

Office of East Asian Analysis
DIRECTORATE OF INTELLIGENCE

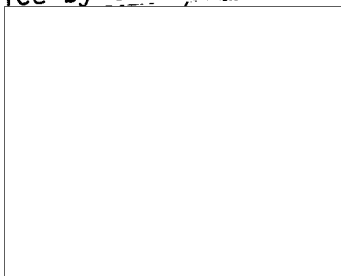
15 April 1985

NOTE FOR: C/CH
C/NEA
C/SEA

SUBJECT: Treasury Request for Support

We received a telephone call today from Nomie Budlier who works with Doug Mulholland at Treasury. Apparently they are getting a team together to attend the annual Asian Development Bank meetings which commence next week. They would like from us a page and a half description of the political situation in the following six countries: Indonesia, South Korea, Malaysia, Philippines, Taiwan, and Thailand.

According to Ms. Budlier, they would like to have the material LDX'ed to them on Thursday, 18 April. Would you please let us have the papers in the front office by o.o.b. Thursday the 18th. Thanks



25X1

Central Intelligence Agency

Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

17 April 1985

Taiwan: Looking Toward the Future

25X1

Summary

As Taiwan enters its fourth decade of Kuomintang (Nationalist Party-KMT) rule, it faces a series of domestic and foreign problems that have created an atmosphere of political frustration and uncertainty, among both the ruling mainland elite and native Taiwanese.

25X1

Domestic Concerns

President Chiang Ching-kuo, now 79 and in failing health, has been frustrated in his attempts to construct a viable plan for his succession and has failed in his efforts to establish a consensual government of senior, conservative party elders and younger, moderate mainlanders and Taiwanese. The incapacitation of Chiang's heir apparent, a moderate technocrat, in 1984 has led to a rise in influence of the conservative old guard, whose primary concern is maintaining the status quo. The conservative resurgence has increased the alienation of younger, more moderate politicians, both in the party and government who favor moderate political and economic reforms that will allow Taiwan to maintain its rapid economic growth while opening up the political arena to a broader spectrum of the population. As a result, factional infighting has increased, and heightened tensions among top party and government leaders have been reinforced by rumors that the President intends to reorganize the government later this spring.

25X1

This memorandum was prepared by [redacted] China Division, Office of East Asian Analysis. It was requested by Department of Treasury. Comments and questions are welcome and should be directed to Chief, Foreign Affairs Branch, OEA [redacted]

25X1

25X1

EA M 85-10078

25X1

The government has been rocked by a succession of political and economic controversies in the last year that have damaged its credibility. For example:

- Several coal mine disasters in the summer of 1984 led to calls in the Legislative Yuan for the resignation of the Premier and Minister of Interior.
- A series of sensational articles in the opposition press on the private lives of the Chiang family heightened tensions between the government and the predominantly Taiwanese opposition.
- The January 1985 disclosure that three members of Taiwan's Defense Intelligence Bureau were involved in the murder of Chinese-American writer Henry Liu seriously damaged the governments' "clean image."
- The forced resignation in February of the moderate head of the KMT called into question the President's intention to liberalize the party.
- The Tenth Cooperative Banking scandal that led to the arrest and conviction of a legislator and resignation of the Minister of Economic Affairs. [redacted]

25X1

Foreign Affairs

At the same time, there has been a hardening of Taiwan's foreign policy line, particularly with regard to its unofficial relationship with United States, and its membership in international organizations. This hardening is a result of Taiwan's growing sense of diplomatic isolation, fed by:

- Improvements in US-China relations.
- Increased Chinese efforts to undermine Taiwan's diplomatic ties in Latin America.
- The improvement in unofficial relations between China and Singapore and South Korea.
- The signing of the China-UK accord on Hong Kong's future. [redacted]

25X1

In addition, Taiwan's recent attempts to increase the "officiality" of its relationship with the United States probably is a result of Taipei's perception that the Reagan administration is sympathetic to its concerns and, with an intensive lobbying effort, might upgrade Taiwan's status in Washington. [redacted]

