that he had no choice but to follow the expressed will of the people.

Negotiations--Phase II

Panamanian leaders have often behaved as though the negotiation of a new canal treaty was of the most critical and sublime urgency--at least until the United States agreed to negotiate. Then negotiations have gone into low gear. Delay and procrastination have become the order of the day, promised positions never appear, and promised compromises never materialize. When agreement finally seems possible, fear sets in and second thoughts develop.

This paradox can be explained rather simply. From a strategic point of view, the abrogation of the 1903 treaty and the development of a new canal arrangement are the most important foreign policy goals of any Panamanian government. But tactically there is always dissonance between the Panamanian diplomat's sense of what is possible to achieve and the Panamanian politician's sense of what Panama's nationalists will accept. In short, Panama seems in some ways better able to cope with US intransigence than with US assent. If the US disagrees with a Panamanian position it can be pilloried, but if it accedes, then the Panamanian position itself becomes suspect. The government wonders whether it understood the full significance of the official position, or indeed, if it asked for enough.

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...and you will have to wait until the next century to see what we can give you!

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This situation still obtains today. The government is divided and unsure of its negotiating tactics. Torrijos is afraid of giving away something he should not and of failing to get something he should. He does want a new treaty, however, and in many ways the time is ripe. He has most of his domestic political necessities taken care of, and now, after four years in power and with the people convinced of his concern for their well-being, he is in a position to redeem some of his promises and substantiate some of his rhetoric.

Torrijos is likely to see the canal issue as the most fruitful pursuit at this time. He tends to concentrate on only one problem at a time, and since the likelihood of achieving quick victories in agriculture or social development is remote, he probably views domestic problems as less promising and more intractable than the treaty issue.

The canal problem, moreover, represents to some extent a constraint on Torrijos. He likes to portray himself as a "revolutionary." Whether he has in mind moderate reform with a slightly nationalistic tinge or ambition to pattern himself on the Peruvian or even the Cuban model, he realizes that it could be counterproductive to be very "revolutionary" before he has completed negotiating a treaty with the US. The government has also been somewhat strapped for funds, and a new treaty would substantially increase revenue. Instead of the approximately \$2 million Panama now gets each year from the US, it could expect to receive \$20-25 million at the very least. This money and the increased borrowing capacity could make a substantial difference in the ability of the regime to promote social and economic reform.

The negotiations also represent something of a constraint on foreign policy. Torrijos, sensitive to his country's traditional reputation as a virtual protectorate of the US, wants to strike an independent pose. Yet so long as the negotiations are under way, he has to factor in the effect which any other foreign policy initiatives would have on the talks.

Torrijos' interest in a treaty does not, of course, derive solely from a desire to be free of certain constraints. The negotiations provide him with an opportunity to win lasting fame and a prominent place in the pantheon of Panamanian patriots. In a sense, replacing the 1903 treaty structure would be the most revolutionary act possible, and Torrijos feels that he is the man who can do it.

This does not mean, however, that he would settle for just any treaty. Not only does he see time on his side, but getting the "wrong" treaty—one

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giving too little to Panama—would be far worse for his reputation than getting no treaty at all. The next election is not until 1978, and there is no public clamor of the sort that would impose a deadline or even a rigid timetable on his conduct of the negotiations.

Given Torrijos' lack of confidence in dealing with the mass of details involved, his negotiating approach will probably continue to concentrate on broad issues and principles. He is likely to keep on playing a reactive role, refining US proposals rather than developing his own detailed position. This approach could work to the advantage of the US. If Torrijos were forced to develop a comprehensive stand, it would probably become the definitive one. Given Torrijos' fear of committing himself and of being outmaneuvered, he would undoubtedly err on the side of caution and arrive at a stance that included all of the nationalistic items suggested by his advisers. He would then find it very difficult to back away.

Torrijos' tastes are for the tangible. He prefers things that the people can readily see and understand, not those that require careful study before they can be identified as a "good deal" for Panama. He wants quick and concrete changes when the treaty is ratified rather than concessions that will be implemented in a decade or two. This, it would seem, is why he has put so much emphasis on a rather brief transition period before turning jurisdiction in the Zone over to Panama.

