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# The Political Instability Quarterly

May 1987

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# The Political Instability Quarterly

**May 1987**

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**The Political Instability Quarterly**

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**Preface**

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

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

*A select group of 30 countries* is covered regularly in the quarterly. The countries have been selected because they are key US friends or allies, located near strategic choke points, major oil producers or debtors, geographically close to the United States, or especially salient or influential in the Third World. Periodically we include countries that are not part of this group of 30, but which are nonetheless important to US interests. (See the part 1 assessment on Ecuador.)

*The time frame:* This issue of the quarterly is based on an analysis of issues and developments in the first quarter—for our purposes this is the February-March-April time frame—and it projects our concerns about the prospects for instability in the forthcoming second quarter—May-June-July—as well. In addition, we include projections of our general levels of concern over the medium and longer term for the select group of 30 countries.

This issue of the Political Instability Quarterly includes

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- Part 1: *Special essays* on selected countries in which there have been developments of particular interest. Each assessment ends with speculative, forward-looking, “Most Likely” and “Alternative” scenarios, and lists of indicators to be watched with reference to those scenarios.
- Part 2: *Brief assessments of the 30 selected countries*, including the prospects for instability in the basic set of countries, levels of concern

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- Part 4: *A special annex* that provides a list of 85 questions key to our 24 indicators of instability.

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## Contents

	<i>Page</i>	
Preface	iii	
Summary: Levels of Concern	vii	
Part 1. Countries of Special Interest [redacted]		25X1
Ecuador: Democracy Under Pressure [redacted]	1	25X1
[redacted] <i>Office of African and Latin American Analysis</i>		25X1
The Philippines: Aquino and the New Democracy [redacted]	7	25X1
[redacted] <i>Office of East Asian Analysis</i>		25X1
Colombia: Guerrilla War Heating Up [redacted]	11	25X1
[redacted] <i>Office of African and Latin American Analysis</i>		25X1
The Oil Price Collapse: Avoiding Political Instability [redacted]	17	25X1
[redacted] <i>Office of Global Issues</i>		25X1
Part 2. Developments and Trends [redacted]	21	25X1
<i>The Prospects for Instability in 30 Countries</i>		25X1
[redacted]		25X1
Part 4. Special Annex [redacted]	55	25X1
<i>Indicators of Political Instability</i> [redacted]		25X1

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Status of Key Indicators

Current Assessment and Prospects

Legend

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

		Current Assessment						Prospects		
		Social change/conflict	Economic factors	Opposition activities	Military attitudes/activities	External factors	Regime activities/capabilities	6 mos.	6-24 mos.	
Latin America	Argentina	▼		▼	▲	○	○	▲	▼	
	Brazil			▲	▲	○		▲	▲	
	Colombia									
	Guatemala									
	Honduras	○								
	[Redacted]									
	Panama			○			○	○	▼	
Peru				▲						
Venezuela	○		○	○	○	○	○	○	○	
Europe	Greece			○	○	○	○	○	○	
	Spain	○	○	▼	○	○	○	○	○	
	Turkey	○			○					
Near East and South Asia				▼	○	○		▼		
	India	▼	○			○	○			
			▼	▲						
	Morocco			○	○	○	○		▼	
[Redacted]										
Africa	Kenya		▲		○	○	○			
				○	▼	○				
	Somalia	○	○	○	▼		▲	▲		
	Zaire		▼		○	▲	▲			
East Asia	Indonesia	▼		○	▲	○	○			
	Philippines					▲				
			○							

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## The Political Instability Quarterly

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**Summary:  
Levels of Concern***Information available  
as of 20 April 1987  
was used in this report.*

The summary chart on the facing page highlights the countries where our concerns about political instability are the greatest.

Over the past quarter, **Brazil's** indicators of instability show the greatest degree of deterioration. Although we do not believe a change of government is imminent, the Sarney administration is now widely seen as unable to cope with the nation's problems. In addition, President Sarney has become increasingly dependent on the military to maintain order, and despite their public support for him, some military leaders have begun to express concern in private over Sarney's indecisiveness.

Elsewhere, our concern over military attitudes is on the rise in **Argentina, Peru, and Indonesia**. In Argentina, civil-military tensions have been heightened by the trials of officers accused of human rights abuses. Austerity measures in Indonesia have increased the military's displeasure with government policies, as their salaries have been frozen and living allowances have been cut. In Peru, President Garcia's move to create a new Ministry of Defense has led to substantial discontent in the armed forces and civil-military relations are likely to become increasingly strained over the next few months. Moreover, in **Ecuador**, the military—worried by leftist agitation—is becoming increasingly politicized, and in our judgment, will intervene in the electoral process if developments are deemed to be contrary to its interests (see part I essay).

In the Iran-Iraq war, **Iraq** has earned at least a temporary respite by fending off the Iranian offensive aimed at winning the city of Al Basrah. Intense political maneuvering continues in **Iran** in anticipation of Khomeini's death, but we do not believe it will pose a threat to stability in the near term.

We judge that, since the Aquino government came to power last year, the prospects for stability in the **Philippines** have steadily improved. The 11 May congressional elections, however, will produce a major realignment of power in Manila because the new constitution provides the new legislature with powerful checks on presidential authority (see part I essay).



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We believe the prospects for instability will remain high in several countries that are already of serious concern. Student protests in *South Korea* are likely to intensify during the May anniversary of the 1980 Kwangju uprising. In *Pakistan*, sectarian clashes have subsided, but tensions remain high—particularly in Karachi—and new outbreaks of violence are quite likely with little provocation.



