



Directorate of  
Intelligence

~~Secret~~

FILE

25X1

# The Middle East and South Asia: Key Issues in 1987



25X1

DATE 1/30/87 <sup>FILE</sup><sub>197</sub>  
 DOC NO NESA M 87-20008  
 OIR 3 199-201  
 P & PD 1 198

~~Secret~~

NESA M 87-20008  
January 1987

Copy 197

**Page Denied**

Secret

[Redacted]

25X1

Central Intelligence Agency



Washington, D. C. 20505

**DIRECTORATE OF INTELLIGENCE**

23 January 1987

**THE MIDDLE EAST AND SOUTH ASIA:**

**KEY ISSUES IN 1987**

[Redacted]

25X1

This paper was prepared by analysts in the Office of Near Eastern and South Asian Analysis. Information available as of 15 January 1987 was used in this report. Comments and queries are welcome and may be directed to the Chief, Issues and Applications Division, NESA, [Redacted]

25X1

NESA M 87-20008

[Redacted]

25X1

Secret

Secret




25X1

**THE MIDDLE EAST AND SOUTH ASIA:  
KEY ISSUES IN 1987** 

25X1

**Scope Note**

This study assesses those political, social, economic, and military developments in the Middle East and South Asia that are most likely to occur in 1987, as well as other events that, although less likely, would have major policy implications for the United States if they did occur. Although we have assessed risks and probabilities, certain specific events -- including assassinations, military coups, and terrorist attacks -- are largely unpredictable. Even so, we have laid out some alternative scenarios, with their implications for US policy, to stimulate the reader's thinking about the region over the next year. 

25X1

NESA M 87-20008  
23 January 1987

*i*  
Secret

Secret

25X1

Middle East-South Asia



Boundary representation is not necessarily authoritative.

800257 (A05144) 1-85

25X1

Secret

Secret

[redacted]

25X1

**THE MIDDLE EAST AND SOUTH ASIA:  
KEY ISSUES IN 1987** [redacted]

25X1

**Summary**

Events in the Middle East and South Asia will be no less tumultuous in 1987 than in 1986:

- Unrest will increase in poorer countries as governments struggle to meet consumer demand while reducing expenditures.
- The region is almost certain to see one or more leadership changes, although the odds are better than even that any given leader, with the exception of Ayatollah Khomeini, will last through the year.
- The Iran-Iraq and Afghanistan wars will continue, although there could be significant changes in the strategies and operations of the adversaries.
- Radical states will continue to support terrorism and undermine moderate Arab interests. [redacted]

25X1

Regime-threatening demonstrations will become more likely as leaders of many of the region's poorer states impose stiff austerity measures. The continuing poor performance of the region's primary exports, especially oil, will combine with a poor investment climate to stifle economic growth. Although the odds are less than even that unrest will bring down any regime, the death of a leader or subversion by a meddling neighbor may combine with rising unrest to force regime changes and/or foreign policy shifts. [redacted]

25X1

Among US allies, Egypt faces the gravest problems. Its deep-seated economic troubles are likely to provoke domestic unrest as imports decline and prices for basic commodities rise. Although the Army and security forces probably can contain this unrest, the disturbances could become serious enough to prompt Army commanders to replace President Mubarak before the October election. [redacted]

25X1

Sudan stands out as the country most likely to disintegrate into a Lebanon-like state of squabbling factions -- none of them strong enough to form a viable national government. Even though it is doubtful that the present unsettled conditions will reach such a level, the war in southern Sudan will continue to strain the government's capacity to meet popular demands and could provoke increasing demonstrations against the regime. [redacted]

25X1

Secret




25X1

Other poor states also will have little room to maneuver as they try to stop the economic slide. Nor will the richer states be immune to economic pressures.



25X6  
25X6

Leadership changes in countries hostile to the United States would stand the greatest chance -- although still only slight -- of bringing policy changes beneficial to US interests:

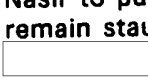
--In Syria, President Assad  the possibility of his exit, triggering a turbulent and drawn-out succession struggle. Major policy changes would not be likely in the short run, but, once a successor was better established, it is possible that the new regime would initiate closer links to moderate Arab states.

25X1

--In Libya, Qadhafi faces mounting internal opposition. If he were to fall from power, prospects are better than even that he would be replaced by a military regime more intent on tackling domestic problems than launching terrorist attacks on Western adversaries. Neither pro-Qadhafi fanatics nor pro-Soviet officers would be likely to replace him. Mutual distrust would preclude the establishment of close ties to Moscow, although the Soviets might be given greater access to Libyan facilities.

--In Iran, the infighting among the clerical factions competing to replace Khomeini stands a good chance of turning violent after his death. Radical clerics are in the best position to win a power struggle, however, and the United States would stand little chance to better its position in the country.

--The government in South Yemen will continue to struggle, with little hope that a strong leader will replace ex-President Ali Nasir to pull the country together. Despite its problems, Aden will remain staunchly in the Soviet camp and stridently anti-US.



25X1  
25X1

Among the nonaligned or pro-Western states, 83-year-old President Bourguiba of Tunisia and 80-year-old President Jayewardene in Sri Lanka are the leaders most likely to die in office or to be incapacitated by ill health. Tunisia -- which lacks a clear successor or a succession mechanism and has a depressed economy, an active Islamic fundamentalist opposition, and a meddling neighbor in Libya -- will face a highly unstable situation should Bourguiba die or be incapacitated during the year. In Sri Lanka, a successor to

iii  
Secret

Secret

[redacted]

25X1

Jayewardene would almost certainly take a tougher stand against the Tamil insurgents, all but eliminating prospects for a negotiated settlement of the insurgency, and would adopt a less pro-Western foreign policy than his predecessor. [redacted]

25X1

India's Prime Minister Rajiv Gandhi probably stands the greatest risk of any leader in the Middle East and South Asia of being assassinated during the year, endangering the good relations with the West that have developed during his tenure. Sikh separatists have vowed to avenge themselves against the descendants of Indira Gandhi ever since the government attacked the Sikhs' sacred Golden Temple in 1984. The Soviets will continue to capitalize on the Sikh campaign for more autonomy by charging that the United States backs Sikh activities. [redacted]

25X1

In an atmosphere of heightened interethnic strife and disorder in Pakistan, Benazir Bhutto and her Pakistan People's Party might be able to gain enough support in Punjab to force President Zia to call for elections in which the PPP would have a good chance to win a plurality and oust Zia. A Bhutto-led government would probably develop somewhat cooler relations with Washington. [redacted]

25X1

Prospects are poor for a breakthrough in either of the two major wars in the region. Although a change in strategy is likely to alter the course of the Iran-Iraq war, neither a major military victory nor peace negotiations are likely. Tehran, pressed by economic problems and increasingly focusing on the uncertain succession to Khomeini, is likely to deemphasize its ground operations, broaden its attacks on Gulf shipping, and possibly launch terrorist and sabotage attacks against Gulf Arab targets to discourage aid to Iraq. Iraqi air attacks on oil and industrial targets will continue to take a heavy toll on Iran's economy. Use of chemical weapons by both sides will probably increase as Iran expands its facilities to manufacture them and Iraq expands its stockpiles and diversifies its inventories of chemical agents. [redacted]

25X1

The Afghanistan war will drag on with little change in its eighth year. The resistance, increasingly adept at using its sophisticated surface-to-air missiles, will improve its performance against Soviet and Afghan aircraft, but the Soviets will also score successes through improved tactics. The Soviets will continue, unsuccessfully, to press Pakistan to end its support to the insurgents through a combination of negotiating initiatives and military pressure. Despite their military successes, the insurgents' political schisms will hinder their efforts to gain broader international support. [redacted]

25X1



Secret

25X1

India's large military exercises along the Pakistani border early in 1987 will raise tensions between the two countries, although chances are slim that they will lead to major conflict. Pakistan's continuation of its nuclear weapons program, as well as its efforts to procure advanced US-made weapons, particularly AEW aircraft and tanks, to counter Soviet incursions from Afghanistan will aggravate relations with India. India will counter by negotiating a new arms deal with Moscow for air defense weapons. Prospects for armed conflict between India and China will increase in the spring when both sides will be able to deploy additional forces to the border. [redacted]

25X1

There is a reasonably good chance that the air forces of Israel and Syria will engage in battles over Lebanon and a much smaller chance that such engagements will escalate into a broader conflict. Israel would be a decisive winner in either case. Prospects are considerably slimmer that one side or the other would deliberately start a war, preemptive or otherwise. [redacted]

25X1

Although European and moderate Arab governments may press the United States to accelerate the Arab-Israeli peace process in 1987 and Israel's relationship with Egypt and Jordan may improve, if only slightly, there is not likely to be significant movement toward a resolution of Arab-Israeli differences. Even the death or ouster of Iran's Khomeini, Syria's Assad, or Libya's Qadhafi would be unlikely to lead to resolution of key regional issues. [redacted]

25X1

The radical states will continue their covert cooperation and support for terrorist attacks both within the region and in Europe. The only noteworthy possible new developments will be pressures from PLO hardliners that provoked Arafat to sanction attacks against US targets, attacks by terrorist groups inside the United States to gain greater notoriety, or use of chemical weapons by terrorist groups.

[redacted]

25X1

Secret

Secret

25X1

**Contents**

---

**Summary**

**Political Stability Outlook**

Political Risk Assessment

Countries of Primary Interest to the United States

Egypt	Pakistan
India	Saudi Arabia
Iran	Sri Lanka
Iraq	Sudan
Israel	Syria
Libya	

Countries of Secondary Interest to the United States

Algeria	Morocco
Bahrain	North Yemen
Bangladesh	Oman
Jordan	South Yemen
Lebanon	Tunisia
Kuwait	United Arab Emirates

**Military Confrontations**

- Syrian-Israeli Military Confrontation
- The Iran-Iraq War
- South Asian Military Tensions
- The War in Afghanistan

**Regional Issues**

- Economic Trends
- Shifting Alignments in the Arab World
- The Arab-Israeli Peace Process
- Proliferation of Nuclear Weapons
- Proliferation of Chemical Weapons
- Terrorism

---

**Political Outlook**

Secret



25X1


**POLITICAL RISK ASSESSMENT\***

According to our assessment, four countries -- Lebanon, South Yemen, Sudan, and Libya -- will face the highest political risk during 1987. We estimate that the political risk level will be lowest in Jordan. Principal factors of political risk vary widely within the region:

--Internal or external opposition is the greatest threat to the regimes in Bahrain, India, Lebanon, Pakistan, Sri Lanka, and Sudan.

--Social or economic pressures are the most significant problems in Egypt, Iraq, and Israel.

--Uncertainty of the health, capabilities, or performance of the leaders is the most important risk factor in Iran, Jordan, Kuwait, Libya, Morocco, North Yemen, Saudi Arabia, Tunisia, and the United Arab Emirates.

--The question of loyalty, effectiveness, or cohesion of the military and security forces is the greatest threat to regimes in Algeria, Bangladesh, and Syria. 


25X1

Our assessment also notes that:

--South Yemen and Libya, which have strong political and security ties to the Soviet Union, are exposed to high levels of political risk. Other states that have close political or military supply relationships with Moscow, such as Syria, Algeria, India, and Iraq, are subject to moderate political risk.


--Jordan, Oman, Morocco, and Saudi Arabia, which have strong security ties to the United States, are exposed to the least political risk. States that have close security ties to the United States and have moderate levels of political risk include Tunisia, Bahrain, Egypt, Pakistan, and Israel.

--In the aggregate, the "leader" and "social and economic pressures" are the categories that most strongly affect political stability, reflecting the concentration of political power in traditional governments and the regional impact of lower oil revenues.

--There is a relatively even distribution of political risk factors in Iraq, Sudan, and North Yemen, which may somewhat mitigate their overall risk level. In contrast, the risk to Bahrain, Egypt, Jordan, Libya, and Sri Lanka is concentrated in a single component. 

25X1

In addition to the information presented in the chart, analysts in the Office of Near Eastern and South Asian Analysis believe that:

\* For the purposes of this assessment, political risk is defined as exposure to events that increase prospects for political unrest, violence, or regime change. 

25X1

Secret  
[redacted]

25X1

--With the exception of Lebanon, India, Israel, Morocco, and South Yemen -- where risk levels will remain the same -- the degree of political risk for countries in the Middle East and South Asia will be greater in 1987 than it was in 1986.

--Political unrest, violence, or instability in most countries in the Middle East and South Asia would threaten US interests. Only in Libya, Syria, South Yemen, and possibly Iran would unrest work to the US advantage.

