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

National Intelligence Council

NIC 05421-86
2 December 1986

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

VIA: National Intelligence Officer for Warning

FROM: [Redacted]
Assistant National Intelligence Officer for NESA

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

The November NESA Warning Meeting addressed two topics: the possibility of hostilities between the two Yemens, and internal dynamics in Iran.

1. YAR-PDRY: Imminent Hostilities? Tensions have risen noticeably between North and South Yemen in the past month or so, culminating in the North Yemeni shutdown of at least one PDRY aircraft. The tensions reflect in part North Yemeni President Salih's frustration with PDRY inflexibility over reconciliation and the exile issue.

-- North Yemen is the uncomfortable host to several thousand South Yemeni exiles who fled the country after last year's coup. Many of the exiles are supporters of ousted PDRY President Ali Nasir and form an armed exile insurgent force that is growing restless in North Yemen. Salih wants the new government in South Yemen to promise safe repatriation of the exiles and give former government officials some role in the new government.

The tension in North Yemen is heightened by growing economic problems, and complaints in the military, particularly over North Yemeni casualties in the Iran-Iraq war.

The risk of a border clash is high. The regime in Aden is very nervous about what Salih is up to in his "games" with the US, the USSR, and the exiles.

-- Salih is clearly trying to play superpower competition to his advantage, using increased US influence to court greater favors from Moscow. There is little chance in the near term that the US can replace the substantial assistance provided by Moscow. Moreover, Salih perceives a Saudi veto over US, but not Soviet, actions in

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North Yemen and is, therefore, unlikely to jeopardize his Soviet tie. Tensions between North and South Yemen, however, have certainly complicated Moscow's relationships with the two countries.

- South Yemen would probably respond to provocation from the exiles or the YAR itself by sponsoring an increase in National Democratic Front (NDF) activities in North Yemen. North Yemen seems most concerned in the near term about a SCUD missile attack from the south.
- Some Community analysts believe that possible instability in North Yemen is potentially as dangerous over the near term as YAR-PDRY border problems.

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2. Iran: Internal Dynamics. The current bout of factional infighting in Iran revolves around two issues: management of the war and the arrests of relatives of Ayatollah Montazeri--Khomeini's designated successor. On the war, Parliament Speaker Rafsanjani is arguing for launching the "final offensive" and President Khamenei--Rafsanjani's chief rival--is leading the argument for shifting resources to the economy. Advocates of the offensive have Khomeini's support, but a variety of problems have hindered launching the offensive. Rafsanjani plays a key role in directing the conflict and he could suffer a setback if the offensive is not launched or is launched and fails. The circumstances surrounding the arrests of Montazeri's relatives are especially murky. DDI/NESA offers three possible interpretations:

- Rafsanjani pushed for the arrests in order to discredit the increasingly independent Montazeri.
- Montazeri pushed opposition to Rafsanjani beyond acceptable limits.
- Mehdi-Hashemi, the arrested son-in-law of Montazeri, had simply become a rogue operator whose activities--the abduction of a Syrian diplomat, the attempted smuggling of explosives into Saudi Arabia, and perhaps the leak of the McFarlane trip to Iran to a Beirut magazine--were widely deemed as harmful to the clerical regime. This interpretation is favored by NESA and downplays a Rafsanjani-Montazeri split and political setback to the Montazeri crowd.

Some tentative conclusions can be drawn from the Mehdi-Hashemi episode:

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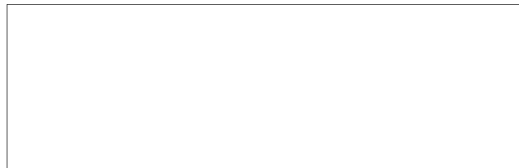
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- The arrests indicate that Khomeini was incapable, almost certainly due to a real decline in his health, to play the supervisory role he has played in past disputes. Previously, he has intervened to settle such disputes before they reached the stage of open factional conflict.
- While the Community still believes there probably will be a relatively smooth transition after Khomeini's death, serious factional differences will exist and there is a real danger that the power struggle could degenerate to open fighting.
- Montazeri was originally considered a compromise candidate for the succession because he was the least offensive to all the parties and would presumably be a figurehead leader with others wielding the power. He has, however, since his selection grown to fill the role and become more decisive and independent, causing considerable friction. Nonetheless, his removal would be very destabilizing and increase the risk of a contentious power struggle.

For the general public, economic hardships and war weariness are creating severe discontent and disaffection. While there have as yet been few open manifestations such as demonstrations and riots, the Community believes these problems should be watched with particular concern.



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

External

Air Force/AIAIT
NSA/G6
NSA/G64
NSA/G642
NSA/G6095
NSA/G9313
DIA/DE-4
DIA/OA-6
OSD/ISA
NWS
INR/NESA

Internal

NPIC/IEG/NESAD/PGB
OIA/TWFD/NEB
SOVA/TWAD
LDA/PPD
NESA/PG
NESA/PG/P
OIR/DB
FBIS/DRD
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FBIS/NEAD/SAP
FBIS/NEAD/SA

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