

Page Denied

Next 1 Page(s) In Document Denied



Directorate of
Intelligence

Secret



25X1

MASTER FILE COPY
DO NOT GIVE OUT
OR MARK ON

The Political Instability Quarterly



25X1

November 1986

001/140/0010/0077996

ADDRESS :

1 756 756

FILE COPY/SOURCED COPY
CONTROL BRANCH/CPAS/ODS/DMC
ROOM 7007 HQS
NO ADD'L REQUIREMENTS

Secret

GI LPI 85-004
November 1986

Copy 756

Page Denied



**Directorate of
Intelligence**

Secret



25X1

The Political Instability Quarterly



25X1

November 1986

This quarterly was produced by and coordinated within the Directorate of Intelligence. Comments and suggestions are welcome and may be directed to



25X1

Reverse Blank

Secret

*GI IPI 86-004
November 1986*

Secret

25X1

Contents

		<i>Page</i>	
	Preface	iii	
	Summary: Levels of Concern	v	
Part 1.	Countries With Developments of Special Interest [redacted]	1	25X1
	Chile: General Pinochet in Trouble [redacted] [redacted] <i>Office of African and Latin American Affairs</i>	1	25X1 25X1
	Sudan: Sadiq Government Shaky After First Six Months [redacted] [redacted] <i>Office of Near Eastern and South Asian Analysis</i>	5	25X1 25X1
	Honduras: President Azcona Seen as Powerless Leader [redacted] [redacted] <i>Office of African and Latin American Affairs</i>	9	25X1 25X1
	Sri Lanka: Talks Fail, Fighting Intensifies [redacted] [redacted] <i>Office of Near Eastern and South Asian Analysis</i>	13	25X1 25X1
Part 2.	Developments and Trends [redacted] <i>The Prospects for Instability in 30 Countries</i>	17	25X1
	[redacted]	49	25X1
Part 4.	Special Annex [redacted]	51	25X1
	The Middle East: The Impact of an Iranian Victory on Regional Stability [redacted] [redacted] <i>Office of Near East and South Asian Analysis</i>	51	25X1 25X1

Secret

25X1

The Political Instability Quarterly

25X1

Preface

The main objective of this quarterly is to provide timely warning of significant instability in countries of key importance to the United States.

Significant instability, in our definition, may include any one or 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. (With this issue we are beginning a new practice of occasionally also examining certain countries that are not in the group of 30, but in which unfolding developments related to instability are of interest to the United States. See the essay on Sri Lanka on page 12.)

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 also projects our concerns about the prospects for instability in the forthcoming fourth quarter—November-December-January—as well. In addition, we include projections of our general levels of concern over the middle and longer term for the select group of 30 countries.

This quarterly includes four parts:

- 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 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.

25X1

- Part 4: *A special annex* assessing a topic related to instability in the Middle East.

25X1

Secret

GI IPI 86-004
November 1986

Page Denied

Secret
[Redacted]

25X1

The Political Instability Quarterly [Redacted]

25X1

**Summary:
Levels of Concern**

[Redacted]

25X6

In Latin America *Colombia* has moved up into the group of countries about which we have the most substantial and serious instability concerns. The new government of President Barco is trying hard to work out an effective truce with the country's largest insurgent group, but guerrilla violence is increasing throughout the country. In *El Salvador* the US Embassy reports that President Duarte appears to be in firm control in the aftermath of the earthquakes, but the armed forces' counterinsurgency efforts may suffer as a result of the diversion of financial resources and manpower to reconstruction. Tensions in *Peru* between President Garcia and the military have eased since the summer, although Sendero Luminoso assassins increasingly are targeting members of Garcia's ruling party.

One of the most significant instability scenarios in Latin America, in our judgment, is unfolding in *Chile*, where President Pinochet is attempting to exploit politically the recent discovery of huge dissident arms caches and an attempt on his life (see part 1 essay for a discussion of Pinochet's growing isolation). In *Honduras* President Azcona does not appear to face an imminent threat, but we are concerned that his political credibility may be strained if the Nicaraguan rebels do not make significant gains—and reduce their presence on Honduran territory [Redacted] (see part 1 essay).

25X1

25X1

We remain most concerned about *Egypt, Sudan, Pakistan*, and the *Iran-Iraq* war in the Near East-South Asian region. In Cairo, President Mubarak is still under pressure to impose economic austerity measures of a kind that have provoked serious civil unrest and helped to bring down Egyptian governments in the past. President Sadiq's six-month old civilian regime in Khartoum remains shaky as he fails to grapple with daunting problems, including a full-scale insurgency in the south (see part 1 essay). In Islamabad, Prime Minister Junejo is struggling with continuing security problems in the wake of the violent clashes with opposition activists in August which left dozens dead.

Most worrisome of all in the region is the Iran-Iraq war, which threatens to erupt with greater intensity in the coming months. Tehran is gathering men and material for a new offensive, with potentially far-reaching

Secret

25X1

consequences for the stability of neighboring countries (see part 4 for a special annex on this subject). In South Asia the bitter ethnic conflict in *Sri Lanka* is intensifying as negotiations fail to progress. (see part 1 essay).

In Africa *Nigeria's* President Babangida has strengthened his position—if only for the moment—by placing loyalists in key commands and initiating some economic reforms. The US Embassy in *South Africa* reports that blacks are regrouping for additional protest campaigns, but the efforts are not likely to become regime threatening in the near term.

Despite her successful visit to the United States, President Aquino continues to be hampered in her efforts to consolidate control in the *Philippines*—most significantly by critics in the military who oppose her cease-fire talks with the Communist insurgents. Elsewhere in East Asia, opposition leaders in *South Korea* are resuming a more confrontational strategy to promote a directly elected presidency, which could bring the issue to a head before the end of the year.

25X1

Secret

Secret

25X1

Part 1. Countries With Developments of Special Interest

25X1

Chile: General Pinochet in Trouble

25X1

- With his immediate political prospects bolstered by the 7 September assassination attempt and the discovery of huge Communist-controlled arms caches, President Pinochet is maneuvering to remain in power beyond 1989.
- The respite is likely to be brief, however. We believe that Pinochet will face increasing terrorism and growing resistance to his harsh measures and his refusal to initiate a democratic transition.
- In our view, Pinochet's intransigence will significantly increase the potential for a confrontation with military sectors already worried that his policies are tarnishing the armed forces' reputation and undermining political stability.
- The assassination of Pinochet probably would lead to the selection of a senior Army officer to succeed him. The military most likely would choose a relative moderate, thereby improving the chances for a transition to civilian rule in 1989.

The Backdrop

President Pinochet has been able to stay in power for 13 years in Chile in large part because, in our judgment, he has had the support of the powerful and respected Chilean armed forces, which have backed his strong anti-Communist policy; the repressive measures he has employed against his opponents have been harsh, but often effective; and the Chilean economy performed well for a number of years, up until 1981. In addition, and perhaps most important, many in Chile's large middle class—despite a long tradition of democratic political participation—have been immobilized by their recollections of the chaos and violence in the country before and during the 1973 coup against Marxist President Allende.



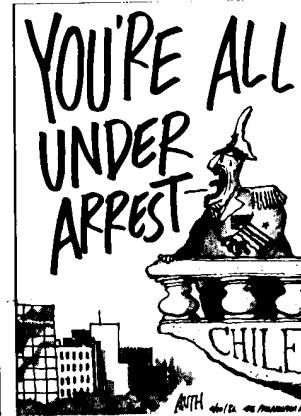
25X1

25X1

The recent assassination attempt and the discoveries of huge arms caches under the control of the Communist party and its affiliate, the Manuel Rodriguez Patriotic Front (FPMR), have—for the moment—played into Pinochet's hand. These events have bolstered his standing with the armed forces. Senior military officials and conservative politicians have rallied behind the President, denouncing the attack

25X1

Secret



and the radical left. His critics on the military junta, who had blocked several attempts by Pinochet earlier this year to reimpose a state of siege, felt it necessary to acquiesce this time, even though the government does not need the extra authority to combat terrorism. And the concerns of many middle-class Chileans have been heightened by these reminders of the threat of radical leftist violence.

The rallying of support for Pinochet, however, is likely to be short lived, in our judgment. The US Embassy reports that a significant number of Chileans, even in traditionally pro-Pinochet areas, are skeptical of his motives and fear that it is his repression that is polarizing the country. As he persists in his obduracy, politicians on the right—supportive immediately after the assassination attempt—probably will renew calls made in recent months for movement on the transition. Moreover, Chile's economy and the church's increasingly critical stance almost certainly will pose more serious problems for Pinochet. And, in our view, most Chilean military officers—despite longstanding support for Pinochet—are committed to the restoration of democracy in 1989, and they are likely to increase their contacts with the moderate opposition.

Pinochet Temporarily Reinvigorated

For now, Pinochet is using the assassination attempt to crack down on both moderate and radical oppo

nents. The government is drafting a harsh counterterrorism law, while the security forces have conducted dragnets in slum areas and arrested numerous opposition politicians. According to the US Embassy, death squads have killed at least four government adversaries. We expect Pinochet to continue this approach at least until the Chilean summer—traditionally a time of political inactivity—begins in mid-December. Armed with a new antiterrorist law, Pinochet may well accede to military and papal pressure to ease repression—the Vatican has warned the Pope will cancel plans to visit Chile in April if a state of siege is still in effect.

In our view, Pinochet also will continue his maneuvering to remain in power after 1989. He recently manipulated the promotion and retirement process to shore up Army backing and replaced the Army representative on the junta with a more activist general to counter critics there. He will persist in portraying his regime as the only alternative to leftist-inspired chaos and will continue attempts to sabotage the political prospects of any civilian rivals. To give the appearance of flexibility, Pinochet may promulgate a political parties' law, but will try to ensure that the law is highly restrictive so that the moderate opposition parties will reject it—thereby allowing him to depict them as unreasonable and pro-Communist.

25X1

25X1

25X1

25X1

Secret

Secret

The Radical Left: Upping the Ante

Leftist-inspired terrorism and political violence have risen significantly in the past two years. Following a series of university protests in April 1986, terrorism intensified, protests became more violent, and shoot-outs between terrorists, the police and the Army have occurred. The stepped-up violence appears to stem largely from the Chilean Communists' belief that 1986 is crucial—if Pinochet is not ousted this year he will be able to outmaneuver his opponents and stay on until 1989. In our view, the Chilean Communist Party has made considerable headway in its campaign to stage frequent antiregime demonstrations, harass the security forces, and gain recognition as the country's most active opposition force. []

The discovery of the arms caches—of dimensions unprecedented in Latin America—and the attempt on Pinochet's life highlight the upward shift in violence. In August and September, Chilean security services stumbled upon huge (70 to 100 ton) weapons caches in northern Chile. The weapons, almost certainly supplied by Cuba, included over 3,000 rifles, numerous antitank weapons, and tons of explosives. There seems little doubt that they were intended for the Communist Party and the FPMR. Moreover, we believe that the frustration generated in terrorist ranks by the foiled murder attempt leaves open the possibility that the FPMR or another group will try more high-profile attacks, perhaps including another assault on Pinochet. []

The Democratic Opposition Off Balance

The democratic parties have registered considerable progress over the past year in establishing themselves as a cohesive opposition force. They have drawn increased support from various sectors for the National Accord—the proposals for a democratic transition drawn up in August 1985. Even though bickering among the disparate moderates continues, opposition leaders have prevented the regime from exploiting the dissension significantly. In mid-April, under pressure from labor and professional groups

that wanted a political voice, the moderates broadened their base by founding the National Civic Assembly—an organization composed of 18 leading professional, labor, academic, and social groups of varying political hues. []

We believe that in Chile's increasingly polarized environment, however, the moderates have temporarily lost the initiative to the far left and the regime. Plans for a national strike and an antiregime rally in September fell through in the wake of the arms cache discovery and the government's declaration of a state of siege. In the ensuing months the moderates will have to arrive at a formula for navigating in the rough waters between Pinochet and the far left. In our view, they will continue to prod the military to agree to a dialogue and will refrain from collaboration with the Communists. Instead, they probably will seek to mount alternative peaceful actions—such as rallies and marches—to avoid losing supporters to the radical left and maintain their standing as a worthwhile opposition movement. We judge, however, that the moderates are likely to resume collaboration in staging protests with the Communists beginning in the first half of next year, if only on the sly, if they prove unable to budge the regime. []

Pinochet in Control, But Increasingly Isolated

We also expect to see a resumption of the military criticism which emerged so clearly earlier this year. Two of the junta members have stated publicly their intentions to work for direct elections in 1989. Increased violence and broad-based antiregime protests probably will accentuate the sentiment among a substantial number of senior officers that Pinochet's policies are isolating Chile internationally and threatening domestic stability, prompting them to renew their efforts to press him to accede to a serious dialogue with the moderate opposition. If Pinochet remains obdurate, his credibility with the military probably will erode, setting the stage for a confrontation. []

25X1

25X1

25X1

25X1

25X1

Secret

Secret

Key Indicators To Watch

Most Likely Scenario: Pinochet continues to repress his opponents and maneuvers to remain in power past 1989, significantly reducing his standing with the critically important armed forces. This attitude prompts a substantial number of senior officers to begin planning a confrontation to force Pinochet to take tangible steps toward a transition:

- Pinochet continues to portray himself as the only alternative to political chaos.
- The President promulgates a highly restrictive political parties' law and attempts to label the democratic opposition as irresponsible.
- Radical leftist violence intensifies and continues even during the summer vacations.
- Junta members push Pinochet to be more flexible and military officers increase contacts with the moderate opposition.
- A political crisis develops, pitting Pinochet against senior Chilean officers.

