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EAST ASIA

Thailand:**New Government Taking Shape**

Prime Minister Banhan Sinlapa-acha has formed his cabinet after two weeks of interparty quarrels. The six parties that joined his Nation Party in the coalition government each received a deputy prime minister position. The Foreign Ministry and the Defense Ministry went to experienced people, but the Finance Ministry went to Surakiat Sathianthai, Banhan's longtime personal adviser, who has little experience in economics or banking.

- The local press has criticized the new cabinet, and the Bangkok stock market has dropped almost 5 percent in the past two days.
- Alleged drug traffickers Watthana Atsawahem and Narong Wongwan, senior leaders and financial backers of the Nation Party, were denied posts.

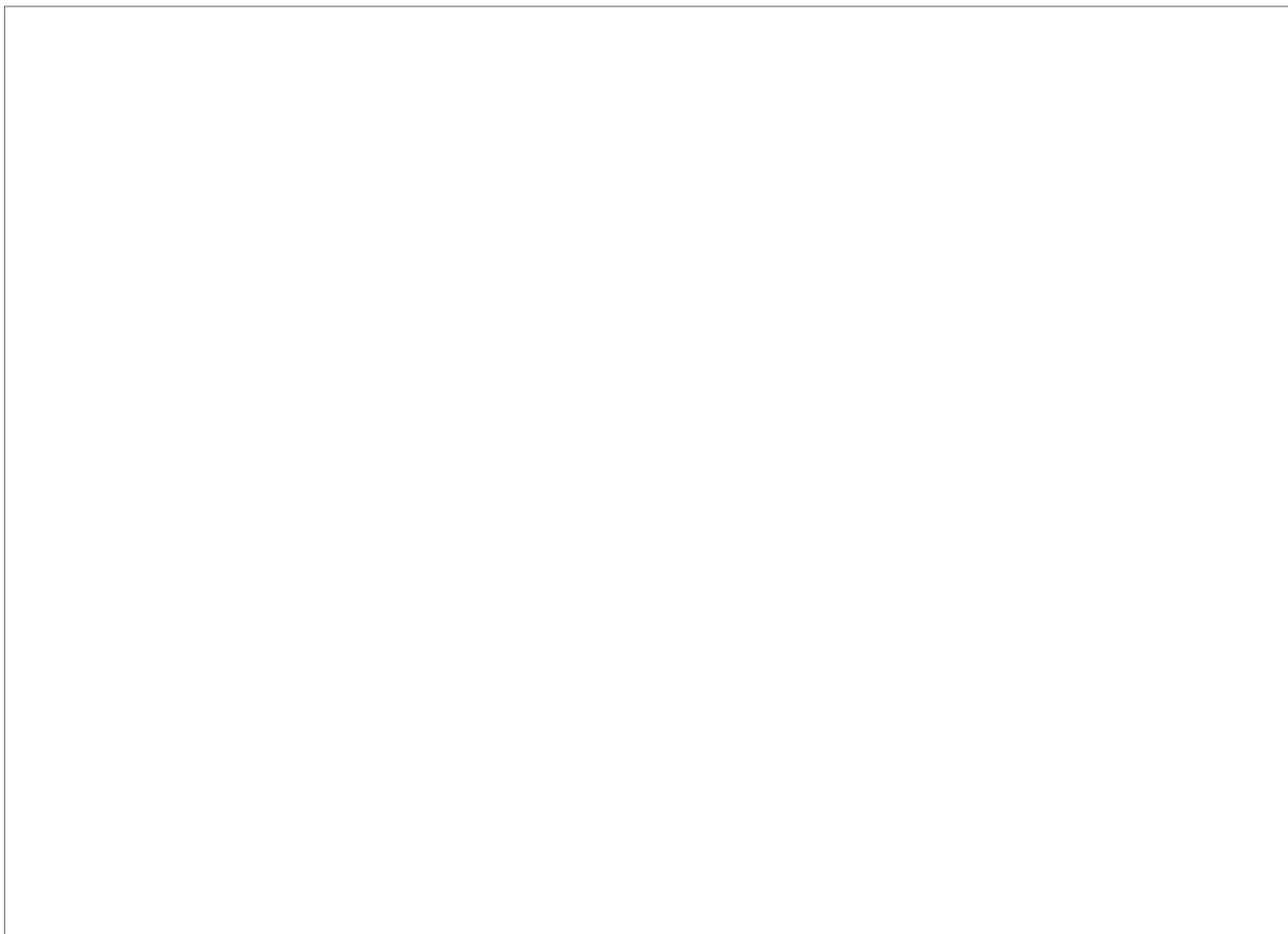
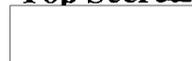
Banhan kept the powerful Interior Ministry for himself to avoid conflict among faction leaders, according to press reports. He has also publicly said that he would consider either Watthana or Narong for the position if they clear their names.

