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

20 May 1988

National Intelligence Council

MEMORANDUM FOR: See Distribution
FROM: Charles E. Allen
National Intelligence Officer for Warning
SUBJECT: Monthly Warning Reports for April 1988

1. Summary of Key Warning Issues:

USSR/US

The Moscow summit will occur in the midst of the the most dramatic ferment in the Soviet leadership in the last thirty years. The NIO/USSR believes that Party leader Gorbachev has strong incentives to force the leadership dispute--between Gorbachev and his reformist allies and conservatives led by "Second Secretary" Ligachev--to a conclusion before the visit. Gorbachev aims to bolster his authority in negotiations with the President and to gain control of preparations for the Party conference to be held in late June. A decisive confrontation now seems likely. While conservatives remain powerful, reformers have launched a powerful counterattack in Pravda against a conservative challenge posed in an article in Soviet Russia and retain the initiative. There is some chance--probably less than one in five--that Ligachev will beat back this effort; success would cast doubt on Gorbachev's ability to press his foreign and domestic agenda. The summit may help

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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Gorbachev achieve his goals by providing an occasion in which the Politburo may want to pull together for a show of unity. If Gorbachev now fails to clip Ligachev's wings, it will be a significant, and perhaps fatal, political defeat.

USSR/Afghanistan/Pakistan

We should expect a Soviet propaganda campaign denouncing continued US and other third country support for the mujahedin through Pakistan. The Community is in general agreement that Pakistan is unlikely to unilaterally cut off supplies to the mujahedin during the period of Soviet withdrawal; the mujahedin will mute their opposition to the Geneva accord so long as supplies flow. If the Soviet withdrawal becomes more difficult than expected, the Soviets may launch air strikes against main supply bases in Pakistan to keep supplies from reaching Afghanistan.

There is some divergence of opinion within the Community on the likelihood of a cutoff of Soviet supply to the Kabul regime. State/INR believes there is a significant possibility of a termination, while CIA and DIA note that resupply of Soviet forces will be required until withdrawal is completed.

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The Soviets probably will help us by inviting the press to cover some departures. However, while we will be able to confirm or refute a withdrawal, we will not be able to tell with precision numbers of troops or units that have left in any week.

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Determination of the quantity of Soviet equipment turned over to the Afghans will be difficult. The monitoring task will be further complicated by continued Soviet resupply of their own forces during the withdrawal.

US/NATO/Warsaw Pact

Once the INF agreement is ratified and the Moscow summit concluded, the arms control spotlight will be on conventional force reductions in Europe. Under the best of circumstances, however, agreement is unlikely in the foreseeable future. The gap between public expectations and prospects for agreement will create major problems for the US and the NATO allies. Sentiment in the Senate to link approval of a possible strategic arms reduction pact to a conventional arms agreement would magnify the pressure. The West has made little progress toward a common position while the East almost certainly already has one. The Warsaw Pact's numerical superiority give it most of the bargaining chips, which it can play at little cost to its military capabilities. Even highly asymmetrical reductions--3:1 or even 4:1 in some categories--would weaken NATO without significantly diminishing Warsaw Pact strength. The prospect of such an agreement would, however, stimulate strong public pressure on NATO governments to respond; a unilateral Soviet

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reduction would have the same effect. In the absence of a NATO position, the West may be presented with a superficially attractive offer that it must reject in the face of public opposition; such a scenario would complicate the maintenance of a NATO security consensus. The moment of truth could come with a new Soviet/Warsaw Pact initiative this fall, when Moscow may calculate that Washington's ability to exert a leadership role would be hindered by the presidential election campaign.

