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The Political Instability Quarterly



November 1987

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*DI PIQ 87-004
November 1987*

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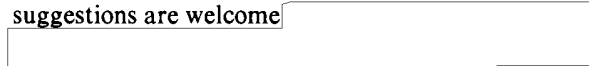
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The Political Instability Quarterly



November 1987

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The Political Instability Quarterly

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Preface

The main objective of this quarterly is to provide warning of significant instability in countries of importance to the United States by monitoring changes in key elements affecting stability.

Significant instability, in our definition, may include any one of a combination of the following—irregular regime change, coup d'etat, breakdown of order, major civil war, revolutionary upheaval, or major policy reorientation toward a radical anti-US stance.

A select group of 30 countries is covered regularly in the quarterly. The countries have been selected because they are key US friends or allies, located near strategic choke points, major oil producers or debtors, geographically close to the United States, or especially salient or influential in the Third World. Periodically we include countries that are not part of this group of 30, but which are nonetheless important to US interests.

The time frame: This issue of the quarterly is based on an analysis of issues and developments in the third quarter—for our purposes this is the August-September-October time frame—and it projects our concerns about the key elements affecting stability in the forthcoming fourth quarter—November-December-January—as well. In addition, we include our general levels of concern for significant instability over the medium and longer term for the select group of 30 countries.

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This issue of *The Political Instability Quarterly* includes

- Part 1: *Special essays* on selected countries in which there have been developments of particular interest. Each assessment ends with speculative, forward-looking, “Most Likely” and “Alternative” scenarios, and lists of indicators to be watched with reference to those scenarios.
- Part 2: *Brief assessments of the 30 selected countries*, including the prospects for instability in the basic set of countries, levels of concern regarding a list of 24 instability indicators, and country-specific tables tracing significant political and economic changes during the past two years.

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Current Assessment and Prospects

- Legend**
- Serious concern
 - ◐ Substantial concern
 - ◑ Moderate concern
 - Low concern
 - Negligible concern
 - ▲ Concern has increased since last quarter
 - ▼ Concern has decreased since last quarter

Countries of greatest concern shown in red type.
 (Red symbols) substantial serious concern about overall instability prospects

		Current Assessment						Prospects	
		Social change/conflict	Economic factors	Opposition activities	Military attitudes/activities	External factors	Regime activities/capabilities	6 mos.	6-24 mos.
Latin America	Argentina				◐	○	○		
	Brazil		◐			○			
	Chile	◐		●			◐		◐
	Colombia			◐			◐		
	El Salvador		●	●					◐
	Guatemala								
	Honduras	○			▲				
	Panama	◐	◐▲				▼	▼	◐
	Peru			◐	▼				
	Venezuela	○		○	○		○	○	○
Europe	Greece		▼		○	○	○	○	○
	Spain	○	○	○	○	○	○	○	○
	Turkey	○		▲	○				
	USSR								
Near East and South Asia	Israel	◐	◐			○			◐
	India		▲			▲	○		
	Iran		◐				▼		◐
	Iraq		◐	◐		●		◐	◐
	Morocco			○	○	○	○		
	Pakistan	▼		▼	○			▼	◐
Sudan	●	●▲	◐	◐		◐	◐	●	
Africa	Kenya				○	○	○		
	Nigeria	◐	◐	○	◐	○	◐	◐	●
	Somalia	○	▲	○					
	South Africa	◐		◐	○	◐		◐	●
	Zaire				○				
East Asia	Indonesia		▼	○	▼	○	▲	▲	▲
	Philippines			◐▲	◐▲		▲	●▲	◐▲
	South Korea	▼	▲	▼			▲	◐▼	◐

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**Summary:
Levels of Concern***Information available
as of 30 October 1987
was used in this report.*

The summary sheet on the facing page highlights the countries in which our concerns about political instability are the greatest.

In the aftermath of the nearly successful 28 August coup, political stability in the *Philippines* has grown increasingly precarious. President Aquino's recent efforts to reassert her leadership and stave off a coup have been well received by business elites, but opposition [redacted] will not be easily dissuaded from plotting against her. Rebel soldiers remain at large and are expected to launch another coup attempt soon. Meanwhile, Vice President Laurel is attempting to forge a coalition of supporters in an attempt to seize power, and the insurgents and the Marcos loyalists are escalating their destabilization activities.

Tensions in *Panama* have eased somewhat over the past quarter. The opposition's drive to oust General Noriega peaked in late July and is losing its momentum. Noriega—believing he has the upper hand—appears inclined to negotiate with the opposition providing his and the military's interests are not threatened. Although not willing to discuss the opposition's demand for Noriega's immediate removal, the government is willing to discuss demands for judicial and electoral reform. Angered by US Embassy contacts with regime opponents, Noriega is engaging in low-level harassment of US diplomats in Panama (see part 1 essay).

The lack of turmoil on college campuses this fall in *South Korea* has reduced the number of violent confrontations with authorities. Ruling party candidate Roh has benefited from the lower level of political unrest and from the opposition's inability to agree on a single candidate for the mid-December presidential election. Public perceptions of a tainted election outcome or of military intervention to block an opposition takeover, however, would greatly heighten the risk of major political instability.

The *Central American Peace Plan*, signed on 7 August, presents both opportunities and risks for the democracies in Costa Rica, El Salvador, Guatemala, and Honduras (see part 1 essay). Since the August signing, little progress has been made in creating mechanisms for implementing the plan and the region remains in a state of flux:

- In *El Salvador*, the guerrillas' agreement to sign the accord was a boost for President Duarte, but he remains vulnerable to military pressures and continuing economic deterioration.

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[Redacted]

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- Military restiveness over recent government talks with *Guatemala's* insurgents sparked low-level coup plotting in October. To help allay military suspicions, President Cerezo has said he will not initiate a formal dialogue with the insurgents.
- *Honduran* President Azcona's political support is likely to erode substantially if Tegucigalpa is forced to resettle anti-Sandinista combatants in Honduras. Military infighting is expected to increase as command reassignments—scheduled to take place in December—near.

Concerns about security in *Saudi Arabia* have heightened following the Iranian-sponsored violence in Mecca and the storming of the Saudi Embassy in Tehran. We believe Iranian terrorism against Saudi targets is likely to increase, but the Saudi Government remains strong and cohesive. In *Pakistan*, terrorist bombings [Redacted] continue to have a corrosive effect on public confidence in Islamabad's ability to provide basic security. President Zia has responded by enacting a series of ad hoc measures, but we believe his actions are more cosmetic than curative.

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Part 1. Countries of Special Interest

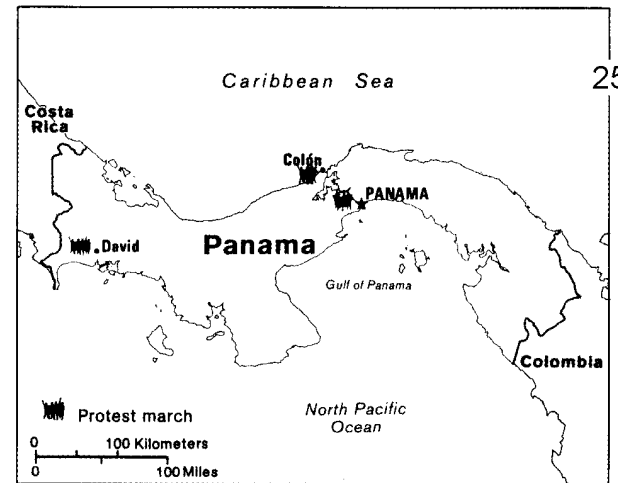
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Panama: The Regime Faces Its Greatest Challenge

- Allegations made in June by ousted Chief of Staff Diaz that Panamanian strongman General Noriega and other members of the military have been involved in corruption, political murder, and electoral fraud provoked four months of antigovernment demonstrations calling for Noriega's removal.
- Opposition activities peaked in late July with a successful 48-hour nationwide general strike. However, the opposition—spearheaded by the business and civic-based National Civil Crusade—has failed to capitalize on the momentum and develop other tactics to bring more pressure on Noriega to resign.
- The massive amount of capital flight sparked by the ongoing political unrest has slowed considerably, substantially reducing the risk of a collapse of the country's important banking sector.
- Noriega has been encouraged by the Crusade's loss of momentum, the solid backing of the military and the ruling coalition, and recent gestures of support from governments such as Mexico and Nicaragua. Meanwhile, proregime organized labor—hoping to capitalize on Noriega's weakened position—continues to agitate for concessions on wages, job security, and collective bargaining.
- Angered by US Congressional action and US Embassy contacts with the opposition, and hoping to stir nationalist concern over the US commitment to adhere to the 1977 Panama Canal treaties, Noriega has increased harassment of US diplomatic and military personnel in Panama.