- *Although the coalition now has a comfortable 58-seat margin in the legislature, the defection of one or two parties, common in Thailand's dynamic and nonideological political system, could test the new government.*

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NEAR EAST

Lebanon: General Strike Turns Violent

Lebanese Army and security forces broke up a crowd in Beirut that included Hizballah and other legislators; fired into a crowd of 1,500 demonstrators in Sidon, wounding as many as five; and beat rioters in Tripoli and other cities,



— Most shops, banks, and schools reportedly were closed.

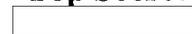


Protesters shouted slogans against Prime Minister Hariri, who hopes to maintain his position after the presidential election this fall, and presidential-hopeful and Armed Forces Commander General Lahud was placed in the potentially politically damaging position of quelling public unrest



— [redacted] union members rejected a last-minute Syrian-brokered deal to avert the strike.

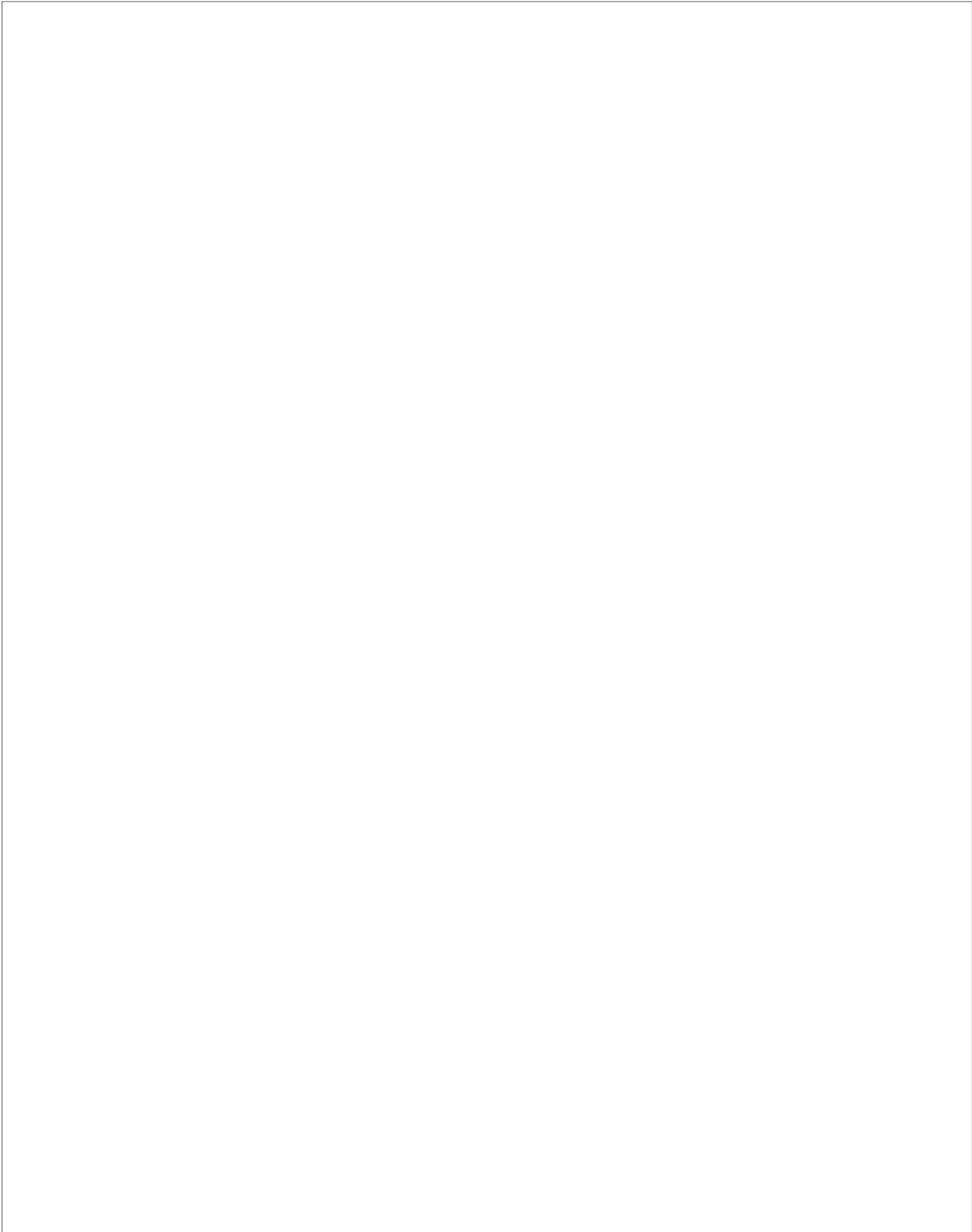
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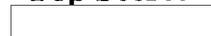
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AMERICAS