If Torrijos' basic objectives are met, if he can get fairly complete jurisdiction over the Zone in a relatively short period of time, and if he can significantly shorten the duration period that was embodied in the 1967 drafts, then a treaty agreement may be possible in 1973. The Panamanians, to be sure, would bargain hard on the other issues, some of which have not yet really been explored. Nevertheless, there would be a flexibility on such questions that does not now exist on the duration and jurisdiction issues.

Torrijos recognizes that he is in a weak bargaining position. He has little power to force his views on the US and has little to offer. Apart from the right to build a sea-level canal, the US has all that it wants and far more than it would have under a new treaty. Although Torrijos himself is responsible for the delay in negotiations, paradoxically he sees the US at fault for the lack of progress. He seems to feel that he cannot get the US to focus on Panama and that the negotiations are on a back burner in Washington.

As a corollary, Torrijos apparently believes that only when the US sees Panama as a problem will the treaty receive the kind of attention it deserves

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and that only by being tough on all points can he maintain a credible bargaining position. Panama's questioning of the US interpretation of canal neutrality, for example, was probably designed to make a continuation of the status quo seem like a concession. Similarly, its attempt to redefine the US defense role seemed directed at making US retention of military rights seem like a quid pro quo. Torrijos apparently believes, moreover, that pressure tactics will work, that a hard, perhaps even an uncompromising, stance is the only way to win further concessions. Finally, there is the feeling, born of insecurity and self doubt, that only by squeezing a little bit more can he be sure that he has, in fact, pushed the US to its final position.

During much of 1972, Panamanian moves seemed designed to increase its nuisance potential and to force the US to take the Torrijos government more seriously. This concern with creating the "proper" psychological climate for negotiations was reflected in numerous attempts at bluster and threat, in statements at international conferences drawing attention to the canal issue, and in efforts by Panamanian ambassadors to mold public sentiment in their favor. The most significant undertaking, however, was the campaign to have the United Nations Security Council meet in Panama City.

Panama has been actively lobbying for such a meeting since September and seems to have the necessary support (9 of 15 affirmative votes). It will probably seek a vote on the question in January. Panama wants the meeting held in March when it is scheduled to chair the council. This would be a big opportunity for Torrijos to develop a world reputation and enhance the prestige of his government. Panama will be on the Security Council only until December 1973, and Torrijos will not be easily persuaded to give up this once-in-a-lifetime opportunity.

Panama has admitted that a major purpose of the meeting would be to focus world and particularly US public attention on the canal issue. It apparently hopes that if it can build up the meeting as a strong possibility, the US may feel compelled to defuse the event by offering generous terms to win agreement on a treaty before March.

Apparently in line with this strategy, the Torrijos government informed the US in late October that it is prepared to resume negotiations, but in Panama rather than in Washington. Foreign Minister Tack, however, based Panama's proposal on an earlier letter from the US, which had restated the American position. Tack chose to interpret the letter as indicating a new willingness by the US to compromise. Tack's reply as well as other government statements seem to indicate that Panama intends to stand pat on the

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basic issues of jurisdiction and duration, seeking but not offering compromises, and relying on the US to supply the initiative.

Torrijos' efforts to demonstrate to Washington that he could be tough have always been balanced by signals that he was really quite reasonable. When Cuba seized two US-owned Panama-flag ships that allegedly were involved in illegal activity against Cuba, Torrijos tried to be helpful in securing the release of the crew. He pointedly avoided, moreover, causing any problems during the US presidential campaign. In sum, Torrijos has exhibited a sense of pragmatism and realism. He has kept his "yankee baiting" within controlled limits and, while occasionally causing the US some discomfort, has always backed off when the situation threatened to become serious.

Thus, while believing that a Security Council meeting in Panama would give his government bargaining leverage, even if negotiations do not bear fruit by March, it is unlikely that Torrijos will automatically carry out the implied threat to embarrass the US at the meeting. During a meeting, Panama would probably seek to conduct itself with maturity and restraint lending credibility to its assertions that it is prepared to assume responsibility for control of the Canal Zone. Of course, even if Panama were on its good behavior, a Security Council session in Panama would not be painless for the US. Panama would probably lobby extensively for its position behind the scenes. There might be "guided tours" along the Canal Zone borders and unfavorable comments regarding the status quo from foreign journalists and diplomats. While the government would certainly try to prevent any irresponsible incidents, it might feel compelled to allow some public expression of nationalist sentiment for a new canal arrangement. After March, Torrijos would evaluate the progress of the negotiations, particularly any new US offers on jurisdiction and duration. He would then re-examine his tactics and decide whether to step up the pressure or move toward serious negotiations.