Opposition to Noriega

The success of the newly formed Civil Crusade—representing over 100 business, professional, and civic groups—in galvanizing a broad-based opposition demanding defense chief Noriega's removal and the



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military's disengagement from politics poses the most serious threat to the Panamanian Government since 1968. Crusade spokesmen characterize their movement as morally based, without a political organization or designated leadership, but US Embassy reporting indicates two prominent private-sector groups—the Chamber of Commerce and the National Council of Private Enterprise—have emerged as the Crusade's de facto leadership. By organizing four business shutdowns, protest marches, and demonstrations of civil disobedience—involving “pot banging” and car caravans—the Crusade has exposed widespread antiregime sentiment in the urban centers of Panama City, Colon, and David. Crusade momentum peaked during a dramatically successful 48-hour work stoppage in late July that garnered 85-percent compliance from the private sector, virtually shutting down the entire country.

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Crusade activities placed the regime on the defensive for most of the summer, but the movement's inability to develop additional tactics to sustain or escalate the pressure on Noriega has stymied its efforts. Moreover, the Crusade's decentralized organization, while making it an elusive target for retaliation, is impeding

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"All those who support me raise your hands!" [redacted]

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effective coordination of its antiregime activities. Since the general strike in July, the Crusade has been unable to use its potential economic clout effectively against the regime. US Embassy reporting indicates that increasing numbers of Crusade members now are reluctant to suffer the economic consequences of tactics meant to bring about Noriega's ouster. Moreover, the regime has forced many of its key leaders into exile, and the Crusade seems unwilling to adopt a more confrontational approach. [redacted]

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The Strongman's Support Remains Solid
Panama's 19-man General Staff—and by extension the entire officer corps—is the only group capable of ousting Noriega, and it appears to be solidly behind him, [redacted] Noriega has retained support of the military because his allies occupy key staff positions, the officer corps is loyal, and the institution itself has united against external

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attacks. The forced retirement of Chief of Staff Diaz eliminated Noriega's principal rival in the military, thereby consolidating his power base even though his political position has eroded. Noriega also has extensive support among middle-level officers; some of his most ardent followers are majors who have vied to display their personal loyalty and who command nearly all of Panama's 12 military zones, [redacted]

[redacted] junior officers—captains and below—appear less committed to Noriega personally but are loyal to him because of his position as commander. [redacted]

Despite some wavering of support for Noriega within the ruling civilian political coalition, no party is likely to desert him unless the situation deteriorates sharply or he loses his backing within the military. Most members of the coalition are willing to remain allied with the military to continue sharing in the spoils of power. Others, especially President Delvalle and Vice President Esquivel, would like to see Noriega depart and the military withdraw from politics but are unwilling to challenge him as long as he has the upper hand. [redacted]

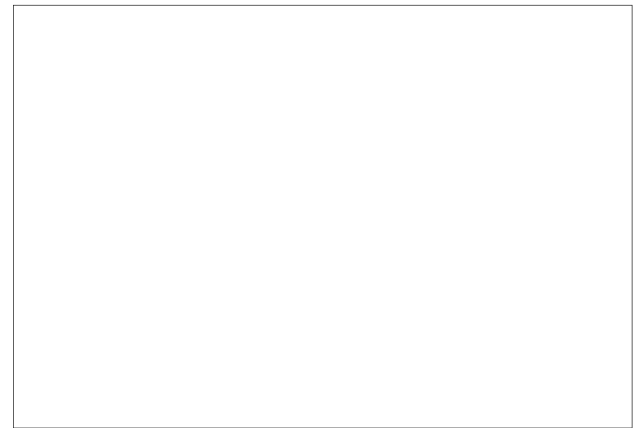
Although Noriega's support within the military and the ruling coalition remains firm, other traditional supporters of the regime are ready to exploit his weakened position. Even before the crisis, organized public and private workers had been alienated by government efforts at labor reform and fiscal austerity. Recent labor strikes and marches indicate worker agitation is likely to increase as the economic downturn worsens. The government faces a dilemma in attempting to placate worker demands and head off further unrest with increased benefits, while at the same time reducing public spending. [redacted]

Prospects for Dialogue

Believing he has the upper hand, Noriega appears inclined to engage the opposition in dialogue, provided his and the military's interests are not threatened. Although not willing to discuss the opposition's demand for Noriega's immediate removal, the government is willing to address opposition demands for electoral and judicial reforms. The defense chief probably calculates that concessions on these issues would at least smooth relations with the United

Noriega and Delvalle: An Uneasy Alliance

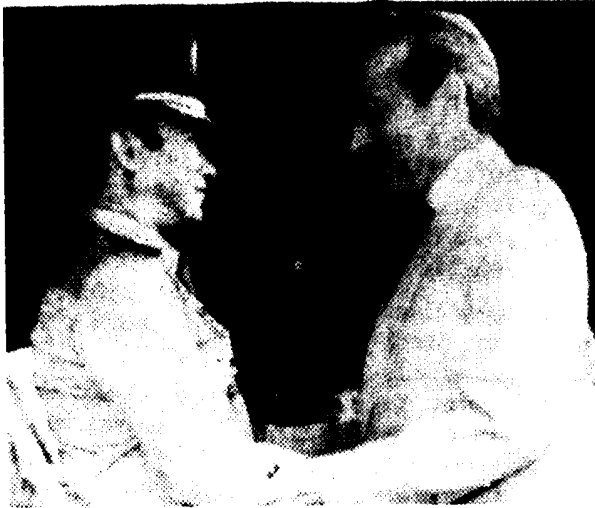
Although Delvalle holds the office of president, Noriega has been the de facto ruler of Panama since August 1983, and the current political crisis is straining their already difficult relationship, according to US Embassy reporting. President Delvalle is frustrated by his loss of credibility and his inability to end the current political crisis. This, coupled with his estrangement from former business colleagues—most of whom sympathize with the National Civic Crusade—has apparently made Delvalle more receptive to the idea of resignation. Nonetheless, we believe Delvalle remains willing to stay in office to continue to share in the spoils of ruling. [redacted]



[redacted] States—which he believes is siding with the Civil Crusade—and help to stabilize the business climate, if not undercut the opposition movement altogether. [redacted]

Although the mainstream of the Crusade—as well as most of the opposition parties—probably will continue to reject dialogue as an option as long as Noriega remains in power, some elements of the movement may be willing to reach an accommodation with the regime if prospects for the opposition do not improve. Many bankers and businessmen linked to the Crusade would be willing to negotiate with Noriega only if he agreed to retire in 1989 and guaranteed free and fair elections. [redacted]

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General Noriega and President Delvalle

Regime Vulnerabilities

The recent unrest in Panama has precipitated an economic downturn that has the potential to be Noriega's most serious vulnerability. Over \$1.5 billion in capital flight from Panamanian and international banks has occurred in the last four months, according to the US Embassy, and domestic banks are experiencing a liquidity crunch that has forced them to suspend lending to key sectors of the economy, thereby depressing investment and increasing unemployment. Moreover, the regime is faced with a large budget deficit that could force it to slash spending and public employment. The US Embassy estimates that real GDP could fall by 3 percent this year.

Although capital flight has almost stopped in recent weeks and depositors have begun to return some of the funds they had withdrawn, the financial sector remains vulnerable to increased political turmoil. A prolonged recession and higher unemployment could fuel a new wave of popular unrest and encourage the opposition to renew its challenge to the government. In such an event, nervous depositors probably would again withdraw their funds, and international banks would consider terminating their local operations.

The pullout of some major international banks would not cripple the economy, but it would be a psychological blow to the regime and it would complicate

financial difficulties. Cutbacks in the banking sector would directly affect the economy primarily by increasing unemployment; the sector provides 9,000 local jobs and accounts for 7 percent of GDP. Although the regime could withstand a major drawdown in banking operations, such an action would give the opposition movement additional leverage and probably reduce Panama's chances for attracting new foreign loans and investment.

Panama's vulnerability to US pressure is limited because the Panama Canal treaties removed Washington's largest bargaining chip. Despite his perception of US opposition sympathies, Noriega probably is hesitant to move beyond the current low level of US harassment, but a renewal of opposition momentum would probably lead to greater restrictions on US facilities and diplomats stationed in Panama. While Panama derives economic benefits from the presence of over 30,000 Americans—including 10,000 military personnel—totaling as much as \$500 million per year, the regime probably calculates the United States is not likely to significantly reduce its personnel because of the importance of US interests there. In any event, we believe the regime probably is willing to absorb the costs of a phased US drawdown if necessary. Although Noriega recognizes the valuable role the United States can play in modernizing the Panamanian military, the regime has purchased equipment from other countries and probably would expand those links if US assistance were cut off.