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## Part 1. Countries of Special Interest

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### Ecuador: Democracy Under Pressure

- President Febres-Cordero's combative style and Ecuador's serious economic problems—sparked by a sharp decline in oil revenues in 1986 and intensified by a devastating earthquake this March—have sharply polarized and activated Ecuador's left.
- The far left, paying back the President's combativeness in kind, has gained political stature by attacking Febres-Cordero and it recently had considerable success in mounting a nationwide strike protesting austerity measures. In addition, leftist national legislative deputies have begun impeachment proceedings against the President—although they lack the necessary two-thirds majority in Congress to succeed—to embarrass and further weaken the administration.
- The military, worried by leftist agitation and the threat of former Air Force Commander Vargas—freed in January by mutinous Air Force troops who took the President hostage—has become increasingly politicized. Some segments of the military believe the extreme left provoked the Air Force mutiny, seeking to discredit the armed forces. Army Commander Asanza and other high-ranking generals have reportedly warned the leftist-controlled legislature against further attacks on the President and the military and have threatened at least twice to close it down.

#### Ecuador Under Febres-Cordero

After years of center-left rule, the 1984 election of conservative Leon Febres-Cordero marked a major transition in Ecuador's democracy. A combative and shrewd politician, Febres-Cordero used highly confrontational tactics to outmaneuver his opponents and implement his policies. Febres-Cordero initially forged stunning successes on several fronts, especially on the economic scene—curbing inflation, fostering

#### Oil Pipeline Destroyed by Earthquakes



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growth, and putting Ecuador's international financial accounts in order. Last year, however, the collapse of oil prices led to an economic downturn. Economic problems, coupled with widespread charges of corruption and an Air Force mutiny, weakened the President and the leftist opposition regained control of Congress. A second Air Force mutiny this January, during which Febres-Cordero was taken hostage, has further polarized Ecuadorean politics.

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The economy was again seriously undermined by a major earthquake in early March, severing the nation's oil pipeline and forcing the administration to implement sharp austerity measures, which resulted in rioting and a nationwide strike led by leftist factions. Faced with rising unemployment and other

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economic and social consequences of the tragedy, Febres-Cordero raised domestic gasoline prices by 80 percent, cut budgetary expenditures, and suspended foreign debt payments in order to deal with an expected billion-dollar deficit. Somewhat buoyed by foreign assistance—primarily from Venezuela and the United States—Febres-Cordero is moving toward a more active role in confronting the opposition, but his combative style is likely to add to the already substantial polarization of the political environment.

Military backing of the President ensures that he will continue in power for the remainder of his term, which expires in August 1988, but prolonged and intensifying clashes with the left will sap the government's strength and increase its dependence on the armed forces to fend off the opposition. We judge that Ecuador's democratic succession will be jeopardized by the politicization of the military, its mounting resentment of the left's campaign, and the likelihood of an electoral victory by the center-left in next year's presidential election.

#### **Mounting Challenge From the Left**

The left has seized on the country's severe economic problems to challenge the administration and has organized violent and recently effective antigovernment demonstrations. In March, for the first time since Febres-Cordero took office, far leftists had considerable success in attracting protesters and labor support for a nationwide work stoppage that virtually paralyzed Quito and other major cities. According to US Embassy sources, leftist leaders plan to follow up the strike with a new call for the President's ouster—although they lack the 48 congressional votes necessary to impeach Febres-Cordero.

Even the center-left opposition—led by presidential hopeful Rodrigo Borja—has exploited the massive problems confronting the government, hoping to translate the center-left's stance into crucial popular support on the eve of the 1988 presidential election. Borja supported his party's left wing in its censure of Febres-Cordero and has more recently backed radical labor groups in their work stoppage.

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#### **Chronology of the Taura Mutiny**

##### **16 January 1987**

- *President Febres-Cordero and his entourage—including high-ranking military commanders and personal staff—are taken hostage by Air Force commandos during a ceremony at the Taura Air base near Guayaquil.*

- *Commandos demand release of former Air Force Commander Vargas, imprisoned after the unsuccessful mutiny last year, in exchange for the President's freedom.*

- *Leftist opposition organizes demonstrations in Quito against the President and calls for impeachment, arguing that Febres-Cordero's disregard for the legislature and the law sparked the Taura rebellion.*

- *Febres-Cordero agrees to terms and issues amnesty for Vargas and the mutineers.*

##### **18 January 1987**

- *Febres-Cordero flies to Quito and meets with Army and Navy chiefs, who demand retaliation.*

##### **21 January 1987**

- *Naval forces take Taura mutineers prisoner and fly them to Army bases to await military trials.*

[Redacted]

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We believe that Febres-Cordero still has several political strengths. One of his principal assets is the national police, which have shown considerable professionalism and effectiveness in containing leftist violence. Moreover, they were responsible for dealing the terrorist group, Alfaro Vive Carajo, devastating setbacks last year, a feat that will most likely prevent insurgency from adding to the government's problems. Febres-Cordero can also count on business support and, most important, on that of the Army high command. Nevertheless, the left will very likely step up antigovernment activities, testing the government's resolve and its remaining strengths. [redacted]



President Febres-Cordero being freed by kidnapers [redacted]

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**Military Unease**

The deep political divisions in Ecuador reopened by the kidnaping of the President and the release of former Air Force Commander Vargas have resulted in strong military sentiment against the left, which had supported Vargas. Vargas—who as long as he is free remains a threat to the government—has exacerbated the military's unease and suspicions by going into hiding and telling reporters he is willing to lead a coup or head a leftist coalition in the 1988 election. Army and Navy commanders, at first outraged by Febres-Cordero's agreement to release Vargas, currently back the President/ [redacted]

demonstrations could presage political chaos. They view center-left support for the mounting attacks on the government as evidence that the moderate opposition is ceding power to radicals. Although this opinion exaggerates the strength of the far left, in our view, this largely military attitude will contribute to Ecuador's political tensions. [redacted]

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The left, in our opinion, will continue to exploit the current political ferment in order to assail the President and boost its popular support. In this polarized and confrontational environment, the far left will seek to translate its recent successes and growing political base into additional pressure on more moderate forces in order to remove Febres-Cordero from office. Lacking the unity and, most important, the military backing to oust him, the leftists are unlikely to be successful. Prolonged clashes, however, will increase the political polarization and raise anxieties in the Army, especially as leftist prospects for the 1988 election continue to improve. [redacted]

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The military is an active player in the political fray. At the height of the January mutiny, the military warned the left against trying to oust Febres-Cordero. During the general strike, Army Commander Asanza put military units on alert and drew up contingency plans to install martial law in support of the government. Other high-ranking Army officers have offered to install Febres-Cordero as a military dictator, but the President has refused. We believe the increasing politicization of the military makes its more likely to intervene in the electoral process if developments are deemed to be contrary to military interests. [redacted]

**Key Indicators To Watch**

**Most Likely Scenario:** Febres-Cordero, backed by the military, succeeds in holding the opposition at bay for the remainder of his constitutional term, but politicized armed forces increasingly become the ultimate political arbiter in Ecuador:

- Center-left parties block impeachment proceedings before the military reacts.