25X1

Alternative Scenarios: Pinochet outmaneuvers his critics in the military and openly affirms his intention not to step down in 1989:

- Pinochet refuses to enact the political party laws or any other measures moving toward a transition.
- Pinochet intimidates his junta critics into accepting his plans to remain in power.
- Terrorism reaches epidemic proportions and formerly nonviolent leftist and center-left elements of the democratic opposition promote violent protests and take up arms alongside the radical left.
- Widespread Communist-inspired violence causes the conservative elements in the democratic opposition to break with the moderates and support Pinochet.
- The armed forces—especially the Army—rally around him despite spiraling violence, external and domestic pressure, accelerating political polarization, and unrest verging on civil war.

25X1

Assassination Scenario: If Pinochet were assassinated we expect that the Army, as the dominant military service, would replace him with a senior general. Most officers, in our view, favor a return to civilian rule in 1989, and Pinochet's successor is likely to come from this group.

25X1

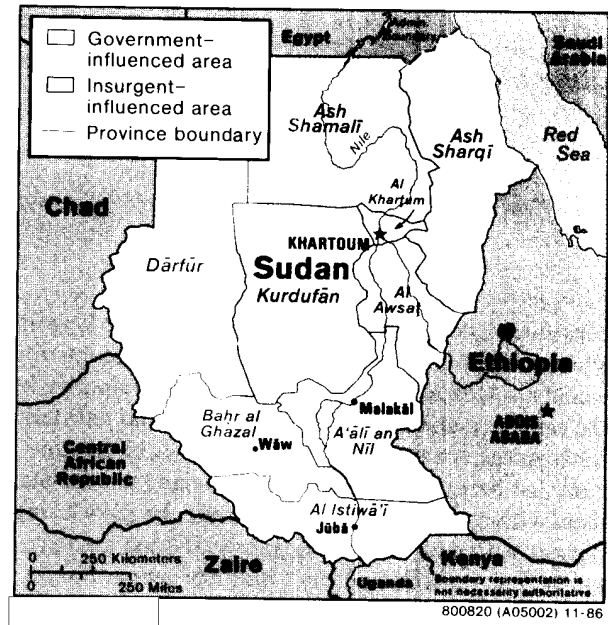
Secret

Secret

Sudan: Sadiq Government Shaky After First Six Months

25X1

- The odds are about even, in our judgment, that the government of Prime Minister Sadiq al-Mahdi will survive the year; Sadiq almost certainly will face stiffening opposition in the months ahead.
- A critically important liability is Sadiq's failure to show progress in ending the southern rebellion, which reportedly is costing Khartoum about \$15 million a month and raising serious questions about Sadiq's leadership.
- Sadiq's inaction on this and other problems—including Sudan's crippled economy—may become potentially explosive because he is failing to meet the basic needs and expectations of Sudanese in Khartoum and the northern provinces, as well as in the south.
- Sadiq's backing in the Armed Forces is tenuous already, and his popular support will dwindle if the country's economic hardships are accompanied by continuing government inertia and more serious military setbacks.



25X1

25X1

The Overriding Problem

When Prime Minister Sadiq was voted in last April as the head of Sudan's first civilian government in 17 years, he inherited one problem that we believe has overriding importance—the division of the country into a largely Islamic north and a southern region of mostly Christian and animist people. The two regions had coexisted without serious conflict for much of President Gaafar Nimeiri's long reign, but in 1983 Nimeiri took the radical steps of imposing Islamic law (Sharia) throughout the country, and dividing the south into three political regions. Those moves fueled the insurgency in the south of John Garang's Sudan People's Liberation Army (SPLA), whose core demands are the repeal of Sharia, along with greater regional autonomy.

Sadiq's ability to manage the Islamic law issue effectively in the coming months may largely determine his government's chances for stability. The Prime Minister himself is by no means a radical Muslim; he received a degree in economics with honors from Oxford, his wife was educated in the United States, and he is forthright and friendly toward US Embassy officials. He is, nonetheless, the leader of the country's largest and most influential Islamic sect. He has offered to write a less radical law, but there are limits to his willingness to compromise. Sadiq is convinced that Islam—and some form of Islamic law—are central to Sudan's national identity. Some 70 percent of all Sudanese are Sunni Muslims.

25X1

If Sadiq presses for a revised Islamic law that is fairly strong, in our view, he would reduce the chances for a political settlement with the southern rebels, who have

25X1

Secret

Secret



Prime Minister Sadiq
al-Mahdi

consistently demanded abolition of all Islamic laws as a precondition for negotiations. Such a pro-Islamic tilt would also risk alienating the non-Muslim minority in the capital, including those in the police and enlisted ranks in the Army. If, on the other hand, he should move to abrogate the old Islamic laws and not replace them with a sufficiently stringent code, he risks losing support within his own party and opposition among the Islamic radicals and their military sympathizers. would be galvanized.

The Northern Political Stalemate

Islamic radicals, led by Hasan al-Turabi, appear determined to prevent Assembly passage of any government program that does not advance the Islamization of Sudan. We believe that, while Islamic radicals view both the Sadiq's Umma Party and its major coalition partner—the Democratic Unionist—as “dynastic” family anachronisms, unable to chart Sudan's course, they particularly oppose Sadiq because of his alleged softness both toward southern demands for autonomy and toward what they consider a “socialist” southern rebel movement. Even Sadiq's relatively mild stand on the Islamic law issue prompted southern politicians to walk out of the Constituent Assembly, and boycotts of the Assembly by feuding northern party members were common, hindering the passage of legislation.

Political factionalism is also frustrating government efforts to build a national consensus on persistent

domestic problems, in our opinion, thereby hindering effective leadership. After six months in office, Sadiq has yet to consolidate power in his ruling civilian coalition and move on to implement a program. Power-sharing arrangements between Sadiq's Umma Party, rooted in the Ansar sect, and the Democratic Unionists, headed by leaders of the rival Khatmiyyah sect, are under strain. Sadiq's attempts to gain more political control through constitutional amendments have met resistance from the Unionists, who oppose a simple majority for passing legislation in the Constituent Assembly and resist cutting the powers of the Supreme Council, which they head. Friction between the two major coalition parties is likely to grow as the traditional Unionist preference for Sudan's close alignment with Egypt collides with the traditional Umma preference for political independence from Cairo.

The Economic Morass

Sadiq's concern that austerity might spark regime-threatening demonstrations and strikes—like those that helped to topple Nimeiri—has, in our judgment, inhibited adoption of economic measures that would please Sudan's international creditors, particularly the IMF, and help to relieve Khartoum's debt problems. Khartoum is balking on hard measures such as further currency devaluation, removal of most price subsidies, a freeze on public-sector salaries, and a general tax increase, while it searches desperately for foreign aid. With prospects for substantial aid inflows uncertain and a self-initiated economic rebound unlikely, the government's chances of improving the economy appear gloomy.

Despite the absence of a collective effort by donors, foreign aid has continued to trickle in from a variety of sources, according to the US Embassy. Libya and Saudi Arabia, for example, have donated large quantities of oil, and the United States has provided wheat and funds to buy oil. Total US aid and famine relief to Sudan was worth more than that provided to any other country on the African continent with the exception of Egypt in the past year. This aid has

25X1

25X1

25X1

25X1

25X1

Secret

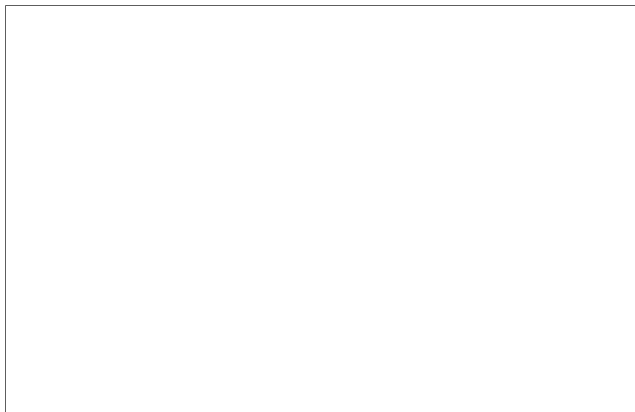
Secret

prevented a total collapse of the government-controlled economy, but its ad hoc nature forces the Sadiq government to exist on a month-by-month basis, inhibiting any coherent, long-range budgetary planning.

Recent riots in western Sudan over price increases and food shortages may point to future unrest. Khartoum's markets are currently full of local produce, and fuel supplies appear adequate, but many imported goods are in short supply and are available only through the black market. Meanwhile, inflation currently is running at 70 percent, fueled by government spending—largely on the civil war—and by shortages of consumer and industrial goods. We are concerned that, if supplies dwindle and inflation soars, government bureaucrats, students, and workers—along with a growing refugee population—may take to Khartoum's streets.

Loyalty of the Security Forces

Sadiq needs the Armed Forces on his side, but the current officer corps—a product of the Nimeiri period when the pro-Egyptian Khatmiyyah gained strength at the expense of Sadiq's Ansar—has little personal loyalty to the Prime Minister. US Embassy reports indicate that most senior officers favor the Democratic Unionists and the Muslim Brotherhood. Sadiq's bold dismissal of five key military officers in early September probably succeeded in disrupting some coup plots, but we believe that his open maneuvering for control of the Army may be rankling the professional officer corps.



25X1



25X1

A pro-Libyan, anti-US regime in Khartoum would be a strategic setback for Cairo; together with Libya and Ethiopia, Sudan would form a hostile crescent to the west and east of Egypt, controlling the vital headwaters of the Nile River.

25X1

25X1

The Southern Quagmire

Meanwhile, the conflict in the south—a factor in the fall of previous Sudanese regimes—is steadily weakening Sadiq's position. Having tried diplomacy to end the southern rebellion, the Prime Minister is building up for a dry-season military offensive against the SPLA insurgents—an effort unlikely to bring the rebels to heel. Some of Sadiq's advisers already have predicted a military stalemate at best and a disaster at worst if government forces have to fight with currently inadequate transportation assets, arms, and equipment, according to US Embassy and press reporting. Nonetheless, Sadiq probably feels his only real option is a military one, given the pressure from his northern Muslim constituents after the rebel shutdown in August of a civilian aircraft and especially the hard-line demanded by the Muslim Brotherhood and its sympathizers in the Army.

25X1

25X1

25X1

At the same time, we believe that insurgent leaders are inclined to hold onto the military initiative they have gained, in order to strengthen their bargaining position at any eventual peace negotiations. Their

Secret

Secret

capture of Juba, a major outpost for government forces and the nerve center of outside famine-relief operations to assist an estimated 2-3 million southerners, would probably be a major turning point in the war. At least until the struggle for Juba is resolved, a political settlement to the civil war is highly unlikely.

