

NIO/W
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EAST ASIA

NORTH KOREA/SOUTH KOREA: Critical Juncture

Provisions in the new draft constitution--which would restrict voter eligibility and effectively ban Kim Dae Jung from running for the presidency--are obstacles that could lead to an impasse in negotiations to establish ground rules for a presidential election late this year. Should the current talks on constitutional reform falter, street demonstrations could erupt, and a breakdown of public order could result in the imposition of martial law. Disorder will encourage North Korea to consider mounting destabilization operations and foment anti-government riots and sabotage.

PHILIPPINES: Bolder Communist Insurgency

The NPA is gradually increasing its military operations and, since the beginning of the year, has killed 660 government troops. Recent reporting indicates the communists plan increased violence leading up to the November elections--apparently to intimidate local voters into supporting Philippine Communist Party backed candidates. Statements by an NPA spokesman--threatening US personnel--reflect a change in the NPA's longstanding policy against targeting Americans and may presage future attacks against US interests.

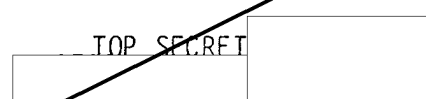
NEAR EAST/SOUTH ASIA

AFGHANISTAN/PAKISTAN/USSR: Mounting Soviet Pressure

New Soviet diplomatic initiatives and increasingly aggressive Soviet bombing and airspace violations of Pakistani territory are maintaining pressure on Zia to stop providing aid to the Afghan resistance and to reach an accommodation with Moscow. The recent resurgence of violent opposition in Pakistan may provide opportunities for greater Soviet leverage and might induce Zia to seek further aid and reassurance from the US.

EGYPT: Prospects for Instability

In the face of economic deterioration and continued activity by religious activists, President Mubarak will be hard-pressed to maintain control during implementation of the newest IMF program. There are already indications that Mubarak is unwilling to take the necessary steps needed to implement the



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gradual economic restructuring required to prevent a future cutoff of IMF funds. If Mubarak fails to adequately address Egypt's growing economic crisis, extensive protests and labor strife could erupt, undermining Mubarak's hold on the presidency.

INDIA/CHINA: Risk of Confrontation

Chinese initiatives since mid-July to defuse the border issue--and New Delhi's conciliatory actions--have helped ease tensions along the Sino-Indian border, but there have been no confirmed troop withdrawals from the border and China may have relocated two more divisions to the disputed area. India's inclusion of the disputed area into a new state, and domestic focus on the situation, will make it difficult for Gandhi to compromise during the next round of border talks scheduled for November. Should Gandhi not compromise, the level of tension could result in new military confrontations before the end of this year.

INDIA/PAKISTAN: Continued Uncertainty and Nuclear Weapons

Islamabad probably already has the capability to produce a nuclear weapon within a few days to a few weeks of a decision to do so. The Pakistani nuclear program enjoys widespread domestic support, and external pressures against the nuclear program are not likely to dissuade Pakistan from maintenance of the nuclear option. This has triggered Indian reassessment of its nuclear weapons options, and this will further fuel tensions in the subcontinent. NIO/Warning notes that we should be prepared for the eventuality of a weapons test in the subcontinent.

INDIA/SRI LANKA: Indian Invasion

India has deployed nearly 18,000 troops to northern Sri Lanka in the last two weeks to help enforce the peace agreement concerning the Tamil insurgency. In addition to introducing a force already as large as the whole Sri Lankan Army, the Indians have obtained Colombo's agreement to a virtual Indian veto of national security policy in Sri Lanka, including access to external military assistance, internal security in the north and east, and foreign ship visits. The Indian deployment already exceeds the security needs of the Tamil region and continues to grow. It began at a time when the Sri Lankan forces were achieving some progress against the insurgency. The growing Indian intervention emerges as a predatory move against a smaller neighbor, belying earlier assurances of nonintervention. It is not yet clear how far Prime Minister Gandhi intends to go in seizing power over Sri Lanka but his commitment to the effort continues to grow. There may soon be no independent Sri Lankan government. US interests in the country may be in jeopardy.

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IRAN/IRAQ/GULF ARAB STATES: Collision Course

Saudi Arabia and Iran may be moving toward military conflict in the wake of last week's violence in Mecca and Iranian retaliatory moves. Iranian military preparations and its specific inclusion of an Emirate in Tehran's list of direct enemies of Iran may be a harbinger of further actions against the US in the region, or in the short run, an Iranian attempt to seize new territory from the Gulf Arabs. Additionally, there would be serious repercussions in the region should Iran carry out its plans to occupy Kuwait's Bubiyan Island. The probability of a US combatant being involved in hostilities in the region is higher than ever before.

IRAN/IRAQ: Internal Developments

Political stakes in the war are high. The potential for sudden collapse of either government is out of proportion to actual or likely military results. Military and civilian opposition to Husayn continues. Meanwhile, in Iran, Khomeini seems to have lost some control over the power struggle among his successors, and his death could lead to major instability within the post-Khomeini government.

KURDS/TURKEY/IRAQ/IRAN: Kurdish Rebellion

Continued Iranian support and manipulation of the Kurds, coupled with increasing Iranian-assisted insurgent activity in the Kirkuk oil region, are drawing Turkey closer to the conflict in the region.