Costa Rica:

Economic Reforms Spark Labor Unrest

A strike by 50,000 teachers that began on Monday could turn into a nationwide protest against the government's austerity program. Organizers claim that by next week roads and ports will be blocked.

- The government has refused to renegotiate the new pension law that led to the walkout, [] and has told the teachers they would not be paid for strike days and could be fired.
- *If dockworkers in Limon*—one of Costa Rica's two major ports—*join the strike, the chance of violence will increase*; a strike there in April required police intervention to reopen the port. []

The strike reflects mounting concern among public-sector workers that their benefits and jobs are at risk if President Figueres follows through on plans to privatize key state enterprises. The tempo of reform accelerated last month when Figueres and the opposition agreed on a program of economic retrenchment to reduce the sharply increased fiscal deficit.

INTERNATIONAL NARCOTICS

Bolivia:

More Eradication Troubles

The government has extended the state of siege for 90 days after the arrest of pro-coca leaders on Friday sparked clashes between peasants and police. Press reports say some growers have reached agreement with La Paz to eradicate new coca voluntarily in exchange for the release of the arrested leaders.

- *The growers have little incentive to fulfill their end of the deal, however, because the government has not offered economic compensation.* []

Peasant resistance remains sufficiently strong to deter the kind of eradication effort against mature coca crops that would be necessary to meet certification targets by the end of this year.

- La Paz even suspended efforts to forcibly eradicate small plots of new coca on government parkland to prevent protests from gaining momentum, []
- *The government could use the state of siege against organized peasant resistance should it opt to resume forcible eradication.* []

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~~Top Secret~~*Special Analysis***JAPAN: Potential for Unemployment Woes**

Many Japanese commentators are expressing concern that the jump in the unemployment rate to 3 percent this year foreshadows even larger increases. Private and government researchers have published forecasts claiming the unemployment rate will double to 6 or 7 percent by the year 2000.

These researchers say that, unless Tokyo undertakes significant deregulation, corporate executives are likely to adopt measures that will boost unemployment significantly. These include moving plants overseas to lower costs, increasing productivity in corporate offices by downsizing the white-collar work force, and shedding traditional subcontractors in favor of more competitive—and possibly foreign—sources of supply.

— Should unemployment escalate substantially over the next few years, popular anxiety probably would approach levels not seen in Japan since the early postwar period, the last time there were high levels of joblessness.

Breeding Social Insecurity

The consequences of such rising anxiety are difficult to foresee. Many Japanese workers probably would regard the erosion of employment security as a breach of the social contract that has bound labor to management since the 1950s and united both in promoting their firms' economic fortunes. Japanese employees have generally expected management to reward loyalty, discipline, and hard work by placing a high priority on protecting employment.

— Basic unemployment payments amount to roughly 30 percent of the average worker's income, a level of support that would not shield unemployed Japanese and their dependents from financial catastrophe.