[redacted]

25X1

Key Indicators To Watch

Most Likely Scenario: Sadiq's coalition government continues to temporize, but survives the next three months:

- Sadiq attracts enough foreign aid to prevent wide-scale shortages of petroleum and basic foodstuffs in Khartoum.
- He avoids austerity measures that would alienate Khartoum residents—students and lower- and middle-class laborers in particular—who depend heavily on subsidies.
- Government forces avoid a major military “humiliation” in the south—such as the fall of Juba, Malakal, or Waw to the rebels. [redacted]

25X1

Alternative Scenario: Sadiq's government collapses and the military takes over:

- Government paralysis resulting from deepening party factionalism coincides with rising shortages of food and fuel supplies in the capital.
- Student and labor demonstrations start, then gather momentum.
- Street clashes break out between Muslims and non-Muslims in Khartoum.
- The Army suffers a major setback or setbacks against the southern rebels.
- Younger generals collude with troop commanders in and around the capital to overthrow the government. [redacted]

25X1

Secret

Secret

**Honduras:
President Azcona Seen as
Powerless Leader** [redacted]

25X1

- Any new military infighting that might arise from the barracks revolt in September is unlikely to endanger the civilian government of President Azcona, in our judgment, because most senior officers share a perception that vital US aid is contingent on the preservation of democratic rule.
- Nonetheless, the military reshuffle reinforces the view of Azcona as a powerless leader. For the second time since taking office in January, the President was excluded from decisions affecting control of the Armed Forces.
- Azcona's political credibility may be strained further if the Nicaraguan rebels do not make significant gains in their war against the Sandinista regime once renewed US assistance becomes available. The government's support of the rebels could become a political liability, especially if they are perceived as losing inside Nicaragua and refuse to vacate Honduran territory. [redacted]



25X1

25X6

25X6

[redacted]

- In spite of these problems, neither Azcona, nor the opposition National Party, nor the military is likely to back away from supporting the Nicaraguan rebels so long as they feel there is a firm US commitment to the security and economic well-being of Honduras. [redacted]

faction led by Colonel Riera. [redacted]

25X1

[redacted] this most recent upheaval—following the ouster of Armed Forces chief General Lopez in January 1986 and the removal of his predecessor, General Alvarez, in March 1984—was the outgrowth of competition between Riera and Colonel Said to become Army Commander. [redacted]

25X1

25X1

25X1

Military Infighting Shows Azcona Weakness

For the third time in three years, junior officers in late September moved against senior commanders without consulting the President—ostensibly the commander in chief of the Armed Forces—but posed no threat to civilian rule. In late September, a barracks revolt removed Army Commander Thumann and placed control of the Honduran army in the hands of a

[redacted]

25X1

Secret

Secret

[Redacted]

Any new military infighting should not, in our judgment, pose a threat to the civilian government. The military's desire to maintain at least a facade of unity most likely would keep factional strife an internal matter. Also, the importance of US economic aid to the Honduran economy remains a major factor inhibiting the military from acting against the civilian government. [Redacted]

left has not demonstrated an ability to plan or undertake subversive acts on its own, we are concerned that it could collaborate with foreign groups—such as Salvadoran rebels—better prepared to carry out such operations. In any event, Honduran authorities appear to agree on the need to crack down forcefully on any groups linked to terrorist acts, and such attacks should not threaten the stability of the government.

25X1

[Redacted]

25X1

Azcona's Political Problems

25X1

Azcona accepts that his authority is limited where military interests are concerned—particularly regarding command changes—and has sought to establish a good working relationship with key officers, especially with Armed Forces Chief Regalado, according to reporting from the US mission in Tegucigalpa. The President has gone to some lengths to reassure military leaders that he supports their views on security issues, such as the need to back the anti-Sandinista rebels. [Redacted]

Azcona is widely perceived as an honest but ineffective leader who has not delivered on campaign promises to attack government corruption and revive a languishing economy. Both press and official reporting from Honduras indicates that much of the criticism of Azcona stems from the poor performance of his Cabinet ministers. The Cabinet is seen by the public as incompetent and corrupt. [Redacted]

25X1

25X1

25X1

[Redacted] Another frequent complaint is the failure of the government to revive a languishing economy. Azcona, wanting to avoid the impression that policy and appointments are dictated by others, has responded to critics by publicly endorsing his ministers. [Redacted]

25X1

25X1

25X1

Managing the Nicaraguan Problem

[Redacted]

[Redacted] Although the President and the military agree on the importance of supporting the anti-Sandinistas, we believe that both are sensitive to charges of subservience to US policy and want to avoid a direct military conflict with the Nicaraguans. Moreover, Honduran farmers displaced by Nicaraguan rebels and refugees are becoming more vocal in complaining about economic losses and bullying by anti-Sandinistas. To reduce the level of publicity surrounding the presence of the rebels in Honduras, Azcona's government is likely to insist that they be relocated to more sparsely populated areas in the eastern portion of the country, making press coverage more difficult. [Redacted]

[Redacted]

25X6

25X6

Azcona's public image also has been damaged by his vacillation in dealing with labor disputes, in our view. Past concessions to labor unions, coupled with continued deterioration of the economy, will make it more difficult for President Azcona to implement needed economic reforms. For the most part, his administration has appeared to cave in to labor's demands—for example, a \$1 million settlement to end a strike by miners. Many unions appear to have concluded that strikes are the best way to wrest concessions from both employers and the government, and an escalation of protests and job actions appears likely. Azcona's

25X1

The use of Honduran territory by Nicaraguan rebels may lead to increased efforts at subversion and terrorism by the left. While the Honduran extreme

Secret

Secret



recent public statements, however, coupled with pressure for action by the Armed Forces, may signal the government will adopt a tougher stand against illegal strikes.

Perceptions of Azcona's weak leadership will encourage the National Party, led by Rafael Callejas, to back away from its agreement to support the government's legislative initiatives. Although Callejas said earlier he would cooperate with the administration in return for control over the Supreme Court and several congressional posts, we believe he is likely now to exploit Azcona's political difficulties in hopes of strengthening his own position for the presidential election in 1989. If so, Azcona probably will dig in his heels and pursue his previously announced economic program with more intensity, even though his Liberal Party lacks a majority in the legislature and needs support from other quarters. This could paralyze the government's legislative program and further damage Azcona's image.

Increased perception that Azcona's government is incompetent could cause the military to withdraw its support. In those circumstances, Azcona might feel compelled to resign.

Key Indicators To Watch

Most Likely Scenario: The perception of Azcona as a weak leader encourages increased public criticism.

Azcona tries to counter his negative image and maintains a stable, cooperative relationship with the military on both domestic and national security issues:

- The military smooths over internal divisions by distributing key commands more equitably among rival factions, although the potential for later back-room maneuvering remains.
- Azcona waits until January to replace ineffective Cabinet members and announce new economic initiatives. Reforms with the lowest political costs are the most likely to be implemented.
- The Callejas-led National Party, while more critical of Azcona, supports the President's legislative initiatives on major security and economic issues.
- Stepped-up activity by Nicaraguan guerrillas provokes new Sandinista incursions that focus attention on rebels operating out of Honduran territory.
- Increased leftist efforts to foment labor unrest and protests against the presence of anti-Sandinista rebels, and to undertake terrorist acts, are limited by government security measures.

25X1

25X1

25X1

Alternative Scenario: With growing rumors of military factional strife, Azcona becomes uncertain of his support among key officers and delays action on pressing issues. Increasing doubts about Azcona's effectiveness lead to calls for his resignation:

- Azcona resists military pressures to replace Cabinet officials identified as leftist sympathizers, creating doubts among some officers that Azcona can be trusted.
- Growing nationalist sentiment against the anti-Sandinista rebels operating on Honduran territory causes a major split among factions of Azcona's Liberal Party, giving the Nationalist Party virtual control of the Congress.
- Key members of Azcona's government make public statements implying Honduras does not support US policy toward Nicaragua and call for negotiations with Managua.
- Anti-Sandinista rebels fail to make significant military gains while Nicaraguan propaganda increases domestic political pressure on Azcona to expel them.
- The military withdraws its support and Azcona resigns.

25X1

25X1

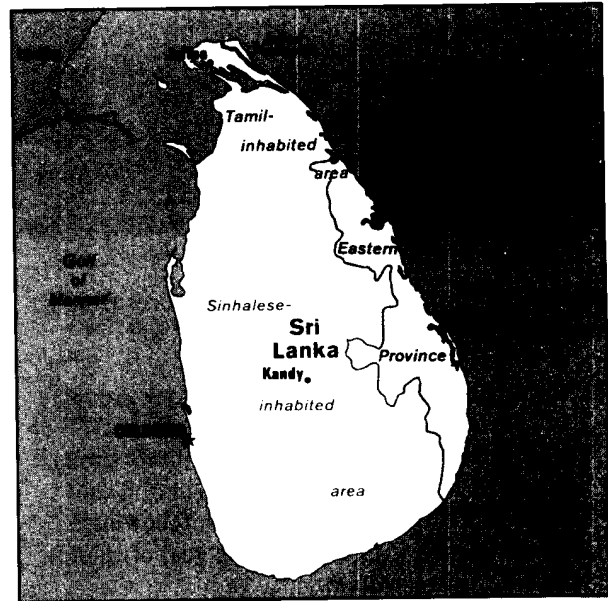
25X1

Secret

Sri Lanka: Talks Fail, Fighting Intensifies

25X1

- The bitter ethnic conflict now under way in Sri Lanka poses the most serious threat to the country's territorial integrity since it gained independence from Britain in 1948. The three-year-old Tamil insurgency is intensifying and the rebels have made deep inroads into most of the north and much of the east where Tamils predominate.
- The Indian-brokered peace negotiations between the Sinhalese government in Colombo and Tamil moderates appear to be losing momentum, and Tamil militants have not yet agreed to negotiations with the government.
- Political discord within the Sinhalese community is rising. The hardline Sinhalese opposition party has launched an all-out campaign to discredit President Jayewardene's peace initiative, and has formed an alliance with influential segments of the Buddhist clergy and a proscribed radical leftist party.
- Some senior members of Jayewardene's Cabinet and midlevel military officers also are unhappy with his handling of the war, and may throw their support behind the Sinhalese opposition.



800822 (800274) 11-86

25X1

defense expenditures sapping money from development projects and modernization plans.

25X1

The Roots of the Insurgency

Since the late 1970s, the Tamil separatist movement has grown from a scattered handful of bankrobbers and terrorists into an organized, armed, full-time insurgency with an estimated 10,000 guerillas. The US Embassy in Colombo estimates that the fighting has caused over 3,500 casualties so far this year. The most heavily populated areas of the north are now administered by the insurgents. The battle for control of the strategic Eastern Province intensified in September as both the insurgents and government security forces focused their efforts there. The fighting is likely to continue, with both sides attempting to consolidate territorial control. The country's once vibrant economy has been weakened, with increasing

The fundamental factor fostering the insurgency is the ethnic rivalry between the majority Sinhalese—numbering about 11 million—and the Tamil minority—2 million plus. Sri Lanka's Tamils believe that since the late 1950s successive Sinhalese-dominated governments have discriminated against them—in terms of religion, language, and culture, as well as political and economic opportunities. In the aftermath of the 1977 presidential election the perception of injustice among Tamils intensified sharply. That year, President Jayewardene won a landslide victory over Sinhalese hardliner Sirimavo Bandaranaike, gaining Tamil electoral support by promising to redress their grievances. However, Jayewardene failed to deliver on his campaign promises, and, as a result, increasing

25X1

Secret

Secret

numbers of Tamils shifted their allegiances from moderate Tamil leaders to militants. [redacted]

The insurgents are divided into five major groups:

- The Liberation Tigers of Tamil Eelam¹ (LTTE or Tigers): the most active and most militant group.
- The People's Liberation Organization of Tamil Eelam (PLOTE): the largest group, following a Marxist agenda with the ultimate goal of island-wide socialist revolution.
- The Tamil Eelam Liberation Organization (TELO): severely weakened earlier this spring by a Tiger attack, but now regaining strength.
- The Eelam People's Revolutionary Liberation Front (EPRLF): a Tamil group with Marxist leadership and largely nationalist rank and file.
- The Eelam Revolutionary Organization of Students (EROS): another Marxist group specializing in economic sabotage and bombing.

