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

National Intelligence Council

19 October 1987

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

FROM: John J. Bird
National Intelligence Officer for Warning

SUBJECT: Monthly Warning Reports for September 1987

1. Summary of Key Warning Issues:

Iran/Persian Gulf/US

Recent events have been sobering for the Khomeini regime. It has had to cope with: increasing diplomatic isolation; the United Nations resolution on the war and the spectre of an arms embargo; and the apparent increase in US prestige among Gulf Arab states. The Intelligence Community is divided over Tehran's likely response. One group of analysts contends that there is debate in Tehran over strategy, with a hardline group wanting confrontation while more pragmatic elements support a more measured course. Other analysts believe the debate is over tactics and that the whole government of Iran would take escalatory steps in the Gulf if it believed it could not accomplish its objectives in other ways. The results may be the same regardless of which judgment is correct. There will be a reaction in Tehran to the capture of its

This review reflects consideration of inputs generated at warning meetings conducted by the National Intelligence Officers with Community representatives from all areas. As such, it represents a Community-wide review, but it is not a formally coordinated Community product.

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mine-laying ship and the destruction of its small boats. We can expect continued mine laying, increased tanker harassment, and more ship attacks. We should also expect to see moves against Saudi Arabia or Kuwait. Facing threats to its core interests and knowing that the US will not be forced out of the Gulf easily, Tehran could conclude that US public opinion can be turned in its favor only by the loss of American lives.

OPEC Oil Policy

A successful Iranian attack on Saudi or Kuwaiti oil production facilities would have a significant impact on world oil prices. Iran wants to increase prices to about \$28 per barrel but can only do so by controlling output by both Iraq and Kuwait. Short of winning the war, the best Tehran probably can expect is for OPEC to increase the price to about \$20 per barrel at its December meeting. Even this will be difficult, however, unless OPEC overproduction is reduced. CIA analysts believe Kuwait's current production at nearly twice its OPEC quota can be attributed primarily to a desire to increase its financial reserves as a cushion against any cutoff of its oil exports.

Libya/Chad/France/US

Neither Libya nor Chad will back down and relinquish the Aozou strip. The next battle probably will be very costly for both sides and the Chadians are slightly favored if they attack in great strength. Once the ceasefire is broken, Libyan airstrikes will be furious and Tripoli probably will resume use of chemical weapons. (The NIO/Warning notes that, based on indications of growing Libyan concern over President Habre's military prowess, the likelihood of chemical weapons use is increasing.) Habre's shortages of troops, equipment, and supplies allow him only a thin margin, however; a prolonged war would favor the Libyans. Paris has warned Habre against an attack [redacted]

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[redacted] worry that the US has failed to restrain him. If the conflict escalates, France will be caught between its desire to demonstrate the credibility of the French commitment in Africa and its fear of inflaming Arab opinion. These concerns are likely to accentuate the differences between French and US interests and introduce strains into our bilateral relationship.

Ethiopia

A famine comparable to the disaster of 1984-85 is almost certain. A key deadline will be deliveries of about one million metric tons of food to central distribution points before mass migrations to the cities and to Sudan begin. Although the Ethiopian government probably can afford to buy food to feed its urban population, we do not know if it has the resources or will to alleviate distress in rural areas.

Turkey

Prime Minister Ozal seems well positioned to win reelection, but his manipulation of election procedures, such as shortening the campaign period,

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may backfire. Even if these tactics secure victory, they may lend an air of illegitimacy to the government and radicalize the opposition. Tampering with the Constitution for political expediency sets a worrisome precedent.

Yugoslavia

The Yugoslavs have declared a moratorium on repayment of principal owed to commercial banks and are likely to do so with Western government creditors as well. Belgrade is likely to ask this month for a rescheduling of all maturing principal--and possibly interest--over the next three years. In response, creditors probably will demand tight oversight--a position the Yugoslavs have rejected. Prime Minister Mikulic may resign over the issue. Such a decision would throw the leadership into further disarray.

