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**BI-WEEKLY WARNING ISSUES
FOR THE DCI**

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WARNING ISSUE

IRAN/IRAQ: Chemical Attacks on Cities?

SPECIAL WARNING TOPIC

EASTERN EUROPE: Rising Instability

Prepared by NIO/Warning and Staff

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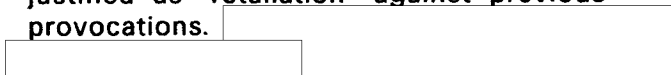
WARNING ISSUE

IRAN/IRAQ: Chemical Attacks on Cities?

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.

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 in ceasefire after more than 200 total strikes--is another indication that unrestricted attacks on population centers 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.



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SPECIAL WARNING TOPIC

EASTERN EUROPE: Rising Instability

Eastern Europe is increasingly unstable and warrants careful monitoring. The following article looks at the warning implications of this instability regionally. In coming weeks, we will examine individual countries, beginning with Poland, in greater detail.

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.

Eastern Europe, as evident by ongoing 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

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 most of the countries. Living standards are growing modestly at best. In Romania, basic necessities are in short supply. Austerity measures in

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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. A recent secret report to the party Politburo warned that unrest could begin this spring--a development that may be beginning. 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 Polish regime will be able to weather this immediate problem, but the basic complaints that sparked the strikes will remain. The government 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 Poland's 38 million people for the Soviets,

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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 could also strengthen Gorbachev's conservative critics. A significant upheaval in Eastern Europe would quickly spill over into bilateral US/Soviet relations, affecting negatively such issues as arms control.

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LOOKING AHEAD

[redacted] arrivals in Panama of Cuban and Soviet advisors ... arming of Panamanian leftists now certain ... Cuba likely assessing Noriega's strengthened position as opportunity to penetrate Panama.

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Iran unlikely to be cowed by recent setbacks at hands of US forces in the Persian Gulf ... mining operations probably continue ... Tehran almost certainly retains contingency plans for attacks on US Navy ships, but is more likely to attack merchant shipping in the Gulf and to engage in terrorism and political and military intimidation against Gulf Arab states.

South Africa sending reinforcements to northern Namibia to face strong and growing Cuban and Angolan forces in southwestern Angola ... Castro personally directing operations ... rains now hampering mobility ... intentions of both sides still unclear, but buildup suggests major battle may occur within a few weeks.

The spring thaw increases opportunities for Indian military confrontations with Pakistan in disputed mountain border regions ... Pakistan may want to recover parts of Siachen Glacier lost to India last year ... India reinforcing its positions on glacier ... New Delhi's accusation that Islamabad is helping Sikh extremists enter Punjab also likely to heighten border tension.

President Duarte's weak leadership in wake of his 20 March election setback has created a power vacuum in El Salvador ... democratic process and US interests placed in jeopardy by disarray in Duarte's Christian Democratic Party ... campaign for next year's presidential election likely to be polarized as strength of rightist ARENA party grows.

Vietnam occupying more Spratly Islands and reinforcing garrisons with marines ... China responding with warnings and its own military preparations ... uncompromising claims fueling hostility ... clash possible as both sides maneuver and bluff.

Soviet Communist Party conference in June will be major test of Gorbachev's ability to reform the party, chart country's course ... could also be decisive battle with "Second Secretary" Ligachev ... outcome not certain, but Gorbachev has the clear advantage ... will also help set agenda for key plenum on nationality issues.

Political situation in flux in Chile as General Pinochet's "campaign" to stay in power falters ... polls show Pinochet's popular support has peaked ... failure of this year's plebiscite to keep junta candidate in charge would result in open presidential election next year ... decision on plebiscite date could come soon.

A win by leftist, anti-military candidate Bucaram in Ecuador's presidential election on Sunday could trigger a military coup ... armed forces divided on plan to take power.

North and South Yemen maneuvering for control of disputed, oil-rich border region ... border clash almost inevitable.

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