We estimate each of these groups maintains between four and 15 base camps in South India. [redacted]

India, with numerous minority ethnic communities itself—including some 50 million Tamils—generally has sought to curtail separatist movements in South Asia. Nonetheless, we believe that New Delhi has provided funding to many Sri Lankan Tamil militant groups since 1983, and the largest groups have been allowed to maintain headquarters in the south Indian city of Madras. The Indians, in our judgment, have

¹ *Eelam*, meaning nation, is the name Tamil insurgents give to their proposed independent state comprising the traditional Tamil-inhabited areas of the Northern and Eastern Provinces. [redacted]

provided this support as a means of gaining a measure of control over the insurgents. [redacted]

The insurgents, initially heavily dependent on New Delhi, are expanding their sources of funds and arms to escape Indian control. We believe that the major insurgent groups are heavily involved in international drug syndicates and that narcotics trafficking—especially heroin—has become a major source of the insurgents' funds. One kilogram of heroin will net \$2,500 for sale in Sri Lanka: enough money, we estimate, to maintain a moderate-size insurgent training camp for a month. [redacted]

[redacted] we calculate that over three-fourths of the funds for major groups come from drug running in South Asia and Europe. [redacted]

The largest insurgent groups have developed a wide variety of international contacts to acquire arms and training. The Tigers use at least one large ship to receive arms shipments at sea and to transport them to their base camps. We strongly suspect some groups have also received training assistance from radicals in the Middle East, particularly Libya and the Syrian-backed Popular Front for the Liberation of Palestine. [redacted]

With this broadened base of support, the insurgents can now operate effectively with less support—and control—from New Delhi. Earlier this summer, most of the groups began withdrawing cadre from camps in the south Indian state of Tamil Nadu, and have relocated their headquarters to Sri Lanka's Jaffna Peninsula. The insurgents' increased strength and international contacts have allowed them to take a more hardline stance against the government in the peace talks. They have also been able to step up military operations during sensitive peace negotiations with less concern that New Delhi could curtail funding and sanctuary. [redacted]

At the same time, government forces are increasing their strength. There has been an estimated 38-percent jump in the number of Sri Lankan military personnel in the past year, and a 100-percent leap in military spending. Colombo has stepped up

25X1

25X6
25X6

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

requests for military aid from the United States, Pakistan, and some moderate Middle East states. US military assistance to the Sri Lankan Government, however, could provoke attacks against American facilities and also complicate US relations with India. New Delhi, despite recent setbacks to its own mediating efforts, would see such US efforts as obstructionist. Indeed, we believe that a major objective of the Indians in managing the Sri Lankan crisis is to demonstrate their role as the dominant power in the region. [redacted]

Despite their numerical superiority, government forces have been plagued with internal disorganization and an uncoordinated, poorly thought out counterinsurgency strategy. Until these problems are satisfactorily addressed, we believe the Sri Lankan Army has little chance of defeating the insurgents militarily. [redacted]

The government [redacted] [redacted] has begun concentrating its efforts on halting consolidation of insurgent strength in the east, especially around the coastal city of Batticaloa. The government is in no immediate danger of losing Batticaloa but may find it increasingly difficult to ensure adequate supplies to the civilian population and troops in the area—because of insurgent attacks against provincial transportation and power systems. Colombo has begun contingency planning to supply the city with food and fuel if the fighting continues. [redacted]

Peace Talks Losing Momentum

There has been little progress in the Indian-brokered peace talks since the last round of negotiations ended in August, and the optimism of this summer is slowly fading. Colombo has not yet set a date for the next round of discussions, and the US Consulate in Madras reports that Tamil militants are reluctant to meet with the moderates to discuss the results of the last round. [redacted]

Dissatisfaction with Jayewardene's peace initiatives also is growing within the Sinhalese community, in our judgment. The opposition Sri Lankan Freedom

Party (SLFP) has consolidated its alliance with leaders of the three branches of the Buddhist clergy, a smaller Sinhalese opposition party, and a proscribed leftist group, Janatha Vimukthi Peramuna (People's Liberation Front—JVP). This is the first time in almost 18 years that the leaderships of all three branches of the Buddhist monks have joined in a common cause. [redacted]

At a minimum, the coalition of so many prominent Buddhist leaders in opposition to the peace plan will strengthen the alliance's appeal and credibility with the public. If the alliance is maintained, unified opposition to Jayewardene's initiative could undercut the President's moral authority as leader of the Sinhalese Buddhist majority. [redacted]

Opposition Strategy

We believe the Sinhalese opposition strategy over the near term will be to rouse public sentiment against the peace talks through a civil disobedience campaign and attempt to undermine public confidence in Jayewardene's United National Party (UNP) government. The Freedom Party allegedly has already undertaken a campaign of threatening phone calls and anonymous letters to certain members of Parliament and senior officials warning them against supporting the peace plan. [redacted]

The political opposition has substantial support from some midlevel military officers and has probably co-opted some hardline members of the President's own party. Some Cabinet members, and possibly even Prime Minister Premadasa, might throw their support behind the opposition if they believe Sinhalese public opinion is moving away from the President. [redacted]

Over the long term, the opposition may turn increasingly to terrorist tactics in Sinhalese areas to underscore the government's inability to effectively protect its heartland. However, the Freedom Party will almost certainly try to hide its connection to any illegal activities, relying instead on the leftist JVP. [redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

Key Indicators To Watch

Most Likely Scenario: A protracted fight.

- India is unable to bring Tamil militants into peace talks.
- Sinhalese opinion also turns away from support of talks.
- Terrorist incidents increase in Sinhalese areas, perpetrated by Sinhalese opposition party collaborators.
- Insurgents remain united on the goal of an independent Tamil state, but sharply divided over tactics.
- Insurgents may turn increasingly to Libya and other radical states for support.

25X1

Alternative Scenario: Jayewardene and Tamil moderates conclude an agreement, New Delhi able to pressure some—but not the most important—militant groups into negotiations:

- Jayewardene perceives he has sufficient public support to proceed with implementing the agreement.
- New Delhi cracks down on remaining insurgent groups in south India in an effort to bring them on board in the peace talks.
- Fighting in the east slows as the government attempts to exhibit good faith.

25X1

Secret

Secret

Part 2.
Developments and Trends

25X1

The six categories of indicators used in the following charts focus on a broad array of issues that may impact on stability:

- The **social change/conflict** indicators examine developments such as labor or religious unrest that could undermine the regime's legitimacy and ability to rule effectively.
- The **economic factors** link various dimensions of economic performance to potential instability.
- The **opposition activities** indicators assess whether the opposition can mobilize effective antiregime activity or carry out acts that undermine public security.
- The **military attitude/activities** category addresses the military's degree of dissatisfaction with regime policies, involvement in coup plotting, and behavior relevant to the political process.
- The **external factors** category looks at foreign influences that could affect internal stability.
- Finally, the **regime capabilities/actions** category focuses on what the government is doing that could lessen popular support, otherwise undermine its authority, and effect its ability to govern efficiently.



25X1

Secret

Page Denied

**El Salvador:
Selected Instability Indicators**

Outlook

President Duarte appears to be in firm control of the security situation since the earthquakes in San Salvador on 10 October that left about 300,000 homeless and caused at least \$500 million damage, according to the US Embassy. Faced with a deteriorating economic situation before the disaster, however, the effectiveness of the government will be tested in the coming months. The armed forces' ability to sustain an aggressive counterinsurgency campaign may be set back as a result of damage to facilities and transferring financial and manpower resources to reconstruction.

25X1

Prospects for major regime or policy change

- During next six months
- ◐ During next six months to two years

Indicators	Legend	○ Negligible concern ◐ Low concern ◑ Moderate concern	◒ Substantial concern ● Serious concern
-------------------	---------------	---	--

	Legend	Projected									
		1985	1985	1985	1985	1986	1986	1986	1986	1987	1987
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent										
	Demonstrations, riots, strikes	●	●	●	●	●	◐	◐	◐		
Economic factors	General deterioration							◐	◐		
	Decreased access to foreign funds										
	Capital flight										
	Unpopular changes in economic policies			●	●	●	●	●	●		
	Food/energy shortages	●	●	●	●	●	●	●	●		
	Inflation			●	●	●	●	●	●		
Opposition activities	Organizational capabilities	●	●	●	●	●	●	●	●		
	Opposition conspiracy/planning	●	●	●	●	●	●	●	●		
	Terrorism and sabotage	●	●	●	●	●	●	●	●		
	Insurgent armed attacks	●	●	●	●	●	●	●	●		
	Public support										
Military attitudes/activities	Threat to corporate military interests/dignity										
	Discontent over career loss, pay, or benefits										
	Discontent over government action/policies										
	Reports/rumors of coup plotting										
External factors	External support for government										
	External support for opposition	●									
	Threat of military conflict										
Regime actions/capabilities	Repression/brutality										
	Security capabilities	●	●	●	●	●	●	◐	◐		
	Political disunity/loss of confidence										
	Loss of legitimacy										

310838 11 86

25X1

Secret

**Guatemala:
Selected Instability Indicators**

Outlook

Civil-military relations remain generally smooth, but the armed forces are growing increasingly concerned about some of President Cerezo's policies. Some officers believe Cerezo is too soft on Nicaragua and supports radical land reform measures. In our judgment, Cerezo's failure to define a coherent land reform policy and reassure landowners could strain his relations with the military and the private sector. Meanwhile, the government's inability to control rising consumer prices makes the outbreak of serious labor disturbances and public protests likely in the coming months.

25X1

Prospects for major regime or policy change

During next six months
During next six months to two years

Indicators	Legend	Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	○	○	○	○	○	○	○	○		
	Demonstrations, riots, strikes	○	○	●	●	●	◐	◐	◐		
Economic factors	General deterioration										
	Decreased access to foreign funds										
	Capital flight			●	●	●	●	●	●		
	Unpopular changes in economic policies	●	●	●	●	●	●	●	●		
	Food/energy shortages	○		●	●	●	●	●	●		
	Inflation	○	○	●	●	●	●	●	●		
Opposition activities	Organizational capabilities	○	○	○							
	Opposition conspiracy/planning										
	Terrorism and sabotage										
	Insurgent armed attacks										
	Public support	○	○	○	○	○	○	○	○		
Military attitudes/activities	Threat to corporate military interests/dignity	○	○	○							
	Discontent over career loss, pay, or benefits	○	○	○							
	Discontent over government action/policies							◐	◐		
	Reports/rumors of coup plotting										
External factors	External support for government										
	External support for opposition										
	Threat of military conflict	○	○	○	○	○	○	○	○		
Regime actions/capabilities	Repression/brutality										
	Security capabilities										
	Political disunity/loss of confidence										
	Loss of legitimacy										

310839 11 86

Secret

25X1

Secret

**Honduras:
Selected Instability Indicators**

Outlook

We believe the prospects for stability in Honduras have improved slightly as the military has temporarily resolved factional differences over the control of the Armed Forces. President Azcona, despite a low popularity rating, has gained the confidence of the Armed Forces and probably would not be threatened by renewed infighting. Nonetheless, labor unrest and threats of terrorist attacks may become challenges facing Azcona in the coming months, and his political standing also could be undercut if the Nicaraguan rebels do not make significant gains from their border bases.

25X1

Prospects for major regime or policy change

During next six months

During next six months to two years

Indicators

Legend

○ Negligible concern
○ Low concern
○ Moderate concern

● Substantial concern
● Serious concern

		1985				1986				Projected 1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	○	○	○	○	○	○	○	○		
	Demonstrations, riots, strikes	○	○	○	○	○	○	○	○		
Economic factors	General deterioration										
	Decreased access to foreign funds										
	Capital flight										
	Unpopular changes in economic policies	○	○	○	○	○	○	○	○		
	Food/energy shortages	○	○	○	○	○	○	○	○		
	Inflation	○	○	○	○	○	○	○	○		
Opposition activities	Organizational capabilities										
	Opposition conspiracy/planning										
	Terrorism and sabotage										
	Insurgent armed attacks	○	○	○	○	○	○	○	○		
	Public support	○	○	○	○	○	○	○	○		
Military attitudes/activities	Threat to corporate military interests/dignity	○	○	○	○	○	○	○	○		
	Discontent over career loss, pay, or benefits	○	○	○	○	○	○	○	○		
	Discontent over government action/policies					●					
	Reports/rumors of coup plotting										
External factors	External support for government	○	○	○	○	○	○	○	○		
	External support for opposition										
	Threat of military conflict										
Regime actions/capabilities	Repression/brutality		○	○	○	○	○	○	○		
	Security capabilities	○	○	○	○	○	○	○	○		
	Political disunity/loss of confidence										
	Loss of legitimacy	○	○	○	○	○	○	○	○		

310840 11-86

25X1

Secret

**Panama:
Selected Instability Indicators**
Outlook

The regime turned recently to the sensitive issues of reforming the social security system and trimming the public sector to comply with World Bank requirements. Scattered protests by students and unions—including clashes with police—have been reported by the US Embassy. We expect more vigorous demonstrations as the proposed reforms are spelled out. Defense Chief Noriega has publicly called for a cabinet shuffle, but we believe that overall prospects for instability remain low because the military backs the current system and opposition forces generally remain weak.