At the same time, high levels of unemployment might sap Japanese self-confidence. Already, Japanese are no longer displaying the hubris they did just a few years ago.

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Situation Report



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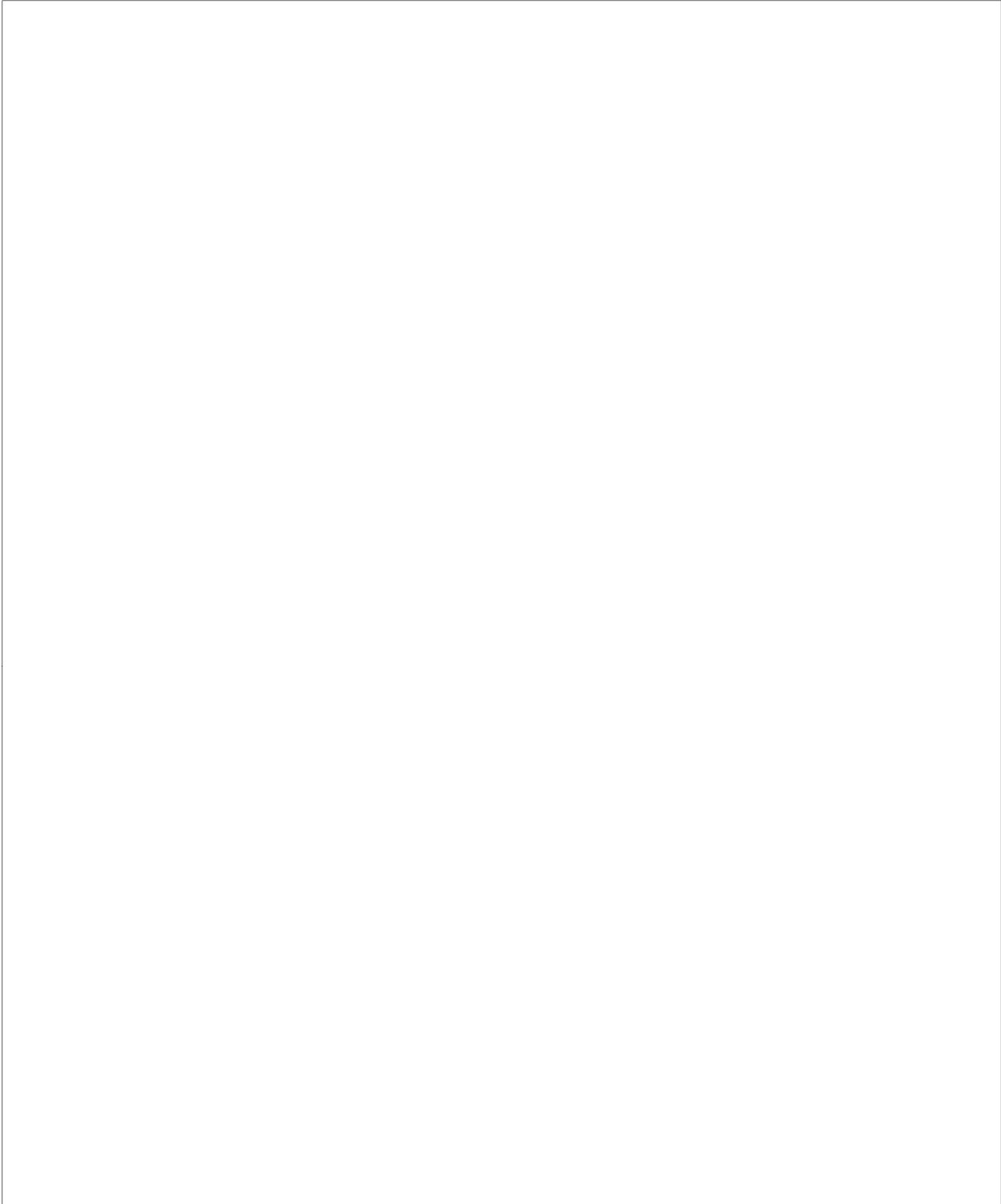
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Developments



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Director of Central Intelligence