[redacted]

25X1

---

### Political Risk Assessment Methodology

The political risk assessment reflects the views of country analysts on five major components of political stability -- leader, leadership, military and security services, social and economic pressures, and opposition (internal and external). Analysts rated 10 categories within each component on a scale of 0 -- no political risk -- to 5 -- high political risk. In the health category of the leader component, for example, Iran's Khomeini received a 5, Saudi Arabia's King Fahd a 3, and Bangladesh's Ershad a 1. [redacted]

25X1

The scores for the 10 categories in each component were totaled (out of a possible score of 50) and then multiplied by an influence factor. This factor represents views of analysts about the relative influence of each of the five components on the political environment of each country in 1986. The sum of the five influence factors equals 100 percent. Egypt analysts, for example, weighted the five components as follows: leader -- 35 percent; social and economic pressures -- 30 percent; military and security services -- 20 percent; opposition -- 10 percent; and leadership -- 5 percent. Weighted components were then added and doubled so that the range of scores is from 0 -- no risk -- to 100 -- very high risk. [redacted]

25X1

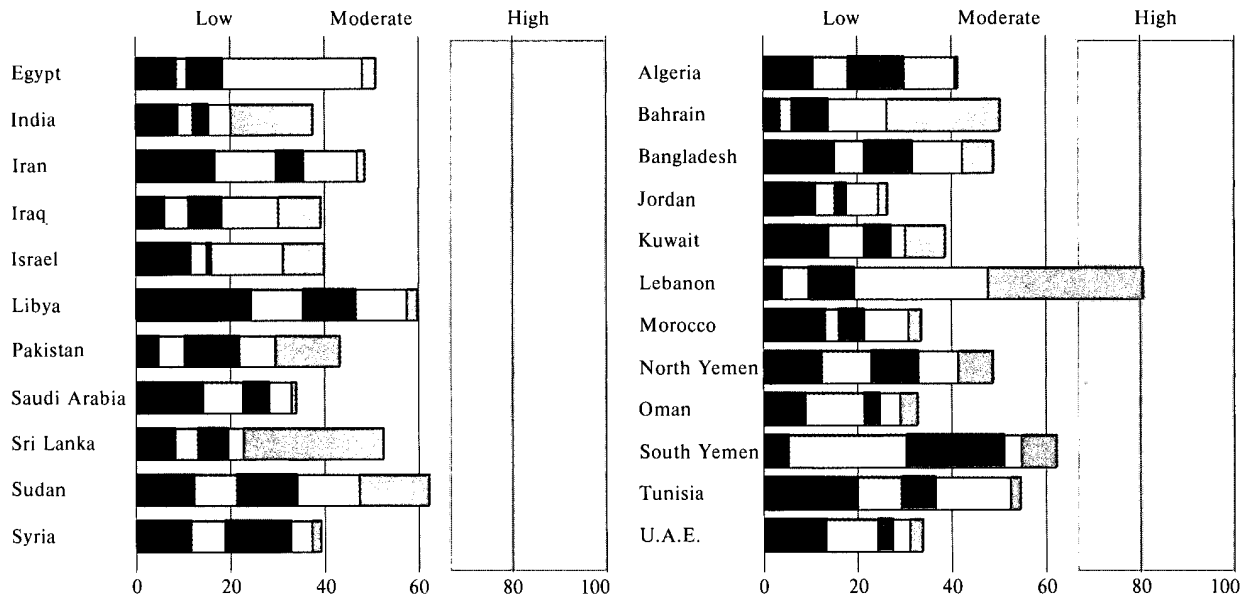
**Middle East and South Asia: Political Risk Assessment, 1987**

Percent

Leader
  Leadership
  Military and Security
  Social and Economic
  Opposition

**Countries of Primary Interest to the United States: Level of Political Risk**

**Countries of Secondary Interest to the United States: Level of Political Risk**



311591 1-87

25X1  
25X1

Secret

25X1

**Political Risk Assessment <sup>a</sup>****Leader**

- A. Health 0 (excellent) \_\_\_\_\_ 5 (precarious)  
 B. Mental ability/capacity 0 (extensive abilities) \_\_\_\_\_ 5 (limited ability)  
 C. Decisiveness 0 (very decisive) \_\_\_\_\_ 5 (indecisive)  
 D. Charisma 0 (very charismatic) \_\_\_\_\_ 5 (no charisma)  
 E. Political astuteness 0 (very astute) \_\_\_\_\_ 5 (not astute)  
 F. Corruption 0 (not corrupt) \_\_\_\_\_ 5 (very corrupt)  
 G. Support in the government 0 (extensive support) \_\_\_\_\_ 5 (no support)  
 H. Support in the military 0 (extensive support) \_\_\_\_\_ 5 (no support)  
 I. Pragmatism 0 (very pragmatic) \_\_\_\_\_ 5 (not pragmatic)  
 J. Responsiveness to popular attitudes 0 (very responsive) \_\_\_\_\_ 5 (not responsive)

**Leadership**

- A. Common views and ideological objectives 0 (strong unanimity) \_\_\_\_\_ 5 (total disparity)  
 B. Interpersonal relations 0 (close relations) \_\_\_\_\_ 5 (strong animosity)  
 C. Acceptance of leader's authority 0 (clear deference) \_\_\_\_\_ 5 (coup plotting)  
 D. Corruption (relative) 0 (no corruption) \_\_\_\_\_ 5 (extensive corruption)  
 E. Accepted succession 0 (wide acceptance) \_\_\_\_\_ 5 (none or no acceptance)  
 F. Power centers 0 (no competing centers) \_\_\_\_\_ 5 (many competing centers)  
 G. Support in the government 0 (wide support) \_\_\_\_\_ 5 (no support)  
 H. Support in the military 0 (wide support) \_\_\_\_\_ 5 (no support)  
 I. Pragmatism 0 (very pragmatic) \_\_\_\_\_ 5 (not pragmatic)  
 J. Responsiveness to popular attitudes 0 (very responsive) \_\_\_\_\_ 5 (not responsive)

**Military and Security Services**

- A. Living and welfare conditions 0 (excellent) \_\_\_\_\_ 5 (very bad)  
 B. Support for government policies 0 (strong support) \_\_\_\_\_ 5 (no support)  
 C. Degree of discipline and acceptance of authority 0 (high degree) \_\_\_\_\_ 5 (low degree)  
 D. Presence and effectiveness of security forces 0 (very effective) \_\_\_\_\_ 5 (not effective)  
 E. Interforce relations 0 (excellent) \_\_\_\_\_ 5 (very bad)  
 F. Relations between senior officers and government 0 (excellent) \_\_\_\_\_ 5 (very bad)  
 G. Willingness to curb domestic opposition by force 0 (very willing) \_\_\_\_\_ 5 (strong unwillingness)  
 H. Politization of troops 0 (no politization) \_\_\_\_\_ 5 (extensive politization)  
 I. Politization of officer corps 0 (no politization) \_\_\_\_\_ 5 (extensive politization)  
 J. Officer corps—enlisted personnel relations 0 (excellent) \_\_\_\_\_ 5 (very bad)

<sup>a</sup> For each major component of political stability—leader, leadership, military and security services, social and economic pressures, and opposition—the left-hand column lists a specific category and the right-hand column lists the political risk value of each category: \_\_\_\_\_

**Social and Economic Pressures**

- A. Social, ethnic, or religious discontent 0 (no discontent) \_\_\_\_\_ 5 (extensive discontent)  
 B. Demonstrations/riots 0 (no disturbances) \_\_\_\_\_ 5 (extensive disturbances)  
 C. General economic situation 0 (excellent) \_\_\_\_\_ 5 (very bad)  
 D. Foreign assets situation 0 (excellent) \_\_\_\_\_ 5 (very bad)  
 E. Unpopular changes in taxes/subsidies/price controls 0 (no change) \_\_\_\_\_ 5 (extensive changes)  
 F. Shortage of consumer goods 0 (no shortages) \_\_\_\_\_ 5 (extensive shortages)  
 G. Inflation 0 (no inflation) \_\_\_\_\_ 5 (steep inflation)  
 H. Demographic pressures 0 (no pressures) \_\_\_\_\_ 5 (extensive pressures)  
 I. Strikes 0 (no strikes) \_\_\_\_\_ 5 (pervasive strikes)  
 J. Attitude of students 0 (progovernment) \_\_\_\_\_ 5 (antiregime)

**Opposition****Internal**

- A. Opposition press dissemination 0 (none) \_\_\_\_\_ 5 (extensive)  
 B. Organization and cooperation among different groups 0 (none) \_\_\_\_\_ 5 (extensive)  
 C. Popular appeal 0 (none) \_\_\_\_\_ 5 (extensive)  
 D. Leadership 0 (weak) \_\_\_\_\_ 5 (strong)  
 E. Terrorism/armed insurrection 0 (none) \_\_\_\_\_ 5 (extensive)  
 F. Size 0 (very small) \_\_\_\_\_ 5 (very large)

**External**

- G. Terrorist activity 0 (none) \_\_\_\_\_ 5 (extensive)  
 H. Assets/capabilities within country 0 (none) \_\_\_\_\_ 5 (extensive)  
 I. Resolve 0 (none) \_\_\_\_\_ 5 (extensive)  
 J. Animosity 0 (weak) \_\_\_\_\_ 5 (strong)

25X1  
25X1

**Primary Countries**



Secret

[redacted]

25X1

**EGYPT**

**Probable Developments in 1987**

- Even if Egypt receives substantial additional bilateral aid, it will probably be compelled to adopt far-reaching economic reforms to head off a potentially destabilizing financial crunch.
- The economic reforms are likely to generate domestic unrest. The magnitude of unrest will depend on the extent of the reforms and the government's skill in implementing adjustments and manipulating public opinion.
- President Mubarak is unlikely to step down before his term expires in October, and there is a somewhat better than even chance that he will run for another six-year term. [redacted]

25X1

**Possible Surprises**

- Cairo could default on major portions of its international debt unless it gets large infusions of financial assistance from foreign donors.
- If economically motivated unrest becomes widespread and the Army tires of trying to keep order, senior military commanders would probably ask Mubarak to step down.
- There is a less than even chance that Mubarak will retire and leave Egypt's intractable problems to his successor -- most likely Defense Minister Abu Ghazala. [redacted]

25X1

\* \* \* \* \*

We believe that Mubarak's inept handling of the rapid succession of crises that rocked his government in late 1985 and early 1986 -- including the Achille Lauro and Egyptair hijackings -- encouraged domestic opposition from every quarter and added to Mubarak's general sense of siege. We believe that the most recent of these events -- the mutiny by police conscripts in February 1986 -- pointed up the danger of discontent among Egypt's large and increasingly deprived underclasses as the country enters a period of enforced economic austerity. [redacted]

25X1

Now in the final year of his term in office, we believe that Mubarak will be engaged in the most delicate balancing act of his political career: trying to revitalize Egypt's sinking economy without adopting unpopular measures that would risk a political upheaval. [redacted]

25X1

Egypt has a slightly better than even chance to muddle through its economic woes, although it will be unable to do so without considerable outside help. Its major

Secret

[redacted]

25X1

foreign exchange earners -- oil, Suez Canal tolls, and remittances from Egyptian workers abroad -- are depressed and unlikely to recover sufficiently to spare the country a significant economic readjustment. Cairo has begun serious negotiations with the International Monetary Fund in pursuit of a standby agreement, but a resolution of differences on the pace and substance of reform will be difficult. [redacted]

25X1

Without large infusions of new loans and the rescheduling of old obligations, we believe that Cairo would, for all practical purposes, default on major portions of its international debt. This would almost certainly provoke a sharp cut in imports and higher prices for basic commodities, which could trigger the very unrest that Mubarak seeks to avoid. Although some unrest is inevitable as prices rise, we believe the Army and security forces could contain it. [redacted]

25X1

As Mubarak casts about for economic help, he will look primarily to the United States and Europe but is also likely to approach Saudi Arabia, Kuwait, and other Gulf states. If Mubarak becomes desperate and aid is not forthcoming, he may consider undoing some elements of the US-Egypt special relationship. He may threaten to turn to the Soviets, although Moscow is in no position to provide the large amounts of cash needed to keep Egypt afloat. [redacted]

25X1

We believe that Egypt's economic problems will leave little room for major diplomatic initiatives during the year. The Arab-Israeli peace process is likely to be accorded a lower priority as long as Jordan and the PLO remain at odds and Arafat maintains his hard line. With Shamir as prime minister in Israel, Cairo is unlikely to take dramatic steps to normalize relations with Tel Aviv. [redacted]

25X1

Although Egypt faces no major military threats, we cannot rule out a skirmish with Libya if Qadhafi launches a provocation against Egypt. A Libyan-sponsored coup in Sudan might prompt Egypt to intervene militarily at the invitation of the ousted government. Cairo is virtually certain to avoid sending troops on foreign adventures such as the Iran-Iraq war. [redacted]

25X1

If Mubarak does not run again and he has not designated a successor by October, we would expect Defense Minister Abu Ghazala to be formally nominated for the post -- with strong behind-the-scenes military support. [redacted]

25X1

We believe that an Abu Ghazala government would continue Mubarak's policies. In domestic affairs, he would face the same problems as Mubarak but would almost certainly adopt a more forceful approach to them. He probably would retain close relations with the United States. Although he would be willing to do business with Moscow, he bears no affection for the Soviet Union. [redacted]

25X1

Prolonged domestic unrest could prompt a military request for Mubarak's resignation before the election, particularly if Islamic fundamentalists inflamed discontent and the Army grew tired of repressing other Egyptians to keep order. Under these circumstances, we would expect Abu Ghazala to take power and manipulate the constitutional mechanism to arrange his own legal succession. [redacted]

25X1

In an even less likely scenario, either the Islamic right or the secular left could assume power in the wake of a severe domestic crisis or attempted military coup. A government of either extreme would almost certainly loosen Cairo's ties to Washington and Tel Aviv, although Egypt would probably avoid provoking a war with Israel. [redacted]

25X1


Secret



25X1


**INDIA**

**Probable Developments in 1987**

- Efforts by Sikh extremists to establish a separate Sikh state will pose the most serious threat to political stability as they target politicians, policemen, and government officials who oppose their campaign.
- New Delhi is likely to take additional steps to reduce government subsidy programs in 1987 -- particularly for petroleum products. These steps will raise prices and discontent among consumers and provide fuel for opposition politicians but are unlikely to trigger widespread political unrest.
- Prime Minister Gandhi's Congress Party is almost certain to lose ground in offyear elections scheduled in five states during 1987. The losses are unlikely to affect political stability, but they may reduce Gandhi's maneuvering room in implementing national policy. 



25X1

**Possible Surprises**


- There is a slight chance that simmering Hindu-Muslim communal conflict would erupt into widespread unrest. The most likely flashpoint will be in the state of Kashmir, where chances for fresh Hindu-Muslim violence are high. 

25X1

\* \* \* \* \*

Even though new efforts are under way to improve security around Prime Minister Gandhi following last October's assassination attempt, we believe that he will be highly vulnerable to assassination in 1987. Sikh extremists have vowed to kill the descendants of Indira Gandhi, whom they hold responsible for the desecration in 1984 of the Golden Temple, the Sikhs' holiest shrine. India, we believe, would experience a period of major instability following a successful assassination as senior Congress Party officials brokered the succession in the midst of sectarian violence. We would anticipate widespread Hindu reprisals against innocent Sikhs if a Sikh were responsible for Rajiv Gandhi's death.   


25X1  
25X1

We believe that continued improvement in Indo-US relations depends heavily on Gandhi's survival. His personal interest in acquiring sophisticated Western technology and his unprecedented strength in parliament have combined to improve the tone and to expand the scope of Indo-US ties. We doubt that any successor would have a combination of attributes so favorable to US interests. 

25X1

We believe that the Soviets will continue to charge that the United States promotes the Sikh extremists' campaign to destabilize India. This theme played well in India when Indira Gandhi was prime minister and continues to appear in the leftist press and to be touted by pro-Moscow politicians seeking to discredit the United States. We believe that a handful of the 150,000 Sikhs resident in the United States could take actions in support of Sikh terrorism that would jeopardize improving Indo-US ties.

