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THE DIRECTOR OF CENTRAL INTELLIGENCE

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MEMORANDUM FOR: Director of Central Intelligence

VIA : Robert R. Bowie
Deputy Director for National Foreign AssessmentRichard Lehman
National Intelligence Officer for WarningFROM : Arnold L. Horelick
National Intelligence Officer for USSR-EE

SUBJECT : Monthly Warning Assessment: USSR-Eastern Europe

Summary

Community analysts, meeting on 15 January, saw the growing Chinese military buildup on the Vietnamese border since the Vietnamese conquest of Kampuchea as increasing the possibility of eventual Chinese attack on Vietnam, and as consequently moving the chance of some Soviet retaliation against China one branch point closer. The Soviets probably see the Shah's departure as ushering in a new stage which will progressively place the neutralization of Iran more directly on the agenda, and which may open the way for eventual Soviet overtures to a neutralist regime. The Shah's departure and the threatened return of Khomenei may have also increased the chances for eventual civil war in Iran which could bring into play the question of Soviet involvement with one side. While the Soviets have not yet found an effective response to Romania's latest acts of defiance last November, the Romanians are said to still anticipate eventual economic sanctions. The Polish Ambassador to the US has privately added the weight of his opinion on the side of those who see the Polish economic situation as extremely grave and as increasing the chances of an eventual popular explosion.

1. The Vietnam-Cambodia-China-USSR Imbroglia. The chain of events since the last meeting of community analysts in late November has moved to a point where the possibility of Sino-Soviet armed conflict growing out of these events is now one branch point closer than it was. The Vietnam blitzkrieg overrunning Kampuchea has been followed by both widespread Kampuchean guerrilla resistance and a large-scale Chinese military buildup on the Vietnamese border. The manner of the buildup,

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its timing and the mix of forces involved have increasingly suggested Chinese offensive intentions. The Soviets have publicly and privately downplayed this contingency and have thus also avoided committing themselves to any particular course of action in response. Recent unusual Chinese preparatory steps in Sinkiang suggest concern that the Soviets might in fact respond to a Chinese move against Vietnam with pressure of some sort on the Sino-Soviet border. Two Alert Memoranda have been prepared on this subject in January under the aegis of the NIOs for China and the USSR.

2. Iran. Community analysts broadly agreed that the Soviets see the Shah's departure as ushering in a new stage which will progressively place the "neutralization" of Iran more directly on the agenda. The Soviets probably expect a further unraveling of those Iranian forces that continue to favor close ties with the US, and they will do what they can do to help push events in this direction by trying to perpetuate and exploit Iranian nationalist resentment of US past support for the Shah. They probably hope and expect the Bakhtiar regime to be a fairly short-lived, transitional one. When and if a successor regime more inclined toward neutralism emerges, the Soviets are likely to make some diplomatic gesture toward it, regardless of its ideological hue. In the meantime, they undoubtedly perceive their own freedom of operation in Iran in the field of intelligence and covert action as having been greatly enhanced by the crippling of SAVAK, although we cannot adequately monitor what, if anything, they are doing to take advantage of these more permissive operational conditions.

One specific contingency whose likelihood has been somewhat increased by the departure of the Shah and the threatened return of Khomenei is the eventual emergence of full-scale, prolonged Lebanon-style civil war in Iran which would bring the question of Soviet military assistance to one side into play. This possibility has been enhanced by the removal of the Shah's restraining hand from senior officers who have all along resented inhibitions against using force, and who may feel that this option is dwindling and will disappear entirely if not soon exercised. In the event of a subsequent open split in the Army and emergence of a struggle involving armed civilians, it is conceivable that the Soviets would then covertly funnel supplies and other assistance to some forces on the side they favored, while professing nonintervention. It is also possible that under these circumstances the Soviets would move troops to the adjacent frontier, and that they might caution the US against assistance to one side under pain of active intervention by Soviet forces to help the other.

3. Elsewhere in the Middle East, and South Asia, analysts noted diverse reflections of the malaise and fears of coming Soviet inroads created by the departure of the Shah and the continued tumult in Iran. In addition to growing anxiety and desire for US reassurances seen in Saudi Arabia and Pakistan, specific concern over the vanishing of the Iranian military bulwark is likely to be felt in Oman, where in recent

years revolt in Dhofar province staged from South Yemen and supported by the USSR was put down with the aid of Iranian troops that will almost certainly not be available again.

4. Turning to Romania, analysts noted that the Soviets had not yet found an effective response to Ceausescu's spectacular acts of public defiance discussed in the last Warning Report. The consensus was that by publicly airing sensitive questions of Warsaw Pact expenditures and command and control, Ceausescu had gone beyond previously established limits of his challenge to Soviet authority and this time approached more closely the threshold of Soviet tolerance. We believe that he went as far as he did in November in publicizing the Warsaw Pact demands largely because he saw those demands as an effort to constrict his area of autonomy and saw an opportunity to preempt further such Soviet efforts. For the time being, he appears to have gotten away with it, in the sense that we have no evidence that the Soviets have yet decided to risk the costs associated with measures drastic enough to bring Ceausescu to heel. The initial flurry of mutual polemics has now diminished. Although Romania has issued a statement critical of Vietnam's conquest of Kampuchea this apparently was an unavoidable, minimal, perhaps one-time gesture, and Ceausescu is unlikely to wish to provoke the USSR seriously again in the near future. But while we have no evidence yet of any Soviet planned reprisals other than exclusion of Romania from some of the more sensitive Warsaw Pact planning, our flow of evidence could easily be lagging behind events. Hungarian officials, for example, are said to believe that the Romanians still anticipate economic sanctions from the Warsaw Pact countries. There is therefore a continued need for a close community watch for Soviet efforts to organize any such pressures.

5. Regarding Poland, the economic dilemma and growing malaise cited in the last Warning Report have now been strongly underlined in recent

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[redacted] spoke of a very bad food situation and increasingly irritated consumers who are becoming angry over shortages of meat, vegetables, and other goods. He suggested that one eventual outcome could be widescale rioting, possibly leading even to Soviet intervention. While this pessimistic outlook is supported [redacted] it is not the view of all observers; Embassy Warsaw, while recognizing the seriousness of the Polish economic position, has concluded that the outlook is far from desperate. [redacted]

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[redacted] real wages have been falling, contributing to fears of worker and consumer unrest. The upshot is a requirement for intensified community information-gathering on these subjects -- with a view toward better assessing the economic facts, the popular mood, and the progress of the internal debate in the Polish regime.

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