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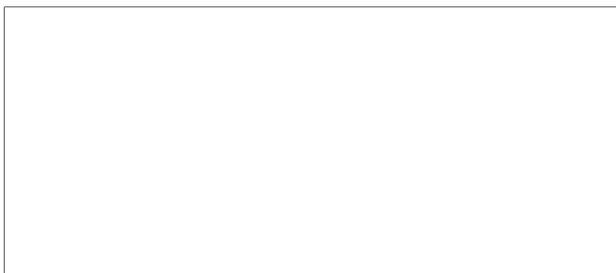
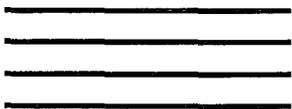


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National Intelligence Daily

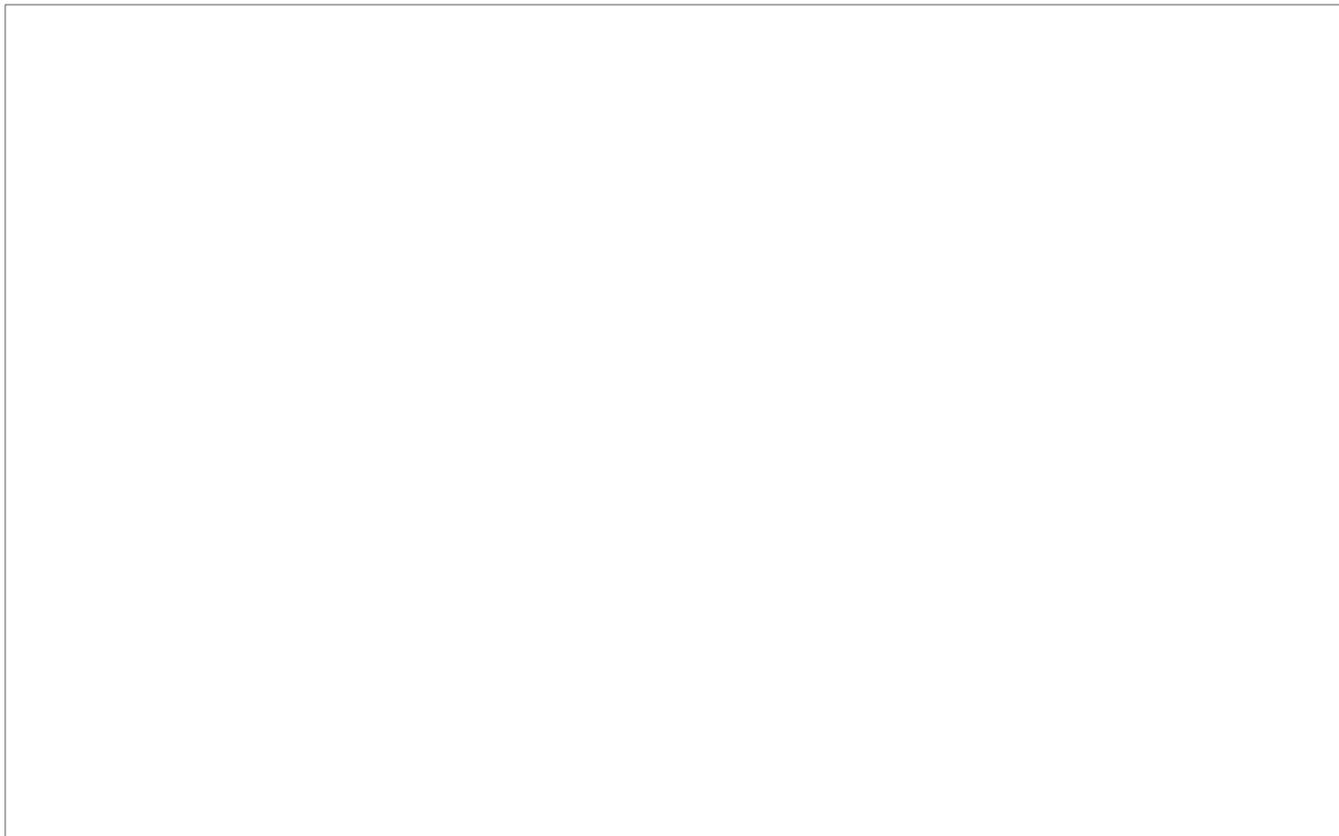