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4 December 1972
No. 2441/72

WORKING PAPER

PROBABILITY ANALYSIS OF THE CHANCES OF
A CANAL TREATY WITH PANAMA BY END OF 1973

The probability analysis that follows developed as a side product during the preparation of a CIA Intelligence Memorandum on the Panama Canal Negotiations.* The analyst, attempting to refine and supplement research techniques, used this method in an effort to pin down some of the relevant factors and to project their impact over the next year. He benefited from discussion with colleagues, but the results are not formally coordinated.

*why can't
CIA be more
direct?*

This working paper may be of some use as pointing the way to techniques that could be experimentally applied to other intelligence problems. It represents only the author's position.

*Panama: 1973--The Year of the Treaty? 28 November 1972, No. 2438/72

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In an attempt to sharpen the analyst's perception of the structure of the problem, quantitative justification is substituted for the probability assessments that are usually expressed by verbal qualifiers such as "likely" and "unlikely." Key factors affecting the prospects for reaching an agreement on a new canal treaty in 1973 are explicitly identified and displayed by the use of a probability diagram. It is important that this format not imply a false precision. No attempt is made to do more than present analytical judgments in quantitative form. The reader by following along can decide whether he agrees or disagrees with the probability assessment. If he disagrees he can more easily than in a textual presentation identify those assumptions he disputes and pinpoint where and by how much he would alter the assessment, thereby focusing more sharply on the problem.

← ie number

The probability diagram is a structured procedure to encode the expert judgment of an analyst or group of analysts. It details the factors (and the linkage between the factors) that bear on an analytical judgment and expresses opinions about the likelihood of their occurrence in quantitative form. The first step in constructing the diagram is to select the factors that influence the probability of a treaty agreement. Then, proceeding through the diagram, the analyst makes probability assessments at each node, assuming that all of the preceding branches represent events that have already occurred. Computations are made by using the rules of probability theory; the product of the branch probabilities yields a path probability.

after making an already threatening prospect now no!

This analysis develops the probability of a canal treaty in 1973 based on three alternative US policy approaches. These are not exhaustive of US options, but are merely offered to establish a range of probabilities. Under the first option, the US adopts an aggressive approach through 1973 undeterred by Panamanian "toughness." The US takes the initiative in presenting proposals and then refines these

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proposals in light of Panamanian criticism. In addition, it is assumed that the US adopts a position that comes closer to meeting Panamanian aspirations on duration and jurisdiction.

II The second option assumes that the US demonstrates a very positive attitude toward canal negotiations and is prepared to offer at various points certain concessions outside of the negotiating framework that are designed to win Panamanian good will and demonstrate the good faith of the US. These concessions might include joint police patrols in the Zone, flying the Panamanian flag on vessels transiting the canal, or transferring certain facilities within the Zone to Panama. The US under this option does not take an activist position on the negotiations, and makes no substantial change in its stand on duration and jurisdiction.

III The third option assumes that the US is ready to negotiate, but that after it makes a comprehensive offer to Panama, the ball is in the Panamanian court. Under this approach the US stands back and leaves the initiative to Panama. The US eschews any significant concessions outside the negotiating framework and does not substantially modify current positions on duration and jurisdiction.

Under each of these policy options, an assessment is made of the probability that Torrijos will remain in power through the end of 1973 and the probability of a decision being made in January to hold a Security Council meeting in Panama. Then an assessment is made of the probability that events occurring prior to March will give Panama a positive attitude toward the US. Such events might include a high-level bilateral meeting, some advance in the negotiations, or some interim concessions. The probability of events occurring prior to March, events such as coup plotting linked to activities in the Canal Zone or unfavorable publicity on narcotics, which might sour Panama's attitude toward the US is then considered. Next the probability of positive or negative events that might cancel

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each other out and the possibility that no significant events occur and that Panama's attitude toward the US is neither particularly positive nor negative is evaluated. In light of these factors, Panama's probable behavior at the meeting--whether it will adopt a vitriolic anti-US tone or a non-aggressive tack--is assessed.