Key Indicators To Watch

Most Likely Scenario: The opposition maintains pressure on Noriega but is unable to force his removal before the 1989 election. Noriega continues to rely on President Delvalle to maintain the regime's civilian facade, although strains persist in their relationship:

- The government attempts to shore up support among its traditional low-income supporters with additional public works projects, while compensating with austerity measures elsewhere.
- The regime sustains pressure on the opposition, harassing Crusade activists, employing progovernment thugs to disrupt opposition rallies, and continuing press censorship.

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- Capital flight does not accelerate and more capital returns as the regime increasingly regains control.
- US diplomats and military personnel continue to be harassed in an effort to disrupt contacts with the opposition and to demonstrate the regime's willingness to raise the stakes in relations with the United States.
- In an effort to undercut domestic and international criticism, the regime implements reforms of the electoral tribunal and the judicial system, lowers the military's profile, and selects a moderate, mainstream presidential candidate.
- Clashes between the military and opposition protesters increase, intensifying opposition momentum.
- President Delvalle and Vice President Esquivel resign to distance themselves from military repression or are forced out by the military.
- Capital flight escalates, forcing local banks and businesses to close and international banks to withdraw from Panama.
- Increasingly under fire at home and abroad, and facing potentially uncontrollable unrest and a precipitous economic downturn, the General Staff **25X1** forces Noriega to step down to remove the focus of public wrath.
- To protect their interests, the General Staff selects a successor who will maintain the current power structure. **25X1**
- The regime overreacts to continued and increasingly larger Crusade activities with repressive measures leading to injuries and deaths.

Alternative Scenario: The declining economy fuels unemployment and worker unrest, increasing the strength and militancy of the opposition. Noriega's power base splinters as key supporters distance themselves from the regime:

Brazil: Sarney's Eroding Authority

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- President Sarney continues to be highly unpopular with the public, according to opinion polls, and the withdrawal of the Liberal Front Party from the ruling coalition in September has further weakened his position.
- Sarney's political weakness is undermining his ability to moderate the Constituent Assembly, which is now drafting a new constitution, and a vocal leftist minority is gaining ground in its push to diminish Sarney's term and legal powers.
- The Armed Forces High Command, although unhappy with Sarney's indecisiveness, has decided to openly back the President, but it has put the Assembly on notice that there are limits to its support for a democratic government in which leftists attempt to curtail military prerogatives.
- Sarney's economic program—the Bresser Plan—has failed to break inflationary expectations or halt growing unemployment and falling real wages and has fostered spontaneous protests in recent months.



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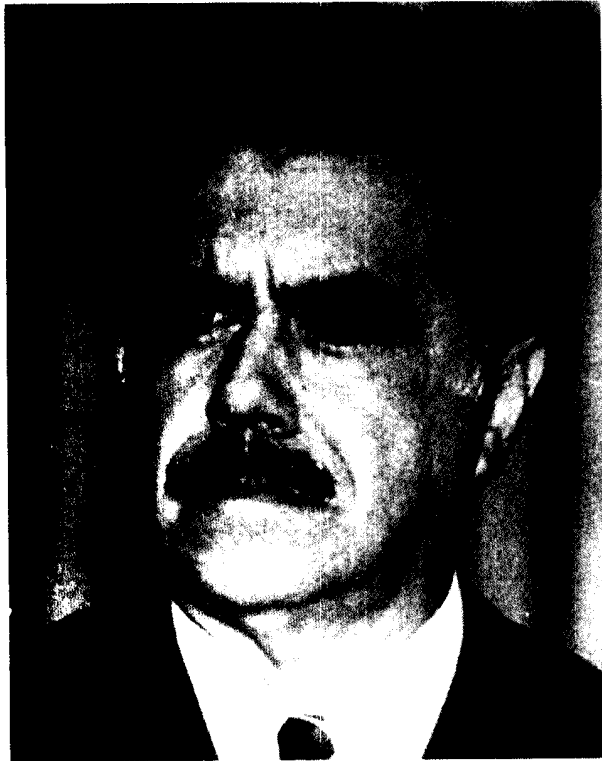
Backdrop to Sarney's Political Problems

President Sarney probably will continue as president through the end of his term, but his authority—already badly hurt as a result of his failed economic policies—will probably erode even further during the remainder of his term. With the Assembly in the throes of drafting a new constitution, the Brazilian Democratic Movement Party (PMDB), the senior partner in the governing coalition, has spearheaded debates in recent months over the length of the presidential term in an effort to undercut Sarney's authority and increase his political dependence on the party. Sentiment among deputies is to scrap the strong presidency inherited from the former military regime and institute a mixed presidential-parliamentary system placing power firmly in the hands of the majority party—leaving Sarney as little more than a figurehead.

Public opinion polls throughout the year have shown that a clear majority of the electorate wants to end Sarney's term next year with a direct presidential election—a climate that has emboldened the President's adversaries. The controversy has split the small centrist faction of the PMDB away from the mainstream of the party. It has also encouraged longtime presidential hopeful Leonel Brizola, a populist and harsh critic of Sarney, to announce his candidacy and to join with other leftist leaders to push for an early election.

In June, Sarney tried—and failed—to regain the political initiative when he voluntarily offered to reduce his term from six to five years and launched the Bresser Plan, pledging to curb federal spending and control spiraling prices. Those leaders of the PMDB anxious to shorten Sarney's term were narrowly defeated in their attempt to force a party decision on the matter in July, according to the US

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Brazilian President Jose Sarney [redacted]

Embassy. Nonetheless, by mid-September, the Assembly's latest draft of the constitution offered the President a six-year term but under a parliamentary system—a solution that pleased no one, least of all Sarney. [redacted]

September Cabinet Crisis—An Opportunity Lost

In September, the Liberal Front Party (PFL) broke with the PMDB, providing Sarney an opening to reshape his political support, but his attempts backfired. When it appeared that efforts by Sarney and the PFL to block the imposition of a parliamentary system in the Assembly had failed, the PFL announced its withdrawal from the alliance but continued to support the President—a bid to gain posts in any cabinet shuffle. Sarney then embarked on talks intended to garner backing from the Liberal Front and the smaller, conservative opposition parties in an effort to outflank the PMDB. Sarney counted on the

minority parties to back him in the Assembly, hoping that a new centrist-conservative coalition could defeat the PMDB-backed constitutional initiatives, but the numbers were never there. [redacted]

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In the end, Sarney's failed gambit probably will ensure that the Assembly will approve a parliamentary system of government. Moreover, President of the PMDB and the Assembly Ulysses Guimaraes—Sarney's nemesis—is almost certain to play a major role in the new government whether he becomes prime minister or not. The disarray resulting from the September Cabinet crisis will almost certainly make it more difficult to arrive at a consensus in the Assembly and will probably delay completion of the new constitution until early next year. [redacted]

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No Confidence in the Economy

Lack of public confidence in the President's handling of the domestic economy has fostered spontaneous protests in recent months that seriously undercut his credibility. Press reports indicate that Sarney has been unable to overcome massive public skepticism toward his plans to combat inflation, despite imposition of the Bresser Plan in June. Transportation price hikes in July caused riots in Rio de Janeiro and outbursts and wildcat strikes in other cities. Militant labor leaders joined with the left in organizing demonstrations around the country in favor of an early presidential election in June and July. [redacted]