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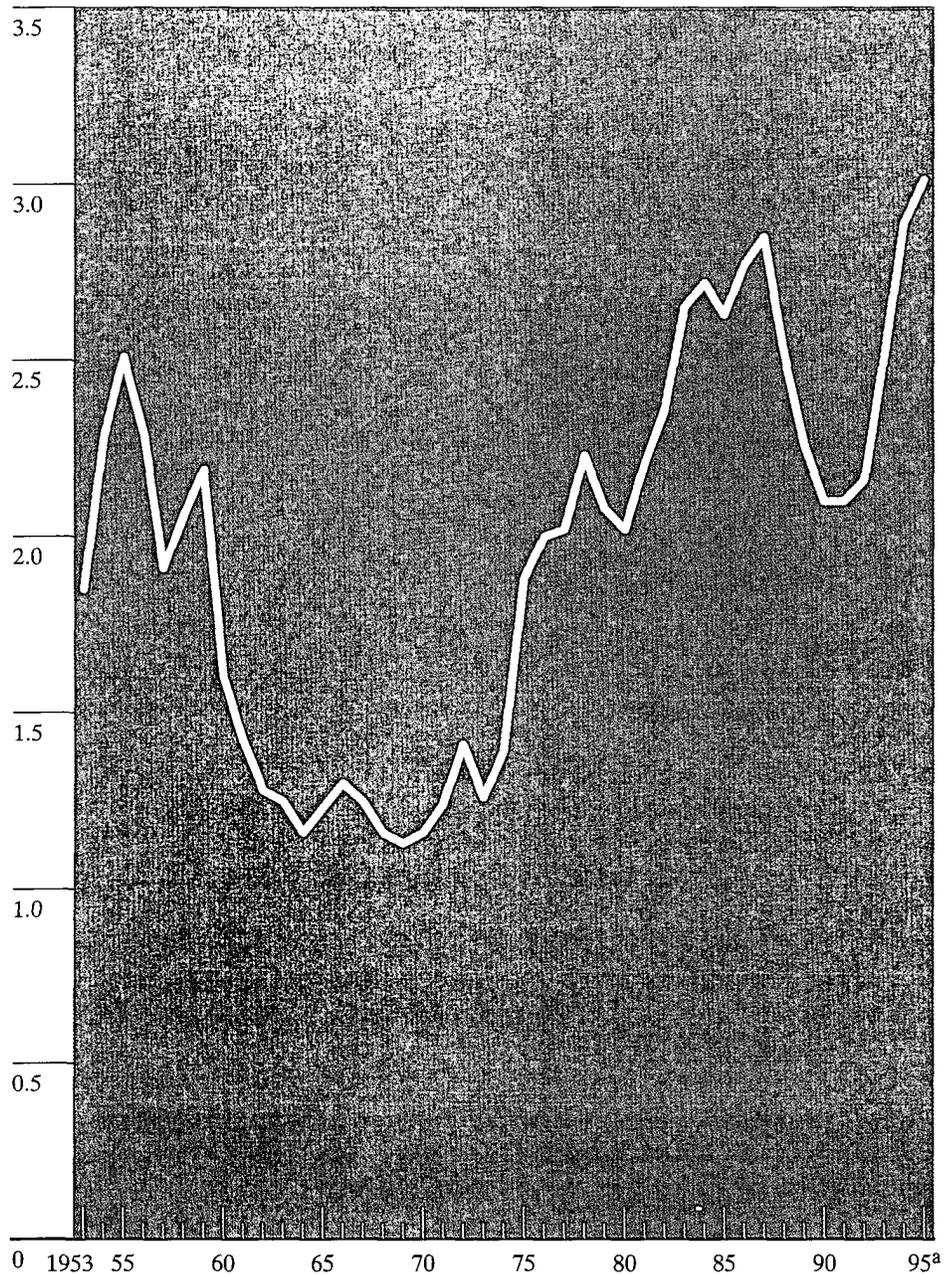


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Japan: Unemployment Rates, 1953-95

Percent



^aAverage for January to June.