Panama

Economic sanctions alone will be insufficient to force General Noriega from power within the short-term. Subordinate military commanders and the rank-and-file remain loyal and are unlikely to move against him. Economic conditions and Noriega's finances will continue to deteriorate, but the Community believes that Noriega is resourceful enough to muddle through. Public expectations are now lower and many have adjusted to living on partial paychecks. Even if large US military reinforcements are sent to Panama, they are not likely to intimidate Noriega. If the US became more aggressive, however, suggesting that a major military action was imminent, the Defense Forces might reassess its support for Noriega. Noriega may be willing to allow an increase in foreign, leftist influence in Panama in exchange for diplomatic and financial support from countries like Cuba or Libya. He is likely to increase pressure on US military personnel as the crisis drags on. Attacks on Americans by Noriega's leftist supporters cannot be ruled out.

The NIO for Warning is concerned about the growing militancy of Panamanian leftists personally loyal to General Noriega and believes they pose a long-term threat to American interests in Panama. Numerous reports indicate that leftists are receiving some paramilitary training, which will give them skills to conduct terrorist attacks on Americans; one consequence could be the formation of an insurgent group capable of mounting more sustained attacks against US interests.

Iran/US/Gulf Arab States

American military successes on 18 April have not intimidated Iran, but Tehran's options for response, in light of its setbacks elsewhere, are narrowing. The Community generally believes that a direct attack on US Naval vessels in the Gulf is still unlikely, but confidence in this judgment has diminished; there is a strong revenge motive and recent setbacks may tempt the Iranians to strike out more aggressively.

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there is general agreement that terrorism will be the most likely Iranian response against the US and Gulf Arab states. CIA believes that terrorism still will be used selectively to achieve specific goals. State/INR notes an apparent trend toward a more aggressive policy and believes that more attacks may result. DIA analysts acknowledge this possibility but believe that Iran does not now pose a threat to the vital interests of the US or neighboring

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states. In the wake of its loss of the Faw peninsula and ongoing economic troubles, the Community believes that Tehran's major immediate objective is to rally public support; most analysts judge that it will be only partially successful.

North Korea

Despite the increased cause for concern resulting from recent events in and involving North Korea--such as the airliner bombing, ministerial changes, and economic troubles--the Intelligence Community believes that the immediate threat posed by North Korea has not increased substantially in recent weeks,

[redacted] North Korea is beset with fundamental difficulties that will not be resolved easily and could, over the medium- to long-term, affect its strategy and tactics to the detriment of stability on the peninsula. These include: severe economic troubles; the looming succession; and the blow to its prestige if the Seoul Olympics proceed successfully. In wrestling with these challenges, the North Koreans could become more hostile and step up military pressure or boost terrorism to disrupt the Olympics. They could cut their losses by accepting the games and recouping a little by successfully holding the World Youth Games next year. They might resume negotiations with the South and seek to reduce tensions. Finally, internal events could spin out of control, forcing Pyongyang either to turn inward or move toward collapse or reform. Ascertaining which way this pariah will move will require much more information than we now have.

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2. Trend Commentary:

Nicaragua

The Community generally believes that the current impasse between Managua and the Resistance is likely to be overcome and that the prospects for a cease-fire accord are good. Most analysts believe that the Sandinistas will make tactical concessions on issues like local elections and that insurgent negotiators also will be flexible. A minority of the Community believes, however, that the unity of the Resistance will break down, ending the talks. As a result, fighting would resume, but with only a markedly reduced number of insurgents--3,000 to 5,000--in the field. The NIO/Latin America believes that prolonged negotiations will exacerbate splits within the Resistance and that the Sandinistas could launch a pre-emptive offensive against rebel units in the cease-fire zones if talks appear to be failing.

Peru

President Garcia's relations with the military have reached a new low, and three separate groups are conspiring against his government. The military opposes both his arming of the paramilitary wing of the ruling party and machinations aimed at extending his term. Tensions with the military seem

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certain to limit Garcia's ability to launch new initiatives. Coup plotting remains tentative, but a misstep by Garcia could galvanize military and civilian support for his ouster. Such an effort might be resisted by the ruling party's paramilitary apparatus--now numbering some 6,000--and result in widespread fighting.

