

~~TOP SECRET~~NIO/W
9 March 1987

NEAR EAST/SOUTH ASIA

AFGHANISTAN/PAKISTAN/USSR: Famine & Mounting Soviet Pressure

Last year's unprecedented number of Soviet/Afghan bombing and airspace violations of Pakistan are growing, with attacks that are both deeper and more deadly. Violations of Pakistani territory are likely to increase over the next several months. Meanwhile, should food shortages in Afghanistan grow--that may be exacerbated by drought this spring--the Afghan resistance will be affected and result in a new influx of refugees into Pakistan at a time when they are becoming an increasingly sensitive domestic issue. Violence is spreading in Pakistani cities along the border with Afghanistan, where citizens are protesting the presence of refugees. These demonstrations are certain to increase and--fueled by the continuing Soviet/Afghan subversion campaign--will cause increasing domestic unrest in Pakistan.

EGYPT: Prospects for Instability

In the face of acute economic deterioration and increasing activity by religious activists, President Mubarak will be hard pressed to maintain control. A sweeping restructuring of the economy is needed, but implementation would be certain to provoke extensive protests and labor strife that will threaten Mubarak's tenure in office.

INDIA/CHINA: Border Dispute

The recall of military personnel in Tibet suggests China is preparing for limited military operations this spring in the disputed border area. The problem situation has become more intractable with India's recent inclusion of the disputed area into a new state. Evidence indicates the Indians are likely to escalate confrontation in the disputed areas. Until the BRASS TACKS exercise is concluded in late March, Gandhi will most likely seek to avert further escalation of the dispute, but missteps or overreaction by local commanders could precipitate an exchange of fire.

INDIA/PAKISTAN: Continued Uncertainty

Despite the 2 March agreement calling for the withdrawal of troops from southern sectors of the Indo-Pakistani border, Indian military movements still send ambiguous signals, and the presence of unusually large numbers of troops in the Punjab as well as those participating in the BRASS TACKS exercise continue the risk of an inadvertent confrontation. With the most sensitive

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and dynamic phase of the exercise about to start, the risk of miscalculation by either side could result in the outbreak of widespread hostilities with little additional warning.

INDIA/PAKISTAN/USSR: Nuclear Weapons and Leverage

The evident threat from the massive Indian buildup of troops, Moscow's warnings to Islamabad on nuclear weapons, and Pakistan's vital role supporting the Afghan resistance afford Pakistan a stronger rationale for the US to overlook its unabated nuclear weapons development and deployment program. Pakistan may achieve, at least clandestinely, a nuclear weapons capability this year: [REDACTED]

[REDACTED] NIO/Warning notes that we should be prepared for the eventuality of a weapons test in the subcontinent within a year because India, like Pakistan, has the technical capability to manufacture and detonate nuclear devices within a short time of a decision to do so.

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GULF ARAB STATES: Spillover of the War

Tehran's successful testing of a Chinese antiship cruise missile suggests that the missiles can be deployed at any time. They can inflict greater damage to passing ships than any other missile previously used by Iran, and can cover across the Strait of Hormuz. Tehran may elect to demonstrate this new weapon systems on a Kuwaiti tanker in order to intimidate the Arab Gulf states. Due to the large volume of ships transiting the Strait and errors in target acquisition and discrimination, there is a substantial risk of an Iranian attack on even an American or Soviet combatant on escort duty. New, more urgent requests for US military assistance--particularly for naval protection--are likely from the Gulf states.

ISRAEL/SYRIA: War?

The prospects for broad Israeli military action continues because Damascus' quest for dominance in Lebanon and its expanded coverage of Israeli airspace is on a major collision course with Tel Aviv's interests. From Syria's side, the absence of a major Israeli reaction to Assad's moves may encourage the usually cautious President to believe he can manage step-by-step confrontation with Israel in a way that will leave him in control of escalation. In this event, we believe he is more likely to miscalculate than to control an escalation.

KURDS/TURKEY/IRAQ/IRAN: Kurdish Tinder, Iranian Match

Continued Iranian support and manipulation of the Kurds coupled with increasing insurgent activity in the Kirkuk oil region are likely to draw Turkey further into the region. In fact, Kurdish attacks originating from Iraq against a Turkish village prompted Ankara to launch large airstrikes against Kurdish insurgents in Iraq. It seems clear that Turkish warning to Iran concerning Tehran's meddling in the Kurdish problem are serious and have the potential for worsening Turkish-Iranian relations.