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**Potential for Conflict**

Some Ecuadorean observers [redacted] [redacted] have expressed fear that growing leftist strength and success in organizing violent

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- Security forces, primarily the police, contain strikes and prevent widespread and sustained violence.
- Vargas and his Air Force supporters remain neutralized.

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***Alternative Scenario:*** The armed forces close down Congress and declare martial law:

- Popular dissatisfaction with the government boils over into widespread, violent, and sustained demonstrations that the police cannot control.
- The center-left backs impeachment regardless of the political costs.
- Vargas stages another violent mutiny.
- The far left and Vargas unite in an electoral alliance aimed at winning the presidential election in January 1988.

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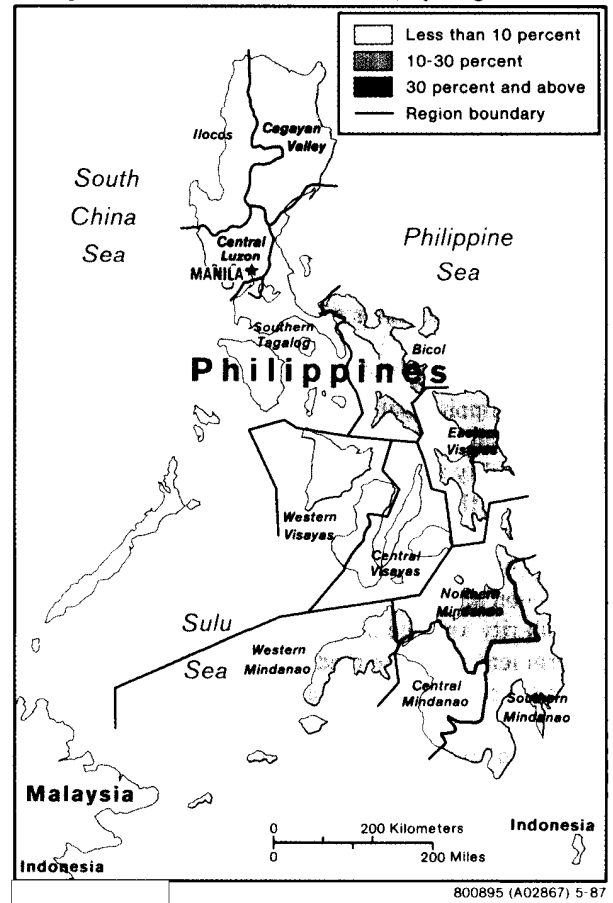


**The Philippines:  
Aquino and the New  
Democracy**

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- The 11 May election for 24 Senate and 200 House seats follows ratification of the new constitution in February 1987 and is the second step in President Aquino's attempt to rebuild national political institutions and restore democratic order. The voting will be the most serious test of Aquino's political skills and of the popular appeal of the conservative opposition and the Communists.
- Since coming to power last year, Aquino's government has become increasingly stable, but she has had the option to rule by decree without a rival source of constitutional power to challenge her actions. The congressional elections, however, will produce a major realignment of political power, because the new constitution grants the legislature—which convenes on 27 July—powerful checks on presidential authority and a key role in the direction of national policy.
- Tensions between the civilian leadership and the military have eased somewhat in recent months, but many soldiers still believe Aquino is inattentive to their concerns and that Armed Forces Chief of Staff Ramos is her "yes man." Marcos loyalists and other disgruntled elements within the military continue to inspire periodic coup rumors.
- The Communist insurgents, believing that the 60-day cease-fire that ended in February hurt their cause, have renewed attacks on military targets. Aquino has approved offensive operations and a rebel returnee program, but limited financial resources and the absence of a coordinated counterinsurgency plan are delaying progress.
- Manila and its commercial creditors agreed in March to reschedule payments on half of the Philippines' \$27 billion foreign debt. However, administrative bottlenecks, Cabinet infighting, and Aquino's desire to leave key policy decisions for Congress continue to delay her efforts to translate economic plans into solid growth. Moreover,

**Villages Under Communist Control, by Region**



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foreign and domestic investors are still waiting for the political situation to gel before committing substantial new funds.

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**The Elections: Back to Normalcy**

Aquino is betting that her immense popularity will transfer to her congressional candidates, ensuring a strong government majority in the nationally elected Senate and at least a workable majority in the



House. In our judgment, however, the President's popularity conceals fundamental weaknesses in the government camp, including ideological disunity, weak political organization, and the absence of firm political leadership. These factors are most important in the House races, which will largely be won or lost on the basis of local issues and personalities, in contrast to the Senate races in which candidates are elected at large. Despite its own problems with unity and credibility, the opposition—comprising old-guard politicians and disillusioned former Aquino supporters—presents a serious electoral challenge because of the strength of its local political machines. Moreover, the opposition stands to gain in races where multiple pro-Aquino candidates are entered. [redacted]

The 11 May elections represent the rebirth of traditional Philippine politics and, inevitably, the old rules of the political game that will test the new government's ability to ensure clean and peaceful elections. Because of the high stakes, the voting is certain to bring election-related violence, intimidation, and vote buying. [redacted]