Secret

[redacted]

25X1

Washington earned the gratitude of senior Indian officials for its arrest of Sikhs who threatened to kill a visiting Indian official in 1985, for the protection given Gandhi during his trip to the United States, and for the continuing cooperation between security officials of the two countries. [redacted]

25X1

We expect the negative popular reaction to further reductions in government subsidies to be short lived if New Delhi decides to allow repeated, but small, price increases. New Delhi reduced its price hikes for government-subsidized staples and fuel following widespread opposition-led demonstrations in India's major cities last February. Even if New Delhi adopts a go-slow approach, we believe that opposition politicians will try to broaden their popular appeal by organizing demonstrations against the price hikes. They could even try to parlay this discontent into popular dissatisfaction with Gandhi's overall economic policies. The Soviets will encourage pro-Moscow politicians and their contacts in the press to link the price hikes to ill-advised, Western-inspired reforms. [redacted]

25X1

25X1

We believe that the Congress Party may lose control of the state government in Haryana in this year's election because voters are unhappy with New Delhi's handling of the Sikh and water-sharing issues in neighboring Punjab. In the four other states in which off-year elections will be held, we expect the party only to lose parliamentary seats over local, not national, issues. [redacted]

25X1

If religious rather than local political issues lead to outbreaks of communal violence in Kashmir, we believe that Hindu-Muslim violence could spread quickly to other parts of India. Gandhi ended months of rule of Kashmir by New Delhi when he turned the state government over to an opposition-Congress Party coalition late in 1986. Communal relations will be tense as both Muslims and Hindus test the newly appointed government and compete in state elections likely to be held by mid-year. Outside Kashmir, sporadic but intense clashes between Hindus and Muslims occurred during 1986 over disputed religious shrines, religious processions, and national legislation that permits Muslim rather than Indian secular law to govern divorces involving Muslim women. [redacted]

25X1

The escalation of Muslim-Hindu violence would have serious implications for both internal political stability and for Indo-Pakistani relations:

--The Muslim community is several times larger than the Sikh minority and is more widely dispersed. Security forces would be stretched thin if they had to respond to widespread clashes.

--Islamabad would almost certainly adopt a provocative stance, at least in its public statements, as it sided with the "oppressed" Muslims in India. Tensions between New Delhi and Islamabad would heighten quickly. [redacted]

25X1

25X1

Secret




25X1

**IRAN**

**Probable Developments in 1987.**

--Infighting between regime factions over war policy, the economy, and the succession to Khomeini will almost certainly increase, and there is an even chance that it will turn violent. Radical clerics are in the best position to win a power struggle because they appear to control more of the security forces than the other factions.

--Barring a major Iranian breakthrough in the war with Iraq, economic pressures will probably force Tehran to limit the conflict and to divert resources from the war. Tehran is not likely to cease hostilities, however, unless its goals are achieved or domestic unrest threatens the regime's survival.

--As Iran's economic situation becomes increasingly desperate, the odds will increase that it will significantly step up its use of force to press the Gulf Arab states to stop supporting Iraq. 

25X1

**Possible Surprises**


--There is a small chance that the clerics would turn to Saudi Arabia to find a face-saving way out of the war if they believed the conflict was causing discontent severe enough to threaten the regime's survival.

--Tehran might make concessions that would lead to a significant improvement in ties to the Soviet Union if the ruling clerics believed such a turn would gain critical economic or military aid.

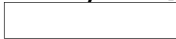
--Iran might even consider accommodation with the United States to obtain critical military and technical support. 

25X1

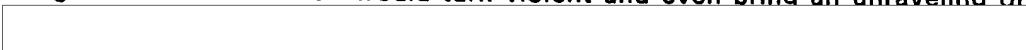
\* \* \* \* \*

Khomeini's growing inability to supervise the government, deep divisions between radical and conservative factions over military and economic policies, and Iran's contacts with the United States caused a substantial increase in political infighting during 1986 that we expect will continue through 1987. We believe that the arrests of relatives and aides of Khomeini's designated successor, Ayatollah Montazeri, last October reflect Khomeini's loss of control. 

25X1

We expect maneuvering by political leaders seeking to strengthen their positions in anticipation of Khomeini's death to increase significantly during the year. Suspicions among Iranian leaders that those with greater access are manipulating Khomeini will grow, and the question of access is likely to fuel animosity among the factions. Infighting over the war and the economy will sharpen as the choices confronting the regime become more difficult. 

25X1

Khomeini's death would greatly increase the prospect that the already intense political infighting over the succession would turn violent and even bring an unraveling of clerical rule. 

25X1

Secret

[redacted]

25X1

[redacted] His death would give a successor regime greater leeway to end the war, although the clerics would have to move slowly to avoid charges that they betrayed his legacy. [redacted]

25X1

25X1

If radical clerics assumed control after Khomeini's death, they might seek closer ties to Moscow to help consolidate their power. If radical factions exhausted themselves in a violent struggle, more conservative groups would have an opportunity to fill the leadership vacuum, which could offer a chance for better ties to the United States. [redacted]

25X1

We believe that Iran's severe economic problems will lead to a significant rise in popular discontent and antiregime activities. Iranians probably will have to continue to endure increased unemployment, double-digit inflation, and consumer shortages. A major victory in the war would give the regime some breathing space, but we believe that unrest would reappear if economic problems were not addressed. Nevertheless, the regime's demonstrated skill at containing dissent and the lack of an organized opposition should lessen the chances that disgruntlement over the economy will soon threaten the regime's survival. [redacted]

25X1

If Tehran decides to exert more pressure on the Gulf Arab states to curtail their support to Iraq in the war, we would expect the pressure to be applied gradually and to alternate with diplomacy. It most likely would begin with stepped-up attacks on -- or seizures of -- Saudi and Kuwaiti tankers. If this tactic failed, we would expect Tehran to sponsor terrorist attacks or air attacks against Gulf state oil facilities and the assassination of low- or middle-level Saudi or Kuwaiti officials. Some leaders would argue for attacks against US personnel and installations in the Gulf. [redacted]

25X1

There is a small chance that Tehran will seek to end the war during the year if it believes that military or economic setbacks threaten the regime's survival. Under such circumstances, Iran might try to strike a deal with Saudi Arabia in which Tehran would agree to cease hostilities in exchange for the removal of Iraqi President Saddam Husayn, war reparations, and the cessation of Iraqi airstrikes. [redacted]

25X1

There is a very slim possibility that Iran would agree to limited accommodation with the Soviet Union or the United States during 1987 to gain critical military or economic assistance:

--Iran undertook a major initiative to improve ties to Moscow in 1985, when Tehran's major battlefield defeat and the Iraqi bombing of cities produced widespread antiregime demonstrations. The effort stalled because Iran was able to control the unrest and the Soviets held fast to demands for Iranian concessions on several key issues as a precondition for improved ties.

--The secret talks that the Iranians have held with US officials and intermediaries demonstrate their willingness to maneuver opportunistically. The regime is likely to improve ties, however, only if there is a consensus among the leadership to do so. The ruling clerics would feel compelled to present such a change as evidence that the United States had changed its policies to meet Tehran's conditions. These include the unfreezing of Iran's assets in the United States and the delivery of arms contracted for by the Shah. [redacted]

25X1

Secret

[redacted]

25X1

**IRAQ**

**Probable Developments in 1987**

- The Saddam Husayn regime has a better than even chance to retain power during the coming year, despite increasing discontent as the war drags on and as economic pressures mount.
- Security forces will prevent the spread of organized opposition to the regime in most areas of the country. In the north, however, rebel Kurds, assisted by Iran, will step up attacks on government targets.
- Iraq's relations with the Soviet Union will remain on course, although friction will be generated by Moscow's inability -- or unwillingness -- to prevent Libya or other Soviet allies from arming Iran.
- Iraq's dire economic situation is unlikely to improve because of continuing war expenditures and the need to service its foreign debt. [redacted]

25X1  
25X1

**Possible Surprises**

- Saddam may put one or more of his close relatives on trial for corruption, a move that would further divide his fractious family, on whom he relies heavily to maintain his tight grip on power.
- Assassination of Saddam -- always a threat -- will become more likely unless he can head off mounting criticism of his policies. [redacted]

25X1

\* \* \* \* \*

We believe that the President and senior Ba'ath Party officials, who resolved many policy differences last June, are confident that they can stand up to Iran militarily, especially following Iraq's successful air war on Iranian economic targets for the past nine months and Tehran's postponement of its long-awaited offensive. Because last year's drop in world oil prices severely strained Iraq's financial position, we believe that Baghdad must keep imports and government subsidies at reduced levels and reschedule debts owed to its major lenders to sustain the war effort. [redacted]

25X1

We believe that, despite the greater confidence in its military capabilities, Baghdad's inability to end the war on its own will increase the likelihood of heightened internal discontent. We expect that the security forces will be able to check the spread of organized opposition, although isolated incidents involving Army deserters and other discontented elements will increase. [redacted]

25X1

The most serious internal threat to the Saddam regime will come from the Kurds. Armed with Iranian-supplied light and medium artillery, we expect rebel Kurds to strike at vital communication links in the north and possibly the Iraq-Turkey oil pipeline. Baghdad may be forced to deploy more regular Army units to the Kurdish area, weakening its main

Secret

[redacted]

25X1

defense line against Iran in the south. [redacted]

25X1

We believe that Iraq can expect aid for its war effort to continue from several quarters:

--It can count on support from its main financial backers, Saudi Arabia and Kuwait, to continue at current levels.

--Turkish military support to contain the Kurdish threat will increase. Turkey has warned Iran that it will not tolerate disruption of the Iraq-Turkey pipeline and may deploy troops to Iraqi Kurdistan to protect the line from sabotage.

--The Soviet Union is certain to continue to supply Iraq with weapons. Despite this aid, we believe that Moscow's failure to halt arms shipments from some of its allies to Tehran will strain Soviet-Iraqi relations. [redacted]

25X1

Despite the precautions taken by Iraq's efficient security forces, assassination of Saddam will be a constant threat. If an assassination is not part of an organized coup, an orderly succession would be likely. First Deputy Prime Minister Taha Yasin Ramadan probably would take over the government. We would expect Ramadan to continue the main lines of Saddam's policies, although he probably would oppose improved ties to the United States. Barring a serious deterioration in Iraq's military situation, a military coup attempt would have little chance of success. Successful coup plotters would face significant challenges from an emboldened Iran and the probable low state of Iraqi morale. [redacted]

25X1

There is a slim chance that Saddam will put his half brother Barzan al-Tikriti on trial for corruption. Such a step would be politically risky because powerful members of the Tikriti clan oppose such a move, although other powerful government officials are pressing to reduce Barzan's influence. [redacted]

25X1

In the unlikely event that Iraq and Iran agree to deescalate or end their conflict during the year, we believe that the present Iraqi leadership would close ranks around Saddam to accelerate reconstruction. We would expect them to suppress infighting until Iraq's recovery was fairly well along. If, on the other hand, Iran succeeds in a major military offensive, occupies a sizable chunk of Iraqi territory, and/or causes heavy Iraqi casualties, we believe that the intensified strains on the armed forces and the civilian population would dramatically reduce the regime's chance of survival through the year.

[redacted]

25X1



Secret



25X1

**ISRAEL**

**Probable Developments in 1987**

- The National Unity government has a better than even chance to survive through 1987.
- There will be much public bickering between the two main pillars of the government coalition -- Labor and Likud. The most contentious issues will be the Arab-Israeli peace process and Israeli settlement in the occupied territories.
- Prime Minister Yitzhak Shamir is likely to retain leadership of the Likud bloc's key Herut Party, despite increasing attacks on his leadership from David Levi and Ariel Sharon. Shamir may try to mollify his attackers by taking a harder line against possible Middle East peace negotiating frameworks and for more Israeli settlement in the occupied territories.



25X1

**Possible Surprises**

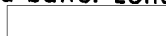
- There is a small chance that either Levi or Sharon -- each ambitious to be Likud's next candidate for prime minister -- will oust Shamir from his party and government posts.
- If King Hussein and other Arab leaders agree to a framework for peace talks acceptable to the Labor Party -- which is only a slight possibility -- Likud would probably reject it and Labor would feel compelled to withdraw from the government.
- If Shamir could force approval for establishing new Israeli settlements in the occupied territories through the Cabinet -- also a slight possibility -- Labor would probably quit the government.
- If Labor-Likud discord reaches high levels or the government falls, it will be more difficult for Israel to act on issues of high interest to the United States.



25X1

\* \* \* \* \*

The portfolio switch between Labor and Likud leaders Shimon Peres and Shamir under Israel's unusual national unity agreement was the key domestic political development of 1986, and much attention will be focused in 1987 on the durability of the government now that Shamir has assumed the premiership. In other major policy developments in 1986, the Labor Party failed to find a Middle East peace negotiating framework, progress was made in efforts to stabilize the economy, and a buffer zone was maintained in southern Lebanon with minimal direct Israeli involvement.



25X1

We believe that both Prime Minister Shamir and Vice Prime Minister/Foreign

Secret

25X1

Minister Peres will work for the survival of the National Unity government in 1987:

--Shamir believes that serving his full two-year term will strengthen his position within the Herut Party and Likud's support among the Israeli electorate. We believe that he may try to win consent for a few new Israeli settlements in the occupied territories but that he will restrain a large-scale settlement drive to avoid giving Labor an excuse to bolt the government.

--Peres is not confident that Labor could win a decisive victory in a new Knesset election and does not want to ruin his carefully constructed image of integrity by seizing a weak pretext for ending the coalition. We expect him to continue to strive for -- but not to attain -- a framework for peace talks between Israel and a Jordanian/non-PLO Palestinian delegation with some kind of international endorsement. [redacted]

25X1

The National Unity government is likely to focus most in 1987 on those issues where consensus between Labor and Likud is greatest, such as continuing economic reform and maintaining the South Lebanon security zone while avoiding large-scale direct Israeli involvement:

--On the economic front, Shamir will concentrate on tax reform, cuts in subsidies and public-sector spending, and increased productivity and employment. We expect him to have a tough time balancing sustained reductions in total government expenditures with increased employment and continued heavy military spending.