Increasing Turkish pressure to contain the longstanding Kurdish insurgency may encourage Turkey-

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SYRIA: Internal Struggle

Assad is facing new pressures in Lebanon and continued opposition from senior military officers. As the already bad economic situation deteriorates further--in tandem with Assad's declining health which could leave him incapacitated--the chances of a sudden change of government grow.

TUNISIA: Rapidly Increasing Instability

Bourguiba's attempts at rapprochement with Libya are not likely to deter Qadhafi from attempting to influence events in Tunisia. Tensions from the downwardly spiraling economy will most likely fuel discontent and could destabilize the country during the succession crisis when it comes. Even Algeria is casting covetous eyes on Tunisia. The post-Bourguiba period will also offer new opportunities for Libyan sponsored subversion.

WESTERN EUROPE

BERLIN/USSR/EAST GERMANY: New Berlin Ploy

The Soviets and East Germans may be preparing a new challenge to the West's rights and responsibilities in Berlin. East Germany's recent invitation to the Stockholm CDE participants to attend a military briefing on 23 March at the Ministry of Defense in East Berlin that would be a clearly deliberate violation of the demilitarized status of Berlin. This may be the start of another campaign to erode Western rights to the city and to divide West Germany from the three Western powers on sensitive Berlin issues.

GREECE/TURKEY: Confrontation

Greek intransigence on Aegean issues continues. Each side apparently believes the US can prevent war--an attitude that may encourage recklessness and lack of restraint that could trigger confrontation through miscalculation and escalation. Additional strains will be generated if the Greek Cypriot government succeeds in purchasing as many as 50 M-48 tanks from Israel.

MALTA/LIBYA: Libyan efforts to Buy the Election

Political tensions will rise sharply as the country faces a close and bitterly fought election contest which must be held by May between the pro-West Nationalist Party and the ruling pro-Libyan Labor Party. Qadhafi already has contributed \$150,000 to Labor's campaign coffers this year, and may have given as much as \$7 million in 1985. In a clean election, the pro-Western party looks likely to win, but Labor's control of the electoral machinery indicates it will narrowly win the election.

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EAST ASIA

PHILLIPINES: Business As Usual

The strong popular approval of the new constitution in the 2 February plebiscite has eased political confrontations temporarily, but the Communist insurgents appear ready to mount military and terrorist operations in urban areas. Deep divisions in the Phillipine armed forces may be encouraging the Communists to take the offensive. Political polarization will deepen in the next few months, placing President Aquino and General Ramos in a tight spot between irreconcilable forces on the left and right. This situation would not only harden the government's paralysis but could create an even more volatile environment for provocations and power plays by both ends of the spectrum. Further attempts to discredit Aquino and coup plotting, will mount as National Assembly elections, scheduled for May, approach.

SOUTH KOREA: Flames beneath the Smoke?

As university students return from winter vacations this week, the political struggle will intensify, creating a high potential for provocations and incidents of violence that will precipitate widespread disorder and permit President Chun to invoke martial law. Should key military leaders view Chun as losing control they might choose to overthrow him, but we probably would receive little additional warning. This prospect for a breakdown in public order will encourage North Korea to mount destabilization tactics and foment anti-government riots and sabotage.

LATIN AMERICA

CHILE: Intransigence

Pinochet is threatening a harsh crackdown on military and civilian opponents. In the wake of new revelations in the Letelier case and the US veto of World Bank funding, Pinochet's actions may precipitate a new crisis of confidence over his leadership within the armed forces and fuel momentum for decisive change before 1989. Non-Army junta member' determination that Pinochet will not stay in office continues to grow.

HAITI: Storm Warning

Over a year after the departure of Duvalier, Haiti is experiencing more intense anti-government protests and violence that could lead to the disintegration of the Namphy government in the next few months. This months

referendum on the constitution will not alleviate this deteriorating situation. Additionally, unemployment over 50 percent and incipient, but mounting, anti-Americanism may encourage discontent that could result in a military coup. Opportunities for foreign exploitation will increase.

JAMAICA: Hard Times Aid Manley

Political tensions are likely to remain high, and economic woes are deepening. Manley's chances of winning national elections--which President Seaga has called for August--remains high.

MEXICO: Political Crisis

New electoral laws are largely cosmetic and do not adequately address the problems of electoral fraud. Acute economic problems, austerity measures and corruption will continue to generate widespread popular and business dissatisfaction and prompt sporadic civil disturbances, especially in the northern states.