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Possible Political Impact

Japan's political parties could offer sharp choices that would risk polarizing the electorate. Reformist politicians would try to rally support for deregulation—citing academic studies that show deregulation, over the long term, results in net job growth. At the same time, the past actions of status quo-oriented politicians suggest they would be inclined toward tactical fixes, including additional unemployment compensation, more public works spending, and greater subsidies to industry.

- These conservatives would point out that deregulation would boost unemployment in the near term.

- They might also try to deflect popular criticism by alleging that foreign countries—particularly the US—were responsible for Japan's economic problems. 

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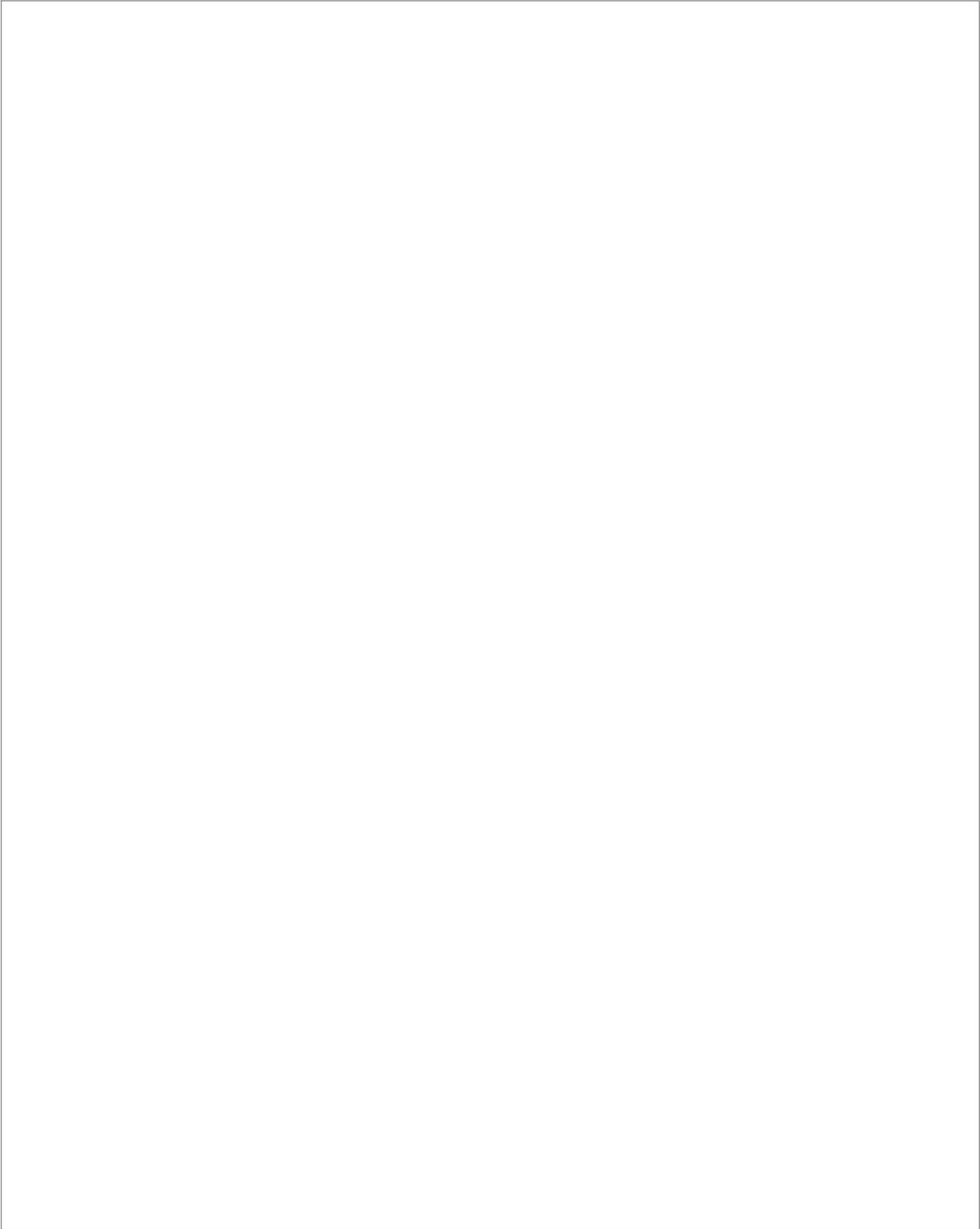