[redacted] Depending on the extent of voting irregularity and the publicity it receives, the Aquino government may lose credibility or face charges that it cannot control the conduct of elections. [redacted]

Because of the diversity of parties fielding candidates for the elections and the multiplicity of deals and alliances that we believe will be made along and across party lines, we expect the new Congress will have many factions, and both the government and opposition coalitions are likely to be ill defined. We are not confident that the progovernment House members will cooperate in shepherding through Aquino's programs, particularly if her passive management style and aversion to traditional political horsetrading keep her from building a coalition and exercising aggressive leadership over it. Legislative gridlock—typical of the pre-martial-law Congress—may result, which would weaken Aquino's ability to make and implement policies designed to deal effectively with the country's problems. [redacted]



*Aquino riding the crest: how long will it last?* [redacted]

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**Aquino and the Military: A Tense Relationship**

Aquino's gradual adoption of the military's hardline approach toward the Communist insurgents has improved relations with the military. The length of time required for her to reach this decision, however, and her hesitancy in addressing the military's concerns about government management, have convinced many officers and enlisted men that she still does not understand the Communist threat and that she distrusts the military as an institution. These disgruntled soldiers, some of them diehard Marcos loyalists, will probably continue to float coup rumors as a means of forcing Aquino to either demonstrate the kind of aggressive leadership they feel the country needs or place the military at the center of national

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policy making. They will expect Ramos and Defense Secretary Ilo to subtly pressure Aquino toward the same goals. If Aquino does not take the military's position into account on policy decisions and fails to fulfill its operational needs, disillusionment within the ranks is likely to increase and could lead to more serious coup plotting.

Aquino's support within the military is partially dependent on her ability to ensure that the civilian side of the government pulls its weight in counterinsurgency efforts. To that end, she has approved rebel amnesty, rehabilitation, rural development, and land reform programs aimed at addressing some of the insurgency's root causes. A scarcity of government resources and managerial expertise, however, is certain to slow implementation of these programs and delay results. Moreover, the military continues to distrust—and views as incompetent—several Cabinet members responsible for getting these programs under way.

#### **The Communists: Getting Their Act Together**

After being left on the defensive when it refused to extend the cease-fire, the Communist Party of the Philippines (CPP) will try to renew and strengthen its claim to national leadership over the next several months. Because of persistent disagreements within the party about the proper tactical balance between military and political efforts, the Communists are pursuing a two-pronged strategy against the Aquino government that combines escalating insurgent attacks with intensified propaganda efforts and front-group participation in the elections. The Communist New People's Army is trying to demoralize the Philippine military with coordinated attacks and undermine popular support for the Aquino administration by striking local government facilities, such as town halls and police outposts. In the meantime, the Partido ng Bayan—the Communists' legal political party—is fielding numerous congressional candidates and also hopes to forge alliances with pro-government politicians.



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*The Philippine military: can it do the job?*

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The Communists will continue to have the tactical advantage as long as the government makes little progress in counterinsurgency planning and in training and equipping its troops, and until economic recovery is more vigorous. On the other hand, the recent proliferation of anti-Communist civilian self-defense groups indicates that escalating violence and forced taxation may be backfiring on the insurgents. Although the violence may alienate some voters and undermine the party's political efforts, we believe that some Communist or Communist-controlled candidates will probably be elected to the House, where they will try to direct debate toward controversial social justice issues—such as land reform and military human rights abuses—and highly nationalistic, anti-US positions.

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**Key Indicators To Watch**

**Most Likely Scenario:** Aquino's candidates win control of Congress, but her reform program continues to be delayed; military-insurgent clashes increase with no clear winner; Communist strength continues its slow but steady growth:

- Aquino captures a comfortable majority in the Senate, but only a small majority in the House. Her supporters have difficulty uniting against the opposition challenge in both houses.
- Politicians on all sides, including Aquino and the congressmen, become preoccupied with the local elections scheduled for August 1987.
- The military attacks known rebel strongholds after this May's congressional elections which had mixed results.
- The Communists exacerbate civil-military tensions by escalating terrorist operations in Manila and elsewhere.
- Persistent disillusionment with Aquino's progress limits rebel surrenders and facilitates Communist recruiting.

**Alternative Scenario:** Aquino's popularity dominates the election results and her social and economic programs move forward; the military shows its mettle against the insurgents; the Communists' popular appeal wanes:

- The opposition captures only a few seats in the Senate and a small, manageable minority in the House. Nearly all Communist-backed candidates are defeated. Progovernment congressmen unite behind Aquino's legislative program.
- Popular support for the government remains high and the local elections renew Aquino's mandate.
- The military routs the insurgents in a few areas, improving troop morale, civil-military relations, and popular support for the Armed Forces.
- The Communist propaganda campaign is increasingly discredited and the CPP's internal divisions grow.

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**Colombia:  
Guerrilla War  
Heating Up**

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- Guerrilla violence has intensified since President Barco took office last August, and the level of conflict is likely to escalate during 1987.
- Leaders of the Revolutionary Armed Forces of Colombia (FARC), Colombia's largest rebel group—which has a tenuous three-year-old cease-fire with Bogota—have rejected Barco's demand for demobilization by next year. Mounting tension between the government and the insurgents has increased the likelihood of a return to full-scale guerrilla war. Resumption of a full-scale war would not threaten Barco's government, but it would disrupt his social and antidrug agenda and would carry heavy military and economic costs.
- Drug enforcement could provide a flash point for expanded conflict between the government and FARC. Rebel leaders have warned that planned government attacks on cocaine laboratories in their territory would end the cease-fire.
- Meanwhile, the government faces widespread intimidation by drug traffickers and escalating attacks by a Cuban-backed alliance of guerrillas outside of the truce with FARC. Concentration of government forces to protect the nation's major oil pipeline in the northeast has left many other areas unprotected.