--In Lebanon, Israel will almost certainly continue to respond to periodic outbursts of anti-Israel activity by boosting the strength of General Lahad's Army of South Lebanon and, when necessary, sending in additional Israeli troops for limited operations. [redacted]

25X1

We believe that the bitter battle for leadership of the Herut Party -- the key element in the Likud bloc -- will continue to simmer in 1987. Sharon and Levi probably fear that delaying a bid for leadership too long will allow Shamir to use the benefits of incumbency to add to his support among the Herut rank and file. We would expect the chances of Shamir's ouster as Herut leader to grow if Sharon and Levi can revive their tactical anti-Shamir alliance. [redacted]

25X1

If Sharon and Levi greatly intensify pressure on Shamir as 1987 progresses, we believe that Shamir will be forced to take an even harder line on the peace process and Jewish settlement in ways inimical to US interests. For reasons of both ideology and political expediency, Sharon and Levi would probably attack Shamir as being too moderate. Shamir would be most vulnerable to charges that he had backed off in his desire for new Jewish settlements under pressure from the United States and to avoid a Labor walkout and the loss of his position as Prime Minister. [redacted]

25X1

Secret

[Redacted]

25X1

**LIBYA**

**Probable Developments in 1987**

- Libyan leader Qadhafi will face serious domestic political challenges, but, because he is likely to retain the loyalty of his security forces, the odds of his survival are favorable.
- Qadhafi's determination to subvert US interests around the world, strengthened by the US airstrike last April, will include efforts to build a covert network inside the United States capable of terrorist operations.
- The Soviet Union will benefit from many of Qadhafi's activities, but mutual distrust will preclude the establishment of close formal relations between the Soviets and Libyans. [Redacted]

25X1

**Possible Surprises**

- Several events could undermine the prospects for Qadhafi's survival, including the imposition of additional economic austerity measures or another US airstrike. If Qadhafi were to be ousted, the most likely successor regime would include military officers who would reduce Libya's worldwide support for radical causes in favor of regionally focused policies and domestic economic development. [Redacted]

25X1

\* \* \* \* \*

In our view, only the weakness of indigenous and external opposition forces -- largely due to Qadhafi's stringent security precautions and the loyalty of his security forces -- enabled the Libyan leader to weather events that seriously shook his regime in 1986. We believe that the loyalty of the security forces during a period of widespread domestic discontent will be critical to his survival in 1987. Qadhafi would become extremely vulnerable to a coup if key commanders of the security forces were convinced that his political position had become untenable. [Redacted]

25X1

In the present unsettled domestic climate, we believe that several internal and external pressures could bring about Qadhafi's removal:

- His refusal to adapt to the continued fall in oil revenues by reducing support for international terrorism and subversion.
- Another US airstrike, if it occurred in response to a clear provocation and was directed against targets popularly associated with Qadhafi himself, the security forces, or the oil industry.
- The occurrence of an intense or protracted military conflict involving Egypt, Algeria, France, or Chad.
- Concerted European sanctions against Libya.
- Increased activism and foreign support -- particularly by neighboring

Secret

[redacted]

25X1

countries -- for exiled Libyan dissidents, enabling opposition elements to conduct more effective antiregime operations inside Libya. [redacted]

25X1

We expect that Qadhafi's political support will erode, generating sporadic outbreaks of antiregime activity, including isolated demonstrations, distribution of leaflets, sabotage, coup plotting, or assassinations of regime officials. [redacted]

25X1

Deteriorating economic conditions almost certainly will play a key role in generating domestic discontent. Barring an unexpected dramatic rise in oil prices, Qadhafi is not likely to relax austerity measures. [redacted]

25X1

We believe that Qadhafi's reinvigorated program of political action, subversion, and terrorism will remain a potent threat to US personnel and facilities and probably to the stability of pro-US regimes in the Third World. Qadhafi already has resumed his policy -- temporarily suspended in the aftermath of the US airstrike -- of aggressive projection of his influence abroad to undermine US interests. He has convened five major conferences of radical and leftist groups from around the world in Tripoli since September to discuss the "collective struggle against US imperialism." [redacted]

25X1

Increased US pressures on Qadhafi may prompt him to offer Moscow significantly increased access to Libyan facilities -- possibly including use of the large Soviet-built Al Jufra fighter/bomber base -- to deter US military retaliation. [redacted]

25X1

In the unlikely event that Qadhafi was ousted in the next year, we believe that he would be succeeded -- after a period of intense infighting among the elite -- by military officers. It is conceivable that pragmatic members of Qadhafi's tribe would initiate or participate in a coup in the belief that removing Qadhafi would make room for another clansman who would better preserve long-term tribal interests. [redacted]

25X1

We view either scenario as a net gain for the United States. A new military or tribally based regime would remain opposed to many US policies in the region -- Arab-Israeli peace initiatives, for example -- and remain involved in areas where traditional Libyan interests are engaged, such as Tunisia, Niger, Sudan, and Chad. We believe, however, that a new regime would curtail costly worldwide support for radical causes in favor of domestic economic development. [redacted]

25X1

A less likely winner in a post-Qadhafi power struggle would be an extremist group that would continue supporting terrorism and subversion and might be even more willing than Qadhafi to target US personnel and facilities directly in terrorist attacks. We believe that such a government would be more likely than Qadhafi to grant the Soviets increased access to Libyan air and naval facilities or to develop a Libyan foreign policy more attuned to Soviet interests in response to continuing US pressures. [redacted]

25X1

A longshot possibility as successor to Qadhafi would be a staunchly pro-Soviet leadership consisting of military officers or pro-Qadhafi civilians. At a minimum, we expect that the Soviets have used their military contacts in Libya to identify Libyan officers likely to assume key political positions in a post-Qadhafi regime. We believe, however, that Soviet advisers are too few and scattered to control the Libyan military and to install their own candidate. [redacted]

25X1

25X1

[redacted] Despite these limitations, Moscow could use its access to Libyan military personnel to warn any new regime of a coup if the Soviets deemed another change in government to be against their interests. [redacted]

25X1

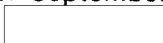
Secret



25X1


**PAKISTAN**

**Probable Developments in 1987**

- President Zia has a better than even chance to weather several challenges to his year-old civilian regime during 1987:
- The government will face renewed challenges from the opposition, particularly from Benazir Bhutto's Pakistan People's Party (PPP). Bhutto will continue to press for the ouster of President Zia and new elections and is likely to resort to confrontational tactics to underscore her determination.
- Law and order problems, particularly in Sind and the North-West Frontier Province are likely to continue. The military will be called in to assist internal security forces to quell the violence.
- Tensions are certain to increase between the more than 2 million Afghan refugees and the local population in the North-West Frontier Province as the two groups compete for scarce jobs and resources and as Moscow and Kabul continue their destabilization campaign in the border region.
- If Prime Minister Junejo fails to demonstrate the popularity of the ruling Pakistan Muslim League in the local elections scheduled for September, there is at least an even chance that Zia will replace him. 

25X1

**Possible Surprises**

- Bhutto and the opposition might win enough support within Punjab, the key province for political success, to force Zia to call elections. A government under Bhutto's leadership would be likely to be less supportive of US concerns in the region but, in the interest of maintaining US aid, would try not to alienate Washington.
- There is a slight chance that Zia will call a snap national election in the belief that public antipathy toward opposition tactics would produce an impressive victory for the government.
- A law-and-order crisis may spread to all four provinces, causing the military to reimpose martial law and perhaps even oust President Zia.
- The government, under pressure from Moscow and from Pakistani citizens resentful of the Afghan refugees, might reduce its support for the Afghan insurgents and become more flexible in the Geneva negotiations on Afghanistan. 

25X1

\* \* \* \* \*

The return to civilian rule after eight years of martial law, the reintroduction of

16  
Secret

Secret

[redacted]

25X1

political activity with the revival of the Pakistan Muslim League, and Benazir Bhutto's return to Pakistan were the events in Pakistan in 1986 that will be most influential in shaping developments in 1987. We believe that Bhutto is concentrating on strengthening her party base after support failed to materialize when she forced a confrontation with the government by holding a rally on Independence Day last August. The civilian government's ability to handle law-and-order crises was challenged when Junejo was forced to use the military to quell ethnic- and religious-based disturbances during the year. [redacted]

25X1

We expect Zia to try to weaken Bhutto's movement by banning nonregistered parties from participating in the local elections in September and by courting other opposition leaders, particularly Ghulam Mustafa Jatoi, a former PPP leader ousted by Bhutto. Jatoi's National People's Party is attracting moderate PPP members and members of other opposition parties who disagree with Bhutto's confrontational tactics. We believe that Zia is likely to replace Prime Minister Junejo, perhaps with Jatoi, if Junejo's credibility comes into question in order to extend the government's base beyond the Pakistan Muslim League and to demonstrate the President's commitment to civilian rule. [redacted]

25X1

We believe that the government will be troubled by law-and-order problems in addition to the unrest in Sind and Baluchistan, where ethnic and religious groups have traditionally clashed violently with little provocation:

--The escalating banditry problem in Sind will force a tougher crackdown by the government.

--Farmers in the North-West Frontier Province will increasingly resist the government's efforts to eradicate opium poppies, which generate the main income for local farmers.

--Residents of the North-West Frontier Province and Baluchistan will grow increasingly hostile toward the Afghan refugees, who are competing for jobs and scarce resources in the area. [redacted]

25X1

We believe that use of military force to combat local law-and-order problems will generate additional grumbling among military personnel, who believe that such duties distract from their primary task of defending the nation from external threats. [redacted]

25X1

Secret



25X1

**SAUDI ARABIA**

**Probable Developments in 1987**

--Domestic criticism of the government and the royal family will increase as the government draws down financial reserves and imposes economic austerity measures in response to reduced revenues.



25X6

--Neither development is likely to threaten the stability of the Fahd regime.



25X1

**Possible Surprises**

--If oil prices drop precipitously -- say to less than \$10 a barrel-- and remain depressed for more than a few months, Riyadh would be forced to make much larger and more politically sensitive budget cuts. These could promote serious dissension both among senior government managers and the public at large and impose much greater pressures on King Fahd's tenure.

--A widening of the Iran-Iraq war would pose a direct security threat to the kingdom's oilfields and might lead to increased Iranian subversion among the Shias of the Eastern Province.



25X1

\* \* \* \* \*

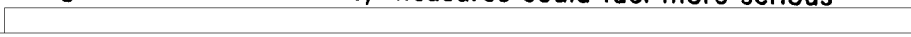
We believe that depressed oil prices and the resulting drop in Saudi oil revenues, which forced Riyadh to slash government expenditures and subsidies, is the overriding development in 1986 that will have a major impact on political developments in the kingdom in 1987. We believe that the King's abrupt dismissal of Petroleum Minister Yamani in October because of differences over oil policy reflects the King's determination to increase Saudi revenues. We expect this has made Fahd more vulnerable to blame from technocrats if the economy continues to worsen in 1987. Given the many elements of the economy over which the Saudis have little or no control, we doubt that the King will be able to pull the economy out of its slump during the coming year. We do not believe that the regime will be threatened even if the economy continues to perform poorly, because most Saudis still enjoy high standards of living and we see no diminution in the loyalty of the military and security forces.



25X6

25X1

We expect Riyadh's attempts to push its new strategy of fixed prices and production quotas on OPEC members to fail, which may cause King Fahd to order a boost in oil production. If oil prices drop sharply, we believe that a popular backlash to the imposition of more stringent economic austerity measures could fuel more serious antiregime activity.



25X6  
25X6



**Secret**

[Redacted]

25X1

[Redacted]

25X6

[Redacted]

25X1

Although we do not believe that Iranian-backed subversion among the Shias in the oil-producing Eastern Province will reach serious proportions during 1987, we believe that Saudi concerns about such subversion as well as about Iranian attacks on Saudi oil facilities will be heightened if Iran scores military successes in the Iran-Iraq war. Riyadh is unlikely to end its aid to Baghdad, and Tehran may elect to undertake desperate measures in retaliation for Saudi support to Iraq. [Redacted]

25X1



Secret

[Redacted]

25X1

**SRI LANKA**

**Probable Developments in 1987**

- Fighting between government forces and the Tamil insurgents is almost certain to continue, especially in the Tamil-dominated Eastern Province. Even so, the chances are better than even that an accord will be reached between Colombo and moderate insurgent forces, and that New Delhi will deny Tamil militant groups the sanctuary they currently enjoy in southern India.
- The Liberation Tigers of Tamil Eelam (LTTE), the most militant and powerful insurgent group, will continue to consolidate its control over rival groups and to accelerate development of a political wing to present itself as a viable alternative to the national government in the Tamil-dominated region.
- Chances are better than even that either a peace agreement between Colombo and the moderate groups accompanied by continued militant fighting or a unilateral declaration of independence by the militant insurgents will provoke island-wide demonstrations by the Sinhalese. These demonstrations would threaten (but probably not bring down) the Jayewardene government [Redacted]

25X1

**Possible Surprises**

- If President Jayewardene -- who has led a pro-Western government since coming to power in 1977 -- dies or is removed from office, his successor is likely to follow a more neutral foreign policy as well as a harder line toward the Tamil insurgents. The peace process would almost certainly suffer a severe setback.
- A breakdown in the peace talks would probably be followed by widespread fighting and rioting throughout the island.
- A longshot possibility is a breakdown in public order, whether under President Jayewardene or a successor, that provokes India to intervene militarily to restore order, possibly at the invitation of Colombo. [Redacted]

25X1

\* \* \* \* \*

The growing strength of the LTTE in the four-year-old insurgency, the beginnings of the Indian-brokered peace negotiations between Colombo and the Tamil moderates, and the increase in popularity of former Prime Minister Bandaranaike's opposition party topped the developments in 1986 that will influence events in Sri Lanka this year. [Redacted]

25X1

We expect the LTTE, which last year disarmed two rival insurgent groups and consolidated its control over the Jaffna Peninsula -- the heartland of the insurgency -- to continue to extend its military and administrative control over Tamil-dominated areas this year. We believe that the Tigers will continue to convert or coerce many members of

Secret

[redacted]

25X1

other groups for a prolonged struggle against Colombo. The LTTE already runs an administrative apparatus on the Jaffna Peninsula. We believe that widespread Sinhalese demonstrations in reaction to a Tamil takeover in the north -- or to a peace agreement accompanied by a continuation of heavy fighting by the militants -- would contribute to an atmosphere that could bring down the Jayewardene government. Criticism of Jayewardene's policies will be greatest among the hardline elements in the Buddhist clergy and opposition parties, as well as from hardline elements within his own party who are pushing for a military solution. [redacted]

25X1

We believe that a deteriorating security situation will make Colombo increasingly eager for US arms and training. President Jayewardene will continue his efforts to brand Tamil insurgents as Marxist terrorists to win US and other international support. Failure to solve the Sri Lankan problem is not likely to have a direct impact on US interests in the subcontinent. Continuing communal violence, however, could indirectly affect US-Indian relations if Sri Lanka intensifies its search for outside support and US friends such as Pakistan and Israel become more heavily involved. [redacted]

25X1

We expect the Soviet Union, which is eager to appear supportive of New Delhi's leadership in Sri Lanka, will continue to play only a minor role in the Tamil insurgency in 1987. We believe that the Soviets are reluctant to put their more important security interests in India at risk by directly supplying weapons or training to Tamil insurgent groups or by publicly supporting the Colombo regime. [redacted]

25X1


Secret



25X1


**SUDAN**

**Probable Developments in 1987**

- The odds are better than even that the government of Prime Minister Sadiq al-Mahdi will survive the year despite mounting pressures on it. If Sadiq is overthrown, it most likely will be by a military coup -- possibly with Libyan support.
- The odds are better than two-to-one that the civil war in the south will drag on intermittently as the Sadiq government fails to build a northern Muslim consensus on how much power the north should concede to end the fighting.
- Unrest, particularly in Khartoum, will grow as expenditures to prosecute the war weaken the government's already strained capacity to meet popular demands for reduced prices and increased availability of goods and services.
- If squabbling over how to end the war and improve the economy leads to a government stalemate, sporadic demonstrations against the regime are likely to increase in intensity. 