25X1

Looking Down the Road

Despite these problems we believe the short-term outlook for Taiwan is generally good. Taiwan's economy has continued to expand, and its population enjoys an extremely high standard of living. President Chiang's health, however, injects an element of uncertainty. If Chiang dies without a viable succession arranged, we believe that factional infighting between the hard-line old guard and the moderate younger generation will escalate. Although a post-Chiang government probably will hew to policies established by Chiang, a struggle for control of the policy-making apparatus could jeopardize the prospects for moderate reforms. The political opposition on the island is splintered, however, and we do not believe they pose any significant threat to the stability of the regime. [REDACTED]

25X1



Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

18 April 1985

South Korean Political Scene [redacted]

25X1

Leading up to his visit to the United States in late April, President Chun has sought to avoid confrontation with his newly assertive opposition.

- Moderates in the government and the ruling party have been assigned to pursue a dialogue with the opposition.
- Chun, meanwhile, has sought to foster a statesmanlike image, focusing on such matters as talks with the North Koreans.
- Nonetheless, he is increasingly isolated behind conservative advisers. [redacted]

25X1

The New Korea Democratic Party, associated with dissident leaders Kim Dae Jung and Kim Young Sam, has proven a powerful magnet, attracting a wide range of opposition figures.

- The government-manipulated opposition party has merged with the NKDP. The enlarged party can claim to speak for half the voters, although the ruling party retains its parliamentary majority. [redacted]

25X1

The parliamentary session of the National Assembly that will open next week will be a litmus test of prospects for political stability during the next few months.

- We do not expect the opposition to seek an early confrontation over its demands for direct presidential elections and other fundamental reforms.
- The government appears reluctant to compromise even on the opposition's minimum demands, however, risking an impasse that could spark a clash. [redacted]

25X1

This memorandum was prepared by [redacted] the Korea Branch, Office of East Asian Analysis.

25X1

EA M 85-10080

25X1

25X1

Campus protests have been less heated this semester than last fall, but this could change in coming weeks.

- Chun's visit -- coinciding with the 25th anniversary of the Student Revolution in 1960 -- will be an occasion for protests against US support for Chun.
- The greatest potential for unrest will occur around the 18-27 May anniversary of the Army's harsh suppression of anti-Chun rioters in Kwangju in 1980. [redacted]

25X1

If these protests involve major violence and, in particular, require use of the Army to control them, we would anticipate an intensification of the dissatisfaction that the military already has with Chun.

- The Army is concerned above all with maintaining an atmosphere of domestic stability without having to resort to ruthless suppression of demonstrators.
- If domestic stability deteriorates sharply, or appears on the verge of doing so, we would not rule out the possibility of the Army staging a coup against Chun. [redacted]

25X1

Central Intelligence Agency



Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

18 April 1985

South Korean Political Scene [redacted]

25X1

Leading up to his visit to the United States in late April, President Chun has sought to avoid confrontation with his newly assertive opposition.

- Moderates in the government and the ruling party have been assigned to pursue a dialogue with the opposition.
- Chun, meanwhile, has sought to foster a statesmanlike image, focusing on such matters as talks with the North Koreans.
- Nonetheless, he is increasingly isolated behind conservative advisers. [redacted]

25X1

The New Korea Democratic Party, associated with dissident leaders Kim Dae Jung and Kim Young Sam, has proven a powerful magnet, attracting a wide range of opposition figures.

- The government-manipulated opposition party has merged with the NKDP. The enlarged party can claim to speak for half the voters, although the ruling party retains its parliamentary majority. [redacted]

25X1

The parliamentary session of the National Assembly that will open next week will be a litmus test of prospects for political stability during the next few months.