Under each of these conditions, the possibility of Torrijos becoming personally involved in the negotiating process is evaluated. Then, based on the presence or absence of Torrijos' personal involvement and in light of all of the previous factors an assessment of the probability of signing a treaty in 1973 is made. Finally, an over-all probability of reaching a treaty in 1973 based on each of the three policy approaches is computed. The assessment in all three cases concludes that the chances that Torrijos will remain in power through the end of 1973 are very high. If Torrijos is removed, the resulting power realignments would impair Panama's ability to concentrate on a treaty and there would not be a treaty in 1973. There is a very low probability that Torrijos (43 years old) will die or be removed from power next year. A two percent probability is assigned only because Torrijos travels extensively through the interior on Panamanian-maintained aircraft that use unimproved landing sites and because there is an outside possibility of assassination.

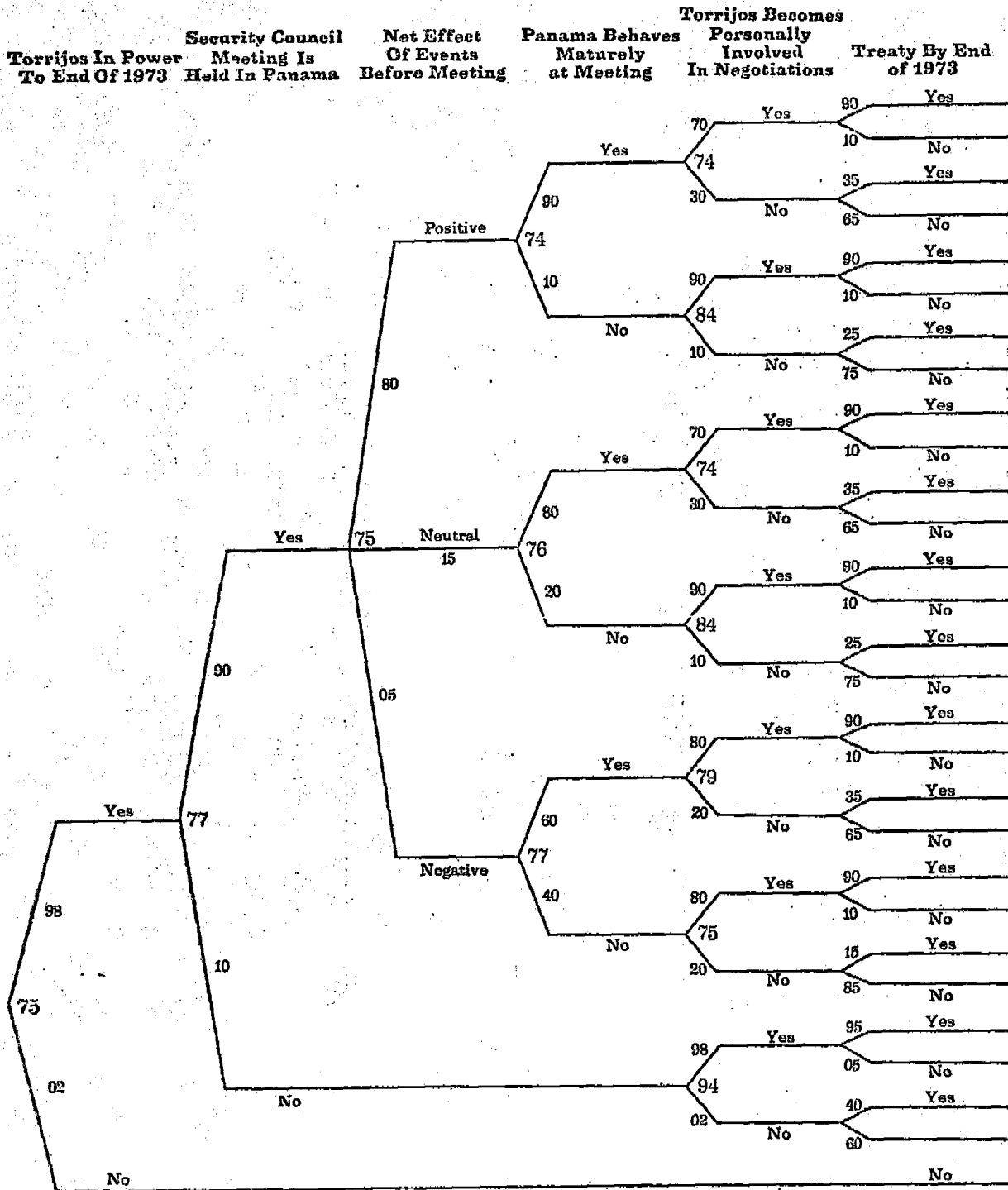
Problems:

- does not simplify enough by ① separate the methodology + ② list key factors
- needs a summary points about what is critical -- ex: to have soft US posture, to let S.C. meet, etc---

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US Policy Posture A



00 Probability of specific occurrence assuming events have reached this point.

00 Probability of a treaty agreement from that point forward.

Note: Numbers are in percent.

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Policy Posture A--US actively pushes the negotiations. This course of action yields the highest probability of reaching a treaty agreement in 1973.

A fairly high probability (90 percent) is assigned to the prospect that there will be a Security Council meeting in Panama even if the US takes the initiative in the negotiations. The meeting has positive value to Panama quite independent of the canal issue, substantial momentum has developed for such a meeting, and newspaper publicity that has already appeared would make a reversal of policy rather difficult. If as a result of US representations Panama does reverse course and there is no Security Council meeting, this would indicate Torrijos' belief that an agreement is possible in a relatively short time. There is consequently a very high probability that Torrijos would become personally involved in the negotiations and a high probability that a treaty will be signed in 1973.

After a decision is made to have a Security Council meeting in Panama, Panamanian behavior during the meeting will depend in part on the net impact of events occurring before the meeting, but even if untoward incidents impair US-Panamanian relations, there is still a 60 percent probability that Panama will adopt a mature attitude toward the meeting.

If the US pushes the negotiations after the Security Council meeting, the probability is high that Torrijos will become personally involved in the negotiations. If so, there is a high probability of reaching agreement; if he does not participate, there is a very low probability. Paradoxically, the probability that Torrijos will become personally involved is somewhat higher if Panama behaves in a nationalistic rather than a less aggressive manner during the meeting. The explanation is twofold: Torrijos would emerge from the meeting as a hero capable of protecting Panamanian interests, and he would regard continued US willingness to negotiate