**New Phase in an Old Insurgency**

President Barco faces an insurgency very different from the sporadic violence that plagued Colombian leaders less than 10 years ago. The four major insurgent groups, once isolated bands of guerrillas, increasingly coordinate their antigovernment attacks. Rebel leaders now emphasize political activity, both in the legitimate arena and through penetration of organized labor and other interest groups. Cuban President Fidel Castro has taken advantage of the cease-fires negotiated by the last Colombian administration to promote the formation of a united guerrilla

**Insurgent Operating Areas**



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front including all of the major Colombian insurgent groups. Moreover, some Colombian insurgents—unlike other Andean guerrillas—have developed close ties to narcotics traffickers.

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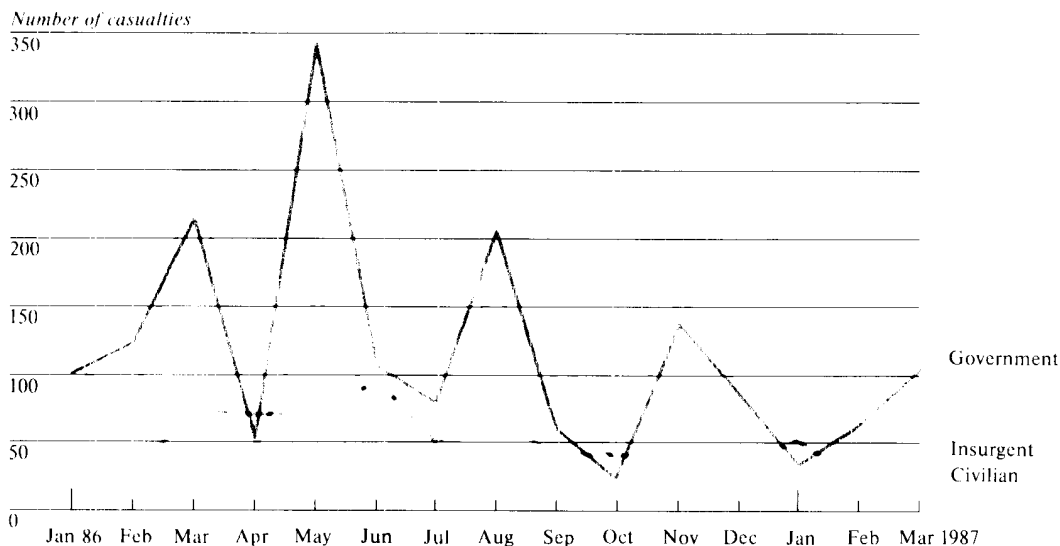
This evolution has magnified the threat posed by the insurgency and eroded Bogota's ability to maintain effective control over its vast undeveloped areas. The US Embassy reports that more guerrillas are active throughout Colombia and the level of political violence is higher than at any time since the civil war of the 1950s. The rebels do not place the government in imminent danger, but we believe continued government losses would eventually undermine the stability of the Colombian democracy.

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**Colombia: Insurgency Casualties,  
January 1986– March 1987**



[Redacted]

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The insurgency has become increasingly expensive for Bogota during the past year, in human and economic terms. [Redacted]

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[Redacted] Besides coping with FARC—the most formidable of the rebel factions—Barco must also contend with the National Guerrilla Coordinator (CNG), an alliance of smaller groups that refuses to participate in peace talks with the government. CNG includes the National Liberation Army (ELN), the 19th of April Movement (M-19), and the People's Liberation Army (EPL). Efforts to curb increasing attacks by these groups require a substantial security force commitment in several regions of the country. The economic impact of the insurgency is also growing: the ELN, probably the most dangerous member of the alliance, is waging a determined campaign against the nation's major oil facilities and has inflicted more than \$50 million damage within the past year. [Redacted]

**Truce With FARC Unraveling**

The key to FARC's strategy is the legal protection provided by its truce with Bogota; the cease-fire has shielded the rebels against government prosecution and has allowed them to consolidate their control in large areas of rural Colombia. [Redacted] FARC includes 3,500 to 4,500 combatants and an additional 5,000 armed supporters—a substantial increase since the truce was signed in 1984. After Barco took office last year, he had little choice but to prolong the truce in order to strengthen his overstressed security forces. [Redacted]

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Barco recently demanded demobilization of all FARC military fronts before scheduled March 1988 elections, when Colombians will elect mayors by

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Wry comment on the truce from Bogota's leading daily: "What's happening buddy?" "We are in a truce, buddy." [redacted]

popular vote for the first time. The demand, promptly rejected, brought Barco into a deadlock with the rebels. It also spurred a move by the FARC's political front, the Patriotic Union—which fielded a candidate in the 1986 presidential election and won minority representation in both houses of Congress—to protect rebel political gains by publicly distancing itself from FARC. [redacted]

The fate of the truce in part hangs on Bogota's ability to sidestep a major clash with FARC over its involvement in narcotics production, particularly in the southeastern jungle where many large cocaine processing facilities are located. Patriotic Union leaders have warned President Barco that strikes on FARC-associated drug facilities would end the truce, according to the US Embassy [redacted]. To avoid an on-the-ground confrontation with FARC, Barco has ordered the police to conduct raids on guerrilla-associated cocaine labs by air, without coordinated ground assaults. [redacted]

**The Drug Mafia: Growing Power**

Colombian drug traffickers pose an increasingly serious threat to Barco's administration, even if they do not threaten government stability. The cocaine cartel has systematically murdered or tried to kill key antidrug figures, including a Supreme Court justice, legislators, prominent journalists, an airline security chief, and the former top narcotics officer. The drug mafia also publicly threatened President Barco personally after he broadened military and police drug control powers. Its international reach was demonstrated in February 1987 when it attacked the Colombian Ambassador in Budapest—a former justice minister and successor of Rodrigo Lara Bonilla, whose murder in 1984 sparked a far-reaching crackdown on the drug trade. Moreover, the US Embassy has recent reports alleging that the M-19 has contracted with traffickers to kill proponents of drug control programs, including US Embassy personnel.