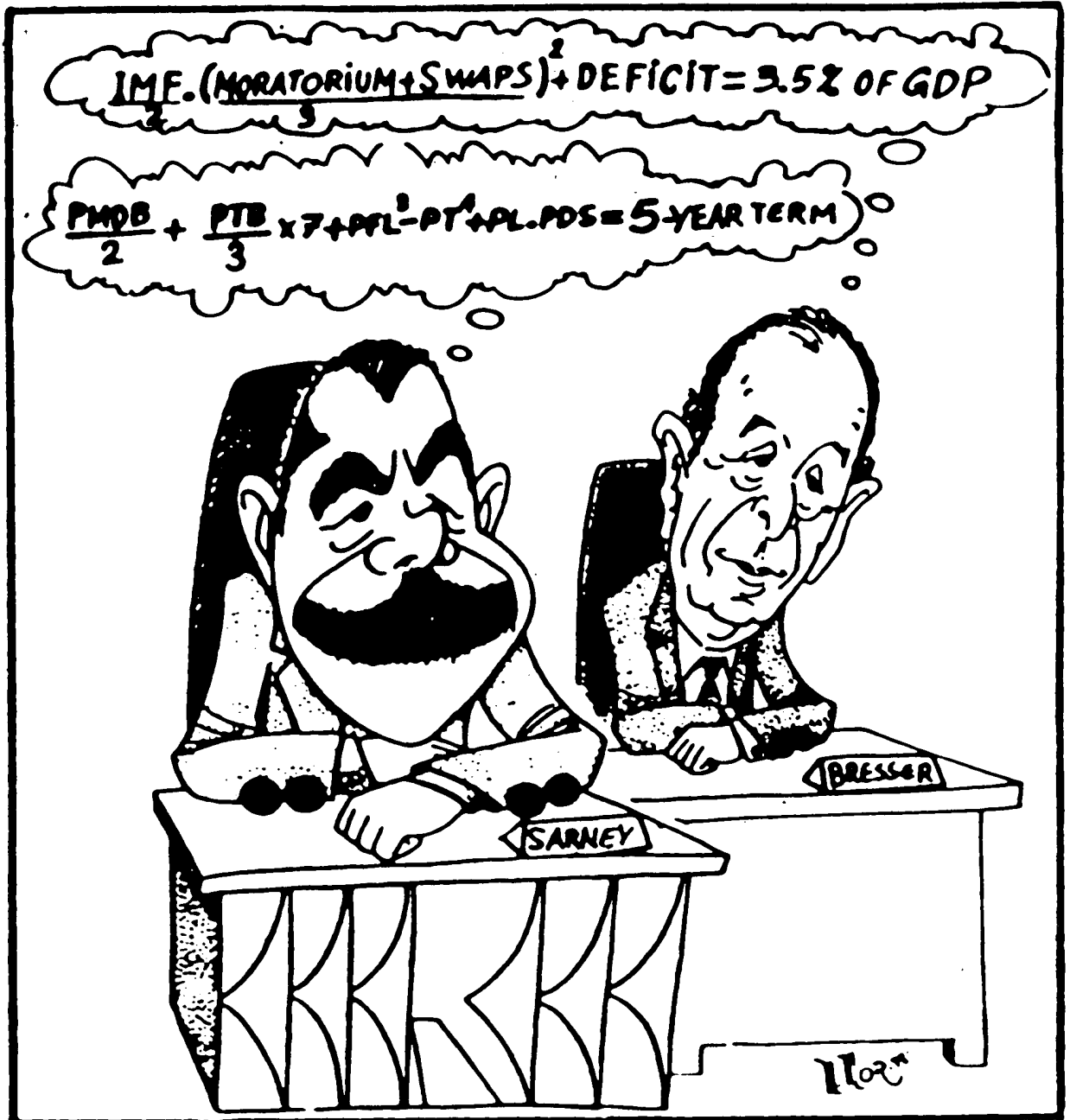
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By August, however, rising unemployment, particularly in industrial Sao Paulo, and the fear of joblessness had dampened worker enthusiasm for striking. As a result, the general strike of 20 August failed, embarrassing militant labor leaders. Sarney's inability to get a grip on either inflation or the ballooning federal deficit is also hampering talks with creditors on debt rescheduling. Moreover, his consistent hard-line stance on the foreign debt—with heavy backing from PMDB stalwarts for the moratorium on payments imposed in February—and uncertainty over the constitution's final form have discouraged foreign investment and persuaded Brazilian industrialists to shelve their 1987 investment plans, according to press accounts. [redacted]

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President Sarney and Finance Minister Bresser: Separate Calculations.

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Ulysses Guimarães, PMDB and Constituent Assembly President [redacted]

Where the Military Stands

As the economy unraveled in early 1987 and Sarney failed to arrest increasing inflation and labor strife, the military high command became alarmed over the paralysis that gripped Brasilia and over plummeting public confidence [redacted]. Despite the generals' continued vexation with Sarney's vacillation and poor political skills, there is no clear legal alternative, and the specter of a Brizola run for the presidency frightened many generals who recall Brizola's flirtation with the radical left in the early 1960s. We believe the military itself has little inclination to return to power. [redacted]

The military has openly confronted the Constituent Assembly over challenges to its institutional prerogatives, serving notice that its tolerance of leftist-inspired legislation is limited. Some generals and middle-level officers are concerned that the Constituent

Assembly is overly influenced by the leftwing minority and that the constitutional process is becoming unmanageable. In recent months, the High Command has spoken out against constitutional provisions that would circumscribe the military's traditional role as political arbiter, as well as a planned amnesty for cashiered leftist officers. Despite intense lobbying by the military ministers, diluted versions of both measures remain in the latest constitutional draft, and we believe leftists in the Assembly will hunt for opportunities to toughen the antimilitary measures in the remaining months of debate. [redacted]

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Unrest in the enlisted and officer ranks is increasing because of poor military pay and Sarney's lackluster leadership, according to Embassy and press reporting. Moreover, numerous reports of coup plotting by various hardline officers have surfaced this year, according to the Embassy. Although a coup does not appear imminent, strains in the ranks are growing. The military leadership's ability to cut an acceptable deal on pay, amnesty, and the services' political role will be critical to easing hardline pressures for action. [redacted]

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Key Indicators To Watch

Most Likely Scenario: President Sarney finishes his term as a lameduck; the PMDB takes control of the executive branch under a new parliamentary system and is held accountable by the voters for the continuing slide in Brazil's economy:

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- The Constituent Assembly completes the new constitution in early 1988, and the transition to a new mixed presidential-parliamentary system begins in midyear; in the interim, Sarney is a caretaker president.
- The economy continues to worsen during the transition as Sarney's weak political position prevents him from breaking with the PMDB's strongly populist, inflationary policies.
- With the PMDB in the saddle, the party is held responsible for growing unemployment and the inability to control inflation, and suffers a setback during the mayoral elections in November 1988.

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- Taking advantage of the PMDB's setback, the PFL coalesces with the smaller, conservative opposition parties to mount a strong challenge in the 1989 presidential election.

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Alternative Scenario: The gulf between the major parties caused by the dissolution of the governing coalition in September worsens, making it impossible to arrive at a consensus in the Assembly on the new constitution; the Assembly's work is temporarily shelved, but Sarney's ineffectiveness revives popular pressures for a presidential election in 1988:

- Under pressure from the armed forces to end the rancorous political squabbling, the Constituent Assembly recesses in early 1988—leaving the current presidential system intact; Sarney governs, dependent on military support.
- Sarney continues to lurch from one economic shock program to another to control raging inflation, but growing labor unrest and dissatisfaction with unemployment leads to pressure to replace Sarney.
- The Assembly, in its last act, votes to hold a direct presidential election in November 1988 to release the building pressures and obtain a leader with popular support.

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**Central America:
Implications of the Peace
Plan for the Stability of
the Democracies in the
Short Term**

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- The peace agreement signed by the Central American Presidents on 7 August requires the four democracies—Costa Rica, El Salvador, Guatemala, and Honduras—to end support to the anti-Sandinista insurgents in exchange for Nicaraguan commitments to domestic reform.
- The terms of the peace accord favor the interests of the Salvadoran, Guatemalan, and Nicaraguan Governments more than the insurgents. The guerrillas are required to lay down their arms, accept amnesty, and rejoin the political system, although the governments are not obligated to adopt any socio-economic changes.
- Both El Salvador and Guatemala initiated direct talks with their Marxist guerrillas in early October, but the Sandinistas have adamantly refused to negotiate directly with the insurgents.
- The Sandinistas have appointed their leading critic—Cardinal Obando—to head the National Reconciliation Commission, selectively relaxed controls on political activities, and declared unilateral cease-fires in an effort to demonstrate a willingness to comply with the agreement.
- Since August, the Central Americans have made little progress in creating mechanisms for implementation of the plan, and few of the ambiguities of the agreement have been clarified. No agreement has been concluded on security issues such as arms control, foreign military advisers, and military maneuvers.



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complete breakdown in talks with the guerrillas probably would leave the governments no worse off and could be exploited by San Salvador and Guatemala City to further damage the guerrillas' international legitimacy. On the other hand, if the insurgents manipulate the process with a partial or only temporary acceptance of the plan—using the time to resupply and regroup—the security position of both governments would be worsened and pressures from the 25X1 armed forces to loosen restraints on military operations would increase. Neither Honduras nor Costa Rica face insurgencies, but both are affected by the spillover effects of the war in Nicaragua, including cross-border attacks and refugee flows.

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Regional Impact of the Accord

The new peace plan presents both opportunities and risks for the Central American democracies. Full acceptance of the agreement by the guerrillas would help the governments by ending the insurgencies in El Salvador and Guatemala and transferring competition for power to the political arena. Likewise, a



The five Central American Presidents following the 7 August signing of the peace plan: Ortega of Nicaragua, Azcona of Honduras, Cerezo of Guatemala, Arias of Costa Rica, and Duarte of El Salvador. [redacted]

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The long-term stability of the democracies will be affected not only by their own domestic conflicts but also by the extent to which Nicaragua adopts lasting democratic reforms. If Managua accepts only temporary or superficial political changes while the insurgency withers, the democracies, in our judgment, probably would face the threat of renewed Sandinista-aided subversion. None would be confident the international community could adequately monitor Sandinista support for regional radicals or would impose sanctions against Nicaragua. [redacted]

El Salvador: Some Military Jitters

El Salvador's President Duarte appears to have gained a leg up on the insurgents in the talks on 4-5 October in San Salvador—the first since 1984—when he achieved his main objective of gaining guerrilla acceptance of the principles of the regional accord.