NICARAGUA/HONDURAS: Continuation of Hostilities

Nicaragua continues to maintain a limited presence inside Honduran border regions, thereby keeping pressure on the Honduran government to restrict rebel activities. Honduras is likely to seek concessions and further reassurances of support from the US, as Managua steps up activities aimed at embarrassing Tegucigalpa. NIO/Warning notes that the potential for Sandinista forces to fire on US military personnel in Honduras continues.

SURINAME: Vulnerable to Collapse and External Influence

A military stalemate between the 200-person rebel force and government forces continues, but more effective rebel attacks against economic targets are straining the government. Bouterse continues to flirt with Libya. Civil and economic disorder persists and governmental collapse could be imminent.

SUB-SAHARA AFRICA

ANGOLA: Prospects for Clash with South Africa Continue

The risk of direct South African-Soviet/Cuban clashes continues as the Angolan government contests ground in UNITA-controlled territory.

NIGER/LIBYA: Libyan Activities

Libya seeks to take advantage of Niger's inability to control its northern border area to assert a questionable territorial claim over the longer term, and ultimately Qadhafi would like to topple President Kountche. Kountche's recent health problems have highlighted the problem of succession. Increased Libyan meddling and subversion--probably using Libyan-trained Nigerien surrogates--can be expected as Qadhafi escalates activities in Africa, and as uncertainty over the succession takes hold.

SOUTH AFRICA/FRONTLINE STATES: Confrontation

As May's parliamentary elections approach, the South African government's belligerent actions, unprecedented media restraints and massive extraconstitutional effort to suppress dissent--apparently including an assassination program targeted at internal opposition groups--will intensify. As the government continues its present policies, domestic polarization will be exacerbated, and the influence of moderate blacks and whites who seek compromise weakened. Externally new South African cross-border raids are likely, and further actions by Pretoria in Angola and other Frontline States will spawn an ever more intractable situation. Pretoria's increasingly coercive measures against neighboring states are affording new opportunities for Soviet exploitation, especially in Zimbabwe.

SUDAN/LIBYA/ETHIOPIA: Precarious Tenure

The Sadiq government remains in danger of collapse. New coup plotting to topple Sadiq is certain. Additional Ethiopian air incursions into Sudan and continued support to Sudanese insurgents coupled with reductions in US aid may lead to increased Libyan influence over the Sadiq government.

SOVIET UNION/EASTERN EUROPE

EASTERN EUROPE: Under Pressure

Through much of Eastern Europe dissent is increasing. To various degrees the present governments are under new pressures:

- Growing political and economic problems are making it increasingly difficult for secretary Kadar to maintain effective Party leadership in Hungary. He could resign any time this year for "health reasons" in an attempt to facilitate governmental and economic reform. Widespread discontent among the populace will certainly mount if reforms are not initiated and if living standards continue to decline.
- Polish blue collar workers, farmers and retirees will soon join the ranks of the students and others opposed to the government should price increases and wage freezes plus a possible currency devaluation go into effect. This combination of issues and political forces produced the Solidarity movement in the early 1980's. At a minimum the political temperature of the nation is likely to rise and may be reflected in mounting civil disorder in major cities.
- Pressures seem greatest in Romania where the continuing debt and liquidity crises have caused economic prospects and the quality of life to become more dismal as fuel, commodities, electricity, medical care and basic foodstuffs become extremely scarce. Industrial production for 1987 is not likely to improve, even with the

introduction of a seven-day work week. Incidents of worker unrest is likely to continue. More importantly, as conditions worsen the Soviets will be in a position to exert even more pressure than before.

- In Yugoslavia, if Belgrade implements its plan for stringent austerity measures this year to combat raging inflation--now over 90 percent a year--a serious political upheaval could erupt that would threaten the federal Executive Council's authority and trigger open defiance from public authorities. A successful renegotiation of Yugoslavia's \$19 billion debt with the IMF and Western bankers will help Belgrade to muddle through this difficult year, but will not reduce the debilitating political and ethnic rivalries that have gradually undermined the political order since Tito's death six years ago.

USSR: Massive Need for Hard Currency

The Soviets face substantial reductions in hard currency earning from oil this year at a time of increasing need for imports for modernization. Moscow increasingly will rely on Western credit markets; squeeze oil supplied to Eastern Europe to try to barter it on the international market; sell more gold; and try to promote new exports--arms, vehicles, metals, and shipping services--at bargain prices to gain needed hard currency.