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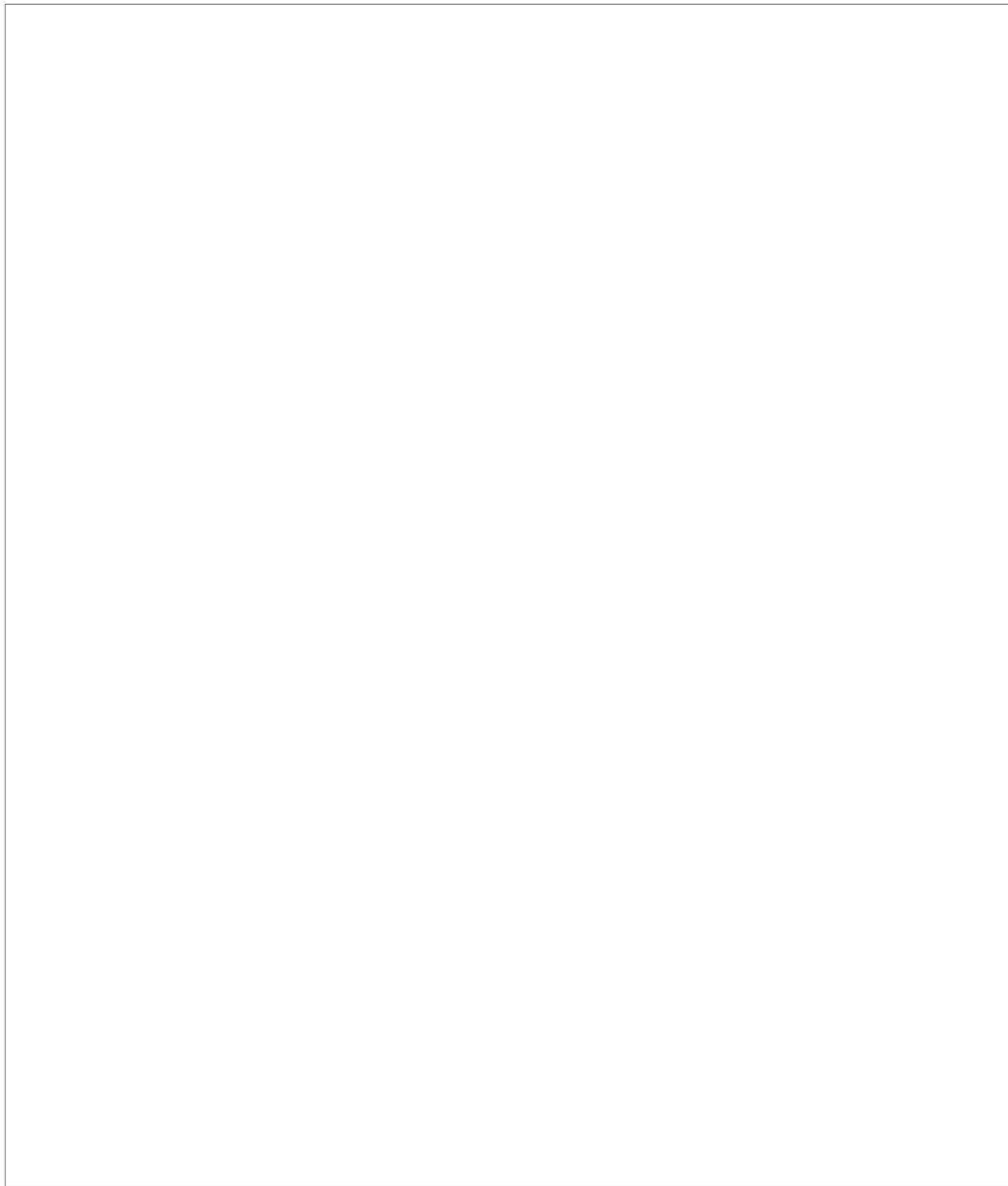


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