25X1

*Prospects for major regime or policy change**During next six months**During next six months to two years***Indicators****Legend**

○ Negligible concern
○ Low concern
○ Moderate concern

● Substantial concern
● Serious concern

		Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	○	○	○	○	○	○	○	○		
	Demonstrations, riots, strikes	○				●	○				
Economic factors	General deterioration										
	Decreased access to foreign funds	○	○								
	Capital flight	○	○	○	○	○	○	○	○		
	Unpopular changes in economic policies	○	○	○	○		○				
	Food/energy shortages	○	○	○	○	○	○	○	○		
	Inflation	○	○	○	○	○	○	○	○		
Opposition activities	Organizational capabilities	○	○	○	○		○	○	○		
	Opposition conspiracy/planning	○	○								
	Terrorism and sabotage	○	○	○	○	○	○	○	○		
	Insurgent armed attacks	○	○	○	○	○	○	○	○		
	Public support	○	○	○	○		○	○	○		
Military attitudes/activities	Threat to corporate military interests/dignity	○	○								
	Discontent over career loss, pay, or benefits	○	○	○	○	○	○	○	○		
	Discontent over government action/policies	○	○	●		○	○	○	○		
	Reports/rumors of coup plotting	○	○		○		○	○	○		
External factors	External support for government	○	○	○	○	○					
	External support for opposition	○	○	○	○	○	○	○	○		
	Threat of military conflict	○	○	○	○	○	○	○	○		
Regime actions/capabilities	Repression/brutality	○	○	○	○	○	○	○	○		
	Security capabilities	○	○	○	○	○	○	○	○		
	Political disunity/loss of confidence	○					○	○	○		
	Loss of legitimacy	○	○								

310841 11-86

25X1

Secret

22

Secret

Colombia:
Selected Instability Indicators
Outlook

The new government faces increasing guerrilla violence throughout the country, but President Barco is trying to preserve the nominal truce with the largest insurgent group, at least until he can improve his limited counterinsurgency capabilities. The military has made little progress against the guerrilla alliance outside the truce, which has stepped up attacks on political and economic targets—particularly oil facilities. We are increasingly concerned about the violent intimidation of judges and law enforcement officials by drug traffickers.

25X1

*Prospects for major regime or policy change**During next six months*● *During next six months to two years*

Indicators	Legend	Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	○	○	○	○	○	○	○	○		
	Demonstrations, riots, strikes	○									
Economic factors	General deterioration										
	Decreased access to foreign funds					○	○	○	○		
	Capital flight										
	Unpopular changes in economic policies			○	○	○	○	○	○		
	Food/energy shortages	○	○	○	○	○	○	○			
	Inflation	○	○	○	○						
Opposition activities	Organizational capabilities						●	●	●		
	Opposition conspiracy/planning						●	●	●		
	Terrorism and sabotage					●	●	●	●		
	Insurgent armed attacks					●	●	●	●		
	Public support	○	○	○	○	○	○	○	○		
Military attitudes/activities	Threat to corporate military interests/dignity										
	Discontent over career loss, pay, or benefits	○									
	Discontent over government action/policies										
	Reports/rumors of coup plotting	○	○	○	○	○	○	○	○		
External factors	External support for government	○	○	○	○	○	○	○	○		
	External support for opposition										
	Threat of military conflict	○	○	○	○	○					
Regime actions/capabilities	Repression/brutality	○	○	○	○						
	Security capabilities	○				●	●	●	●		
	Political disunity/loss of confidence	○	○	○	○	○	○	○	○		
	Loss of legitimacy	○	○	○	○	○	○	○	○		

310842 11 86

25X1

Secret

**Venezuela:
Selected Instability Indicators**

Outlook

President Lusinchi and the ruling Democratic Action Party dominate a relatively calm political scene. Since 1 September, oil prices have risen slightly, alleviating some economic pressures on the government. Nevertheless, without any real prospect for a long-term economic recovery and with campaigning already under way for the 1988 presidential election, we believe the administration is likely to face increasingly stronger and more determined electoral challenges and criticism. Organized labor, however, continues to back the government and Lusinchi still attracts strong popular support.

25X1

Prospects for major regime or policy change

- During next six months
- During next six months to two years

Indicators

Legend

- Negligible concern
- Low concern
- Moderate concern
- Substantial concern
- Serious concern

		1985				1986				Projected		1987	
		I	II	III	IV	I	II	III	IV	I	II		
Social change/conflict	Ethnic/religious discontent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Demonstrations, riots, strikes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
Economic factors	General deterioration	<input type="radio"/>	<input type="radio"/>										
	Decreased access to foreign funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>								
	Capital flight	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>							
	Unpopular changes in economic policies			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Food/energy shortages	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Inflation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
Opposition activities	Organizational capabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Opposition conspiracy/planning	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Terrorism and sabotage		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Insurgent armed attacks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Public support	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
Military attitudes/activities	Threat to corporate military interests/dignity		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Discontent over career loss, pay, or benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Discontent over government action/policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Reports/rumors of coup plotting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
External factors	External support for government	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	External support for opposition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Threat of military conflict	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
Regime actions/capabilities	Repression/brutality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Security capabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Political disunity/loss of confidence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
	Loss of legitimacy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				

310843 11 86

25X1

Secret

Secret

Peru:
Selected Instability Indicators

Outlook

Tensions between President Garcia and the military have subsided since June when he threatened to prosecute officers implicated in the execution of jailed Sendero Luminoso members during prison riots. One general will be tried by a military court. The deaths of 300 Sendero Luminoso adherents in the riots have failed to halt their widespread attacks, which increasingly include assassinations of members of the ruling party. We believe that Garcia also is facing serious economic problems; the IMF declared Peru ineligible to borrow in August after Lima failed to clear its arrearages.

25X1

Prospects for major regime or policy change

- *During next six months*
- *During next six months to two years*

Indicators	Legend	○ <i>Negligible concern</i>	● <i>Substantial concern</i>
		○ <i>Low concern</i>	● <i>Serious concern</i>
		○ <i>Moderate concern</i>	

	Legend	Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	○	○	○	○	○	○	○	○		
	Demonstrations, riots, strikes	●	●				●				
Economic factors	General deterioration	●	●	●	●	●	○				
	Decreased access to foreign funds	●	●	●	●	●	●	●	●		
	Capital flight	●	●								
	Unpopular changes in economic policies		●		○	○	○	○	○		
	Food/energy shortages										
	Inflation										
Opposition activities	Organizational capabilities										
	Opposition conspiracy/planning			○	○	○		○	○		
	Terrorism and sabotage	●	●	●	●	●	○	●	●		
	Insurgent armed attacks	●	●	●	●	●	○	○	○		
	Public support			○	○	○	○	○	○		
Military attitudes/activities	Threat to corporate military interests/dignity			●	●		●	○			
	Discontent over career loss, pay, or benefits										
	Discontent over government action/policies			●	●		●	○	○		
	Reports/rumors of coup plotting				○	○	○				
External factors	External support for government	○	○								
	External support for opposition			○	○	○	○	○	○		
	Threat of military conflict	○	○	○	○	○	○	○	○		
Regime actions/capabilities	Repression/brutality	●	●				○	○			
	Security capabilities						○				
	Political disunity/loss of confidence	●		○	○	○					
	Loss of legitimacy	●	○	○	○	○		○	○		

310844 11 86

25X1

Secret

Secret

**Argentina:
Selected Instability Indicators**

Outlook

President Alfonsin's popularity is slowly eroding as he employs stopgap measures to resolve the country's pressing economic and political problems. A public outcry over high inflation has allowed him to oust the Central Bank president, but he remains unwilling to implement basic economic reforms. We are concerned that capital flight—already significant—will increase further in the months ahead. Labor mounted another general strike and civil-military ties remain tense over the trials of officers for human rights abuses committed under the previous regime.

25X1

Prospects for major regime or policy change

During next six months

During next six months to two years

Indicators	Legend	Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	○	○	○	○	○	○	○	○		
	Demonstrations, riots, strikes										
Economic factors	General deterioration										
	Decreased access to foreign funds	●	○	○	○		◐				
	Capital flight								◐		
	Unpopular changes in economic policies	○	○	○							
	Food/energy shortages	○	○	○	○		○				
	Inflation	●	●	●	●			◐	◐		
Opposition activities	Organizational capabilities			○	○						
	Opposition conspiracy/planning	○	○	○	○	○					
	Terrorism and sabotage			○	○	○					
	Insurgent armed attacks	○	○	○	○	○	○	○	○		
	Public support	○	○	○	○	○	○	○	○		
Military attitudes/activities	Threat to corporate military interests/dignity										
	Discontent over career loss, pay, or benefits										
	Discontent over government action/policies		○	○	○						
	Reports/rumors of coup plotting	○	○	○	○						
External factors	External support for government	○	○	○	○	○	○	○	○		
	External support for opposition	○	○	○	○	○	○	○	○		
	Threat of military conflict	○	○	○	○	○	○	○	○		
Regime actions/capabilities	Repression/brutality	○	○	○	○	○	○	○	○		
	Security capabilities	○	○	○	○	○	○	○	○		
	Political disunity/loss of confidence	○	○	○	○	○	○	○	○		
	Loss of legitimacy	○	○	○	○	○	○	○	○		

310846 11 86

25X1

Secret

Secret

Chile:

Selected Instability Indicators

Outlook

President Pinochet has exploited the recent discovery of Communist-controlled arms caches and an attempt on his life to boost temporarily his standing with the military and to repress opponents. He will almost certainly continue a hardline approach in dealing with the opposition and maneuvering to remain in power beyond 1989. In our view, Pinochet will dominate the Chilean political scene over the next six months, but increasing terrorism and unrest will prompt military criticism—setting the stage for a confrontation between him and officers promoting a democratic transition.

25X1

Prospects for major regime or policy change

- During next six months
- During next six months to two years

Indicators

Legend

- Negligible concern
- Low concern
- Moderate concern
- ◐ Substantial concern
- Serious concern

		Projected											
		1985				1986				1987			
		I	II	III	IV	I	II	III	IV	I	II		
Social change/conflict	Ethnic/religious discontent												
	Demonstrations, riots, strikes						◐		◐				
Economic factors	General deterioration												
	Decreased access to foreign funds	●	●										
	Capital flight												
	Unpopular changes in economic policies	○	○	○	○	○	○	○	○	○			
	Food/energy shortages	○	○	○	○	○	○	○	○	○			
Opposition activities	Inflation												
	Organizational capabilities			●	●	●	●	●	●				
	Opposition conspiracy/planning					◐	◐	◐	◐				
	Terrorism and sabotage					◐	◐	●	●				
	Insurgent armed attacks												
Military attitudes/activities	Public support						◐		◐				
	Threat to corporate military interests/dignity	○	○	○	○	○	○	○	○				
	Discontent over career loss, pay, or benefits												
	Discontent over government action/policies			●	●	●	●	●	●				
External factors	Reports/rumors of coup plotting	○	○	○	○	○							
	External support for government												
	External support for opposition								◐	◐			
Regime actions/capabilities	Threat of military conflict	○	○	○	○	○	○	○	○				
	Repression/brutality						◐	◐	◐				
	Security capabilities						◐	◐	◐				
	Political disunity/loss of confidence						◐	◐	◐				
	Loss of legitimacy								◐				

310847 11 86

25X1

Secret

Secret

Spain:
Selected Instability Indicators

Outlook

The recent upsurge in Basque terrorism is likely to continue for at least several more months. We believe that Madrid's efforts to reduce tensions with the Basque provinces will be handicapped during the period by intensified factionalism and competition among rival political leaders in that region. Spanish negotiators will continue to press Washington hard in the current bilateral security talks to reduce the US military presence there.