- We do not expect the opposition to seek an early confrontation over its demands for direct presidential elections and other fundamental reforms.
- The government appears reluctant to compromise even on the opposition's minimum demands, however, risking an impasse that could spark a clash. [redacted]

25X1

This memorandum was prepared by [redacted] the Korea Branch, Office of East Asian Analysis.

25X1

EA M 85-10080

25X1

25X1

Campus protests have been less heated this semester than last fall, but this could change in coming weeks.

- Chun's visit -- coinciding with the 25th anniversary of the Student Revolution in 1960 -- will be an occasion for protests against US support for Chun.
- The greatest potential for unrest will occur around the 18-27 May anniversary of the Army's harsh suppression of anti-Chun rioters in Kwangju in 1980. [redacted]

25X1

If these protests involve major violence and, in particular, require use of the Army to control them, we would anticipate an intensification of the dissatisfaction that the military already has with Chun.

- The Army is concerned above all with maintaining an atmosphere of domestic stability without having to resort to ruthless suppression of demonstrators.
- If domestic stability deteriorates sharply, or appears on the verge of doing so, we would not rule out the possibility of the Army staging a coup against Chun. [redacted]

25X1

Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

18 April 1985

Thailand: The Current Political Scene [redacted]

25X1

Prime Minister Prem is enjoying his strongest political position since taking office in 1980. An appointed, nonpartisan prime minister, Prem has now been in office longer than any other Thai civilian head of government. A challenge by Army Commander Arthit has been blunted, and Prem retains the support of the palace, important senior Army officers, and his four-party ruling coalition.

25X6

[redacted] Prem and his coalition government appear likely to remain in office for at least one more year. [redacted]

25X1

The opening of Parliament later this month, however, will signal the beginning of a difficult political season for Prem that will carry through to late September, when promotions of senior military officers are published. Prem will be tested in four main areas:

- Economic policy. Austerity measures to back up last year's currency devaluation and to cut the budget deficit will offend labor groups, farmers, opposition politicians, and entrenched economic interests.
- Party politics. The opposition Thai Nation Party will try to use economic issues to bring down Prem's government and to widen latent rifts within the ruling parties of the coalition.
- Arthit. In recently extending Arthit's tenure as army chief, Prem solved the immediate problem of Arthit's scheduled retirement in September. Despite assurances that Arthit will stay out of politics, Prem will have to keep an eye on him.
- Military restiveness. Including the military in government-wide austerity measures will be a challenge; the Air Force's plan to buy US F-16s has already stirred controversy. [redacted]

25X1

This memorandum was prepared by [redacted] Southeast Asia Division, Office of East Asian Analysis. Comments and questions are welcome and should be addressed to Chief, Southeast Asia Division, OEA [redacted]

25X1

25X1

[redacted] 25X1

[redacted] 25X1

Prem will be helped in meeting these tests by moderate economic growth--forecast at 5 to 6 percent for this year--that will undercut some of the unpopularity of his economic policies, as well as by continuing disunity among opposition politicians. He will probably change some cabinet ministers to ease difficulties with coalition dissidents, but the dissidents--though troublesome--probably lack sufficient power to cause the coalition's collapse. In addition, Prem's increasing political confidence bodes well for his ability to surmount these obstacles and for his rivalry with Arthit. Although Arthit will probably try to capitalize on any slips by Prem, the Prime Minister's chances of continuing to outmaneuver him are good. [REDACTED]

25X1

25X1

Central Intelligence Agency

Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

18 April 1985

Malaysia: Recent Political Developments [redacted]

25X1

According to the US Embassy, Prime Minister Mahathir, in power since 1981, is gearing up for an early national election which he would like to call no later than April 1986, a year before he must dissolve Parliament and turn to the voters for a new five-year mandate. The timing of elections, however, will largely depend on the government's ability to limit any unfavorable political fallout generated by several recent issues. [redacted]