Honduras

President Azcona's position appears safe for now, but further large-scale demonstrations like that at the US Embassy could prompt civilians to try to force his resignation. Pressure from the military, which is resentful toward Washington, may force the President to be less accommodating to the US in coming months. Popular reaction to drug kingpin Matta's illegal extradition has given the traditionally weak political left an issue to galvanize anti-US sentiment, increasing the prospect for further demonstrations and attacks on US property.

Libya

Colonel Qadhafi's recent efforts to convince Libya and the world of his good intentions do not represent a change of heart; the Intelligence Community believes that there have been no basic changes in his foreign policy goals. Qadhafi's loosening of dictatorial constraints domestically, release of political prisoners, and gestures of good will abroad are aimed at strengthening his political position, shoring up his support within the Libyan military, and reducing his international isolation. Qadhafi continues to work against US interests around the world and Libyan support for terrorism shows little sign of change. He may have become a greater challenge to US interests by pursuing his basic goals more effectively.

Ethiopia/Sudan

Continuing, strong insurgent pressure in northern Ethiopia probably will delay the government's planned counteroffensive for several months. Meanwhile, fighting and the government's order that foreign relief workers leave the north will lead to starvation and spur population movements to Sudan, where malnourished arrivals are dying at rates of 2 to 8 people per 10,000 in the refugee camps and meningitis reportedly has broken out. Medicine is in short supply and UN relief workers have been driven away by insurgent threats. We have not yet detected military plotting by disaffected military personnel against President Mengistu, but he has intervened personally to discipline and redirect his demoralized troops and cannot indefinitely evade responsibility for the course of the fighting. Further serious setbacks would put Mengistu in jeopardy; if he "loses" Eritrea, the military probably will move against him.

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Africa/Chemical Weapons

The use of chemical munitions in Africa has been minimal but could grow. Libya- [redacted] -has a chemical warfare capability. It has a factory that produces chemical, and perhaps biological, agents and has used chemicals against Chad at least once; the effort backfired and instead killed Libyans. The Community believes there is a medium likelihood that Tripoli will use chemical weapons against Chadians again.

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We cannot confirm any of the approximately 600 allegations of chemical weapons use in Angola received since 1978. Until about 1984, most accounts accused South Africa of using chemicals; we can confirm only the use of white phosphorous and pesticides to clear border land along the Namibian/Angolan border. Since 1984, Pretoria and the UNITA rebels have been accusing the Luanda government and its allies of using chemicals and Pretoria has begun to equip its troops with protective gear. Its claims that the Soviets have used chemical warfare in Angola probably are designed to "reserve the right" to retaliate in kind.

Ivory Coast

There probably is some truth to recent reports of plotting by army officers against President Houphouet-Boigny and ethnic tensions could grow to infect the military. The worst situation probably would be a lengthy incapacitation of the aged president coupled with a marked economic downturn. There are no constitutional provisions for replacing a disabled president and economic problems already include are considerable. The inevitable jockeying for power by aspirants to presidency, against a backdrop of major economic grievances, could turn violent.

USSR

There were no major demonstrations or unrest on 24 April--the anniversary of the Turkish slaughter of Armenians in 1915 and a possible flashpoint for unhappiness with Soviet nationalities policy. However, the Community believes that the cultural concessions Moscow has made so far will not be sufficient to satisfy the Armenians and that Soviet authorities will come under growing pressure to take more substantial steps.

Terrorism

There may a resurgence in terrorism by the Abu Nidal Organization (ANO). Sabri Al-Banna, its head, has threatened to retaliate for the attack in mid-February on PLO representatives in Limasol, Cyprus, for the murder ad Abu Jihad, and for Israeli attacks on ANO camps in Lebanon. While the ANO is focusing on Israel, it could target the US because of close US/Israeli ties. The NIO for Counterterrorism regards the likelihood of attacks on US interests by the ANO this summer as high.

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There are differences within the Community over the terrorist threat to the Olympics. DIA assesses the threat from North Korea as medium and from Middle Eastern and other groups as low. CIA analysts, on the other hand, believe there are many factors inhibiting North Korean attacks.