25X1

Prospects for major regime or policy change

- During next six months
- During next six months to two years

Indicators

Legend

- Negligible concern
- Low concern
- Moderate concern
- Substantial concern
- Serious concern

		1985				1986				Projected	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Demonstrations, riots, strikes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Economic factors	General deterioration										
	Decreased access to foreign funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Capital flight	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Unpopular changes in economic policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Food/energy shortages	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Inflation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Opposition activities	Organizational capabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Opposition conspiracy/planning	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Terrorism and sabotage										
	Insurgent armed attacks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Public support	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Military attitudes/activities	Threat to corporate military interests/dignity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Discontent over career loss, pay, or benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Discontent over government action/policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Reports/rumors of coup plotting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
External factors	External support for government	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	External support for opposition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Threat of military conflict	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Regime actions/capabilities	Repression/brutality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Security capabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Political disunity/loss of confidence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Loss of legitimacy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		

310848 11 86

25X1

Secret

**Greece:
Selected Instability Indicators**

Outlook

Despite a poor showing in the first round of the municipal elections, Prime Minister Papandreou is firmly in control. Internal disputes have weakened both the conservative and Communist opposition, and the labor movement remains disorganized. Papandreou should, in our judgment, be able to weather any opposition to austerity measures and set his own course on the base negotiations. Tensions continue, however, between Greece and Turkey over Cyprus and their longstanding Aegean disputes, and the possibility remains that miscalculation could lead to conflict.

25X1

Prospects for major regime or policy change

- During next six months
- During next six months to two years

Indicators

Legend

- Negligible concern
- Low concern
- Moderate concern
- Substantial concern
- Serious concern

		Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Demonstrations, riots, strikes		<input type="radio"/>	<input type="radio"/>							
Economic factors	General deterioration										
	Decreased access to foreign funds										
	Capital flight										
	Unpopular changes in economic policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>							
	Food/energy shortages	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Inflation										
Opposition activities	Organizational capabilities										
	Opposition conspiracy/planning	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Terrorism and sabotage										
	Insurgent armed attacks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Public support		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Military attitudes/activities	Threat to corporate military interests/dignity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Discontent over career loss, pay, or benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Discontent over government action/policies										
	Reports/rumors of coup plotting		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
External factors	External support for government	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	External support for opposition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Threat of military conflict		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						
Regime actions/capabilities	Repression/brutality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Security capabilities										
	Political disunity/loss of confidence		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Loss of legitimacy		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		

310849 11 86

25X1

Secret

Secret

Turkey:
Selected Instability Indicators

Outlook

The unexpected strength of a rightist competitor in recent byelections preoccupies Prime Minister Ozal's ruling Motherland Party. We believe that pressure is likely to build for constitutional changes lifting restrictions on former politicians, raising the specter of military opposition. Because economic issues figured minimally in the byelections, the government will maintain its economic policies—and the support of international lending agencies. Ozal, perceiving a need to demonstrate leadership, also may try to strengthen ties to Europe—especially the EC.

25X1

Prospects for major regime or policy change

During next six months

During next six months to two years

Indicators	Legend	○ Negligible concern ○ Low concern ○ Moderate concern	● Substantial concern ● Serious concern
-------------------	---------------	---	--

		Projected								1987		
		1985				1986				I	II	
		I	II	III	IV	I	II	III	IV			
Social change/conflict	Ethnic/religious discontent											
	Demonstrations, riots, strikes	○	○	○	○	○	○	○	○			
Economic factors	General deterioration											
	Decreased access to foreign funds	○	○	○	○			○	○			
	Capital flight											
	Unpopular changes in economic policies								○	○		
	Food/energy shortages	○	○	○	○	○	○	○	○	○		
	Inflation											
Opposition activities	Organizational capabilities						○					
	Opposition conspiracy/planning					○	○					
	Terrorism and sabotage											
	Insurgent armed attacks											
	Public support	○	○	○	○	○	○					
Military attitudes/activities	Threat to corporate military interests/dignity	○	○	○	○	○	○	○	○			
	Discontent over career loss, pay, or benefits	○	○	○	○	○	○	○	○			
	Discontent over government action/policies											
	Reports/rumors of coup plotting	○	○	○	○	○	○	○	○			
External factors	External support for government	○	○	○	○	○	○	○	○			
	External support for opposition	○	○	○	○	○	○	○	○			
	Threat of military conflict											
Regime actions/capabilities	Repression/brutality											
	Security capabilities	○	○	○	○	○	○	○	○			
	Political disunity/loss of confidence								○			
	Loss of legitimacy	○	○	○	○	○	○	○	○			

310850 11 86

25X1

Secret

Secret

**Morocco:
Selected Instability Indicators**

Outlook

King Hassan's recent abrogation of the Arab-African Union increases the prospects for Libyan meddling in Morocco. Qadhafi almost certainly used the union to establish a network of agents to subvert the Hassan regime. Nonetheless, the King believes his military and security forces will be able to handle the threat, according to US Embassy sources. Financial problems are diminishing as Rabat proceeds with a new IMF agreement. In addition, a good harvest and lower oil prices have significantly reduced the cash crunch.

25X1

Prospects for major regime or policy change

During next six months
During next six months to two years

Indicators	Legend	Projected											
		1985				1986				1987			
		I	II	III	IV	I	II	III	IV	I	II		
Social change/conflict	Ethnic/religious discontent												
	Demonstrations, riots, strikes												
Economic factors	General deterioration												
	Decreased access to foreign funds						●						
	Capital flight												
	Unpopular changes in economic policies												
	Food/energy shortages	○	○	○	○			○	○	○			
	Inflation												
Opposition activities	Organizational capabilities	○	○	○	○	○	○	○	○				
	Opposition conspiracy/planning												
	Terrorism and sabotage	○	○	○	○	○							
	Insurgent armed attacks	○	○	○	○	○	○	○	○				
	Public support								○	○			
Military attitudes/activities	Threat to corporate military interests/dignity												
	Discontent over career loss, pay, or benefits												
	Discontent over government action/policies	○	○	○	○								
	Reports/rumors of coup plotting	○	○	○	○	○	○	○	○				
External factors	External support for government	○	○	○	○	○			○	○			
	External support for opposition	○	○	○	○	○	○						
	Threat of military conflict									○	○		
Regime actions/capabilities	Repression/brutality									○	○		
	Security capabilities	○	○	○	○	○	○	○	○				
	Political disunity/loss of confidence									○	○	○	
	Loss of legitimacy	○	○	○	○	○	○	○	○				

310851 11 86

25X1

Secret

Secret

Egypt:
Selected Instability Indicators

Outlook

President Mubarak continues to walk a fine line between economic and political disaster, as Egypt's financial situation worsens and the necessity of imposing politically sensitive austerity measures looms closer. Economic reforms to date have not included subsidy cuts on the most basic necessities. However, if the IMF requires additional reforms in order to endorse Egypt for standby status, Mubarak may be forced to implement measures that could cause demonstrations, riots, and strikes. We believe Cairo will need additional resource flows by early next year to avert a destabilizing financial crisis.

25X1

Prospects for major regime or policy change

○ *During next six months*

● *During next six months to two years*

<i>Indicators</i>	<i>Legend</i>
	○ <i>Negligible concern</i>
	○ <i>Low concern</i>
	○ <i>Moderate concern</i>
	● <i>Substantial concern</i>
	● <i>Serious concern</i>

		Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	○									
	Demonstrations, riots, strikes	○				●	●	●	●		
Economic factors	General deterioration					●	●	●	●		
	Decreased access to foreign funds		○			●	●	●	●		
	Capital flight	○	○	○	○				●		
	Unpopular changes in economic policies			●	●	●	●	●	●		
	Food/energy shortages	○	○	○	○						
	Inflation		○								
Opposition activities	Organizational capabilities	○	○	○	○	○	○	○	○		
	Opposition conspiracy/planning	○		○	○						
	Terrorism and sabotage										
	Insurgent armed attacks	○	○	○	○	○	○	○	○		
	Public support		○	○	○						
Military attitudes/activities	Threat to corporate military interests/dignity	○	○	○	○	○	○	○	○		
	Discontent over career loss, pay, or benefits		○	○	○	○	○				
	Discontent over government action/policies	○	○	○	○	○	○				
	Reports/rumors of coup plotting	○	○	○	○	○	○	○	○		
External factors	External support for government	○	○	○	○	○	○	○	○		
	External support for opposition	○	○	○	○	○	○	○	○		
	Threat of military conflict	○	○	○	○	○	○	○	○		
Regime actions/capabilities	Repression/brutality	○	○	○	○	○	○	○	○		
	Security capabilities	○	○	○	○						
	Political disunity/loss of confidence	○	○	○		●	●	●	●		
	Loss of legitimacy	○	○	○	○		○	○	○		

310852 11 86

25X1

Secret

Page Denied

Next 1 Page(s) In Document Denied

Secret

**Iraq:
Selected Instability Indicators**

Outlook

Iraq's bombing campaign against Iranian economic targets in the past several weeks is taking effect. The near obliteration of Iran's main oil shipment terminal—Khark Island—will reduce Tehran's oil revenues and may curtail some military operations since oil revenues fund the war. This has buoyed Iraqi morale and given it a new lease in the war. Even so, we are concerned that Iraq still faces a major Iranian ground offensive. A strong assault which caused substantial Iraqi casualties could intensify the strains not only on the armed forces but also on the civilian population.

25X1

Prospects for major regime or policy change

- During next six months
- ◐ During next six months to two years

Indicators

Legend

- Negligible concern
- ◐ Low concern
- ◑ Moderate concern
- ◒ Substantial concern
- Serious concern

		Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	●	●	●	●	●	◐	◐	◐		
	Demonstrations, riots, strikes	○	○	○							
Economic factors	General deterioration	○				●	●	●	●		
	Decreased access to foreign funds					●	●	●	●		
	Capital flight	○	○	○	○		◐	◐	◐		
	Unpopular changes in economic policies	○	○	○	○		◐	●	●		
	Food/energy shortages		○	○	○						
	Inflation						◐	●	●		
Opposition activities	Organizational capabilities	○	○	○							
	Opposition conspiracy/planning	○	○	○							
	Terrorism and sabotage		●			●					
	Insurgent armed attacks	●	●		●	●	●	●	●		
	Public support	○	○								
Military attitudes/activities	Threat to corporate military interests/dignity	○	○	○							
	Discontent over career loss, pay, or benefits	○	○	○	○	○					
	Discontent over government action/policies	○	○	○							
	Reports/rumors of coup plotting	○	○	○	○	○					
External factors	External support for government	○	○	○	○	○		○	○		
	External support for opposition	●	●		●						
	Threat of military conflict	●	●	●	●	●	●	●	●		
Regime actions/capabilities	Repression/brutality	○	●	●	●	●	◐	◐	◐		
	Security capabilities										
	Political disunity/loss of confidence	○	○	○		○					
	Loss of legitimacy	○	○	○		○	○				

310855 11 86

25X1

Secret

Secret

Iran:
Selected Instability Indicators

Outlook

Iraq's bombing campaign against Iranian targets has crippled the economy and is confronting Tehran with difficult choices. The dire economic situation greatly increases the risks for Iran that serious domestic unrest will erupt—and possibly coup plotting—if its planned offensive fails. This is intensifying the debate within the leadership over whether to proceed but prowar leaders appear to retain the upper hand. Ayatollah Khomeini's deteriorating health has rendered him unable to arbitrate disputes among the leadership, causing increased infighting over the succession as well.

