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**EGYPT-LIBYA: Prisoner Exchange**

*[REDACTED] //Egypt and Libya exchanged prisoners yesterday and apparently plan to take additional steps to consolidate the cease-fire established late last month. The exchange presumably indicates that President Qadhafi has accepted an agreement worked out between Egyptian War Minister Gamasy and a Libyan negotiator several days ago.//*

*Egyptian Foreign Minister Fahmi disclosed some of the terms of the agreement in a briefing for African diplomats late Tuesday. He did not mention the troop withdrawals, but stated that the two countries had agreed to establish cease-fire observation posts along the border and to halt propaganda exchanges. Fahmi apparently also alluded to the fact that the negotiations had been carried out directly between Egyptian and Libyan representatives. Palestinian chief Yasir Arafat, however, seems to be taking credit at least for arranging the prisoner exchange.*

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█ Egypt's decision to announce the agreement to a group of foreign diplomats is an attempt to undercut sympathy for the Libyans, who have with some success portrayed Egypt as the aggressor in the recent fighting.

█ //The announcement also suggests that the Egyptians are holding in abeyance plans to renew hostilities. █

█ US officials in Cairo report that the Egyptian government seems especially concerned about low morale in the military. Sadat and Gamasy have recently completed morale-building tours of the Western Military District, and Sadat is expected to visit military units in the Suez Canal area next month.

█ The mood in Tripoli remains upbeat, despite the deterioration of public and private services caused by the military mobilization. The Libyan media, while skirting direct attacks on Egypt, continue to play up Libyan successes in the last round of fighting and the support Libya has received from the international community. The press is giving greatest attention to the brisk pace of Qadhafi's activities in preparing to counter Cairo on both the diplomatic and military fronts.

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There has always been strong sentiment against Qadhafi in the eastern province, and although it has been offset to some degree by equally strong anti-Egyptian feelings, opposition to Qadhafi in the region is likely to increase as a result of the difficulties eastern Libyans have suffered. Qadhafi has apparently sent former prime minister Jallud to the area, presumably to check on possible opposition activity.

Eastern Libya has also been hardest hit by the large-scale exodus of Egyptian workers and technicians, who have been leaving Libya voluntarily as a result of the fighting. At least 200 Egyptian families are now estimated to be crossing the border every day.

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