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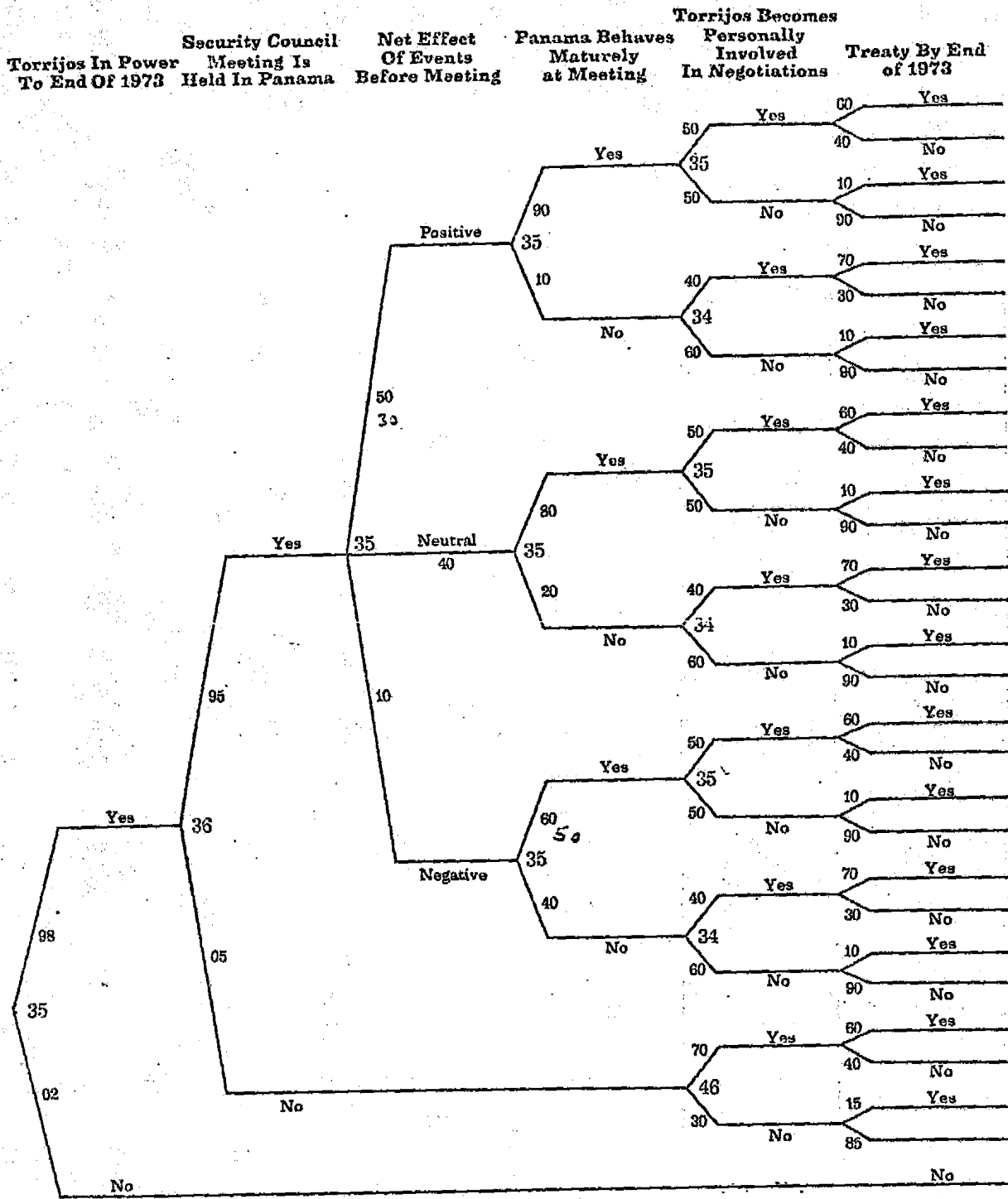
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under tough Panamanian conditions as a signal that an agreement was possible. Interesting too is the judgment that if the net impact of events before the meeting is negative and Panama still behaves in a mature manner, there is a higher probability that Torrijos will become personally involved in the negotiations than if the net impact of previous events were positive or neutral. Torrijos would regard Panama's good behavior as a signal to the US of a particular interest in concluding a treaty and would reason that the US would reward him for his restraint.

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US Policy Posture B



00 Probability of specific occurrence assuming events have reached this point.
 00 Probability of a treaty agreement from that point forward.