Tehran's continued support of the Kurds is rapidly straining Turkish-Iranian relations.

SYRIA: Internal Struggle

Assad's poor health could leave him incapacitated at any time. In the absence of a named successor, with new pressures in Lebanon, and with an ever-deteriorating economic situation, the chances of a sudden change of government continue.

TUNISIA: Increasing Instability

Bourguiba's campaign to suppress all political opposition is escalating with crackdowns on Islamic fundamentalists. Far from ensuring smooth succession, however, the regime's efforts are drastically increasing discontent and ensuring chaos, uncertainty and confusion when the succession crisis comes. The Libyan threat almost certainly will increase in the post-Bourguiba period, and Algeria too seems poised to influence the succession struggle.

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WESTERN EUROPE

GREECE/TURKEY/CYPRUS: Troubled Waters

Turkish allegations that the Greek Cypriot government has established a training camp in southern Cyprus for Turkish separatist [redacted]

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[redacted] are increasing tensions in the Aegean. Implementation of Greek plans to deploy two armored brigades in northern Thrace--and substantially increase the staffing of Greek units on Cyprus--could trigger a confrontation. Each side apparently believes the US can prevent war--an attitude that may encourage recklessness and lack of restraint, which could trigger sudden confrontation through miscalculation and escalation.

MALTA/LIBYA: Warming Relations

The Maltese government--which wrested control from the pro-Libyan opposition party in May--may be debating the price for accepting Libyan economic inducements. [redacted]

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[redacted] The pro-Western Maltese government will have to weigh Libyan promises to alleviate unemployment against the price of Libyan involvement on the island.

LATIN AMERICA

CHILE: Intransigence

Pinochet appears more determined than ever to maneuver to remain in power beyond 1989. Having prepared plans for carrying out a major reshuffle of the army to force his critics into early retirement, Pinochet now seems determined to run as a civilian with junta backing. Pinochet's actions to maintain control may precipitate a new crisis of confidence over his leadership within the rank-and-file armed forces and middle class, fueling momentum for decisive change before 1989.

HAITI: Storm Warning

The situation continues to deteriorate rapidly. Renewed street violence and acts of anti-Americanism will continue to endanger the safety of US citizens. Shortages of food, fuel, and water--plus harsh military reactions--will increase calls for the ruling council's resignation. Namphy's private contention that Haiti needs a return of strongman rule seems almost certain to imperil the presidential elections that are scheduled for November.

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MEXICO: Future Crisis?

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 in border regions. NIO/Warning notes that the potential for Sandinista forces inside Honduras to fire on US military personnel continues.

PANAMA: Breakpoint

Stiffened by recent successful massive protests, opposition efforts to unify and force Noriega's resignation appear increasingly successful. Noriega under siege will continue his demagogic campaign against the US, crack down toughly on the opposition, and if necessary, install a military junta. As the crisis evolves, there will be an ever increasing risk that Noriega will target more sensitive US interests in Panama for subversion.

SUB-SAHARAN AFRICA

ANGOLA: Prospects for Clash with South Africa

The risk of direct South African-Cuban clashes appears to be growing, as the Angolan government continues its measured two-front offensive against UNITA positions in southeast Angola. Should the South Africans view UNITA as being seriously threatened and intervene in the conflict, Cuban contingency plans [redacted]-call for retaliatory airstrikes against South African airbases in Namibia, thus increasing the chances for escalation.

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SOUTH AFRICA/FRONTLINE STATES: Confrontation

Conservative electoral gains and deep divisions within the Afrikaner community have revealed increased domestic polarization that has further undermined the influence of moderate blacks and whites who seek compromise. Pretoria's gambit to co-opt South African blacks with a new constitution that allows for increased black participation in government--but which does not recognize the concept of one man, one vote--will not provide any meaningful political power to blacks, nor satisfy their demands for true political representation. In extending the emergency decree to a quasi-permanent condition and stifling legitimate dissent the government has acknowledged its authority can be perpetuated only by force. Externally, Pretoria's

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increasingly coercive measures against the Frontline States afford greater opportunities for both the West and the East to capitalize on the Frontline States' heightened sense of vulnerability.

SUDAN/ETHIOPIA: State of Emergency

Prime Minister Sadiq faces increasing challenges to his authority as the economy worsens and the military stalemate with the southern insurgency continues. These developments, plus further reductions in US aid and a cutoff of US security assistance--as required by the Brooke Amendment--will encourage senior military officers to overthrow the civilian government.

SOVIET UNION/EASTERN EUROPE

EASTERN EUROPE: Under Pressure

To various degrees, the present governments are under increasing pressures:

- Growing economic and political problems, coupled with Gorbachev's glasnost campaign and Soviet trade demands, have had unsettling effects on the aging East European leaderships. Prospective succession dilemmas, particularly in Hungary and Czechoslovakia, are adding to the potential for instability. In Hungary, strikes and demonstrations will grow as the impact of recent economic austerity measures are felt.
- Pressures also are great in Romania, where the continuing debt problems have exacerbated already abject living conditions.

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.

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