[redacted]

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Over the longer term, rising violence and a freer operational climate for drug traffickers in Colombia could render the judiciary totally ineffective. It has already been seriously weakened by intimidation and bribery. Bogota's extradition treaty with Washington, which took effect in 1982, is particularly jeopardized. Colombia's Supreme Court, which must rule on extradition requests, has borne the brunt of trafficker intimidation and continues to challenge the treaty's constitutionality. The recent extradition of Carlos Lehder—on a 1984 warrant—has not been challenged by other members of the drug mafia, possibly because Lehder is out of favor with the rest of the cocaine cartel. Other top traffickers are likely to remain secure unless Barco can break the current impasse over the treaty's legality. [redacted]

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**Guerrilla Unity Increasing**

Disagreements among the major guerrilla factions are common [redacted]

[redacted] We believe Fidel Castro—the major foreign sponsor of Colombian insurgents—is primarily responsible for the continued viability of the CNG alliance. Castro's hand is also apparent, in our view, in talks between alliance leaders and the FARC, which have already produced a fledgling political alliance and are likely to further operational coordination among the four insurgent groups. [redacted]

In our judgment, if the truce breaks down, the FARC is likely to try to assert its leadership over other insurgent groups. [redacted]

[redacted] the CNG—clearly benefiting from FARC's example—has begun its own efforts to build political support through legitimate political activities and infiltration of labor unions and other interest groups. If this trend continues, Bogota will encounter new challenges from the political left. [redacted]

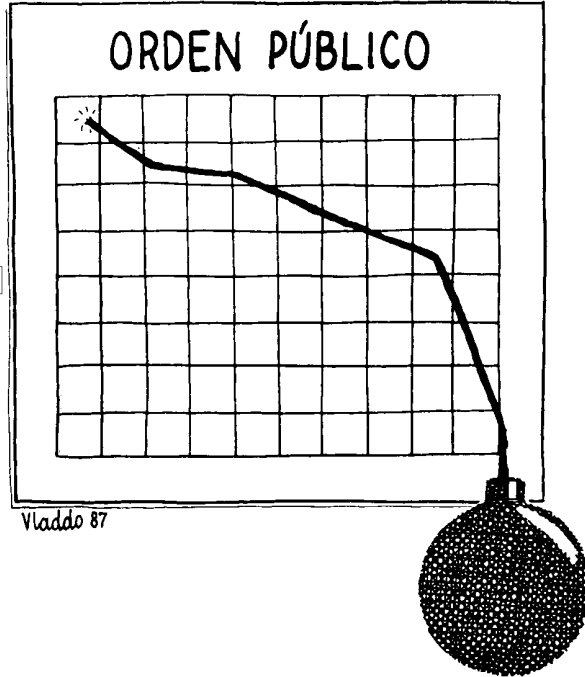
**Strong Support for Counterinsurgency Efforts**

Bogota appears to have widespread public support for expanding its initiatives against the rebels. Erosion of support for dialogue with the CNG insurgents was dramatically accelerated by M-19's November 1985 takeover of the Bogota Palace of Justice. FARC—largely through the measure of legitimacy gained by the Patriotic Union—still retains a vestige of its image as an organization that should eventually be reintegrated into society. However, sympathy for the rebels has waned as peace talks have produced few results and truce violations have become more blatant. Moreover, Patriotic Union leaders have lost considerable credibility by declaring that guerrilla warfare is a valid means of achieving social change in Colombia. [redacted]

**Drive To Improve Security Forces**

The Colombian military is intent on regaining the initiative against the insurgents, but more effective counterinsurgency and antidrug efforts would require an expansion of the security forces, an effort that will require several years. Top military leaders estimate they will need at least 15,000 more troops if the

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Recent press assessment of Colombia's internal security situation. [redacted]

truce ends; the Embassy reports that Bogota may eventually try to expand the Army by as much as two-thirds, to a strength of 100,000. A recent US Embassy assessment illustrates the urgency of this task: in the southeastern jungle, where FARC is strongest, the ratio of government forces to guerrillas—believed to have weapons as good as the Army's—is roughly one to one. [redacted]

Barco has also launched a new defense plan designed to combat the CNG. The plan attempts to concentrate government forces where the guerrillas are most active—a major challenge for widely scattered troops with serious mobility problems. Barco has apparently authorized selective reprisals against FARC units that violate the cease-fire, but as long as FARC has a truce with the government, Barco will have to use reactive, ad hoc tactics against this group and the drug traffickers associated with it. [redacted]

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**Key Indicators To Watch**

**Most Likely Scenario:** FARC keeps its political front in Congress and accelerates efforts to build support for mayoral elections next year; the rebels do not openly renounce the truce, but government-insurgent clashes increase; the expanding conflict disrupts the government's social and economic programs; the truce finally ends:

- The Patriotic Union mounts a substantial electoral challenge in areas where FARC is strong, but its overall credibility wanes.
- The government makes some progress against the CNG, but is unable to deploy new resources against the FARC. Barco retaliates against guerrilla units that flagrantly violate the truce and accelerates efforts to improve the government's counterinsurgency and antidrug capabilities.
- Barco authorizes more aggressive military action against FARC-associated cocaine laboratories, but continues to emphasize air assaults to avoid major confrontations with the guerrillas.
- The expanding conflict with FARC disrupts the government's social and economic programs and eventually forces a halt in raids against insurgent-associated cocaine laboratories; ultimately the truce ends.

**Alternative Scenario:** FARC disavows the truce and heavy fighting breaks out; Barco expels the Patriotic Union from Congress unless its leaders condemn guerrilla violence; the escalation of violence strains security forces and economic damage spirals:

- A few leftist leaders—angered by assassinations of Patriotic Union members since last year's national elections—denounce the FARC and join forces with liberal mainstream politicians, especially in local alliances.