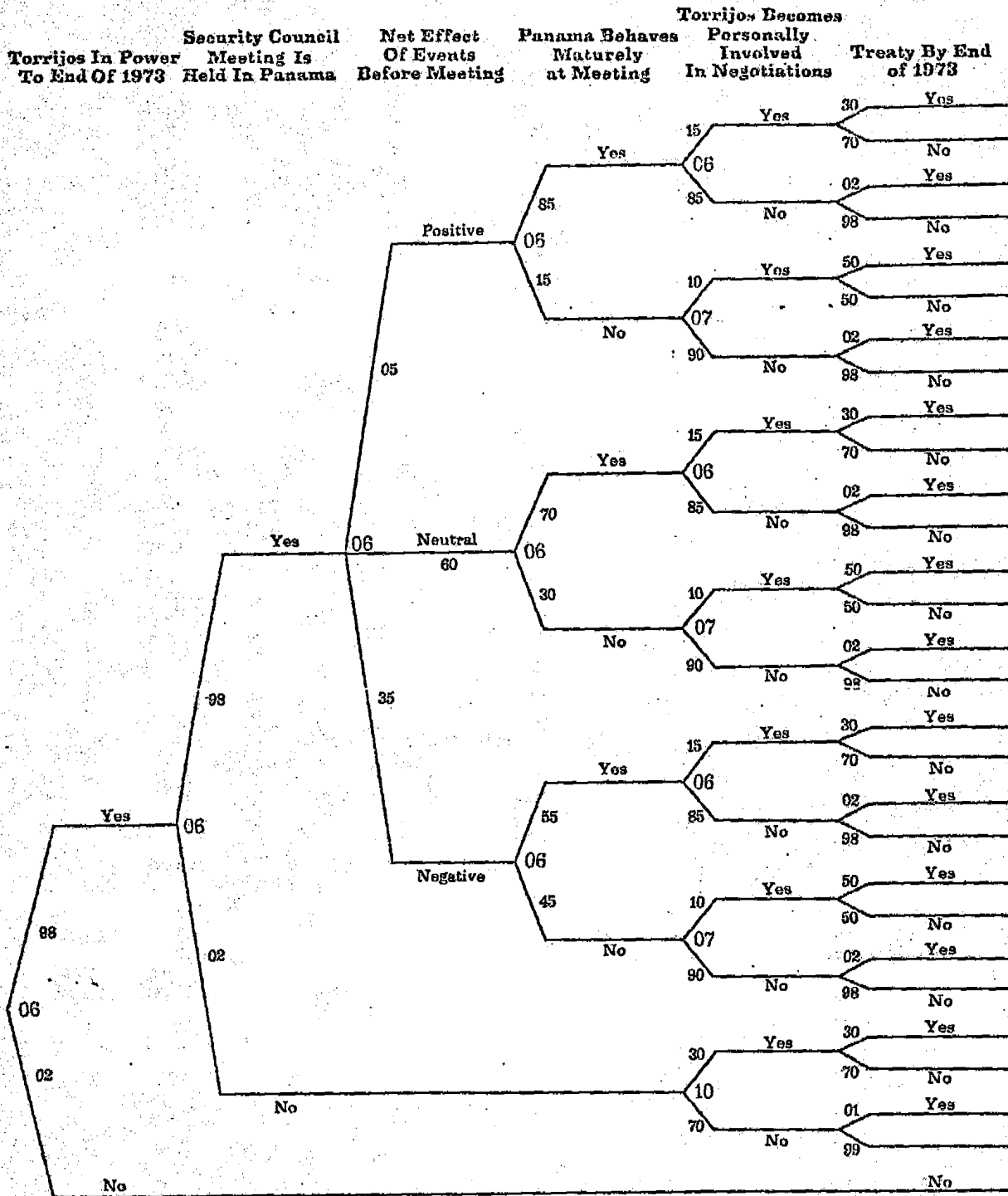
Note: Numbers are in percent.

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US Policy Posture C



00 Probability of specific occurrence assuming events have reached this point.
 00 Probability of a treaty agreement from that point forward.

Note: Numbers are in percent.

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Policy Posture B--US offers concessions outside the negotiating framework, but does not actively push the negotiations. This posture yields a much smaller chance of a treaty in 1973.

Under these conditions there is an even greater probability that Panama would decide on a Security Council meeting, but only a five percent greater probability that Panama would act nationalistically at the meeting. This posture which leaves the initiative in the negotiations to Panama has a much smaller chance of getting Torrijos personally involved in the negotiations. But the probability of his involvement would rise if Panama behaves maturely at the meeting since Torrijos could feel that Panama deserves a reward from the US for its good behavior and that the US would be more receptive to Panamanian demands. On the other hand, if Panama adopts a mature attitude and Torrijos is personally involved in the negotiations, the chance of a treaty is not as high as when Panama had first acted nationalistically. In the former case, Torrijos might feel that he had been too forbearing and should apply pressure before agreeing to the US position; in the latter case, Torrijos would have already put the screws on and would, therefore, be more willing to accept the US position at face value.


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Policy Posture C--US offers no interim concessions and leaves the initiative in the negotiations to Panama. Here the probability of a treaty drops to less than 10 percent.

The probability of a Security Council meeting is over 95 percent, and there is a greater chance--though still less than 50 percent--of Panama adopting a nationalistic attitude at the meeting. The chances of Torrijos' personal involvement in the negotiations are negligible, and a treaty agreement in the 1973 time frame is virtually impossible.



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