25X1

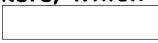
**Possible Surprises**

- There is a slim chance that a weakened civilian government will break down and give way to disorder in which -- similar to Lebanon -- armed factions vie for control with none able to establish a strong national government. 

25X1

\* \* \* \* \*

We believe that two developments last year portend heightened political instability in 1987:

- Protests over consumer shortages in Darfur Province in September preceded a series of student-led protests in Khartoum that assumed a distinctly antigovernment tone by late October.
- Sadiq, who was elected head of Sudan's first civilian government in 17 years, failed to reach agreement with Sudan People's Liberation Army leader Garang and his Ethiopian backers, which raised the odds that the civil war in the south will continue. 

25X1

We believe that Sadiq's ability to manage the issue of Islamic law -- imposed by then President Nimeiri in 1983 and rejected by the predominantly Christian and animist population in the south -- will be critical to the prospects for stability in 1987. If Sadiq presses for an Islamic code that is revised but still fairly strong, he would reduce the chances for a political settlement with the southern rebels, who have consistently demanded abolition of all Islamic laws as a precondition for negotiations. Such a

Secret

[redacted]

25X1

pro-Islamic tilt would also risk alienating the non-Muslim minority in the capital, including those in the police and enlisted ranks in the Army. If, on the other hand, he should move to abrogate the Islamic laws and not replace them with a sufficiently stringent code, he risks losing support within his own party and incurring opposition from among the Islamic radicals and their military sympathizers. [redacted]

25X1

Other major uncertainties that will influence stability include:

- The willingness of senior military officers and troop commanders to back the government in the event of major defeats in the south.
- The intensity of growing civil disturbances in the capital.
- The extent of parliamentary paralysis.
- The willingness of foreign governments to provide aid upon which Sudan has increasingly come to depend. [redacted]

25X1

We believe that a political settlement to the war is highly unlikely during 1987 even though the antagonists may renew talks with outside encouragement and mediation. We expect the conflict -- a major factor in the fall of previous regimes -- to continue to weaken Sadiq's position. [redacted]

25X1

The government has little chance to improve the economy. Sadiq's concern that austerity might spark regime-threatening demonstrations and strikes -- like those that helped to topple Nimeiri -- has, in our judgment, inhibited adoption of economic measures that would please Sudan's international creditors, particularly the International Monetary Fund, and help to relieve Khartoum's debt problems. [redacted]

25X1

There is a much better than even chance that continuing commodity shortages and spiraling inflation will lead to further civil unrest. With the government unable to provide any real increase in purchasing power, crippling strikes and work stoppages are likely to occur with increasing frequency. We expect such unrest to further debilitate an already prostrate economy and offer radical elements an issue to exploit. If the number of persons migrating from other parts of the country to Khartoum continues to grow, we expect ethnic disputes in Khartoum -- already reported to be the worst in years -- to aggravate the already tense urban atmosphere. [redacted]

25X1

We expect coup plotting to increase. The officer corps -- a product of the Nimeiri period -- has little personal loyalty to the Prime Minister. The perception that Sadiq is not moving decisively on the Islamic law issue would provide officers affiliated with the Muslim Brotherhood with an excuse to move against him. We believe that Libya would support a coup attempt by disgruntled Sudanese officers if Tripoli perceived that Sadiq was tilting toward the United States. [redacted]

25X1

Although a coup carried out by senior officers, supported by troop commanders, would have a good chance to succeed with minimal violence, we would expect a coup attempted by junior officers to be much more risky. [redacted]

25X1

A new military government -- unless actively supported by Libya -- would probably pursue a nonaligned policy, although it would continue to look to Washington for economic aid. [redacted]

25X1

Secret




25X1

**SYRIA**


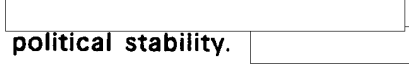

**Probable Developments in 1987**

The regime of President Assad has a better than even chance to last through the year, despite pressures from several quarters:

- Assad's implementation of further austerity measures to cope with worsening economic conditions will be unpopular with most segments of Syrian society.
- His attempts to curtail corruption -- including seizure of smuggled goods whose profits have benefited senior Army officers -- will antagonize his supporters.
- Continued acts of subversion by opposition groups -- particularly the Muslim Brotherhood, with the aid of foreign opponents of the regime -- will provoke the government into brutally repressing segments of Syria's Sunni majority.
- Assad will maintain his alliance with Iran despite its unpopularity among most Syrians, including segments of the armed forces, and over the objections of Syria's Arab financial patrons. 

25X1

**Possible Surprises**

- Assad may delegate greater but still limited decisionmaking power to his close advisers, which could provoke squabbling among them and serious foreign policy miscalculations.
- Reorganization of the military and security services and/or a move to restore Assad's brother Rif'at Assad to a position of power and prominence could combine with uncertainty over the succession to increase tensions within Assad's inner circle.
- The death or incapacitation of Assad   would have grave consequences for Syria's political stability. 

25X1  
25X1  
25X1

\* \* \* \* \*

We believe that a series of tumultuous political events in 1986, accompanied by an accelerated decline of the economy and a spate of domestic bombings by both internal and external enemies, has set the stage for continued unsettled conditions in 1987:



25X1

- Revelations of Syria's ties to terrorist organizations damaged its

24  
Secret

Secret

[redacted]

25X1

international prestige, soured its relations with the West, and provoked international condemnation and limited economic and political sanctions.

--Syria's brinkmanship in confronting Israel in Lebanon, resulting in high alert levels and fears of retaliation for its links to international terrorism, pushed Syria to elicit pledges of support from the Soviet Union. [redacted]

25X1

Although we expect continued economic problems to heighten public dissatisfaction, the reforms that are likely to be implemented to cope with the decline would pose a more immediate threat to the stability of the regime by alienating segments of Assad's core support group. Assad's flirtation with private-sector solutions will antagonize old guard Ba'thist and leftist Army officers who advocate greater centralization of the economy. [redacted]

25X1

We believe that schisms within Assad's inner circle will worsen during the year. Until now, his decisions have been followed unquestioningly by his key lieutenants. Should he be forced to delegate more authority to them, they are likely to quarrel over critical issues, leading to greater uncertainty about Syrian foreign and domestic policies.

[redacted]

25X1

Assad has been hesitant to tamper with the status quo, and he is unlikely to significantly revamp his core support group. We would expect any precipitate attempt by Assad to reintroduce his brother Rif'at into the inner circle -- and into the succession -- to elicit strong opposition from his key advisers. [redacted]

25X1

We do not expect subversive groups to pose a serious threat to the regime's stability in the coming year. Potential opponents to Assad, such as the extremist Muslim Brotherhood, have been undermined or intimidated, and the majority Sunni population has been largely assimilated into secular Ba'thist society. We expect isolated bombings by the opposition to continue and retaliatory repression to fuel greater Sunni resentment of the regime. Although most Sunnis in Syria do not subscribe to fundamentalist doctrines, they might join an ad hoc opposition coalition led by the Brotherhood if they detected that the regime was more vulnerable to subversion. [redacted]

25X1

25X1

[redacted]

If Assad dies or is incapacitated during 1987, we would expect a prolonged power struggle. Alawite kingmakers in Assad's inner circle have accrued power and influence through their positions and share a common interest in maintaining Alawite rule. Some kind of collegial rule is likely at first, but over time the antagonisms within the inner circle raise the prospects for much greater instability. [redacted]

25X1


Secondary Countries

Secret



25X1

### ALGERIA

In Algeria the odds are almost even that the government will face major civil disturbances, generated by budget cuts and economic austerity. We expect the weakening of Algeria's economic position, triggered by a decline of 1986 oil and gas revenues by half from the previous year, to continue. The need for private foreign investment and President Bendjedid's determination to wean the economy from the centralized Soviet model that he believes has not met the country's needs will continue to encourage him to expand ties to the United States and the West. We doubt that the financial crisis will prompt him to end financial and military support to the Polisario insurgents fighting Morocco in the Western Sahara. The chances are even that Algeria and Libya will continue to improve ties. If they do, there is a good chance that Qadhafi will resume Libyan military support to the Polisario. Bendjedid's authority slipped a little in 1986, largely because the pro-Soviet hardliners in the ruling National Liberation Front used his health problems to strengthen their position. In the unlikely event that Bendjedid is ousted, a cast of military and security officials less friendly to the United States and the West would probably head the new government. 

25X1



Secret



25X1

## BAHRAIN

We believe that Bahrain will continue to face the greatest subversive threat of any of the Persian Gulf states. The major threat will come from the Iranian-supported Islamic Front for the Liberation of Bahrain (IFLB), which planned an unsuccessful coup attempt against the ruling Al Khalifa family in 1981. We expect the Islamic Call (Dawa) Party to pose a lesser threat than the IFLB in 1987, although it has established cells and infiltrated arms into Bahrain and, like the IFLB, is supported by Tehran. We expect both groups to concentrate their efforts on recruitment and training and dissemination of written propaganda in the coming year. The US military presence in Bahrain is the most vulnerable US target for the IFLB or Dawa to attack, an unlikely event. Although the Al Khalifa monarchy is not in imminent danger of losing control, we expect disenchantment with the Sunni ruling family, spurred by economic decline and charges of corruption, to continue to mount, particularly among the country's majority Shia population. Bahrain will remain dependent on the United States for protection against Iranian aggression.



25X1

Secret

[Redacted]

25X1

**BANGLADESH**

In Bangladesh, the holding of parliamentary and presidential elections and the end of more than four years of martial law in 1986 have set the stage for increased opposition demonstrations and strikes in 1987. We do not believe that they will threaten President Ershad, who will remain in control with the support of the military. Senior Army commanders see few acceptable alternatives to him among civilian politicians and are relieved to give up their political duties and return to the barracks. In the unlikely event that civil disturbances paralyze the country, we would expect senior Army officers to overthrow Ershad and reimpose martial law. We would expect any successor government to continue Ershad's domestic policies and to retain good relations with the United States in order to maintain access to US economic aid. [Redacted]

25X1

Secret

25X1

### JORDAN

In Jordan, King Hussein almost certainly will continue to pursue his West Bank/Gaza Strip development initiative designed to undermine PLO Chairman Arafat's credibility and encourage formation of an alternative Palestinian leadership in 1987. Hussein, actively assisted by Prime Minister Rifa'i, is also likely to seek to improve relations with Syria and attempt to broker a Syrian-Iraqi rapprochement during the year. Despite these efforts, we expect Jordanian-Syrian relations to deteriorate. At worst, Hussein's West Bank/Gaza initiative will prompt renewed Syrian-sponsored attacks by radical Palestinians against Jordanian facilities and officials and a sharp downturn in relations between the two states. If this develops, Hussein might dismiss the pro-Syrian Rifa'i as Prime Minister and undertake a major Cabinet reshuffle. The King stands no more than a one-in-three chance of success in his efforts to gain increased Arab financial assistance to support his 1986-90 development plan. We believe that Hussein, in an effort to modernize his aging military inventory, will actively pursue alternatives to the frozen US arms package during the year, including agreements with the French or British for new fighter aircraft and with the Soviets for additional air defense equipment. A major Jordanian-Soviet arms agreement, such as purchase of MIG-29 aircraft, is no more than a one-in-10 possibility, given the King's deep distrust of Soviet intentions and his commitment to pro-US foreign and security policies. [redacted]

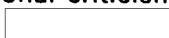
25X1

Secret



25X1

### KUWAIT

We believe that prospects for instability in Kuwait will increase in 1987 unless the ruling family deals with domestic grievances. The government has disbanded several democratic institutions and censored the press in an effort to curtail mounting criticism and to gain a freer hand to implement tough decisions. We expect economic growth, which is still suffering from the local stock market crash in 1982, to continue to be sluggish in 1987. Kuwait, however, will be better able than other Arab oil-producing states to cope with the economic downturn. Although the government will be able to shield most Kuwaitis from serious economic hardship, its already discontented Shia and expatriate populations will continue to suffer disproportionately. The Shias, who comprise nearly one-third of the population, and the expatriate Palestinians, who make up nearly one-fourth, may be more inclined to support antiregime factions. The government continues to come under pressure from Shia extremists determined to obtain the release of imprisoned Dawa Party members. Although we expect US-Kuwait relations to improve as long as Kuwait is concerned about fallout from the Iran-Iraq war and terrorism, Kuwait is unlikely to publicly support US policies for fear of sharp internal and regional criticism. US citizens in Kuwait will continue to face a high risk from terrorist attack. 


25X1

Secret



25X1

**LEBANON**

In Lebanon, we see no prospect that violence will diminish in 1987 or even in the foreseeable future. We believe that the discontent of the Shias and the growing strength of the pro-Iranian Hizballah, in particular, ensure that the civil war will not end soon. The absence of a viable national authority, political squabbles between armed militants of every ideological stripe, personal rivalries, deeply rooted interfactional animosities, and the influence of foreign governments will sabotage efforts to unify the country. Despite the presence of thousands of Syrian troops, Damascus's efforts to establish a Lebanese government unifying all confessional factions are likely to continue to fail. We expect the de facto partition of the country to become more institutionalized during 1987. The Christian and Druze militias have already established ministates in the mountains northeast and southeast of Beirut. Shia groups are staking out their claims in the Bekaa Valley, southern Lebanon, and West Beirut. The central government has virtually no authority outside the eastern sector of the capital, although it continues to fund development projects in various parts of the country. The Palestinian resurgence in South Lebanon has altered the political equation in that area, but it does not appear to set the stage for a return to pre-1982 conditions. 

25X1

Secret

25X1

**MOROCCO**

In Morocco, we believe that economic problems--caused by prolonged drought and weak international markets for Morocco's primary exports (phosphate and citrus)--will worsen in 1987. We do not expect the country's financial obligations to be met--a necessity if Rabat is to obtain essential financial assistance from overseas lenders. Given King Hassan's support among military officers and the weakness of the extremist opposition to his rule, we believe that his regime will survive its economic problems. Prospects for a major terrorist incident sponsored by Libya, Syria, or Iran--including assassination of a top government official--are slightly better than even. The likelihood of such an incident has been raised by the King's abrogation of the union between Morocco and Libya and his meeting with former Israeli Prime Minister Peres in Rabat last year. The King's growing isolation in the region--which we expect if Algeria and Libya continue to improve their ties and cooperate in escalating the Western Sahara conflict--is likely to encourage Hassan to improve relations with the United States.