- Desperate fighting occurs in FARC's heartlands, especially in the southeastern jungle, placing heavy demands on military and police resources.
- New demands on the security services force the government to halt antidrug operations and to abandon counterinsurgency efforts against the CNG. The nation's major oil facilities, particularly the largest pipeline, are left unprotected; drug production increases; and foreign investors may begin to pull out of the northeastern oil region.

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**The Oil Price Collapse:  
Avoiding Political  
Instability**

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The upheaval in the oil market over the past 18 months had a severe impact on the economies of the oil-exporting less developed countries (LDCs), and yet it had little impact on their overall stability. Although previous research has shown that deteriorating economic conditions alone are not a dominant cause of political instability, analysts believed the magnitude of the oil revenue loss and the speed with which it occurred could have led some countries to political ruin. Analysis of the eight oil-exporting LDCs monitored in this quarterly, however, shows that the governments of these countries have met this challenge with relative success thus far; and while in some cases we are concerned about the potential for instability, our concern does not stem primarily from the ramifications of the oil price collapse.

**The Economic and Political Costs**

World oil prices, which stood at \$26.50 per barrel in December 1985, slid precipitously last year as OPEC engaged in a pricing war designed to recapture a larger share of the world oil market. Prices bottomed out in July 1986 at about \$11 per barrel. OPEC's move to regain its market share carried a high economic cost for both OPEC and non-OPEC oil exporters as collective revenues fell by almost 50 percent. A series of OPEC accords have since pushed prices back up to nearly \$18 per barrel, but even if prices hold, oil export revenues will be no more than two-thirds the level they were before the price war.

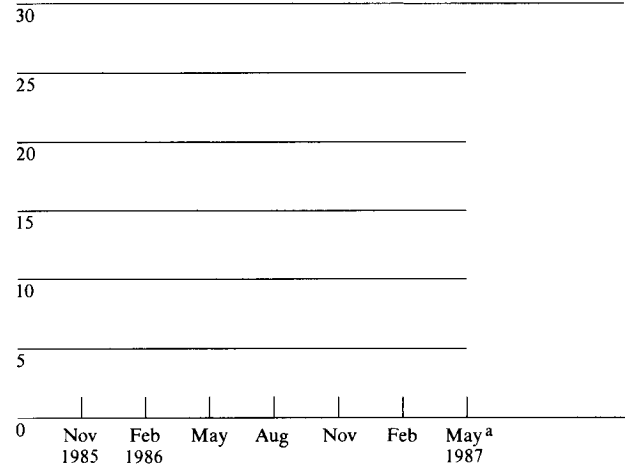
The political ramifications of last year's massive revenue loss could have been disastrous. For the exporters that had already undergone several years of austerity, the implementation of additional adjustment measures was particularly risky. Moreover, virtually all of the policy options facing these governments were politically sensitive—drawing down reserves, cutting imports, reducing government spending, taking on more foreign debt, or turning to the International Monetary Fund (IMF) for assistance.

**World Oil Prices  
by Quarter**

Legend

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

US Dollars



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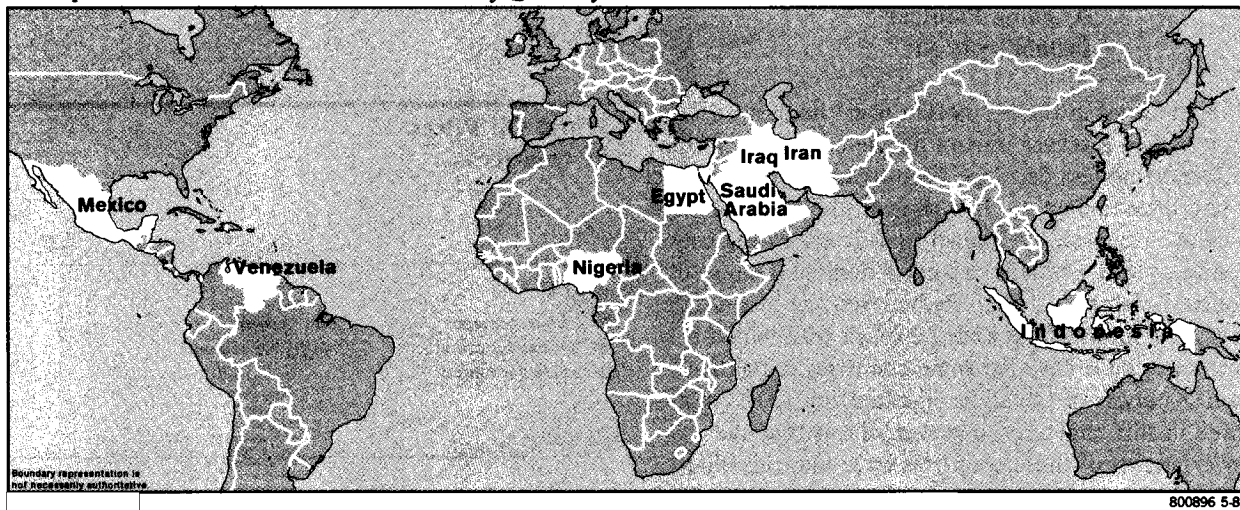
Level of Concern for Instability

Country	Nov 1985	Feb 1986	May 1986	Aug 1986	Nov 1986	Feb 1987	May 1987
Egypt							
Indonesia							
Iran	○	○	○		○	○	○
Iraq		○	○	○	○	○	○
Mexico							
Nigeria		●	●	●	○	○	○
Saudi Arabia							
Venezuela							

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Oil Exporters Covered in *The Political Instability Quarterly*

Contrary to expectations, however, most governments through a combination of factors—delaying reforms, taking advantage of diversions of greater importance such as the Iran-Iraq war, implementing palliative measures, and drawing on inherent political and economic strengths—have been able to preserve their positions. A review of the LDCs' response to this external shock underscores the resiliency of most political systems and their ability to maintain political stability in the wake of a single calamitous event.