His improved political position, however, comes amidst signs of strains in his relations with the military. [redacted]

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Although the High Command continues to back Duarte, Embassy and [redacted] believe the guerrillas are trying to exploit the peace process with the aim of gaining time to rest, resupply, and engage in political activities. The armed forces oppose concessions such as liberated zones, restrictions on military patrolling during a cease-fire, and power sharing, and Duarte has repeatedly attempted to reassure them that he accepts their position. He almost certainly will face intense military pressure to maintain a hard line in negotiations, even if the guerrillas unexpectedly moderated their demands. [redacted]

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As long as Nicaragua pursues the peace process, the Salvadoran rebels face the prospect of shrinking material, training, and communications support. Although international verification procedures are unlikely to be airtight, we believe the Sandinistas probably will be inclined at least initially to minimize assistance to avoid jeopardizing their main objective of ending US aid to the Nicaraguan insurgents. Although the Salvadoran rebels are far less dependent on external support than the Nicaraguan insurgents, a reduction in Sandinista support—together with possible international patrolling of the disputed border area with Honduras—would limit their ability to keep fighting at significant levels. In the event of a regional arms control agreement, the Salvadoran military might have to give up its US advisers but would face few other constraints. [redacted]

Guatemala: Serious Military Concerns

Guatemala faces a much less severe guerrilla threat than El Salvador, but military concerns about the implications of the peace accord are much greater. [redacted]

[redacted] oppose direct government-guerrilla talks, believing they would give legitimacy to a shrinking insurgency already on the ropes. The Guatemalan rebel forces have declined over the last five years from some 3,000 to 1,500 men—about a fourth of the number of guerrilla combatants in El Salvador—and do not threaten areas of significant economic importance. In response to Army pressure, President Cerezo has adopted a harder line toward negotiations than has Duarte. [redacted]

The performance of Cerezo's government in talks with the insurgents in Madrid—the first ever—was marred by contradictory statements and a failure to fully coordinate with the military. Moreover, the insurgents outmaneuvered the government by publicizing talks Cerezo had wanted to keep secret and by falsely announcing that both sides had agreed to a cease-fire. The talks quickly came to an impasse as the guerrillas proposed negotiations on broad problems—including economic policy, foreign policy, and land reform—and demanded the formation of liberated zones. [redacted]

[redacted] urged the President to end the dialogue and

Major Provisions of Central American Peace Plan

Cease-Fire: *Must be consistent with each country's "constitutional framework." No provision for direct talks with rebels. Takes place within 90 days.*

External Aid to Insurgents: *Governments request cutoff of aid to rebel forces and pledge to prevent rebel use of their territory. Only aid for repatriation or relocation permitted.*

Amnesty: *Governments implement amnesty programs. Rebels must release prisoners.* 25X1

Democratization: *Governments end state of seige or state of emergency, implement "broad, democratic, and pluralist" reforms, while choosing own economic and political system without foreign interference. Opposition permitted unrestricted access to mass media without prior censorship, right to organize and hold public demonstrations.*

Free Elections: *In accordance with each country's Constitution, governments hold free elections "once the conditions that characterize a democracy have been established." Hold Central American parliament elections by July 1988, with municipal, legislative, and presidential elections later.* 25X1

Arms Control: *Security and verification agreements to be negotiated with Contadora mediation.* 25X1

National Reconciliation Commission: *Governments facing insurgencies form four-member commissions to verify compliance with the accord. Government chooses one representative from government, one "notable" citizen, one of three persons nominated by the Catholic Church, and one of three persons nominated by legal opposition parties.*

International Verification: *Commission consisting of OAS and UN Secretaries General and Foreign Ministers of Central American, Contadora, and Support Group countries report on progress of accord implementation. No sanctions for violations of agreement.* 25X1

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informed him of coup rumblings. The Army's adverse reaction to the Madrid meeting is likely to cause Cerezo to proceed slowly in the future. [redacted]

Guatemala probably stands to make fewer gains than El Salvador as a result of the peace agreement's prohibition on external aid to the guerrillas. [redacted]

[redacted] The rebels are much more dependent on Mexico as a sanctuary and arms infiltration corridor, and Cerezo appears to be wary of attempting to pressure Mexico City to accept border observers. [redacted]

**Honduras and Costa Rica:
Spillover Effects on Stability**

The success or failure of the peace plan will have a greater impact on the future stability of Honduras than Costa Rica because most Nicaraguan insurgents rely on base camps in Honduras. Honduras's most immediate dilemma is whether to insist that Managua negotiate with the anti-Sandinistas before Tegucigalpa agrees to close their logistic bases on Honduran territory. Overall, the most significant threat to Honduran stability is the potential return to Honduras of thousands of anti-Sandinista rebels who refuse to accept Nicaragua's amnesty but find themselves unable to carry on the fight without continued US aid. The Hondurans fear—correctly, we believe—that some rebels would turn to banditry. [redacted]

Costa Rica has had a democratic government and no army for almost 40 years, and its stability will be the least affected by the peace agreement. President Arias's push for the peace agreement largely was motivated by a desire to improve relations with Managua and stem the flow of refugees. His clampdown on anti-Sandinista activities since coming to office in mid-1986 already has reduced tensions with Managua and serious border violations. Many of the estimated 100,000 undocumented Nicaraguan exiles in Costa Rica probably will remain even if Managua liberalizes its domestic policies. [redacted]

Both Tegucigalpa and San Jose have announced their intention to form National Reconciliation Commissions, even though neither faces an insurgency. San Jose's announcement is aimed at ensuring that the

Schedule for the Central American Peace Agreement

Signature (7 August 1987)

- Governments appeal to regional states with insurgencies to reach agreement ending hostilities.

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15 days (22 August 1987)

- Central American Foreign Ministers meet in San Salvador as Executive Committee to regulate compliance and organize working committees.

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20 days (27 August 1987)

- National Reconciliation Committees formed.

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90 days (7 November 1987)^a

- Cease-fires take place.
- Governments prevent use of their territories by neighboring insurgents and request cutoff of external aid to rebels.
- Governments grant amnesty; rebels release prisoners.
- Democratization provisions take effect, including political freedom, and ending of state-of-siege restrictions.

120 days (7 December 1987)^a

- International Verification and Follow-Up Commission analyzes progress made in fulfillment of agreement.

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150 days (7 January 1988)^a

- Central American Presidents meet to discuss the report of the Verification Commission.

By First Semester 1988 (30 June 1988)^a

- Simultaneous elections for the Central American parliament, with international observation.

No Time Periods Given

- Arms control talks begin with Contadora mediation.
- Time frame for duration of the agreement.

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^a Approximate dates.

[redacted]

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Sandinistas do not have any excuses for noncompliance, and the body will have virtually no implications for domestic politics, in our view. Tegucigalpa reluctantly reversed its earlier opposition to establishing a Commission when the other democracies failed to support its position. The government fears Honduran leftists will attempt to use the Commission to reopen investigations of human rights abuses committed by the previous administration, and it intends to limit the body's mandate. [redacted]

**Key Indicators To Watch
Over the Next Few Months**

Most Likely Scenario: The democracies manage to contain short-term threats to stability arising from military concerns about negotiating with the guerrillas. The Salvadoran and Guatemalan guerrillas are unwilling to give up armed struggle without major concessions, and the governments refuse to allow the rebels to drag out the talks:

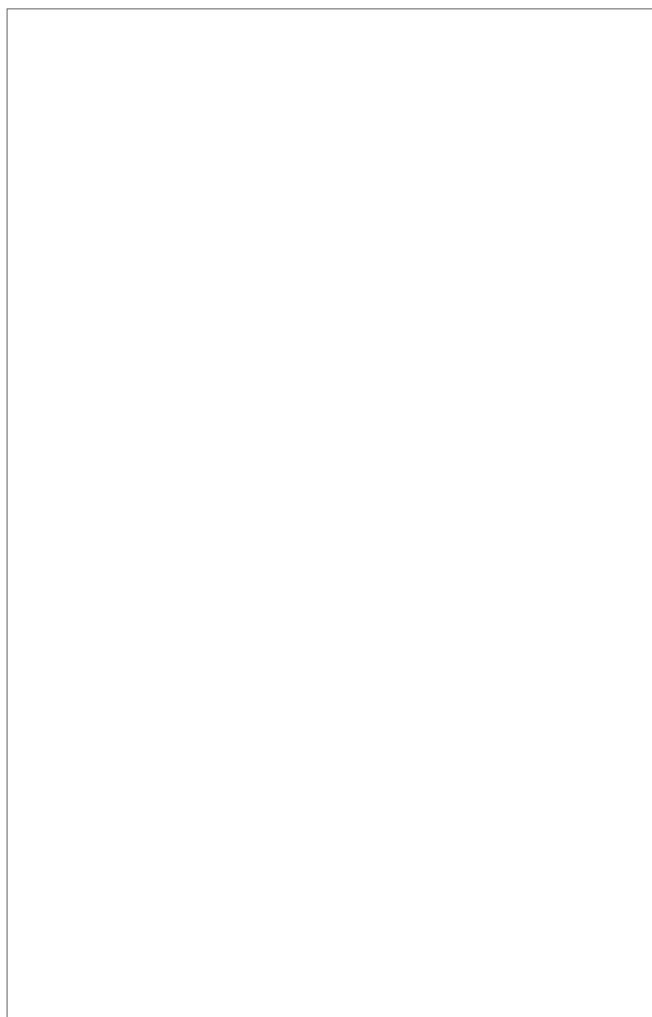
- In El Salvador, Duarte adheres to a tough line on cease-fire talks. He refuses to be drawn into partial solutions, such as the guerrillas' earlier plan to "humanize the war" through restrictions on military operations.
- In Guatemala, the government continues to insist the guerrillas use the National Reconciliation Commission as a vehicle for talks. Cerezo comes under less international pressure to make concessions than Duarte does.
- Honduras sharply reduces its support for the anti-Sandinistas and allows international inspection of its territory. Tegucigalpa is able to handle renegade anti-Sandinista insurgents who have abandoned the fight with only isolated conflicts.
- The Central Americans continue to negotiate security issues within the context of the peace accord. [redacted]

Alternative Scenario: The guerrillas offer sufficient indications of flexibility to persuade the governments to continue the talks. The democracies face even greater pressures from their militaries, including coup threats or defiance by military officers:

- In El Salvador, some guerrillas offer to form a political party, while others vow to continue the war. Tensions between Duarte and the military mount because of the difficulties of implementing a partial cease-fire and concern about guerrilla political organizing. 25X1
- Guatemala's guerrillas agree to talks with the National Reconciliation Commission but then insist on direct negotiations with the government. Cerezo is caught between international pressure to renew the talks and the likelihood of increased coup plotting if he ignores military warnings.
- In Honduras, some officers seek to replace President Azcona as the Honduran military seeks a scapegoat in the face of the decline of the anti-Sandinista insurgency, superficial Nicaraguan democratization, and perceptions of weak US support for Honduras.
- In Costa Rica, Arias confronts a domestic backlash generated by Managua's successful evasion of direct negotiations with the anti-Sandinistas and its half-way steps toward democratization. The opposition becomes emboldened and challenges Arias on a range of issues to take advantage of his political vulnerability. [redacted] 25X1

Part 2.
Developments and Trends

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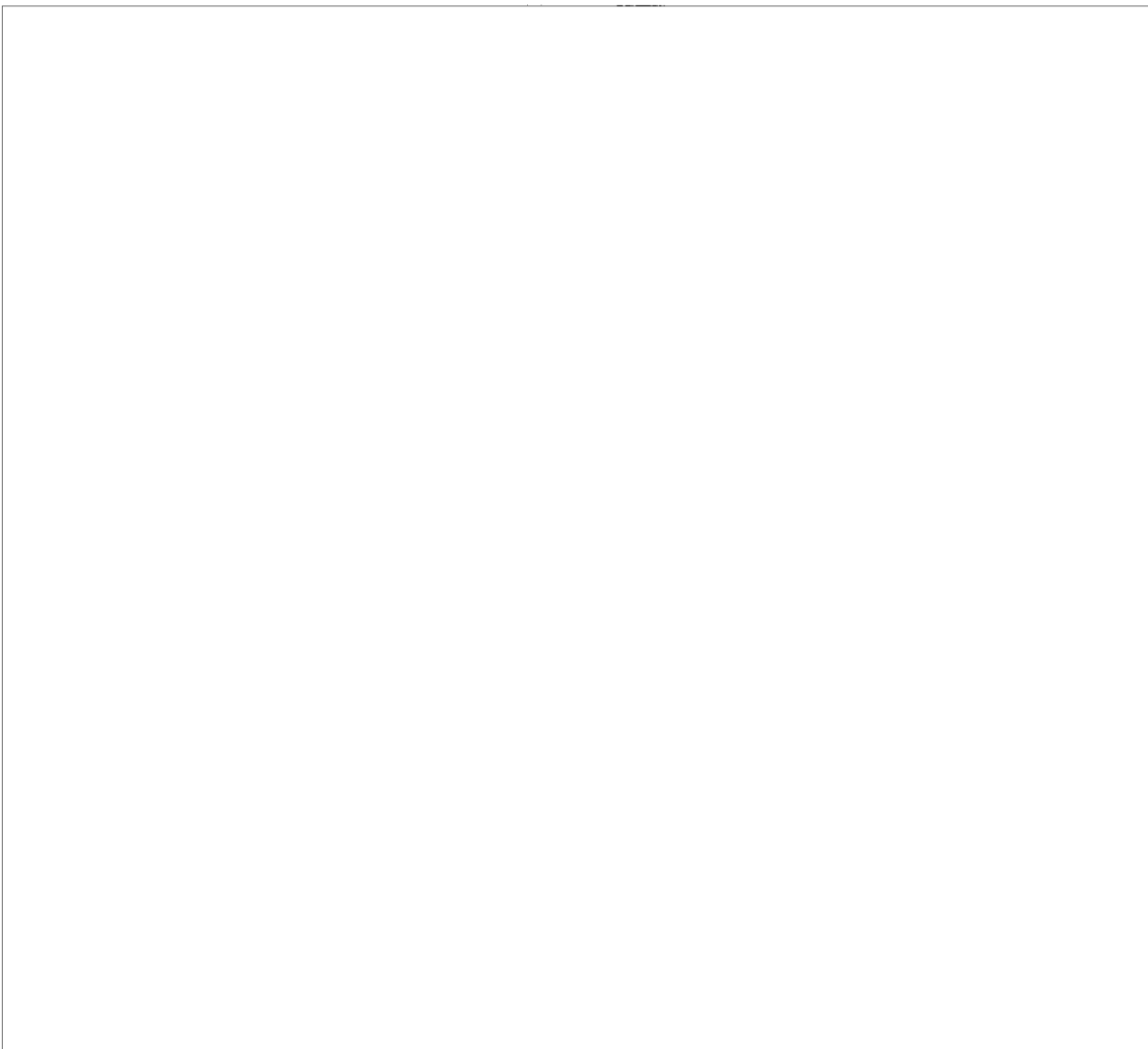
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Argentina:
Selected Instability Indicators

Outlook

The defeat of the ruling Radical Party and the Peronist resurgence in the 6 September off year elections will force President Alfonsin to abandon key parts of his constitutional and military reform initiatives. He is now likely to focus on economic problems during the remainder of his term through additional efforts to cut the fiscal deficit and open the Argentine economy to domestic and international market forces. Civil-military relations—involving still-pending human rights trials and armed forces budget cuts—remain contentious as illustrated by a short-lived Army garrison protest in late September.

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Brazil:
Selected Instability Indicators

Outlook

President Sarney has failed to gain sufficient support for retention of the presidential system, setting the stage for the Constituent Assembly to vote for adoption of a parliamentary system next year. Amid the political impasse and a worsening economy, Sarney's popularity reached new lows in October, according to opinion polls. Inflation is on the rise again as price controls are eased and 25X1 monetary policy is loosened. Military unrest is likely to increase over the next quarter

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Chile:
Selected Instability Indicators

Outlook

A general strike called by Chile's main labor confederation in early October—which produced few work stoppages but considerable violence—may prompt far leftist and moderate groups to escalate antiregime protest in coming months. The Communist Party's terrorist affiliate recently split in a dispute over tactics, but the majority faction continues to stage bombings and other violent acts. President Pinochet is campaigning actively for reelection next September, but democratic opposition groups are attempting to convince the military that Pinochet is so unpopular that he cannot win reelection.