25X1

Secret

25X1

### NORTH YEMEN

In North Yemen, we expect President Salih to remain in control at least through 1987, although he will be increasingly on the defensive over his handling of the South Yemen exile issue, the deteriorating economy, and strained relations with Saudi Arabia. There is an even chance that Sanaa and Aden will strike a deal to resolve the dispute over the former's support for former South Yemeni President Ali Nasir's exile movement. Tensions, however, are likely to continue between the two countries. Continued exile activity along the border would increase the likelihood of a major outbreak of fighting between North and South Yemen regulars. Such an outbreak would worsen Sanaa's already strained relations with Moscow and would almost certainly lead to a cutoff of Soviet support to North Yemen's armed forces. We doubt that outstanding Saudi-North Yemeni issues, including negotiation of a border agreement, will be resolved during the year. We nonetheless expect the Saudis to dole out enough economic aid to enable Sanaa to muddle through its economic difficulties. We believe that pro-Soviet officers will fan disgruntlement in the military over strained relations with Moscow and continuing North Yemeni casualties in the Iran-Iraq war and may launch coup plotting. It is unlikely that Sanaa will abandon its efforts to balance its relations with the United States and the Soviet Union. Salih has little expectation that a major US arms deal can be arranged, and we doubt that he will have much success in his search for military support from other Third World countries to balance the overwhelming dependence of his armed forces on Moscow for weapons and advisers.

25X1

Secret

25X1

**OMAN**

We believe that Oman is one of the most stable countries in the Persian Gulf, and, barring the death or incapacitation of the apparently healthy Sultan Qaboos, the government is unlikely to face serious subversive threats in 1987. The Popular Front for the Liberation of Oman (PFLO), which has infiltrated into southern Oman from bases in South Yemen in the past, has been inactive since 1983. Although Omani authorities have uncovered several large arms caches that they believe belong to the PFLO, we believe that the PFLO is too small to threaten the regime--even if South Yemen resumes active support. We expect the growing young nationalist element within the government to place more pressure on Sultan Qaboos to institute reforms during the year, but the outcome is more likely to be compromise than conflict. As the nationalists gain influence, we expect more criticism of US policies in the region and moves to limit strategic cooperation with the United States.

25X1

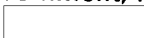


Secret



25X1

### **SOUTH YEMEN**

In South Yemen, there is a better than even chance that continuing internal political instability in the aftermath of the fighting that toppled the Ali Nasir regime in January 1986 will lead to a reshuffling of the leadership and a somewhat lesser chance that it will lead to renewed violence during 1987. We do not foresee a strongman emerging during the year who can consolidate control over factions in the party, government, and military. There is only a slight chance that relative moderates will gain significant influence in the Aden regime and virtually no chance that former President Ali Nasir, even if he returns from exile in North Yemen, will regain a top leadership role. Even if more moderate elements make gains, we expect the regime to maintain a stridently anti-US line. The Soviet Union will strive to retain its position in Aden regardless of the eventual composition of the regime. Moscow will maintain pressure on the leaders by conditioning resumption of large-scale arms shipments on internal political stability. Under Soviet prodding, we expect Aden to seek an accommodation with Sanaa on the exile issue. We expect the economy, already one of the world's weakest, to continue to deteriorate in 1987. Even if relative moderates assume top leadership roles in the government, Aden is likely to receive only limited aid from Saudi Arabia and the Gulf states. 

25X1

Secret

25X1

**TUNISIA**

In Tunisia, continuing social and economic ferment, the incapacitation or death of President Bourguiba, and meddling by Libya are the most likely developments that would undermine political stability in 1987. The odds are much better than even that the economy will deteriorate as politicians increasingly focus on the transition of power. Tunis made a bid for financial assistance from Western donors as it initiated austerity measures in 1986. The country's continuing economic travails are likely to make Tunis more dependent on the United States for economic and military assistance as well as more vulnerable to a breakdown in public order. We expect the demise of Bourguiba, who at 83 is increasingly frail and mercurial, to produce political turmoil as civilians, and perhaps military officers, vie for power. Bourguiba muddied the succession by removing Prime Minister Mzali, his designated successor, and purging several other civilian and military leaders in 1986. We believe that the confusion that would surround Bourguiba's death without a clear-cut successor would enhance the appeal of the Islamic fundamentalist opposition and provide opportunities for Libyan or Palestinian meddling. Qadhafi supports Tunisian dissidents in Libya and undoubtedly has agents in place in Tunisia. A longshot possibility that could pose grave dangers for Tunisia would be mass rioting provoked by a buildup of economic and social tensions beyond what we now expect. We believe that these conditions would heighten the prospects for intervention by Libya as well as a coup led by junior officers antagonistic to the United States and the West.

25X1

Secret

25X1

### UNITED ARAB EMIRATES

In the United Arab Emirates, we expect increasing political disarray that could weaken the already loosely governed federation. Jockeying by younger shaykhs for power and influence, longstanding animosity between Abu Dhabi and Dubai, the diminishing role of the aging President Zayid and the very ill Prime Minister Rashid, and public disillusion over shrinking economic benefits all work against a strong federal government. Although we expect the UAE to muddle through its economic problems caused by declining oil revenues, the leaders will haggle over difficult budget cutbacks and allocation of federal funds to the emirates and delay making decisions as long as possible. Despite these forces working against a strong federation, we believe that the weaker emirates' dependence on the federal government for money and jobs and the growing fear of subversion will keep the federation alive. We expect relations between the UAE and the United States to remain cordial. Any changes in leadership will have little impact on US interests. The fear of Iran will probably move the federation to improve military and security cooperation with the United States.

25X1

**Military Confrontations**

Secret



25X1

**SYRIAN-ISRAELI MILITARY CONFRONTATION**

**Probable Developments in 1987**

--There is a one in two chance that Israel and Syria -- the only Arab state actively opposing Israel -- will clash in limited air battles over Lebanon. If such confrontations occur, there is a much smaller chance that they will escalate through miscalculation into a broader conflict, despite the intentions of both parties to limit them.

--Israel would soundly defeat Syria regardless of the level of conflict, although recent force improvements would probably enable the Syrians to inflict substantial damage on their adversary.

25X1

**Possible Surprises**

--Although a major Syria-Israel war is unlikely in 1987, there is a slight possibility that the Israelis will become convinced that such a war is imminent and decide to strike against Syria first.

--In an even less likely scenario, President Assad might launch a surprise attack to regain the Golan Heights. The Israelis would almost certainly blunt such an attack, regain any lost ground, and take additional Syrian territory to punish Damascus.

25X1

\* \* \* \* \*

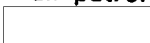
We expect Israel to maintain its presence in southern Lebanon until it receives guarantees from Damascus that cross-border attacks will cease -- a development that neither we nor Israeli leaders anticipate during the coming year. Until the Syrians make major progress in their military modernization, we expect them to continue to support terrorism and to aid radical anti-Arafat Palestinian fighters and Shia militants in southern Lebanon. We also believe that the Syrians will continue to try to restrict Israeli air operations over Lebanon by keeping large numbers of air defense missiles poised along the Lebanese-Syrian border.

25X1

A Syrian-Israeli confrontation during 1987 would probably be set off by Israeli retaliatory airstrikes on Palestinian bases in Lebanon's Bekaa Valley. If local Syrian commanders believed that the Israelis were preparing to attack Syria or Syrian units in Lebanon and fired on the raiders, the Israelis would strike back forcefully. Israeli retaliation probably would take the form of a large-scale raid designed to destroy air defense missile sites along Syria's border with central Lebanon.

25X1

We believe that destruction of several Syrian air defense missile units by the Israelis would lead Assad to respond, possibly by ambushing an Israeli reconnaissance aircraft. Such an action would inevitably lead to at least a skirmish between the combat air patrol that routinely accompanies Israeli reconnaissance flights and Syrian MIGs.



25)25X1

We would expect Syria to suffer heavy losses in air battles with Israel. Although

Secret

[redacted]

25X1

Assad might be tempted to commit additional forces in hopes of saving face, we believe that he would grudgingly accept his losses in hopes of fighting another day on his terms. He would attempt to use a tactical defeat to reinvigorate his force-building efforts and press his Soviet supporters for more and better equipment, much as he did after the Israelis downed two MIG-23s in November 1985. [redacted]

25X1

In the unlikely event that a Syrian-Israeli war does develop, it will probably be launched by an Israeli preemptive attack. We believe that the Israeli armed forces have adjusted their strategy to compensate for a reduction in defense spending -- part of a government-wide austerity program to bring inflation under control -- by preparing to strike first if a general war with Syria appears imminent. We would expect the Israelis to quickly crush their opponents, although they would incur substantial losses in the conflict.

[redacted]

25X1

Although Assad probably still believes that Syria has not yet attained strategic parity with Israel, there is a slight chance that mounting internal problems, coupled with a desire to secure his place in history, might lead him to miscalculate and to launch a surprise attack to retake the Golan Heights. He might erroneously conclude that his forces had become strong enough to push the Israelis off the Heights and that he could preserve these initial gains by quickly obtaining a cease-fire and international mediation.

[redacted]

25X1

In our view, Israel would not agree to a cease-fire until it had rolled back the Syrian attackers. We would expect the Israelis to rapidly stymie a Syrian offensive and launch a punishing counterattack designed, at a minimum, to destroy the Syrian forces involved in the offensive. [redacted]

25X1

Secret



25X1

**Comparison of Forces**

	<b>Israel</b>	<b>Syria</b>
<b>Personnel</b>		
Peacetime	160,000	360,000
Wartime	450,000	500,000
APCs	10,600	2,400
Artillery pieces	1,200	1,400
Tanks	4,000	3,000
Fighter aircraft	500	570
SAM launchers	150	750



25X1

Secret


Secret



25X1


**THE IRAN-IRAQ WAR**

**Probable Developments in 1987**

- Iran's failure to win a decisive victory in the ground war will prompt Tehran to revert to a war of attrition and to significantly reduce the intensity of its ground effort.
- Iraqi attacks on oil production and industrial targets will take an increasingly heavy toll on Iran's economy, hindering Tehran's war-making capabilities and adding to its domestic problems.
- Iran will intensify its attacks on Gulf shipping and will use increased terrorism and sabotage to deter Gulf Arab support for Baghdad. 

25X1


**Possible Surprises**

- There is an outside chance that Iran will inflict a major defeat on Iraq's ground forces, occupy key Iraqi territory, and eventually force the ouster of Iraqi President Saddam Husayn -- thus paving the way for Iran to end the war on its terms.
- There is also a slim chance that dissent within the Iranian Government over war strategy, coupled with Khomeini's inability to mediate and curtail factional infighting, will paralyze decisionmaking and lead to a de facto cease-fire. 


25X1

\* \* \* \* \*

The Iran-Iraq war is now in its seventh year, and prospects for a military victory by either adversary or a negotiated settlement are slim. Although fighting was more intense in 1986 than in any year since 1982, neither Iran nor Iraq could break the military stalemate:

- Tehran, sensing that it was on the verge of winning the war after it occupied 200 square kilometers of Iraqi territory on the Al Faw peninsula, initiated a mass mobilization and began preparing for what it claimed would be the decisive battle of the conflict.
- Iraq weathered the crisis of its defeat at Al Faw, began an unprecedented mobilization, and carried out an intensive and effective bombing campaign against Iranian economic targets. 

25X1

We expect Iran will try to achieve a major battlefield victory before March. Failing that, it will revert to a war of attrition that will significantly reduce the intensity of the conflict on the ground. Logistic problems, doubts about its military readiness, and increased factional infighting over war strategy are all likely to prompt the clerical leadership to delay plans for a "final" offensive. 

25X1

A major Iranian attack will have a less than even chance to win a decisive victory.



Secret

[redacted]

25X1

Even if Iranian forces achieve significant gains, they will suffer heavy losses. A major Iranian defeat would demoralize Iran's soldiers, spread civilian disillusion and distrust, and make preparations for another round of heavy fighting more difficult. [redacted]

25X1

We expect Baghdad will maintain or increase the tempo of its air attacks against key Iranian oil and industrial facilities. Baghdad believes that, by increasing its attacks on Iranian economic targets in small increments, Tehran will eventually be forced to the bargaining table. Although sustained and effective bombing attacks are probably the only way that Iraq can force Iran to accept a negotiated settlement, the chance that this strategy will succeed is probably less than one in 10 -- at least as long as Ayatollah Khomeini is alive. [redacted]

25X1

Faced with narrowing military options and a deteriorating economy, we expect Iran to increase its efforts to deter Gulf Arab support for Iraq. The Gulf states will probably seek closer security ties to the United States to counter Iranian attacks on Gulf shipping and increasing Iranian-sponsored terrorism and sabotage, but they will also explore improved relations with the Soviet Union. [redacted]

25X1

Chances are slim for either a major Iranian victory or a cease-fire during 1987. Iraq nonetheless would have difficulty defending against a series of simultaneous Iranian attacks along the border. Additional Iraqi setbacks or a major defeat -- the loss of Al Basrah, for example -- would substantially increase the likelihood that Saddam Husayn would be ousted. Factional infighting over war strategy could paralyze decisionmaking in Tehran, while a worsening economy and spreading popular discontent could divert attention from the war and cause the clerical regime to reduce the fighting on the border. [redacted]

25X1

Secret

25X1

### Comparison of Forces

	Iran	Iraq
<b>Ground Forces</b>		
Personnel	800,000-1,000,000	800,000
APCs	1,000	2,000 (+)
Artillery	800	2,200
Tanks	900 (500 operational)	3,000 (+)
<b>Air Forces</b>		
Personnel	50,000	60,000
Combat Aircraft	200 (fewer than 35 operational)	500
<b>Naval Forces</b>		
Personnel	15,000	5,000
Destroyers	3	0
Frigates	4	0
Missile Boats	7	10

25X1

Secret


Secret



25X1


**SOUTH ASIAN MILITARY TENSIONS**

**Probable Developments in 1987**

- Large-scale Indian military exercises near the Pakistani border early in the year will keep tension between the two countries high.
- Indian and Pakistani forces will continue to exchange small-arms fire along the line of control in Kashmir and to engage in small-scale skirmishes farther north on the Siachen Glacier.
- Islamabad will use increased Soviet and Afghan border violations to push for additional advanced US arms.
- New Delhi will lobby Washington to limit military aid to Pakistan and will probably negotiate new arms agreements with Moscow for air defense weapons capable of threatening any Pakistani airborne early warning (AEW) aircraft.
- Indo-Chinese relations will take a downturn, particularly in the spring, if, as we expect, both sides deploy additional forces to India's disputed northeast frontier. 