2. Trend Commentary:

USSR/East Asia

Recently completed consultations between Soviet Foreign Ministry and US officials on East Asian affairs were notable because of new approaches the Soviets took on some key issues. The Soviets were cautiously optimistic about prospects for improving ties with China and avoided criticism of Chinese policies. They avoided replaying Vietnamese and Cambodian positions on the Cambodia issue and hinted at some flexibility on how talks should be conducted. The Soviets' positions on Japan and Korea, however, remained unchanged. They were very hard on Japan and were unwilling to distance themselves from North Korea's approach to the problems of the peninsula. The Soviets reconfirmed their position on Taiwan but curiously did not mention the Philippines. NIO/East Asia notes that we must be prepared to analyse the impact on the United States of future improvements in Sino-Soviet relations and any new Soviet initiatives in Southeast Asia and the Pacific.

West Germany

Chancellor Kohl's Pershing IA decision marked a turning point in Bonn's security posture. The Christian Democrats have decided that they will be the champions of arms control and detente--an increasingly popular political stance--and will not cede that ground to any other political party. We can expect continued strong pressure from Bonn for East-West discussions on short-range nuclear forces (SNF)--toward a possible "triple zero" option. Some [REDACTED] urging that NATO adopt a common policy on SNF and fear that without a NATO position, another Soviet "zero" initiative could stampede the Federal Republic toward denuclearization on Moscow's terms.

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Western Europe/Persian Gulf

Although the Allied naval presence in the Persian Gulf has expanded rapidly, the West Europeans lack the capacity to defend against increased small boat attacks and may be loathe to expand operational cooperation by apportioning zones of coverage, for example. The attack on the British flag

vessel "Gentle Breeze" outside the British protection zone did not offer an indication of Allied reaction to escalating conflict; the real test will come with an attack on a West European combatant.

Nicaragua/Central American Peace Plan

The insurgents have made gains against the Sandinistas over the past two months, but the ceasefire could adversely affect morale and prompt increased desertions while providing Managua a much needed respite from months of heavy insurgent pressure. The ceasefire also complicates the peace process. An insurgent failure to comply will be seen as a violation of the peace agreement. Furthermore, the Sandinistas may continue to insist on bilateral talks with the US. If the peace plan fails, the Sandinistas' buildup along the Honduran border may be prelude to an incursion in the next five months.

Latin American Debt Cartel?

The Intelligence Community sees little likelihood that Latin American debtors will follow Brazil's recent calls for a united front against international lenders. However, if Brazil wins any concessions from the IMF, other debtors are unlikely to settle simply for tying payments to gross domestic product. They will be looking for new and creative approaches to debt repayment.

International--AIDS

AIDS continues to spread throughout the world, particularly in sub-Saharan Africa. Some 125 countries have reported cases to the World Health Organization, which estimates that five to ten million people in the world have the AIDS virus and that at least three million new cases of AIDS will emerge in the next five years. At the first Intelligence Community warning meeting on AIDS, Mr. William Walsh, economic and international advisor to the Presidential Commission on AIDS, said that worldwide data on AIDS are grossly inadequate.

Of immediate concern, analysts believe Cuba may try to foist AIDS victims on the US. Any new group that it allows to emigrate may contain a high proportion of AIDS carriers and victims.

Sub-Saharan Africa/Lebanon/Terrorism

There are worrisome trends in the recent growth of sub-Saharan Africa's Lebanese population. Now numbering 450,000, primarily in central and western Africa, they are becoming increasingly Shiite and activist. Hizballah is growing rapidly and may soon replace Amal as the largest group. African intelligence services are inept at monitoring the Lebanese and airport security is lax. They could not prevent a well planned terrorist incident, including a repeat of the recent hijacking in the Central African Republic.