25X1

-- Crisis in the Malaysian Chinese Association (MCA), the number-two party in Mahathir's ruling coalition. The battle for control between two rival factions, now over a year old, has heated up again as the two-month-old compromise agreement has foundered, according to the US Embassy. Unless the MCA gets its act together, the coalition's image of racial unity will be further tarnished and support for the Chinese opposition party may grow. [redacted]

25X1

-- Financial scandal involving the government-owned Bank Bumiputra. Kuala Lumpur's slowness in investigating the affair has fueled speculation of a government coverup and damaged the political standing of the Mahathir administration, which was elected under a banner of clean government. The ongoing investigation of six bank officials accused of corruption could uncover further evidence unfavorable to the Mahathir administration. [redacted]

25X1
25X1

-- Stepped up challenge from the opposition Islamic party, Parti Islam Sa-Malaysia (PAS), which is the only serious competition for the Malay vote for Mahathir's United Malays National Organization Party. Over the past year, PAS has put the government on the defensive by criticizing its Islamic credentials. Kuala Lumpur is hampered from pushing harder on Islamization,

This memorandum was prepared by [redacted] Southeast Asia Division, Office of East Asian Analysis. Comments and questions are welcome and should be addressed to Chief, Southeast Asia Division, OEA [redacted]

25X1

25X1

25X1

25X1

however, by the need to retain political support of Malaysia's large non-Muslim community--the Chinese and Indians that together account for 45 percent of the population. [REDACTED]

25X1

-- Heightened communal tension. The Mahathir administration's image among the large ethnic Chinese community has been damaged by its mishandling of several issues, particularly Kuala Lumpur's plan--shelved earlier this year--to develop land where a Chinese cemetery is located. The Chinese are also concerned that the government may put more economic restrictions on them in an attempt to meet the targets of its pro-Malay economic program--embodied in the New Economic Policy--by the 1990 deadlines. [REDACTED]

25X1

Mahathir almost certainly will not call elections until the MCA's political wounds are healed. At the same time, he has several things on his side to carry him through this difficult period. The government can prevent any unfavorable disclosures regarding the Bank Bumiputra scandal from becoming public. Also, good economic growth, which is expected to continue at about 6 percent this year, will enable the government to deliver on its economic promises, undercutting the appeal of PAS and taking some of the sting out of communal tension. [REDACTED]

25X1

[REDACTED] 25X1

Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

18 April 1985

Indonesia: Recent Developments and Near-Term Outlook

25X1

Terrorist incidents since antigovernment rioting last September reflect growing political opposition to some regime policies, but pose no immediate threat to political stability. President Soeharto remains the unchallenged leader with the full support of the military and shows no sign of retiring when his term expires in 1988. His ruling circle is well equipped to cope with the current strains. He has created a powerful presidential rule with military officers loyal to him placed in strategic positions throughout the military and civilian bureaucracy.

Although the Constitution provides for Vice President Umar Wirahadikusumah to succeed should Soeharto depart the scene unexpectedly, there is thus far no clear successor. Soeharto's most powerful deputy, Armed Forces Commander Murdani, a Christian, is unlikely to succeed as president in this predominantly Muslim country. State Secretary Sudharmono dominates the civil bureaucracy, but has no independent power base. The senior military leadership will have the deciding vote in approving any successor, who will probably come from their ranks.

The recent rash of disturbances--bombings, fires, and bomb threats against such targets as Chinese-owned banks, department stores, a Christian church and seminary, and even the nation's most revered cultural monument, the ancient Buddhist temple at Borobudur--has increased tensions. The attacks reflect resentment of the regime's anti-Islamic stance as well as social discontent over economic hardship and inequities. Antigovernment

This memorandum was prepared by Islands Branch, Southeast Asia Division, Office of East Asian Analysis. Comments and questions are welcome and should be addressed to Chief Southeast Asia Division, OEA

25X1

25X1

25X1

25X1

25X1

CONFIDENTIAL

pamphleteering and speeches are also sharply critical of the elite's ties--particularly Soeharto's--to the Chinese business community. Several bombing incidents have clearly been symbolic attacks on the government, apparently by radical Muslim fringe groups.