25X1

**Possible Surprises**

- Unilateral military action by either India or Pakistan -- such as an Indian attack against Pakistan's nuclear facilities -- could lead to a full-scale war, although prospects are slight.
- A significant renewed effort by India and Pakistan to reduce tension, while also unlikely, could result from an assessment by the two sides that diplomatic contacts would restrain the nascent nuclear arms race and cross-border meddling.
- An agreement between India and China to delineate their border is possible if India backs down from its territorial demands and agrees to a settlement along existing lines of control. 

25X1

\* \* \* \* \*

We believe that the strategies that Islamabad and New Delhi use to extricate themselves from the recent downturn in relations will play a large part in determining the tone of bilateral military relations through 1987. Last year's heightened military tensions between the two countries paralleled the diplomatic tensions between them. Negotiations to limit hostilities on the disputed Siachen Glacier proved fruitless, and no progress was made in negotiating the terms of a 1985 agreement by President Zia and Prime Minister Gandhi to refrain from attacking each other's nuclear facilities. By the end of the year, Pakistani anxieties over impending Indian field maneuvers along the border raised military tensions. 

25X1

We expect the duration and size of the Indian exercises (two and a half months

Secret

25X1

and more than 150,000 troops and 1,500 tanks) to further strain relations between the two countries. We do not believe the maneuvers are a cover for an Indian attack on Pakistan. They are being held considerably south of the main invasion routes into Pakistan, and the Indians have not stockpiled ammunition and supplies in forward depots. The exercises, however, may coincide with firefights along the cease-fire line in Kashmir and further Indian accusations of Pakistani support for Sikh extremists. [redacted]

25X1

We expect the conclusion of the winter military exercise in March to shift the attention of both Pakistan and India to arms modernization and military expansion efforts. We believe that the Pakistanis will use continued Soviet pressures along the Afghan border as an argument to seek additional US military support. They want AEW aircraft or other early warning equipment, advanced tanks, and additional quantities of defensive missiles (particularly Stingers and AIM-9Ls) if they can arrange funding from either a third party (most likely Saudi Arabia) or from national reserves. Pakistani officials will also attempt to settle the terms of the next six-year US military aid program, stressing the need for M-1 main battle tanks, multiple launch rocket systems, and possibly as many as 150 modified F-16A fighters. [redacted]

25X1

We believe that New Delhi will respond to Pakistani acquisition of AEW aircraft by obtaining additional Soviet air defense weapons, possibly including SA-5s, MIG-31 fighters, and advanced air-to-air missiles. Indian complaints about Pakistani-US arms deals will not detract from New Delhi's efforts to procure additional Western arms and defense production technology. We expect India to take delivery of an aircraft carrier from the United Kingdom, two submarines from West Germany, and additional Mirage 2000 fighters from France during 1987 and to press ahead with plans to produce a series of indigenously designed tanks, helicopters, and fighter aircraft. [redacted]

25X1

We do not believe that bilateral tensions will be serious enough to provoke war during the coming year. We believe that the Indians and Pakistanis agree that the costs of another war would far outweigh the gains. Indian defense planners probably believe that the opportunity to stop Pakistan from acquiring nuclear weapons has passed. So long as they do not believe Islamabad is actively stockpiling weapons, we doubt that New Delhi will strike Pakistani nuclear facilities. Nor are Pakistani support for Sikh extremists or Pakistani claims to Kashmir -- the two other key irritants in bilateral relations -- likely to provoke major military actions by either side. [redacted]

25X1

Indo-Chinese relations are likely to worsen, although not as seriously as India's relations with Pakistan. The Chinese establishment of a small military outpost in disputed territory along India's northeast frontier and India's effort to beef up its forces in the area have already raised border tensions. We expect the situation to become more risky in the spring when the mountain passes between the two countries open up and both sides can reinforce their military units. Despite the heightened prospects for armed conflict, we do not believe that either India or China wants the situation to get out of hand. We cannot discount the possibility that one or the other will make a fresh move to resolve the border problem. [redacted]

25X1

Secret

25X1

**Comparison of Forces**

	India	Pakistan
<b>Ground Forces</b>		
Personnel	1,100,000	450,000
APCs	950	750
Artillery (100mm and over)	1,950	1,150
Medium Tanks	3,250	1,550
<b>Air Forces</b>		
Personnel (includes air defense)	115,000	18,000
<b>Aircraft</b>		
Combat	520	300
Reconnaissance	40	16
Transport	170	10
<b>Naval Forces</b>		
Personnel	46,000	13,000
Combatants	52	18

25X1

Secret

Secret

25X1

## THE WAR IN AFGHANISTAN

### Probable Developments in 1987

- Insurgent forces, equipped with more sophisticated anti-aircraft weapons, will pose an increased challenge to Soviet and Afghan aircraft, while continuing improvement in insurgent military cooperation, particularly in the north, will result in more effective operations.
- Soviet forces concentration on interdiction of insurgent supply lines and increased reliance on heliborne operations, special troops, and firepower are likely to cause more problems for the insurgents.
- Afghan regime ground forces will remain incapable of shouldering a significant part of the ground combat.
- Political divisions among the resistance groups will continue to hinder efforts to attract more international support for the insurgent cause.
- Soviet pressures on Pakistan, primarily in the form of sabotage operations in the North-West Frontier Province and cross-border air violations, will not curtail Pakistani support for the resistance.

25X1

### Possible Surprises

- There is a slim chance that Pakistan will agree, in the UN-mediated negotiations on Afghanistan, to cease support to the insurgents in return for a Soviet troop withdrawal over an extended (more than one year) period.
- There is a remote possibility that the performance of the Afghan army will improve sufficiently to allow Soviet troops to minimize their direct combat role.
- There is an equally remote chance that the Soviets will increase their troop levels sufficiently (to a level of 250,000 or so) to seriously strain insurgent capabilities and increase Pakistani national security concerns.
- Increased Iranian support to the Shia insurgent groups in western and central Afghanistan would provoke significant insurgent pressure on the regime.

25X1

\* \* \* \* \*

We doubt that the Afghan war -- which commenced with the Soviet invasion in late December 1979 -- will show signs of ending in 1987. Both sides improved tactics and can point to some successes in 1986, but neither the insurgents nor the Soviets have turned the corner. We expect the fighting to intensify as both sides struggle for control of vital urban areas, supply routes, and lines of communication.

25X1

44  
Secret

Secret

[redacted]

25X1

We believe that two major military factors will continue to aid the resistance cause:

--More effective air defense by the insurgents, including use of Stinger and Blowpipe missiles, will raise the cost of the war to the Soviets and increase insurgent military effectiveness by providing cover against Soviet air attacks, although Soviet countermeasures may offset some of the impact.

--Desertions, poor morale, and factionalism among the leadership of the regime's ground forces will continue to hamper Kabul's military operations. [redacted]

25X1

We expect the Soviets to continue to emphasize blocking insurgent resupply missions and heavy use of air and artillery. More Soviet special-purpose aircraft and artillery forces may also be deployed from the Soviet Union. The Soviets' harsh policies, possibly including forced relocation of civilians from insurgent-dominated areas and retaliatory bombings, will take a toll on the insurgents' civilian support and combat capability. Soviet interdiction efforts, depopulation of rural areas, and logistic bottlenecks caused by Soviet actions -- as well as shortages of pack animals and vehicles -- will create short-term food shortages for the insurgents in some provinces. [redacted]

25X1

Although we expect continued improvement in tactical cooperation among the insurgent commanders in Afghanistan, we believe that efforts to foster political unity among the fractious insurgent groups headquartered in Pakistan will have only limited success. Even though we believe that the military commanders will assume a larger political role in the coming year, we expect bickering among the political leaders to persist and to limit the alliance's ability to present a united front at international forums. US and Pakistani efforts to encourage the opening of alliance offices in Islamic countries will continue to be hampered by the insurgent groups' inability to decide how to staff such offices. [redacted]

25X1

We are confident that Pakistan will withstand Soviet pressure and continue its support for the Afghan resistance and refugees during the year, even though Soviet and Afghan regime subversion in the North-West Frontier Province almost certainly will increase. Soviet/Afghan cross-border violations may also increase, perhaps even dramatically, if the resistance retains its capability to conduct large-scale infiltration of men and equipment from Pakistan. In the unlikely event that Pakistan agreed to stop supporting the resistance, we would expect resistance morale to drop sharply and clashes to break out between Afghan refugees and Pakistanis. A significant reduction in support for the resistance from other countries, which we also do not expect, could create serious weapons and ammunitions shortages and a dramatic decline in insurgent operations. [redacted]

25X1

Secret

25X1

## ECONOMIC TRENDS

### Probable Developments in 1987

- The region's economic outlook will continue to depend largely on the price of oil, which probably will average \$10-14 per barrel and remain somewhat volatile. There is a good chance that the region will achieve growth in real GDP of about 1 percent, given slightly higher revenues for the oil exporters and modest improvements in government efficiency.
- Many states will experience serious unemployment because of limited domestic job creation, inadequate local training programs, and high population growth. High unemployment will be compounded by the return of workers to such countries as Egypt, Pakistan, and Sudan.
- Several governments will continue to call for more free-market competition and privatization to boost economic growth. Uncertainty about the outlook for the economy and oil revenues, however, will discourage private domestic investment.

25X1

### Possible Surprises

- If a cut in OPEC production raised oil prices to \$15-18 per barrel, net importers of oil such as India, Pakistan, and Morocco would face higher import bills than they did in 1986. Even so, the entire region would still attain higher GDP growth than last year.
- Regional economic difficulties will mount if the OPEC price and production agreement collapses. A prolonged recession would probably stimulate destabilizing unrest in Egypt and Sudan and would weaken political support for regimes in other countries where living standards have already fallen sharply in recent years, including Iran, Iraq, and Libya.

25X1

\* \* \* \* \*

We expect the generally negative economic trends that prevailed throughout the region in 1986 to continue or to improve only slightly in 1987:

- Real economic activity probably declined about 0.5 percent, compared with 3-percent growth in 1983, 4.5-percent growth in 1984, and no growth in 1985.
- Hard currency earnings plummeted. Revenues from the sale of oil and petrochemicals fell as much as 50 percent in some oil-producing countries. Nonoil producers were seriously hurt by depressed prices for key exports such as phosphates (Morocco, Jordan), tea (India and Sri Lanka), and jute (Bangladesh).

46  
Secret



**Regional Issues**

Secret

[redacted]

25X1

--Worker remittances to labor-exporting countries dropped by about one-third from their 1985 level.

--Tourism -- an important moneymaker for several countries -- declined as the fear of terrorism among prospective foreign tourists mounted.

--The lower value of the dollar substantially reduced the real value of current oil earnings and eroded assets denominated in dollars. [redacted]

25X1

We believe that continued low foreign exchange earnings will be barely adequate to maintain imports of essential consumer and military goods in some countries such as Egypt, Iran, Iraq, and Libya during 1987. Shortages or even black markets could become increasingly serious problems in these countries as well as in Sudan and Syria. [redacted]

25X1

We expect banks in the Gulf states to continue their reluctance to grant more credit to area debtors because they have been late in making repayments on existing loans. Area governments will be unable to encourage the repatriation of capital as investors continue to seek higher rates of interest in countries with lower political risk. High rates of inflation will continue to be a problem, particularly for Iran and North Yemen. [redacted]

25X1

We expect worker remittances to level off in 1987 rather than to continue to decline. We do not believe that Saudi Arabia and the smaller Gulf states will make much headway in their efforts to reverse their dependence on expatriate labor for the foreseeable future:

--Demand for maintenance and operational staff will remain high outside the construction sector.

--Most Gulf state nationals are unwilling to do manual labor that is currently performed by foreign workers. Relatively few locals are trained for many of the skilled jobs now held by expatriates.

--Landlords and merchants have vested interests in a large immigrant population -- whose spending on housing and consumer goods contributes significantly to the incomes of these influential groups. [redacted]

25X1  
25X1

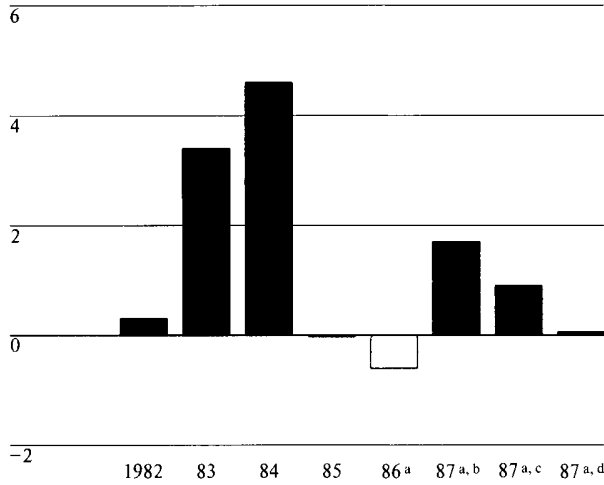
Governments in Bangladesh, Egypt, Jordan, Morocco, North Yemen, and Sudan almost certainly will ask for more financial aid from the United States. Leaders of these poorer countries will resist implementing the austerity measures necessary to meet conditions for such aid. [redacted]

25X1

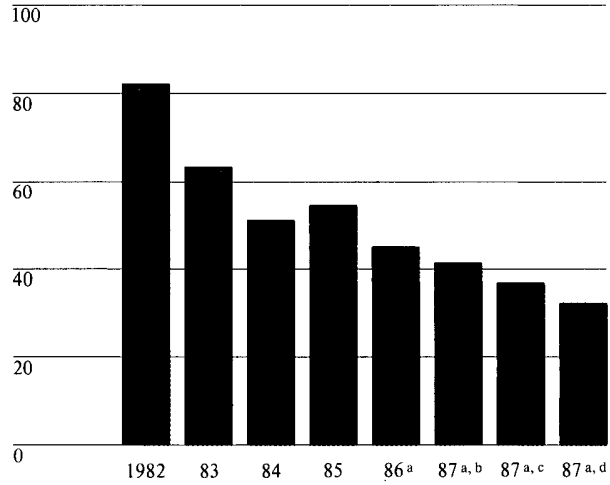
**Middle East and South Asia: Economic Indicators, 1982-87**

Note scale change

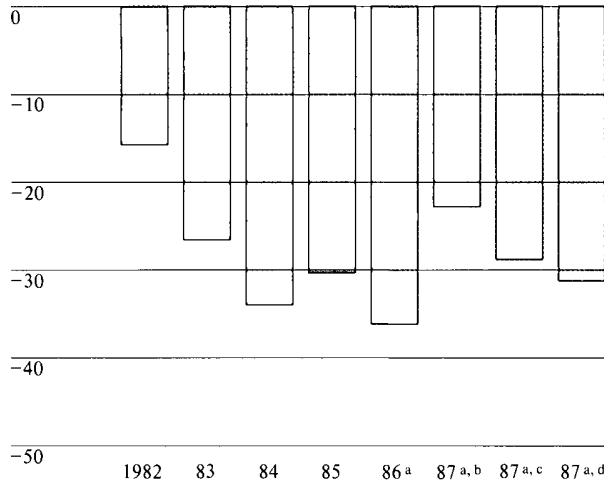
**Weighted Average GDP Growth Rate**  
Percent



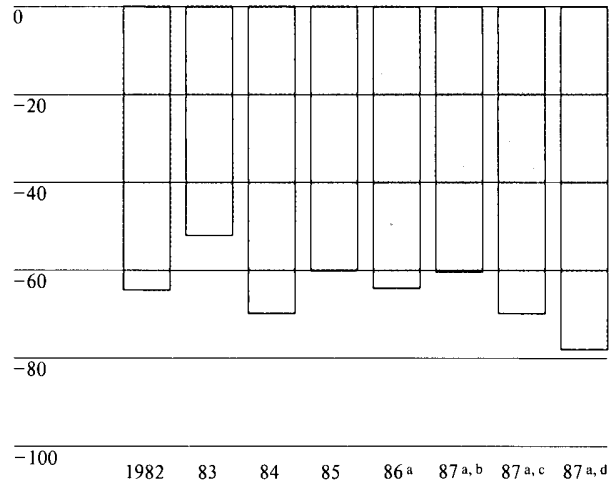
**Estimated Foreign Exchange Reserves**  
Billion US \$



**Estimated Current Account Balance**  
Billion US \$



**Estimated Budget Deficit**  
Billion US \$



<sup>a</sup> Projected.