25X1

Prospects for major regime or policy change

- During next six months
- During next six months to two years

Indicators	Legend	○ Negligible concern ○ Low concern ○ Moderate concern	● Substantial concern ● Serious concern
-------------------	---------------	---	--

		Projected											
		1985				1986				1987			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
Social change/conflict	Ethnic/religious discontent												
	Demonstrations, riots, strikes	●	●		○								
Economic factors	General deterioration			●	●	●	●	●	●				
	Decreased access to foreign funds			●	●	●	●	●	●				
	Capital flight	●	●	●	●	●	●	●	●				
	Unpopular changes in economic policies					●	●	●	●				
	Food/energy shortages					●	●	●	●				
	Inflation					●	●	●	●				
Opposition activities	Organizational capabilities	○	○	○	○	○	○	○	○				
	Opposition conspiracy/planning						○	○	○				
	Terrorism and sabotage												
	Insurgent armed attacks												
	Public support						○						
Military attitudes/activities	Threat to corporate military interests/dignity												
	Discontent over career loss, pay, or benefits												
	Discontent over government action/policies												
	Reports/rumors of coup plotting												
External factors	External support for government	○	○	○	○	○	○	○	○				
	External support for opposition	○	○	○	○	○			○				
	Threat of military conflict	●	●	●	●	●	●	●	●				
Regime actions/capabilities	Repression/brutality												
	Security capabilities												
	Political disunity/loss of confidence											●	
	Loss of legitimacy							○	○				

310856 11 86

25X1

Secret

Page Denied

Secret

India:
Selected Instability Indicators
Outlook

Lapses in security permitted Sikh extremists to attack Prime Minister Gandhi and his chief security official in Punjab, and to kill the Army general who commanded the 1984 sweep of the Sikh's Golden Temple. Gandhi shuffled his Cabinet after the violence, naming new security and foreign ministers. The moves will assuage critics calling for action but, in our judgment, Gandhi will remain vulnerable because competing, ill-trained bureaucracies are responsible for his safety. Gandhi's death by assassination could—at least in the short term—result in considerable communal violence.

*Prospects for major regime or policy change**During next six months**During next six months to two years***Indicators****Legend**
 ○ Negligible concern
 ○ Low concern
 ○ Moderate concern

 ● Substantial concern
 ● Serious concern

		Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	●	●	●		●	●	●	●		
	Demonstrations, riots, strikes										
Economic factors	General deterioration	○	○	○	○	○	○	○	○		
	Decreased access to foreign funds	○	○	○	○	○	○	○	○		
	Capital flight	○	○	○	○	○	○	○	○		
	Unpopular changes in economic policies	○	○	○	○		○	○	○		
	Food/energy shortages	○	○	○	○	○	○	○	○		
	Inflation	○	○	○	○						
Opposition activities	Organizational capabilities	○	○	○	○	○	○	○	○		
	Opposition conspiracy/planning	○	○	○	○	○	○	○	○		
	Terrorism and sabotage		●	●				●	●		
	Insurgent armed attacks	○	○	○	○		○	○	○		
	Public support	○	○	○	○	○	○	○	○		
Military attitudes/activities	Threat to corporate military interests/dignity	○	○	○	○	○	○	○	○		
	Discontent over career loss, pay, or benefits										
	Discontent over government action/policies										
	Reports/rumors of coup plotting	○	○	○	○	○	○	○	○		
External factors	External support for government	○	○	○	○	○	○	○	○		
	External support for opposition	○	○	○	○	○	○	○	○		
	Threat of military conflict										
Regime actions/capabilities	Repression/brutality	○	○	○	○	○	○	○	○		
	Security capabilities										
	Political disunity/loss of confidence	○	○	○	○	○	○	○	○		
	Loss of legitimacy	○	○	○	○	○	○	○	○		

310858 11 86

25X1

25X1

Page Denied

Secret**Kenya:
Selected Instability Indicators****Outlook**

President Moi's relations with ethnic Kikuyus and Christian clergy remain strained. Some Kikuyus believe that government manipulation caused the collapse of two banks largely controlled and patronized by their ethnic group, and they are upset that the government has failed to reimburse small depositors. Some clerical leaders have publicly opposed Moi's call for the abolition of the secret ballot in the 1988 election. Neither controversy appears likely to pose a major threat to Kenyan stability in the near term.

25X1

*Prospects for major regime or policy change**During next six months**During next six months to two years***Indicators****Legend**

○ Negligible concern
 ◐ Low concern
 ◑ Moderate concern

◒ Substantial concern
 ● Serious concern

		1985				1986				Projected		1987	
		I	II	III	IV	I	II	III	IV	I	II		
Social change/conflict	Ethnic/religious discontent												
	Demonstrations, riots, strikes		○	○	○		○	○	○				
Economic factors	General deterioration												
	Decreased access to foreign funds	○	○	○	○	○	○	○	○				
	Capital flight	○	○	○	○	○	○	○	○				
	Unpopular changes in economic policies	○	○	○	○	○		○	○				
	Food/energy shortages		○	○	○	○	○	○	○				
	Inflation	○	○	○	○	○	○	○	○				
Opposition activities	Organizational capabilities	○	○	○	○								
	Opposition conspiracy/planning	○	○										
	Terrorism and sabotage	○	○	○	○	○	○	○	○				
	Insurgent armed attacks	○	○	○	○	○	○	○	○				
	Public support	○	○	○	○	○	○	○	○				
Military attitudes/activities	Threat to corporate military interests/dignity	○	○	○	○	○	○	○	○				
	Discontent over career loss, pay, or benefits	○	○	○									
	Discontent over government action/policies	○	○			○	○	○	○				
	Reports/rumors of coup plotting	○	○	○	○	○	○	○	○				
External factors	External support for government	○	○	○	○	○	○	○	○				
	External support for opposition	○	○	○	○	○	○	○	○				
	Threat of military conflict	○	○	○	○	○	○	○	○				
Regime actions/capabilities	Repression/brutality	○	○	○	○	○	○	○	○				
	Security capabilities	○	○	○	○	○	○	○	○				
	Political disunity/loss of confidence	○	○	○	○	○	○	○	○				
	Loss of legitimacy	○	○	○	○	○	○	○	○				

310861 11 86

25X1

Secret

Secret

Zaire:

Selected Instability Indicators

Outlook

President Mobutu faces no immediate political challenge but is frustrated with the results of his four-year IMF-backed economic reform program. Although the IMF recently granted a waiver that will allow Zaire to continue drawing funds despite its failure to meet program targets, the Embassy reports that political elites are pressing Mobutu to abandon austerity. Meanwhile, Mobutu remains concerned about Zairian dissident exiles, and officials believe that Libyan-backed rebels may be allowed to use bases in neighboring Uganda as a result of Qadhafi's recent visit to Kampala.

25X1

Prospects for major regime or policy change

During next six months

During next six months to two years

Indicators

Legend

○ Negligible concern
○ Low concern
○ Moderate concern

● Substantial concern
● Serious concern

		1985				1986				Projected		1987	
		I	II	III	IV	I	II	III	IV	I	II		
Social change/conflict	Ethnic/religious discontent												
	Demonstrations, riots, strikes	○	○	○	○								
Economic factors	General deterioration												
	Decreased access to foreign funds	○	○	○	○	○	○						
	Capital flight	○	○	○	○	○	○	○	○				
	Unpopular changes in economic policies			○	○		○						
	Food/energy shortages			○	○	○	○	○	○				
	Inflation												
Opposition activities	Organizational capabilities												
	Opposition conspiracy/planning												
	Terrorism and sabotage												
	Insurgent armed attacks												
	Public support												
Military attitudes/activities	Threat to corporate military interests/dignity	○	○	○	○	○	○	○	○				
	Discontent over career loss, pay, or benefits												
	Discontent over government action/policies	○	○	○	○	○	○	○	○				
	Reports/rumors of coup plotting	○	○	○	○	○	○	○	○				
External factors	External support for government	○	○	○	○	○	○	○	○				
	External support for opposition												
	Threat of military conflict	○											
Regime actions/capabilities	Repression/brutality												
	Security capabilities	○	○	○	○	○	○	○	○				
	Political disunity/loss of confidence		○	○	○	○	○	○	○				
	Loss of legitimacy		○	○	○	○	○	○	○				

310862 11 86

25X1

Secret

Secret

**South Africa:
Selected Instability Indicators**

Outlook

State of Emergency restrictions and the detention of thousands of antigovernment activists have limited, at least temporarily, the ability of opposition groups to organize. Nevertheless, US Embassy and press reporting indicates that civil disobedience campaigns are growing and blacks are regrouping. These activities will not become regime threatening in the near term because Pretoria will impose progressively harsher measures to suppress protests. Economic sanctions imposed thus far may have unpredictable consequences but probably will cause only minor problems for Pretoria.

25X1

Prospects for major regime or policy change

- ◐ *During next six months*
- *During next six months to two years*

Indicators

Legend

- *Negligible concern*
- ◐ *Low concern*
- ◑ *Moderate concern*
- ◒ *Substantial concern*
- *Serious concern*

		Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent						◐	◐	◐		
	Demonstrations, riots, strikes	●	●	●	●	●	●	●	●		
Economic factors	General deterioration										
	Decreased access to foreign funds	○		●	●	◐	◐	◐	◐		
	Capital flight	○	○								
	Unpopular changes in economic policies		○	○	○	○	○	○	○		
	Food/energy shortages	○	○	○	○	○	○	○	○		
	Inflation										
Opposition activities	Organizational capabilities	○	○	○	○	○					
	Opposition conspiracy/planning	○	○	○	○	○	○	○	○		
	Terrorism and sabotage	○					◐	◐	◐		
	Insurgent armed attacks	○	○	○	○						
	Public support										
Military attitudes/activities	Threat to corporate military interests/dignity	○	○	○	○	○	○	○	○		
	Discontent over career loss, pay, or benefits	○	○	○	○	○	○	○	○		
	Discontent over government action/policies	○	○	○	○						
	Reports/rumors of coup plotting	○	○	○	○	○	○	○	○		
External factors	External support for government						◐	●	●		
	External support for opposition	○	○	○	○	○	◐	◐	◐		
	Threat of military conflict	○	○	○	○						
Regime actions/capabilities	Repression/brutality	●	●	●	●	●	●	●	●		
	Security capabilities	○	○	○	○	○	○	○	○		
	Political disunity/loss of confidence										
	Loss of legitimacy	○	○	○	○	○	○	○	○		

310863 11 86

25X1

Secret

Secret

Philippines:
Selected Instability Indicators

Outlook

President Aquino's progress toward consolidating control continues to be hampered by Cabinet infighting, particularly Defense Minister Enrile's unceasing criticism of the cease-fire talks with Communist insurgents. We are concerned that such differences could lay the groundwork for organized opposition to Aquino's government in the coming quarter. Both the Communist Party and politicians on the right are organizing to field candidates in next year's local and legislative elections. Political uncertainty continues to deter foreign and Filipino businessmen from investing in the economy.

25X1

Prospects for major regime or policy change

During next six months

● *During next six months to two years*

Indicators	Legend
	○ Negligible concern
	● Substantial concern
	○ Low concern
	● Serious concern
	○ Moderate concern

		Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent										
	Demonstrations, riots, strikes					○					
Economic factors	General deterioration	●	●	●			○				
	Decreased access to foreign funds					○					
	Capital flight	○	○	○	○		○	○	○		
	Unpopular changes in economic policies	●	●			○	○	○	○		
	Food/energy shortages		○	○	○	○	○	○	○		
Opposition activities	Inflation		○	○	○		○	○	○		
	Organizational capabilities									●	
	Opposition conspiracy/planning	○	○	○	○					●	
	Terrorism and sabotage										
	Insurgent armed attacks		●	●	●	●	●	●	●		
Military attitudes/activities	Public support	●	●	●	●						
	Threat to corporate military interests/dignity										
	Discontent over career loss, pay, or benefits										
	Discontent over government action/policies		●	●	●			●	●		
	Reports/rumors of coup plotting	○	○	○		○					
External factors	External support for government					○	○	○	○		
	External support for opposition	○	○	○	○	○	○	○	○		
	Threat of military conflict	○	○	○	○	○	○	○	○		
Regime actions/capabilities	Repression/brutality	○				○	○	○	○		
	Security capabilities										
	Political disunity/loss of confidence										
	Loss of legitimacy	●	●	●	●	○	○	○	○		

310864 11 86

25X1

Secret

Secret

Indonesia:
Selected Instability Indicators

Outlook

The government is increasingly concerned about the possibility of unrest resulting from a deteriorating economy and, in particular, the devaluation of the rupiah. The always intense popular resentment toward the Chinese business community already appears to be growing as Indonesia's oil-based economy deteriorates. Disturbances directed against the Chinese in several cities have caused authorities to place security units on alert. Disturbances so far have posed no threat to the regime, but an incident could create a situation that antiregime elements would try to exploit.