Terrorist incidents are likely to recur in response to the regime's authoritarian approach to political opposition, particularly in the face of continued economic hardship and the wide income gap between the elite and the masses. A serious incident during the Bandung Conference on 24-25 April could damage Jakarta's international prestige.

The regime will continue its hardline approach to domestic disorder. Measures include the sharp crackdown by security forces against rioters and suspected terrorists and the recently-renewed campaign of extralegal killing of criminal suspects. The government shows no sign of easing its efforts to check political Islam by imposing the secular state ideology, Pancasila, on all religious and political groups.

Authorities have sought to allay the fears of moderate Muslim leaders that Jakarta contemplates a widespread crackdown against the Muslim community. Military officials are assuring Islamic leaders the government considers the terrorist incidents the work of small extremist groups.

Those among the intelligentsia, middle-class, and moderate Islamic mainstream opposed to government policies lack organization and leadership. The heads of the two ostensibly independent political parties are controlled by the government as is the hierarchy of the single national labor federation. Campus political activity is forbidden and students generally are apathetic. Authorities closely monitor the activities of known groups that might criticize the government.



25X1

Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

18 April 1985

The Philippines: Current Political Developments

25X1

President Marcos's health is showing marked improvement since his illness last winter. Several recent moves suggest that he now believes he is more capable of managing political events in Manila than at any time since his seclusion.

- Marcos vowed publicly last February to reinstate General Ver as Armed Forces Chief of Staff if he is acquitted of charges that he was involved in the assassination of Benigno Aquino--a likely prospect. This move almost certainly will entail substantial domestic and international political costs for Marcos.
- Marcos also fired independent-minded Foreign Minister Tolentino and publicly chastised outspoken Labor Minister Blas Ople last month, probably in an effort to tighten discipline in the ruling party and dampen speculation about an early presidential election.

Despite Marcos's renewed vigor, his long-term health prospects remain poor--a circumstance that has ensured continued succession maneuvering among ruling party and opposition politicians.

This memorandum was prepared by Islands Branch, Southeast Asia Division, Office of East Asian Analysis. Comments and questions are welcome and should be addressed to Chief, Southeast Asia Division, OEA

25X1

25X1

25X1

 25X1

 25X1

- Mrs. Marcos has been travelling extensively overseas and in-country to improve her leadership image and reportedly is trying to line up support among ruling party stalwarts for her candidacy.
- Defense Minister Enrile intends to challenge Mrs. Marcos for the nomination and is using his position to garner support for his candidacy within the military.
- Opposition leaders held a national conference last month to select a presidential candidate in case early elections are called but no nominee emerged. Recent rifts within the leadership of several major parties will now make it even more difficult for the opposition to reach a consensus.

Impressive political and military gains over the past two years by the Communist Party and its military wing, the New People's Army, underscore its growing influence nationwide. The Philippine government estimates that the insurgency has grown 23 percent annually since 1981 and now has approximately 16,000 full-time insurgents. The NPA is also demonstrating increasingly sophisticated military capabilities, including frequent company-size attacks and a well-organized urban warfare structure poised for future attacks in Manila.

Marcos apparently is still unwilling to make major reforms in the military--a prerequisite to substantial improvements in the military's performance.

the root causes of the insurgency go deeper than an ineffective and abusive military and will require a coordinated effort on the part of both civilian and military agencies to stem the growth of the NPA.

The impending return of Ver as Armed Forces Chief has also aggravated long-simmering discontent

This was underscored recently when alumni from the Philippine Military Academy carried placards calling for reforms during an address given by Marcos before this year's graduating class. The reform movement probably will gain momentum because Marcos is not likely to bow to reformist pressures from within or outside the military. Continued gains by the insurgents are also likely to foster discontent within the middle-level and junior officer ranks.