<sup>b</sup> Oil prices at \$15-18/barrel.

<sup>c</sup> Oil prices at \$10-14/barrel.

<sup>d</sup> Oil prices at \$5-9/barrel.

Secret

[redacted]

25X1

**SHIFTING ALIGNMENTS IN THE ARAB WORLD**

**Probable Developments in 1987**

--The moderate Arab states will continue to fail to coalesce into a bloc capable of action on controversial issues. Radical Arab states (Libya, Iran, and Syria) are likely to retain their veto over moderate efforts to reshape the Arab "consensus."

--Divisive issues will hobble efforts at conflict resolution by Arab multilateral institutions. [redacted]

25X1

**Possible Surprises**

--The demise of Iran's Khomeini, Syria's Assad, or Libya's Qadhafi might shift the pattern of regional alignments and allow moderate Arab states to regain some initiative. Even under these circumstances, significant progress toward resolution of key regional issues is unlikely. [redacted]

25X1

\* \* \* \* \*

During the coming year, we expect to see a continuation of the trend toward deepening conflicts between regional rivals, tactical accommodations between states that are abandoned as hastily as they are taken up, and radical dominance on key issues as a result of the moderates' default. [redacted]

25X1

In a political arena characterized by personalistic leadership, we do not believe that any Arab head of state on the scene or likely to emerge in 1987 will have the political resources to put together an Arab consensus or even a majority strong enough to stay together when politically controversial decisions must be reached. We expect Egypt to make progress toward reintegration into Arab ranks during the year, but President Mubarak's cautious and pragmatic leadership style will inhibit a strong regional leadership role for Cairo. Mounting financial difficulties throughout the region will offer opportunities for skillful Saudi diplomacy, but we believe that King Fahd lacks the abilities that strengthened the kingdom's regional role under King Faysal. [redacted]

25X1

Divisive issues -- the Iran-Iraq war, differing strategies toward Israel and the occupied territories, oil pricing and production policy, and parochial questions such as the Western Sahara conflict -- will continue to impede the effectiveness of consensus-building institutions. We expect multilateral diplomacy in the Arab League and the Islamic Conference Organization to continue to demonstrate the intensity of disagreement on these issues more than resolving them. [redacted]

25X1

Overt cooperation among the radical states to orchestrate an anti-Western consensus in multilateral forums may diminish in the coming year in response to Western pressures. As Western states impose a higher price for the radicals' support of terrorism, we expect the radicals' diplomatic offensive against the West to garner less support from other Arab states. [redacted]

25X1

We believe that covert cooperation among the radicals will remain at least at its present level. Syria is unlikely to pose a serious challenge to Iranian-supported radical

**Secret**

[redacted]

25X1

Shia operations in Lebanon beyond the periodic displays of force that Damascus uses to remind the parties involved of Syrian preeminence. Libyan involvement with the Iranian-backed Hizballah in Lebanon may increase. Syrian and Libyan support of radical Palestinian operations in the occupied territories will probably increase if King Hussein's West Bank initiative gathers momentum. [redacted]

25X1

We believe that leadership changes offer the most likely possibilities for sharp departures from current trends in regional alignments. Removal from the scene of Khomeini, Assad, or Qadhafi might set in train policy changes that would break the Syrian-Iranian relationship, heal the breach between Damascus and Baghdad or between Damascus and the mainstream PLO, or even open the possibility of an Arab consensus on the conflict with Israel. [redacted]

25X1

We do not expect trends in regional politics in the Arab world to offer much hope for constructive developments for the United States in the coming year. Even if a stronger moderate bloc emerged, the political weakness of the individual regimes, the perennial divisions in the Arab world, and paralysis in its multilateral institutions will reinforce the stalemate in key regional conflicts. The polarization between radicals and moderates, moreover, will heighten the threat to US friends in the region as well as contribute to the direct terrorist threat to US personnel and facilities. [redacted]

25X1

Secret



25X1

**THE ARAB-ISRAELI PEACE PROCESS**

**Probable Developments in 1987**

--Prospects are not good for a breakthrough in the Arab-Israeli peace process in 1987 because of the lack of an Arab negotiating partner for Israel and deep divisions within Israel over the future of the occupied territories.

--Improvements in bilateral Egyptian-Israeli and Jordanian-Israeli relations are possible, but they will be overshadowed by the deteriorating security situation in South Lebanon, which threatens northern Israel.

25X1

\* \* \* \* \*

None of the key Arab players is willing or able to enter into substantial, direct negotiations with Israel. Nor is Israel likely to present a dramatic peace gesture, especially while the National Unity coalition government rules.

25X1

In Jordan, King Hussein will remain unwilling to enter peace negotiations directly with Israel without substantial Arab and Palestinian support -- which is not likely, given the deep divisions in the Arab and Palestinian camps. The King is well aware of Jordan's strategic weaknesses -- its majority Palestinian population, its small Army and weak Air Force, and its long, exposed, lengthy borders with Syria and Israel. The King's skillful diplomacy has given his kingdom acceptable ties to Syria, Iraq, Egypt, and Saudi Arabia while maintaining quiet but prosperous trade with Israel. Open negotiations with Israel would imperil the ties to other Arab states and would have only a remote chance, at best, to secure the major territorial concessions from Israel that would satisfy Arab demands.

25X1

Among the Palestinians, Yasir Arafat's long-held aversion for bold initiatives in the peace process will continue to be reinforced by internal disarray and political weakness. The Palestinians are more deeply divided than at any time since the late 1960s. Although he is without question the most popular Palestinian leader -- demonstrated in part by West Bank polls -- Arafat's Fatah suffered important defections on the left in 1983-84 (Abu Musa) and the right in 1986 (Abu Za'im).

25X1

We expect Syria to continue to adhere to its policy of seeking to achieve strategic parity with Israel before entertaining any movement in the peace process. We believe that Damascus has achieved its goal of becoming the preeminent Arab power in the Levant and can veto by force, terror, and intimidation any unilateral move toward talks by Jordan, Lebanon, or the PLO.

25X1

Egypt, weakened by economic problems, cannot serve as an effective negotiating partner for Israel. We believe that it could assist marginally another Arab state talking to Israel but has little to offer on its own. Morocco is too far removed from the scene to play a major role. Iraq and Saudi Arabia are preoccupied with the Iran-Iraq war.

25X1

Even if an Arab negotiating partner stepped forward with the ability to deliver, we believe that it would precipitate a major political crisis in Israel that almost certainly would require a new election. Many on the left fear the long-term consequences of

Secret

[redacted]

25X1

occupation for Israeli democracy, while the right is deeply committed to retaining all of the occupied lands for strategic and ideological reasons. Meanwhile, Jewish settlements in the occupied territories become more deeply entrenched, major new roadways tie Israel more tightly to the territories, and a new generation matures throughout the region with no practical memory of the pre-1967 borders. [redacted]

25X1

We believe that prospects for an international conference attended by Israel and several Arab states are also dim. We doubt that any Arabs would participate in such a dialogue without the PLO and/or Syria. Israel -- particularly the Likud bloc -- will almost certainly continue to believe that an international forum would favor the pro-Soviet Arab radicals. [redacted]

25X1

Although the peace process will remain stalled, there was some improvement in Israeli-Egyptian ties and de facto Israeli-Jordanian cooperation in 1986 that may reduce bilateral tensions on Israel's two longest borders in 1987:

--The Israeli-Egyptian relationship has partly recovered from the impact of the Israeli invasion of Lebanon in 1982, although it remains cool and troubled. Few Egyptians see much advantage in improving ties to Israel except as they improve Cairo's ties to the United States. We expect the Taba arbitration process to remain a potential source of new difficulties.

--We believe that some progress in Israeli-Jordanian cooperation can be made by reducing direct Israeli involvement in Palestinian municipal affairs and increasing Palestinian economic autonomy and mutually beneficial Jordanian-Israeli trade and tourism. This will depend on whether pro-Syrian radical Palestinian terrorism on the West Bank can be kept within limits. Although Israel and Jordan have a common interest in reducing PLO influence on the West Bank, we doubt that they can substantially erode Fatah's hold on the loyalty of most Palestinians, especially the young. Cooperation will also be hindered by distrust between Amman and Tel Aviv, which we expect to be worsened in 1987 by serious shortages of shared water in the Jordan Valley. [redacted]

25X1

Elsewhere, we believe that the peace process will remain threatened by the deteriorating situation in Lebanon. We expect the growing strength of pro-Iranian Shia radicals and the revival of Palestinian strength in South Lebanon to continue to erode the political underpinnings of Israel's security strategy. [redacted]

25X1

The approach of the US presidential election in 1988 will also favor continued stalemate in the peace process. Middle Eastern leaders look to Washington to provide the major impetus for that process but are convinced that in election years the United States cannot play that role. Arab and Israeli press commentaries suggest most regional players already believe that a "lame duck" president lacks the credibility to move the political process forward. In sum, they believe stalemate in 1987 is all but certain to be followed by immobilism in 1988. [redacted]

25X1

**Page Denied**

Next 2 Page(s) In Document Denied




Secret



25X1


**TERRORISM**

**Probable Developments in 1987**

- Middle Eastern terrorist groups, particularly radical Palestinians, will continue to attempt spectacular attacks abroad, but the tougher security measures taken by many nations will make the operational environment more difficult.
- Neither Syria, Libya, nor Iran will end their support for terrorism. Stronger international pressures -- including the threat of military retaliation -- will force them to work harder to conceal their support.
- Israel will continue to be the primary target for Palestinian terrorists, but the United States and the United Kingdom also will be at particularly high risk because of their political and military actions against Libya and Syria in 1986. 


25X1

**Possible Surprises**


- Increasing pressure from PLO hardliners to retaliate against the United States for what the PLO views as Washington's unqualified support for Israel may force Chairman Arafat to sanction attacks against US targets.
- Growing economic and military pressures on Iran increase the prospects that Tehran will launch a major terrorist campaign against the Gulf states, including sabotage of oil facilities. 

25X1


\* \* \* \* \*

We believe that radical Palestinians will continue to be the most active and skilled terrorist groups in 1987. We expect to see more splits, offshoots, and shifts in loyalty among them. 


25X1

We anticipate more cooperation between Palestinian and radical Shia groups in Lebanon. We believe the decade-long Lebanese civil war has created a pool of ready recruits for radical groups intent on more spectacular terrorist operations. For such groups, violent behavior is becoming ingrained and likely to be pursued as an end in itself. 

25X1

Among the three states that support terrorism, we expect Syria to continue to view it as an effective tool in settling interregional differences. If economic and military pressures on Iran do not abate, Iran may decide to broaden its war with Iraq by conducting sabotage operations against moderate governments in the Gulf that support Iraq. Libya will continue efforts to establish links to dissident groups outside the region, such as in Latin America. 

25X1

Israel will continue to face the highest risk for attack by terrorist groups during the year. In late 1986 the PLO publicly called for increased attacks against Israel in the hopes of reconciling hardliners and strengthening organizational unity. 

25X1

**Secret**

[redacted]

25X1

We also believe that the United States, Western Europe, and possibly the moderate Arab states will face higher risks from terrorists in 1987. Prospects remain high that US interests, either directly or indirectly, will be targeted by Middle Eastern terrorist groups, encouraged by strong US ties to Israel, anti-Americanism among younger Arabs, and persistent pressure by radical states. Some groups, such as Abu Musa's Fatah dissidents, or individual Palestinians willing to hire themselves out as freelance terrorists may attempt an attack inside the United States to gain notoriety. [redacted]

25X1

We believe that Western Europe will continue to be a preferred and accessible site for terrorist attacks. If terrorist groups believe that increased security in major European cities makes attacks difficult, they may shift to less protected targets, such as smaller regional airports. We believe that the countries that approved sanctions against Syria in 1986 all run the risk of reprisal. The United Kingdom will be a prime target because it broke relations with Syria in November and supported the US military strike against Libya last April. Some Palestinian groups also may stage attacks against West European countries where their colleagues are imprisoned. [redacted]

25X1

More active efforts on the part of the moderate Arab states to resolve Arab-Israeli issues, as well as greater support for Iraq in the Iran-Iraq war, would significantly boost the risk of terrorist reprisals against them by Middle Eastern radicals. [redacted]

25X1

Increased terrorism in the Middle East or the threat of new attacks may create opportunities for expanded counterterrorism cooperation between the United States and the moderate Arab states. If the United States conducted another retaliatory military strike against a regional state for its involvement in terrorism, however, we would expect increased anti-US sentiment in the region. Such a reaction might force moderate leaders to withdraw temporarily from antiterrorism cooperation with Washington even though the attack would be privately applauded by them. [redacted]

25X1

56  
**Secret**

**Secret**

4  
6

3  
2

**Secret**