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

Iran/Iraq

The NIO for Warning is concerned over the possibility that either Iran or Iraq will initiate chemical attacks on the other's cities, and that the victimized country will retaliate in kind. Recent events suggest that the likelihood of such attacks is growing. Western diplomats and other personnel could be at risk. Some diplomatic missions in both Baghdad and Tehran are purchasing protective equipment.

The extensive battlefield use of chemical munitions and the muted world response to the deaths of perhaps several thousand Kurdish civilians in March has reduced the prospective international political cost of such attacks. The increasingly mundane "war of the cities" using ballistic missiles--now suspended after over 200 total strikes--is another indication that unrestricted attacks on population centers away from the battlefield can be conducted with low political cost. Either side could strike first. The animosity levels on both sides, accompanied by political struggles within Iran, particularly, could lead to a decision to strike, probably with chemical bombs delivered by aircraft. Both governments are already preparing their people for chemical attacks. First usage probably would be justified as "retaliation" against previous provocations. We are unlikely to have warning of imminent attack.

Eastern Europe

Eastern Europe, as evident by on-going large-scale strikes in Poland, lies fitfully within the Soviet orbit; chronic internal problems, exacerbated by Communist party inertia, impending leadership successions, and the unsettling calls for reform coming from Gorbachev in Moscow, suggest that the next few years will be difficult for the Soviet Union's six Warsaw Pact allies in Eastern Europe. While conditions are different in each country, economic troubles and popular demands seem certain to increase throughout the region. There is real potential for major unrest in Poland and Romania, as well as generally growing instability in Hungary, that soon could require major US policy responses similar to those during the Polish crisis of the early 1980s.

The problems of the region are manifold.

- o The economies are in serious trouble. Growth is slowing or negative. Balance of payments deficits and debt service difficulties threaten

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most of the countries. Living standards are growing modestly at best. In Romania, basic necessities are in short supply. Austerity measures in Poland and Hungary are cutting consumption. On top of domestic troubles, Moscow is pressuring the regimes to step up deliveries of high quality goods to support party leader Gorbachev's economic program, an action that is eroding hard currency export prospects and syphoning off goods and services needed at home.

- o Succession struggles may loom . Only Poland's Jaruzelski and Czechoslovakia's Jakes are under 70. Hungary's Kadar and Romania's Ceausescu apparently have serious ailments. East Germany's Honecker and Zhivkov of Bulgaria--both over 75--periodically are rumored to be on the verge of stepping down.
- o Several of the Communist parties are weak or divided. Hungary's is losing members and coherence. Ceausescu purposefully has kept his party weak as part of his cult of personality. Poland's party has not recovered fully from its near disintegration in the early 1980s. Even East Germany's orthodox party is beset from within by younger members who, heeding Gorbachev's calls for democratization in the USSR, want reform.
- o The people want better lives. Popular demands for political liberalization and higher living standards are on the rise in much of Eastern Europe just as the regimes' ability to satisfy the demands appear too economically costly and politically dangerous.
- o The governments are immobilized on questions of reform. They largely are waiting for the drama of Gorbachev-versus-the-conservatives to play out in Moscow before committing themselves to major policy initiatives at home.

Cumulatively, these pressures will heighten popular unrest. There will be increased anti-regime activism. Human rights, environmentalist, church, and other groups are likely to grow more assertive. None of these developments will threaten immediately party rule or Soviet influence directly, but collectively they weaken regime authority, undermine economic recovery, and lay the groundwork for more serious challenges.

The NIOs for Warning and Europe believe that the potential for serious instability exists in at least Poland and Romania within the next two to three years. Significant instability in Hungary is also possible. The likelihood of system-wrenching change is much less elsewhere.

In Poland, major new outbreaks of anti-regime protest are likely within two years. Prominent opposition figures warn that a new wave of protests will be more violent than during the Solidarity period. Regime handling of the ongoing, economically-motivated strikes at steel mills will determine largely

whether the strikes spread and the unrest is generalized. We expect that the government will be able to weather this immediate problem, but the basic complaints that sparked the strikes will remain. The regime has failed to achieve national reconciliation, has little popular support, and has been forced to impose severely unpopular but economically sound austerity measures. Moscow again will be loathe to intervene directly; it knows the deep antipathy of Poles for the Soviets, their historical willingness to fight even for losing causes, and Poland's strategic position on the lines of communications to Soviet forces in East Germany.

