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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

DDI #2609-82
31 March 1982

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

25X1 FROM :
National Intelligence Officer for Warning

SUBJECT : NIO Monthly Warning Assessments: March

1. The reports on the NIO warning meetings are attached.
2. Comments on warning situations.
 - a. Israel-West Bank-Lebanon:

(1) Israel's moves to break the power of the PLO in the West Bank and Gaza have significantly increased the chances of a chain reaction leading to a major Israeli military incursion into southern Lebanon. The ouster of elected pro-PLO Palestinian mayors of three major West Bank cities and the Israeli civilian governor's statement that elections for an autonomy council will not be held until after the PLO's "power and influence" has been removed represent not only the effective end to meaningful autonomy talks with Egypt but a virtual declaration of war on the PLO.

(2) The Israelis almost certainly believe that Yasir Arafat and his Fatah colleagues will be unable to resist demands by more militant PLO factions for strong reprisals. Israeli leaders have repeatedly warned that they will authorize military operations against PLO forces in Lebanon if there is a "clear provocation," and they almost certainly anticipate that the crackdown in the West Bank and Gaza will produce such provocations in the very near future.

(3) Prior to the crackdown, the Begin government apparently intended to complete the withdrawal from Sinai on schedule. Its

25X

SECRET

SECRET

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decision to postpone West Bank elections indefinitely, however, will place President Mubarak under strong pressure to denounce Israel's implicit repudiation of the Camp David terms on Palestinian autonomy. If Mubarak challenges the crackdown and refuses further concessions on disputed Sinai borders, there would be at least a 50-50 chance that the Begin government will postpone withdrawal from Sinai.

b. Iran-Iraq:

(1) The intensification of the fighting along the border and Iranian military successes have strengthened the possibility that Iran will carry the war into Iraqi territory. Iranian military incursions would sharply increase the chances of mutinies in the Iraqi army and of attempts by Iraqi military and political leaders to overthrow President Saddam Hussein.

(2) If Saddam's position is seriously threatened, he probably would attempt to avert disaster by unleashing his superior air force against Iran's remaining oil facilities. The Iranians would respond with counterstrikes, and the resulting escalation of the air war might include Iranian attacks on Kuwait and other Gulf states that have supported Iraq. Strikes against Saudi targets could not be ruled out.

(3) The Soviet Union would attempt to turn any military escalation to its advantage by moves calculated to enhance Soviet influence in Tehran. The Soviets probably would offer military assistance to the Khomeini regime on attractive terms, and they might propose an international conference to arrange a ceasefire and to agree on measures to "neutralize" or "demilitarize" the Gulf, the Arabian Sea and the Indian Ocean.

(4) The United States may be faced with urgent appeals from Saudi Arabia, Jordan, and perhaps Egypt for immediate diplomatic intervention to forestall an Iranian military breakthrough and the danger of Iranian air strikes in the western shore of the Gulf.

c. China-US-Soviet Union:

(1) A Chinese decision to break off bilateral talks with the US on American military sales to Taiwan and to downgrade diplomatic relations from the ambassadorial to the charge level remains a distinct possibility in the next 60 to 90 days.

-2-

SECRET

SECRET

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(2) The Soviets seem to believe that a struggle over Taiwan policy within the Chinese leadership may be coming to a head. Brezhnev's 24 March proposal to resume Sino-Soviet border talks and to agree "without any preliminary conditions" to expand economic, scientific and cultural relations probably was aimed at strengthening the hands of Chinese advocates of a tougher stance toward the US over Taiwan.

(3) Depending on Moscow's assessment of China's response to Brezhnev's appeal, the Soviets may follow up with an offer of a limited troop withdrawal from the border if Beijing agrees to resume negotiations. China's initial public reaction to Brezhnev's speech expressed skepticism, citing "massive Soviet troop deployment along the Sino-Soviet border" and calling for Soviet "deeds." Moscow's opportunistic flexibility on Soviet intermediate range missiles in Europe suggests that this same kind of manipulation could be applied to the Sino-Soviet border. The Soviets have long had the option of attempting to influence Chinese policy by making cosmetic adjustments in their force structure along the border, and they may calculate that the time is ripe for playing this "card" in the controversy over US policy toward Taiwan.

d. West Germany--NATO missiles:

(1) The Social Democrats' sharp losses in the state elections in Lower Saxony on 21 March will make it more difficult for party leaders to defer a vote on the party's position on deploying new NATO intermediate-range missiles at the special party congress at Munich in late April.

(2) If the congress rejects the leadership's proposed resolution to postpone a review of the SPD's position until another congress in August 1983, there is a strong possibility that Chancellor Schmidt will carry out his declared intention to resign. Even if the party congress avoids a showdown resulting in Schmidt's resignation, an acrimonious debate would weaken the party's prospects in the crucial state elections in Hamburg in June and in Hesse in September. Defeats in either of these states almost certainly would trigger a challenge to Schmidt's leadership and accelerate the left-right polarization in the party. Such an outcome would make it virtually impossible for the SPD-FDP coalition government to proceed with plans to deploy the NATO missiles in late 1983.



25X1

-3-

SECRET

DDI #2609-92
31 March 1982

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Attachments:



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25X1

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