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Colombia:
Selected Instability Indicators

Outlook

Formation of an alliance of all major guerrillas led by the Revolutionary Armed Forces of Colombia (FARC), the largest group, has increased the rebels' political leverage with the government and may facilitate more coordinated attacks. FARC's nominal truce with Bogota is deteriorating, but the rebels are unlikely to break the agreement formally and lose the right to field candidates in the first-ever mayoral elections next March. Meanwhile, the rebels' strong-arm campaign tactics will probably produce more violence, including rightwing reprisals that fuel charges of human rights abuse. 25X1



**El Salvador:
Selected Instability Indicators**

Outlook

The guerrillas' agreement to accept the Central American peace accord as the framework for talks with the government was a boost to President Duarte, but he remains politically vulnerable because of the continuing economic deterioration. He also is coming under greater pressure from military officers concerned about the peace talks and the government investigations of human rights abuses. Guerrilla activity continues, but military operations have slowed as the government prepares for the cease-fire on 7 November. The Army will respond quickly to any cease-fire violations and already is planning operations for next year.

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**Guatemala:
Selected Instability Indicators**

Outlook

Military restiveness over recent talks with the Guatemalan rebels and controversy over a new tax package sparked low-level coup plotting in October. [redacted] 25X1
[redacted] support efforts of rightist businessmen and politicians to force President Cerezo to resign, but most of the officer corps continue to back the civilian government. Cerezo's public reassurances that he will not initiate a formal dialogue process with insurgents will help allay military suspicions about his intentions, but the High Command probably will increase pressure on the President to moderate some of his policies. 25X1



Honduras:
Selected Instability Indicators

Outlook President Azcona's political support is likely to erode substantially if Tegucigalpa is saddled with the responsibility of resettling anti-Sandinista combatants and their families in Honduras. Moreover, military infighting probably will intensify as command reassignments—scheduled for December—near, and some disgruntled middle-level officers may try to use public disenchantment with Azcona to undermine senior commanders who have supported his policies. However, the armed forces are unlikely to move against Azcona for fear of losing US military and economic assistance.

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Mexico:
Selected Instability Indicators

Outlook

Party dissidents and independent opposition groups have decried Budget and Planning Secretary Salinas's selection as the ruling party's presidential candidate as "antidemocratic." Moreover, labor has indicated its unhappiness with Salinas's selection, signaling increased tension between party leaders and this important constituency. The candidacy of ruling party dissident Cardenas—on another party's ticket—may develop into an opposition coalition capable of challenging the system. Meanwhile, the rationale for bombings against ruling party targets by an obscure leftist group remains unresolved, and the attacks may continue.

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Panama:
Selected Instability Indicators

Outlook

Strongman General Noriega, believing his opposition has weakened but angered by US Embassy contacts with regime opponents, is attempting to restore his sagging support by whipping up anti-American sentiment. Although momentum has waned, anti-Noriega groups say they will continue their campaign until Noriega steps down. We expect the uneasy alliance between Noriega and Delvalle to continue. Meanwhile, a declining rate of capital flight has temporarily eased financial strains. Panama's financial system remains vulnerable, however, and renewed opposition activity or violence could lead nervous depositors to withdraw funds again.

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Peru:
Selected Instability Indicators

Outlook

President Garcia's popularity continues to be the strongest force for the stability of his government, but problems with labor, the military, political opponents on both the left and the right, and insurgents have put him increasingly on the defensive. Sendero Luminoso's targeting of ruling party officials has prompted paramilitary retaliation, which, if expanded, could undermine leftist support for Garcia. Meanwhile, Garcia's controversial bank nationalization, which temporarily galvanized the center-right opposition, will probably further reduce investor confidence. 25X1



Venezuela:
Selected Instability Indicators

Outlook

Venezuela remains stable as it enters the presidential election season. The lameduck status of President Lusinchi was ensured when former president Carlos Andres Perez became the standard bearer of the ruling party in the face of Lusinchi's opposition. An intensified effort by Caracas to halt smuggling raised border tensions with Colombia, and a flareup of their longstanding maritime boundary controversy appears to have triggered a bilateral arms race. Despite diplomatic ill will, however, the security forces of both countries are cooperating to counter insurgents and drug traffickers who operate on both sides of the border.

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Greece:
Selected Instability Indicators

Outlook

In September, Prime Minister Papandreou reshuffled his Cabinet—leaving the major portfolios untouched—primarily to revive his government's populist touch as Greece prepares to renegotiate the 1983 US-Greek base agreement. By bringing into the Cabinet three key leftists who appeal to the left wing of the ruling PASOK Party, Papandreou reasserted party control and positioned himself to call for early national elections if he so chooses. Papandreou has faced strong criticism for his economic austerity program, the decision to renegotiate the base agreement, improved US relations, and ¹25X1 in his personal life.

Spain:
Selected Instability Indicators

Outlook The recent mass arrests of Basque terrorists in France and Spain probably will give Madrid a respite from terrorist violence, although retaliatory attacks could occur. Although the economy is doing relatively well, the government of Prime Minister Gonzalez has not succeeded in forging a new social and economic accord with business and labor, and the potential for renewed social unrest persists.

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Turkey:
Selected Instability Indicators

Outlook

Prime Minister Ozal's call for an early national election and the repeal of the political bans on opposition politicians presents Turkey with the most open, and probably volatile, election since the military takeover in 1980. The election is scheduled for 29 November—a year earlier than necessary—and Ozal will try to capitalize on his opposition's disarray. The election will test Ozal's popularity and serve as a barometer of Turkey's growing democratization. These new challenges will combine with other persistent problems, such as the violent Kurdish insurgency in Turkey's southeast, to test Turkey's political stability. 25X1

Egypt:
Selected Instability Indicators

Outlook

President Mubarak will emphasize stability and policy continuity in his second six-year term, which began 13 October. Although Egypt's economic picture has brightened in recent months, he is likely to resist IMF demands for additional reform measures for fear of undermining social stability. Egyptian security services appear to have made progress in apprehending the groups responsible for several assassination attempts against US and Egyptian officials last spring. Moreover, Mubarak's reappointment of tough, unpopular Interior Minister Zaki Badr to his new cabinet indicates he will deal harshly with violence-prone elements.

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India:
Selected Instability Indicators

Outlook

Prime Minister Gandhi's political opposition—hampered by poor organization and factionalism—has failed to capitalize on the allegations that his senior advisers were involved in foreign exchange and kickback scandals. As the economy begins to deteriorate, however, Gandhi will face new political pressures. Meanwhile, Gandhi retains public support for his decision to confront Tamil militants in Sri Lanka with Indian forces, but he could face a reversal if casualties run high among Tamil civilians or Indian troops. Finally, New Delhi's crackdown on Sikh militants has ¹ _{25X1} to curb the sharp rise in violence this year.

Iran:
Selected Instability Indicators

Outlook

Prospects for major instability in Iran over the near term appear to have lessened somewhat. Iran's confrontation with the United States in the Persian Gulf appears to be strengthening domestic support for the regime. The leadership is exploiting the "threat" from the United States to generate recruits for another ground offensive against Iraq. Increased oil revenues have helped ease economic hardships, reducing public discontent with regime policies. Factional rivalries among the leadership remain intense but are not likely to seriously threaten the clerics' hold on power while Ayatollah Khomeini is alive.

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Iraq:
Selected Instability Indicators

Outlook

Iraq's war-weary populace is bracing for yet another major Iranian ground offensive around yearend. Battle casualties and Iran's Scud missile attacks on Baghdad probably will further lower morale but not significantly damage Iraq's will to resist the Iranians. Meanwhile, winter weather is likely to reduce Kurdish guerrilla activity in northern Iraq. Shia and Communist terrorism in the south probably will not threaten Iraqi President Saddam Husayn's grip on power, which he has strengthened through Cabinet changes and governmental restructuring. Austerity measures continue to create popular discontent.

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Morocco:
Selected Instability Indicators

Outlook

King Hassan remains firmly in control. He continues to maintain his military hold over Western Sahara, and the economy is stronger than it has been in recent years with the greatest improvement occurring in the external sector. Nevertheless, serious and deepening social problems—a high population growth rate, overcrowded cities, and a growing food deficit—threaten the long-term stability of his regime.

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Pakistan:
Selected Instability Indicators

25X1

Outlook

Terrorist bomb attacks [redacted] spread into the urban Punjab and Sind Provinces in late summer. The attacks have had a corrosive effect on public confidence in the government's ability to provide basic security, aggravated the existing refugee problem, and called into question Pakistani support of the Afghan resistance. Zia has reacted by 25X1 promulgating a series of ad hoc measures, more cosmetic than curative, including expanding judicial powers to swiftly try terrorists, a move parliamentary critics charge could be directed at 25X1 legitimate opposition movements.



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**Saudi Arabia:
Selected Instability Indicators**

Outlook

Saudi concerns about security have heightened in the past few months, although the regime remains strong and cohesive. Iranian-sponsored violence in Mecca in July and the storming of the Saudi Embassy in Tehran in August have soured Saudi-Iranian relations, and an increase in Iranian terrorism against Saudi targets is possible. Riyadh's tough posture toward Tehran has further aggravated tensions, and Iran is continuing efforts to subvert the Kingdom's Shia minority. Meanwhile, the economy continues to gradually improve as the Saudis have had no trouble selling oil at official prices and revenues continue to rise.

