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

National Intelligence Council

NIC 05024-86/1
3 November 1986

MEMORANDUM FOR: See Distribution

FROM:

[redacted]

Assistant National Intelligence Officer for NESA

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SUBJECT:

Warning and Forecast Report for Near East and South Asia

1. Attached is my report to the DCI based on our meeting held on 23 October 1986. Next month's warning meeting will be held on 20 November 1986 at 1015 hours in Room 7E62, CIA Headquarters. Please have your clearances passed and call [redacted] with names of the attendees by Noon, 19 November 1986.

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Attachment:
As stated

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The Director of Central Intelligence

Washington, D.C. 20505

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NIC 05024-86
3 November 1986

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

VIA: National Intelligence Officer for Warning

FROM:
Assistant National Intelligence Officer for NESA

SUBJECT: Warning and Forecast Report for Near East and South Asia

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The NESA warning meeting for October considered two topics, the Iran/Iraq war and the degree of Libyan support for and involvement in international terrorism.

1. The Iran/Iraq War: Will There be an Offensive? CIA opened the meeting by stating that evidence suggests that Iran is still planning to launch an offensive this year. In spite of indications of an internal debate on the subject, preparations continue and do not indicate a decision to cancel the plan. Iraq's air campaign has hastened the pace of Iranian economic deterioration, which is probably causing Iranian hardliners to argue for launching the offensive before they are too weak to attack. We have not, however, seen the kinds of last minute preparations we would expect if the offensive were imminent. If the Iranians decide to cancel, we would expect a series of smaller attacks which the Iranians could hawk as the promised offensive.

Iraq's military posture has improved and there are indications that more authority and tactical flexibility may have been given to local commanders. CIA notes that in spite of these improvements, Iran has consistently been able to surprise Iraqi frontline units and that the Iraqi Air Force is still not being used to counter Iranian preparations near the front.

DIA generally agreed with CIA's analysis that Iranian preparations were ongoing but made several observations:

- While the Iranians are keeping the option to launch, the economy could also cause it to be later rather than sooner. DIA does not believe there will be a large offensive but a limited one, such as this year's attack on Al Faw.

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- Although the Iranians usually attack in February or March, they may have decided to attack during the rains, instead of after, to use weather to their advantage (rains begin in early November).

The Marine representative raised the issue of Iran's ability to exploit an offensive breakthrough. All analysts agreed that Iran has done little to improve logistic deficiencies in a way that would enable them to support any sort of "breakout" operation. The intelligence question now seems to be: how much territory can they take and hold?

The community believes that Saddam Hussein has every reason to continue to press the air campaign, even if Iran backs away from an offensive. The number of Iranian SCUDS is low, the threat of Iranian commando raids is not compelling and the aircraft loss rate is acceptable. Iraqi efforts in the air war have been halfhearted in the past, however, and we will watch closely for a backing away by Iraq. We may also see pauses in the Iraqi campaign to gauge Iranian intentions.

Iran's economic situation has deteriorated so significantly that the prospects for serious instability in Iran is an increasing possibility. For example, there is currently about a 250,000 BPD shortfall in oil needed for Iranian domestic consumption. The regime has talked a great deal about "winning the war" this year and instead the Iranian population will spend a very cold winter, possibly no Iranian victory to console them or, even worse, another inconclusive bloodbath.

Warning Notes

Iran is desperate to find ways to pressure Iraq and states supporting Iraq. Although they have long threatened to close the Strait of Hormuz, the Iranians were previously constrained by a desire to keep their own oil moving and the absence of the military capability. Recently, however, Iran has taken steps to improve its ability to hit tankers in the Strait (e.g., deployed helicopters and Chinese antiship cruise missiles to the vicinity). This improved capability and a radically decreased Iranian export capacity, significantly raises the chance that Iran will try to impair oil flowing through the Strait.

2. Libya: Qadhafi's Policy on Terrorism.

Summary: Qadhafi is determined to persevere in pursuing his radical agenda and is picking up the threads of his pre-April policies. A variety of evidence indicates that terrorism will remain a large element of Qadhafi's strategy. The community representatives were unanimous in their judgment that Libya was involved in the PanAm 73 hijacking in Karachi.

A CIA briefer presented evidence to support his argument that Qadhafi has returned, with vigor, to his pre-bombing agenda, albeit with tactical adjustments. Evidence indicates that Qadhafi reenergized his various policy tools no later than mid-July. He seems to be following a three-tiered strategy.

