

The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC# 05530-84
26 September 1984

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

SUBJECT: East Asia Warning and Forecast Meeting

Representatives of the Intelligence Community met on 19 September 1984 to consider the attached subjects.


Acting National Intelligence Officer
for East Asia

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Attachment:
East Asia Warning and Forecast Report

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19 September 1984 East Asia Warning and Forecast Report

1. The Acting NIO opened the meeting by introducing Mr. James Kelly, Deputy Assistant Secretary of Defense for East Asia Affairs. Mr. Kelly gave a brief rundown of DoD policy concerns toward East Asia. He singled out the Philippines, New Zealand, and Kampuchea as the three most active accounts, Japan as the most important because of security implications, and Indonesia as increasingly important but generally overlooked. He recommended that Indonesia be given more attention. Following this policy overview, analysts' presentations and discussion focused on countries and issues requested by Mr. Kelly.

2. Indonesia's long term prospects:

Economic growth is Indonesia's Achilles' heel. Although Jakarta has effectively "tightened its belt" to compensate for lowered petroleum prices and the slump in commodity prices by cutting back on expensive development projects, the long term outlook is not bright. The current stable investment climate, projected growth rates and job creation are unlikely to keep pace with Indonesian population growth (4 million annually of which 2 million enter the labor force), and increasing energy demands, which will reduce earnings from oil exports. Jakarta's recent openings to the PRC, USSR, and Eastern Europe are attempts to get a head start on solving the coming economic pinch.

Forecast

During the coming decade, economic conditions will worsen. Authoritarian measures applied by the government will exacerbate the situation. Suharto appears likely to run for another term and Murdani could continue to be in charge of security.



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3. Thailand: Internal dynamics, external problems.

The fall coup season appears likely to pass uneventfully. Prem and Athit will probably reach an accommodation (at least for one year) on Athit remaining on active duty with a shot at succeeding Prem.



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Bangkok's external concerns are focused on Vietnam's occupation of Kampuchea, Kampuchean resistance, resultant border clashes and refugees. China's more forthcoming attitude concerning support for the non-communist resistance, coupled with ASEAN's support for Thailand's "frontline" role, have created improved conditions in a basically bad situation. Non-communist (KPNLF and ANS) growth will be slower than hoped for

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Forecast

The prospects are dim for any quick improvement in Indochina. Despite Vietnamese statements of willingness to negotiate, other more concrete signs of flexibility are lacking, such as the demand for Pol Pot's removal--and China's unwavering support for the DK leader. Internally, the succession dispute will resurface next year, with the King probably favoring Prem through 1988. The Queen's continued displeasure with Athit's antics will not help his drive to succeed Prem.

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4. North Korea - is time running out?

Clearly, North Korean economic growth has not kept up with the South's. Systemic problems, plus disproportionate defense burden, have contributed to the North's poor performance. While Northern leaders are fully aware of the South's economic achievements, their propaganda program continues to demean the South. The flood aid now being sent to the South will doubtless be used to further the line that the North is better off.

We expect the military balance between the North and the South to remain unchanged.

Kim's efforts to transfer power to his son appear to be on track with Kim Chong-il assuming more day-to-day responsibility for the internal management of the country. We lack evidence of overt opposition to Chong-il now and can only speculate on the question of how widespread it may indeed be.

Forecast

Kim il-Sung will continue to press for reunification, on his terms, while attempting to increase Soviet support for the North to improve the balance with the South.

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6. In his concluding remarks, Mr. Kelly thanked the analysts for their efforts and made an appeal for a closer relations between the desk officers in ISA and the analysts, citing need for both sides to be more aware of the problems of the other, and sharing the information which each has for the benefit of all.