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Sudan:
Selected Instability Indicators

Outlook

Although his support continues to erode, President Sadiq successfully weathered student protests in October over Khartoum's decision to devalue the Sudanese pound and raise sugar and gasoline prices. Unless the austerity measures are offset, however, he risks protests by union workers and civil servants. The military's impatience with ineffective civilian rule, aggravated by the collapse of the ruling coalition in August, is increasing. Military disgruntlement over combat losses in the southern insurgency may abate somewhat when the dry season starts in November and the tactical advantage to the government forces. 25X1

Kenya:
Selected Instability Indicators

Outlook

Despite growing international criticism of his human rights record, President Moi retains firm domestic control. Embassy reporting suggests that his sharp response to such criticism pleased domestic allies and cowed opponents. Continuing friction with Uganda—which deployed troops in September to rebel-contested areas near the Kenyan border—is also likely to rally public support behind Moi. Embassy reporting indicates that IMF assistance will soon cushion revenue losses resulting from declines in prices for coffee and tea—Kenya’s two most important exports.

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Nigeria:
Selected Instability Indicators

Outlook

Local elections scheduled for mid-December—the first step in Nigeria's timetable to return to civilian rule by 1992—are likely to be marked by sharp religious, ethnic, and regional tensions that probably will intensify as politicking gains momentum. As the elections near, the ban on political activity by all former politicians and public officials is likely to increase antiregime activity as virtually an entire generation of Nigerian leaders is excluded from the transition process. Meanwhile, criticism is growing over the lack of economic improvement, sentiments that could galvanize the opposition. 25X1



Somalia:
Selected Instability Indicators

Outlook

President Siad's decision to back away from IMF economic reforms reflects pressure from his Marehan tribe, which sees the reforms as diluting its dominance. Siad's move jeopardizes vital foreign aid, which may lead to increased food and energy shortages and public discontent. Despite Siad's concessions on reforms, the aging President has shown no signs of capitulating to Marehan preferences on the succession issue.

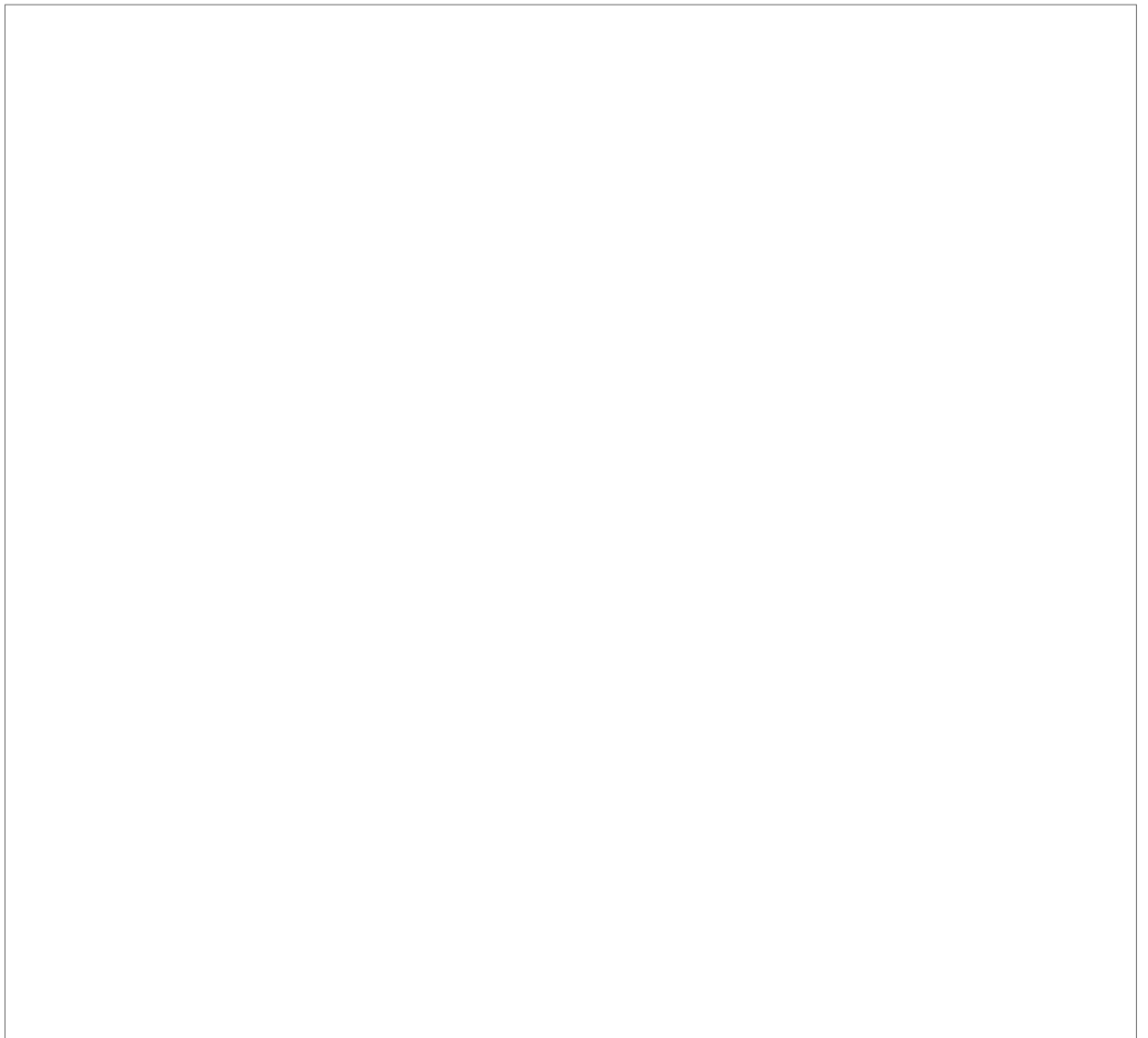
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**South Africa:
Selected Instability Indicators**

Outlook

Pretoria's strong security measures continue to reduce overt violence and large-scale protests, but a "climate of unrest" persists in black areas. Although black labor is increasingly organized and prepared to use its economic power, new legislation is in the offing designed to curtail politically oriented activities. Strike activity and depressed consumer confidence have weakened the country's economic performance. Meanwhile, despite hints of new inducements, including the release of political prisoners, Pretoria is unlikely to attract credible black leaders to its proposed advisory National Statutory Council for blacks. 25X1



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Zaire:
Selected Instability Indicators

Outlook

The regime of President Mobutu remains stable, despite chronic economic problems. The government continues to follow IMF-mandated reforms, but the unpopular austerity measures—particularly increases in the price of fuel—may spark small-scale unrest. The government's efforts to co-opt the Union for Democracy and Social Progress Party appear to have collapsed following Mobutu's refusal to allow it to operate as a legal opposition party. We believe Kinshasa will increasingly focus its attention on the porous border region with Uganda, following Zairian dissident attacks there in July and September.

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Indonesia:
Selected Instability Indicators

Outlook

The immediate threat to Indonesia's oil-dominated economy created by the severe drop in oil prices last year has passed, but serious challenges lie ahead. Drought conditions threaten to reduce this year's rice crop. Moreover, we estimate that long-term economic growth will probably not be sufficient to employ the nearly 2 million new workers entering the labor force annually, thereby increasing the potential for social unrest. Although the political situation is quiet now, frustrated factions, including radical Islamic groups, probably will try to exploit deteriorating economic and social conditions to renew antigovernment activity. 25X1



Philippines:
Selected Instability Indicators

Outlook

The nearly successful military coup attempt on 28 August has underscored the fragility of President Aquino's regime, and her popularity and authority continue to erode. Aquino has reorganized her Cabinet and is taking other steps to convince the military that she is attentive to its interests, but the underlying causes of civil-military tensions remain [redacted]

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[redacted] Vice President Laurel is trying to gather opposition and military support in a bid to seize power. Meanwhile, both Communist insurgents and Marcos loyalists are escalating their destabilization activities including assassinations of US servicemen.

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**South Korea:
Selected Instability Indicators**

Outlook

A legitimate presidential election in mid-December—the first direct vote since 1971—will be crucial to maintaining stability. Ruling camp candidate Roh Tae Woo's prospects have brightened as public aversion to the split between main opposition contenders Kim Young Sam and Kim Dae Jung has grown. But reconciliation between the Kims, or a strong showing by conservative darkhorse Kim Jong P'il, could turn the tide against Roh. Perceptions of a tainted outcome, or intervention by the ruling camp or some Army clique to block an opposition takeover, would greatly heighten the risk of political instability.

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