In Romania, continuing harsh austerity, coupled with Ceausescu's failing health, could produce serious instability. His death or ouster would trigger a power struggle and invite East/West competition over the post-Ceausescu leadership. A prolonged struggle or widespread violence could lead the Romanian military to step in; in extremis, Moscow could intervene militarily.

Unrest in Hungary would come from a combination of much lower living standards and dashed hopes for political reform. A repeat of 1956 is unlikely, but scattered strikes, sabotage, and demonstrations are probable this year as austerity measures cut purchasing power, unemployment grows, and the party fails to address popular concerns.

As the East European societies evolve, they will pose continuing problems for Moscow and concerns for Washington. The de-homogenization of the empire, combined with popular desires for variants of the Soviets' own reforms, could unleash calls for change that will be disquieting for the leaderships. The resulting divisions also could strengthen Gorbachev's conservative critics at home. While Washington has little power to influence events directly, significant upheaval would require a US policy response. Possible concerns include: the amelioration of violence, human rights violation, and trade issues including credits and Most Favored Nation trade status. Moreover, a prolonged crisis probably would spill over into bilateral US/Soviet relations, perhaps affecting negatively such issues as arms control.

Pakistan

The Soviet withdrawal from Afghanistan has major domestic and foreign implications for Pakistan. The NIO for Warning believes that a number of these could adversely affect the stability of the Islamabad government and that they could seriously affect US interests in South Asia.

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- o Pakistan will be less able to justify US military aid. Islamabad has argued that it needed help to defend against the Soviets in Afghanistan although it mainly wanted the weapons to counter the Indian threat. Pakistan will be unhappy about a cutback in deliveries of key items such as F-16 aircraft.
- o Pakistan will suffer economically. The large increase in direct US economic assistance in the 1980s was based in part on Islamabad's cooperative position on Afghanistan--a reason that will diminish. The mujahedin support effort of as much as \$1 billion annually from several sources also was an economic shot in the arm for Pakistan that will decline as the Soviets withdraw. Economic woes are certain to increase domestic political tensions and pressure on the government.
- o Finally, there are likely to be disagreements over implementation of the Geneva accords.

The changing power alignment in South Asia will have other effects negative for Pakistan.

- o India--increasingly viewed in the region as an imperialist power--could see any cooling in the US-Pakistani relationship as an opportunity to increase military pressure on Islamabad. New Delhi was militarily aggressive toward Pakistan in early 1987, challenged China in the northeast through much of 1987, and has a major expeditionary force in Sri Lanka. India's defense budget is growing significantly and New Delhi is acquiring new Soviet weapons, including MIG-29s and nuclear submarines. The Pakistanis fear a rekindled Indian threat and will be critical of the US for not moving to counter it.
- o The Soviet effort to encourage creation of ethnically-based autonomous regions in Afghanistan could encourage Pakistani Pushtuns to more vigorously seek independence and unification with Afghan Pushtuns as well as stir nationalist feelings among other Pakistani ethnic groups.
- o A fundamentalist Islamic Republic of Afghanistan could help foment religious dissent against the secular government of President Zia.
- o In the absence of an end to the fighting and a major international assistance effort to rebuild war-torn Afghanistan, the several million Afghans in camps in Pakistan may only dribble back, maintaining the

economic and political burden on Pakistan and increasing the fundamentalist threat.

- o Partial resolution of the Afghan war could, by reducing a unifying external threat, rekindle domestic Pakistani political disputes and generate a political crisis that could topple Zia.

These potential challenges to Pakistan bode poorly for the long-term stability of Pakistan. US economic assistance can help lessen the financial strain, but serious political differences over key issues like nuclear proliferation are likely to result in a difficult bilateral relationship in the near and mid-term.

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