25X1

Prospects for major regime or policy change

During next six months
During next six months to two years

Indicators

Legend

- Negligible concern
- Low concern
- ◐ Moderate concern
- ◑ Substantial concern
- Serious concern

		Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent										
	Demonstrations, riots, strikes		○	○	○	○	○				
Economic factors	General deterioration	○	○			●	●	●	●		
	Decreased access to foreign funds	○	○	○	○	○					
	Capital flight	○	○	○	○						
	Unpopular changes in economic policies	○	○	○	○	○					
	Food/energy shortages	○	○	○	○	○	○	○	○		
	Inflation	○	○	○	○	○	○	○			
Opposition activities	Organizational capabilities	○	○	○	○	○	○	○	○		
	Opposition conspiracy/planning		○	○	○	○	○	○	○		
	Terrorism and sabotage		○	○	○	○	○	○	○		
	Insurgent armed attacks	○	○	○	○	○	○	○	○		
	Public support	○	○	○	○	○	○	○	○		
Military attitudes/activities	Threat to corporate military interests/dignity	○	○	○	○	○	○	○	○		
	Discontent over career loss, pay, or benefits	○		○	○	○	○	○	○		
	Discontent over government action/policies	○	○	○	○	○	○	○	○		
	Reports/rumors of coup plotting	○	○	○	○	○	○	○	○		
External factors	External support for government	○	○	○	○	○	○	○	○		
	External support for opposition	○	○	○	○	○	○	○	○		
	Threat of military conflict	○	○	○	○	○	○	○	○		
Regime actions/capabilities	Repression/brutality										
	Security capabilities	○	○	○	○	○	○	○	○		
	Political disunity/loss of confidence	○	○	○	○	○	○	○	○		
	Loss of legitimacy	○	○	○	○	○	○	○	○		

310865 11 86

25X1

Secret

Secret

South Korea :
Selected Instability Indicators

Outlook

The constitutional revision issue could come to a head before yearend. Opposition bosses Kim Young Sam and Kim Dae Jung are pursuing a more confrontational strategy to promote a directly elected presidency. The Chun government appears committed to its parliamentary system proposal, and has signaled it will tighten down on dissidents who try to exploit the constitutional issue. The two Kims could drag the opposition party into the streets out of desperation if hardliners push their plan through the National Assembly.

25X1

Prospects for major regime or policy change

- During next six months
- During next six months to two years

Indicators	Legend	○ Negligible concern ○ Low concern ○ Moderate concern	● Substantial concern ● Serious concern
-------------------	---------------	---	--

		Projected									
		1985				1986				1987	
		I	II	III	IV	I	II	III	IV	I	II
Social change/conflict	Ethnic/religious discontent	○	○	○	○	○	○	○	○		
	Demonstrations, riots, strikes	●	●	●	●	●	●	●	●		
Economic factors	General deterioration	○				○	○	○	○		
	Decreased access to foreign funds	○	○	○	○	○	○	○	○		
	Capital flight	○	○	○	○	○		○	○		
	Unpopular changes in economic policies	○	○				○	○	○		
	Food/energy shortages	○	○	○	○		○	○	○		
	Inflation	○	○	○	○	○	○	○	○		
Opposition activities	Organizational capabilities										
	Opposition conspiracy/planning					●					
	Terrorism and sabotage										
	Insurgent armed attacks	○	○	○	○	○	○	○	○		
	Public support										
Military attitudes/activities	Threat to corporate military interests/dignity										
	Discontent over career loss, pay, or benefits	○	○	○	○		○	○	○		
	Discontent over government action/policies										
	Reports/rumors of coup plotting	○	○	○	○	○					
External factors	External support for government	○	○	○	○						
	External support for opposition										
	Threat of military conflict	○	○	○	○	○	○	○	○		
Regime actions/capabilities	Repression/brutality										
	Security capabilities	○	○	○	○	○	○	○	○		
	Political disunity/loss of confidence										
	Loss of legitimacy					●					

310866 11 86

25X1

Page Denied

Next 1 Page(s) In Document Denied

Secret

Part 4.
Special Annex

25X1

**The Middle East: The
Impact of an Iranian Victory
on Regional Stability**

Iran in recent months has built up forces and material that position it to mount large-scale offensive operations against Iraq. Uncertainty exists concerning the specific shape and extent of an impending attack and its prospects for success or failure. An Iranian military breakthrough, however, would increase the prospects for an Iranian victory in the war—which would have a significant impact on stability in the Middle East and on US interests in the region. We are offering here a speculative discussion of the implications of such an outcome.

A partial victory, in which Iran achieves its minimum war aims: We believe this would entail the fall of Saddam Husayn, Baghdad's acknowledgment of guilt for starting the war, and possibly the payment of war reparations. Such a scenario might also include the establishment of a Shia puppet government in a portion of southern Iraq and the cession of some Iraqi territory to Iran. This outcome, in our view, probably would lead Tehran to step up its subversive efforts against Gulf Arab regimes, strengthen the forces of Islamic fundamentalism, and increase domestic pressure on pro-Western and moderate Arab governments.

A total victory, in which Iran achieves virtually all of its war aims: This unlikely case would probably entail the collapse of Iraqi military forces, the fall of the entire Ba'athist government, the institution of a Shia regime in Baghdad, and military occupation of a significant portion of Iraqi territory:

- Under this worst case scenario, we believe that Tehran would further intensify its aggressive activities against the moderate Arab states, and possibly move militarily against Kuwait or Bahrain.

- This outcome would almost certainly prompt some Arab states to request increased US military assistance and presence and significantly raise the potential for direct US involvement in regional hostilities.

25X1

25X1

Implications for Political Stability

Iran. Even a partial Iranian victory would bolster the position of the clerical regime and buy time for the government to address serious domestic problems. The hardliners within the leadership would be particularly strengthened by the fall of the Saddam Husayn regime. Even regime critics would be likely to rally around the government in the immediate aftermath of a victory, and internal and external opposition elements would be weakened.

25X1

25X1

Aside from the psychological uplift that victory would provide, the regime's position would be strengthened by a gradual improvement in Iran's economy after the war. This improvement would result from:

- A possible increase in oil revenues.
- An increase in real economic activity because of the cessation of war damage and the initiation of reconstruction efforts.
- The probable receipt of some war reparations.

25X1

25X1

Despite the probable psychological and economic benefits of victory, the Iranian Government would still face formidable domestic problems, including unemployment, continued austerity, abridgement of individual freedoms, and political infighting. Tehran, at least initially, would be likely to concentrate on raising the standard of living as a way to reward Iranians for enduring the hardships of war and to increase popular support for the regime. The availability of goods and the quality of services probably could increase within several months of a victory.

25X1

25X1

Secret

Secret



708836 (B00119) 11-86

25X1

Domestic problems would not, in our judgment, deter the militant leadership from exporting the revolution. Indeed, the need to distract popular attention from domestic issues could lead the regime to seek new targets to replace Saddam Husayn.

would stand a good chance of eventually ousting a Shia government, especially if Iranian military support slackened over time.

25X1

Iraq. Any successor to the Husayn regime almost certainly would have to rely on repression to maintain power. Even if a secular Sunni regime similar to the present Ba'th government assumed power, serious political infighting would be likely.

Persian Gulf States. We believe that even a partial Iranian victory would be likely to embolden Tehran to pursue its longer-term objective of toppling politically moderate Gulf Arab governments. Despite continuing problems at home and in occupied Iraq, we believe Tehran would step up support for antiregime groups throughout the Gulf, expand subversive cells in Gulf Shia communities, and lend logistic and financial support for terrorist activities. Although Tehran would probably focus its efforts on Kuwait and Bahrain—with their large Shia populations—Iranian leaders also would try to foment unrest among the 400,000 Shias in Saudi Arabia's Eastern Province. Regardless of the extent of Iranian inspiration, we believe that Gulf Shias would become more active politically following an Iranian victory.

25X1

25X1

If a total Iranian victory brought a Shia government to power, the new regime would face strong opposition from ethnic and confessional groups and would have difficulty with establishing control, especially since Sunni forces almost certainly would receive extensive financial and military support from other Arab states. The regime would be likely to focus its efforts on maintaining control over major cities, oilfields, transportation routes, and waterways, while opposition forces probably would remain in control of some large cities, such as Mosul in the north. The opposition

25X1

Secret

Secret

If Iran were able to pacify Iraq, it might move more quickly against Gulf Arab regimes that it sensed were vulnerable. While Tehran would be most likely to rely on subversion, a conventional attack against Kuwait or Bahrain cannot be discounted. In the event that Kuwait or Bahrain faced destabilizing domestic unrest or an Iranian military attack, Saudi Arabia would be likely to lend military assistance.

The Levant and Israel. Any Iranian victory almost certainly would generate greater Iranian involvement in Lebanon, where Tehran supports factions of the large Lebanese Shia community. At a minimum, we would expect an increase in Iranian Revolutionary Guard presence and increased financial support to Hizballah and other radical Islamic groups. Probable Syrian and Israeli countermoves would increase prospects for large-scale fighting between the pro- and anti-Iranian factions.

A total Iranian victory might invigorate Islamic fundamentalist Sunni forces in Syria and Jordan, leading Damascus and Amman to resort to repressive measures. Tehran might also sponsor subversive activities in Jordan in retribution for Amman's strong support for Baghdad in the war.

Under almost any Iranian victory scenario, Tehran would be likely to focus increased attention on the Arab-Israeli conflict. Iran probably would encourage radical Islamic and Palestinian groups to stage increased terrorist attacks against Israel, using Lebanon as a staging ground.

Egypt and North Africa. Restive Sunni Islamic groups in Egypt, Morocco, and Tunisia probably would be energized by an Iranian victory and might use the occasion to organize antiregime activities. The replacement of Iraq's secular government with a fundamentalist regime would provide a tremendous psychological boost to Islamic groups, which could exploit the prevailing poor economic conditions in these states to engender some popular support. Iran would be likely to lend logistic support and subversive training to these groups, putting aside Shia-Sunni differences for the sake of weakening moderate Arab governments.

Prospects for instability in Egypt would increase further if an Iranian victory resulted in the repatriation of a large number of the approximately 1.2 million Egyptians residing in Iraq. Egypt's already strained economy would be unable to absorb many of these returning workers, and resulting economic pressures might spark unrest among nonfundamentalist segments of Egyptian society.

25X1

25X1

Pakistan and Afghanistan. Tehran would step up its support to selected insurgent groups in Afghanistan following a victory over Iraq. Iran's assistance would continue to be channeled mainly to Shia groups, although it might increase support to some important Sunni groups, such as the fundamentalist Hizbi Islami and Jamiat-i-Islami parties.

25X1

Some political unrest probably would develop in Pakistan after a total Iranian victory, as happened in 1979 after the fall of the Shah. An upsurge in Shia activism almost certainly would be countered by a strong fundamentalist Sunni reaction, resulting in sectarian violence. Islamabad would be likely to respond to such violence with heavyhanded tactics of its own, which, in our judgment, probably would fuel popular unrest.

25X1

25X1

25X1

25X1

Additional Implications for US Interests

Political instability that stemmed from an Iranian victory would harm US interests in virtually any state in the region:

25X1

- Instability in the Gulf Arab states, Egypt, Pakistan, Jordan, Tunisia, or Morocco probably would prompt criticism of security, political, and commercial ties to the United States, causing some governments to distance themselves from Washington. The fall of any of these governments would threaten important US strategic interests.
- Instability in the Gulf Arab states would threaten the flow of oil exports to the West since oil facilities almost certainly would become targets of antiregime activities.

25X1

Secret

Secret

- Instability in Iraq that resulted in a radical Syrian-Iraqi-Iranian axis would pose a more serious threat to Israel.

25X1

The Soviet Rule

- Although an Iranian victory also is counterproductive to most Soviet objectives in the Middle East, Moscow would seek to exploit instability in pro-Western states by fueling popular criticism of Western influences and perhaps by supporting radical antiregime elements.
- Many groups ideologically opposed to the Soviet Union probably would accept Soviet support to achieve their goals, giving Moscow important inroads in countries where it now has little influence.

25X1

Secret

Secret

Secret