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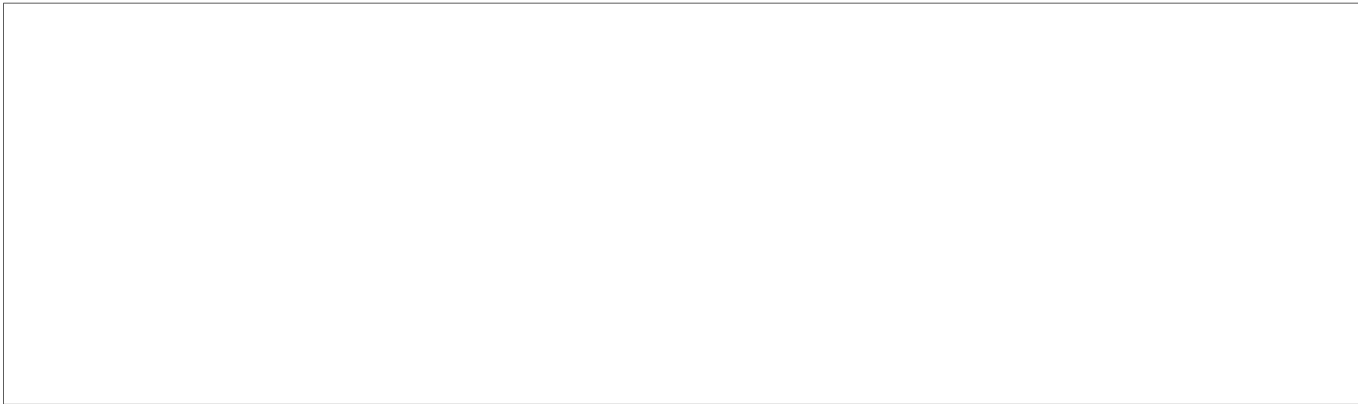
The first level of Qadhafi's strategy is diplomatic. At this level, we have seen Qadhafi trying to decrease his isolation with a variety of foreign initiatives, including an attempt to mediate between North and South Yemen, attempts to improve relations with Sudan and Algeria, increased flexibility with Tunisia, restraint in responding to King Hassan's talks with Israeli PM Peres and approaches to the Europeans, especially Italy.

In the second level, Qadhafi increased the intensity of his effort to woo a grabbag of "anti-imperialist" groups including legal parties such as the Greens, Soviet front organizations, and various subversive groups. His principal tool at this level has been sponsoring seminars supporting removal of US bases and seminars redefining terrorism to exclude acts taken to achieve national liberation, but to include actions such as the US airstrike.

The final level, and the most significant from a warning perspective, is a reinvigoration of contact with terrorist groups from around the world. There seems to be a special emphasis on finding groups which can "produce" instead of supporting any group asking for assistance. There is a noticeable emphasis on Africa and Latin America and emerging evidence of a link with Abu Nidhal that is much stronger than previously suspected. Some details of Libyan involvement in the Karachi hijacking exceed the classification of this document (see notes from Terrorism Warning Meeting), but all community representatives indicated strong agreement with the conclusion that, although it was an Abu Nidhal operation, Libya was involved in the incident.

Warning Notes

Qadhafi is still in the terrorism game and we are uncertain as to how far he will go. The Karachi incident indicates that he: 1) doesn't believe the US will react; 2) is prepared to suffer the consequences; or 3) capable of gross miscalculations about his ability to hide his hand.



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The following components attended the NIO/NESA October Warning Meeting:

External

Navy/ONI
USMC/INTP
NSA/G6
NSA/G93
NSA/G6095
NSA/G642
DIA/DB-8
DIA/DE-4
Treasury
Army/ITAC
OSD/ISA/NESA
JCS/J-5 MEAF

Internal

CTC
O/NIO/CT
FBIS/DRD
FBIS/PROD
FBIS/NEAD/AAP
FBIS/AG
NPIC
NPIC/PEG
NPIC/IEG/PGB
NPIC/IEG/NESAD
OIR
OIR/DB
OIR/PSD/DB
OGI/GID/NEA
OGI/GD
CRES/SEG
CRES/IRC
NE/IRAN/R
NE/ARN
NESA/PG/I
NESA/AI/M
DO/NE [redacted]
OIA
SOVA/TWASD
SOVA/TWAD/ME
DO/NE [redacted]
LDA/PPD
LDA/NENA
CTC/TAB
DO/EPS [redacted]

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