Terrorism

Iran continues to develop contingency plans for possible attacks against US personnel and facilities. The risk of such attacks has increased since the "Iran Ajr" incident. CIA believes that some plans have been completed and that assets in place--probably non-Iranians--are ready to undertake terrorist actions. DIA believes that the threat to American interests in Honduras is medium and is likely to remain so for the rest of this year; analysts expect terrorist activity to remain low despite the large US presence and numerous lucrative targets. In contrast, the level of terrorist activities by West European groups has declined over the past year. West Germany's Red Army Faction has not staged an attack since October 1986. Both France's Action Directe and Italy's Red Brigades have been hurt by arrests. The groups remain able to act, however; a Red Brigades faction reportedly also has been in contact with both Libya and the Sandinistas.

3. NIO/Warning notes these additional areas of warning concern:

Philippines

President Aquino's support is weakening. A recent rally in Manila drew a scant 3,000 people, for example, and both civilian and military opposition is growing. Meanwhile, the communist New People's Army is stepping up attacks on bridges, possibly signaling a shift in tactics toward sustained attacks on economic targets. Continued guerrilla successes, aided by divisions within the military, will accelerate political polarization and encourage opponents of Aquino to increase their efforts to organize a broad coalition that can force her from office.

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[redacted] coup leader Colonel Honasan has stated publicly that he will lead another coup.

Iran/Libya

Iranian Revolutionary Guard naval forces in Lebanon may present a new kind of threat to US and allied maritime interests in the Mediterranean Sea over

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[redacted] a mine off southern Lebanon alleged to be similar to those used recently in the Persian Gulf while Lebanese found three others; a Revolutionary Guard commander claimed at about the same time that his contingent already had laid [redacted] near Tyre. In addition, Libya may try to lay mines off the Suez Canal. In all cases, the mine laying is likely to be covert. It may be difficult to prove responsibility. We cannot count on catching these mine layers red-handed.

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India/Sri Lanka

India's intervention in Sri Lanka seems to reflect Rajiv Gandhi's adoption of a doctrine formulated by his mother asserting an Indian right and responsibility to protect ethnic Indians anywhere. India committed most of an infantry division plus police forces to northern and eastern Sri Lanka in

recent weeks to help enforce a peace agreement concerning the Tamil (ethnic Indian) insurgency and increased its troop strength after fighting broke out between Indian troops and Tamil militants. In addition to introducing a force that could dominate the whole Sri Lankan Army, the Indians have obtained Colombo's agreement to restructure the Sri Lankan state and to a virtual Indian veto of national security policy in Sri Lanka. It is not yet clear how far Gandhi intends to go in establishing dominance over Sri Lanka. The instability in Fiji between the native Fijians and the ethnic Indians may soon be another case for Indian intervention using the Navy to "protect" ethnic Indians.

Brazil

President Sarney's ruling coalition has collapsed and his efforts to break the political impasse may have set the stage for new challenges to his leadership. Sarney wants to keep the current presidential system in the new constitution while most legislators debating the constitution favor a parliamentary system. Economic troubles continue and the recent initiative to secure debt relief from international bankers failed, generating recriminations. Meanwhile military discontent is rising as soldiers criticize Sarney and demand pay increases. The constitutional debate will be crucial. Increased economic problems, moreover, could lead to broad based protests, providing a pretext for military intervention.

Tunisia

President Bourguiba's campaign to suppress all political opposition is escalating with crackdowns on Islamic fundamentalists, including two executions and a life sentence for a fundamentalist leader. Far from ensuring smooth succession, however, the regime's efforts are 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.

Iran/Iraq

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 successor government.

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Cy 4 - *	Executive Registry	7E12 HQ
Cy 5 -	DDI	7E44 HQ
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Cy 20 -	NIO/SP	2E49 HQ
Cy 21 -	NIO/USSR	7E62 HQ
Cy 22 -	D/CPAS	7F16 HQ
Cy 23 -	D/OIR	2E60 HQ
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Cy 25 -	D/SOVA	4E58 HQ
Cy 26 -	D/EURA	6G42 HQ
Cy 27 -	D/ALA	3F45 HQ
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