#### High-Risk Cases

**The Egyptian Government**, virtually paralyzed by its fear of political violence, refused to undertake a comprehensive reform program to counter falling oil prices and thus far has staved off government-threatening instability. The bread riots of 1977 made a lasting impression on President Mubarak, and his desire to avoid a repeat of such activity has been a primary factor in delaying implementation of even piecemeal austerity measures. The oil price decline has forced many of Egypt's expatriates to return home, placing additional strains on the government's resources and raising fears that this new pool of unemployed could become politically disruptive. We judge that renewed financial assistance from some Arab Gulf states has probably convinced Mubarak

that he has gained some maneuvering room. Moreover, Mubarak has made some progress in persuading Egypt's foreign creditors and the IMF to agree to softer terms, but the price of IMF assistance will almost certainly be implementation of the politically risky measures he has sought to avoid. In the face of certain further economic deterioration and increasing religious activism, we believe Mubarak will find it difficult to maintain control and prevent domestic unrest.

**Nigeria**, which earns 95 percent of its foreign exchange from oil, found itself in a particularly sensitive political dilemma when oil prices fell. In late 1985, the Nigerian public had gone on record—through a series of debates at the local level—opposing any agreement with the IMF, and President Babangida believed he could not survive the political fallout of the reforms an IMF program would require. To cushion the impact of declining oil revenues, Nigeria opted to stop making payments on much of its \$19 billion foreign debt. In an attempt to gain more Arab financial aid, Nigeria joined the Islamic Conference, a move that backfired politically

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and heightened domestic religious tensions that ultimately resulted in rioting. Babangida recently introduced a comprehensive reform program, and in early February the IMF approved a standby arrangement. Babangida has pledged not to actually draw funds from the IMF, but continued foreign exchange problems may force him to reverse his position later this year. Despite heightened social tensions and pressing economic troubles, we do not believe these factors will cause the government to falter over the short term. In fact, Babangida's relatively secure position has been underscored by the political calm that prevailed during his monthlong absence in February when he had back surgery in France. [ ]

#### Drawing on Strengths

**Saudi Arabia**, bolstered by large foreign exchange reserves, was in a much stronger position than most countries to meet the needs of its people once oil prices began to fall. While relying heavily on a massive drawdown of foreign exchange reserves—more than approximately \$20 billion last year—to compensate for lost revenues, the Saudis have also cut government spending. Riyadh, however, has been careful to maintain a high level of social services—a politically sensitive issue—and continues to shield key interest groups from deep budget cuts. In an effort to co-opt fundamentalists, the government is giving priority to funding religious universities and development projects at the mosques in Mecca and Medina. The Saudis have also tried to protect civil servants and the military from the full brunt of austerity in an effort to head off dissension. Even with lingering economic difficulties, we believe the resiliency of the Saudi political system will ensure continued stability. [ ]

While **Venezuela's** economic slump was exacerbated by the collapse of oil prices, its economic troubles posed little threat to the stability of the entrenched democratic government. Caracas responded to its falling revenues by implementing measures designed to conserve foreign exchange and to limit imports. The Lusinchi administration was criticized by elements within its own Democratic Action Party for adopting an economic adjustment program that closely resembles that of an IMF-supported program. The popularity of Lusinchi's ruling party has been

eroded by Venezuela's economic woes, and the economy has become the main political issue in campaigning for the 1988 presidential election. Nonetheless, despite his failure to revive the economy, we judge that Lusinchi remains politically powerful and public support for Venezuela's political institutions remains high. [ ]

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The institutional framework and the strength of the Institutional Revolutionary Party (PRI) in **Mexico** have helped the country maintain stability while suffering a disastrous revenue loss. By adopting a restrictive monetary policy and keeping the peso undervalued in 1986, Mexico was able to reduce drastically its imports and increase its nonoil exports. Moreover, the restrictive monetary policy also forced businessmen to repatriate \$1-2 billion of capital needed to cover operating costs, thereby helping Mexico to rebuild its foreign exchange reserves. The Mexican Government also moved to placate organized labor—its key interest group and a potentially disruptive force—by granting an unprecedented third wage increase in 1986. In 1987, Mexico will supplement its lost oil revenues by relying primarily on foreign lending. The September 1988 presidential election makes continuation of restrictive economic policies politically untenable. [ ]

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the government now plans to undertake expansionary fiscal policies, including job creation programs, prior to the election. We believe the Mexican Government's concerns about domestic political unrest were largely assuaged by its belief that the United States would step in with assistance before any unrest could get out of hand. [ ]

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**Indonesia** had already suffered through three years of austerity when oil prices collapsed, and despite the government's pragmatic countermeasures such as budget cuts and devaluations, the economic slide is continuing. The strength of the Soeharto regime, its ability to suppress dissent, and the lack of an organized opposition have, however, combined to keep the incidents of political unrest at a minimum. After three years of budget cuts, there is little fat left in the Indonesian budget, and Jakarta is at the point

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where continued austerity will come at the expense of groups that had been previously protected, such as the military. Moreover, Jakarta's access to foreign credit—which could have provided a potential safety valve—has been reduced as its ability to repay its debts has eroded. Indonesia has now begun to draw down its foreign exchange reserves—dropping from \$11 billion to below \$9 billion to help compensate for lost revenues. Indonesia is also likely to reschedule some of its \$40 billion foreign debt this year in order to ease its payments burden. We believe the government is concerned that antiregime activity such as rioting and criticism of the Soeharto family will increase, but it is confident that it has the force to quell such outbursts. Nonetheless, the growing frustrations of the urban poor make outbursts of localized violence increasingly likely. [redacted]

nonmilitary spending as subsidies were reduced, taxes were increased, and development expenditures were cut. Moreover, Arab aid—a source of financing that gives Baghdad a leg up on Tehran—decreased slightly in 1986. The Iraqi people will see little improvement in living standards this year. Despite consumer discomfort, however, austerity is unlikely to provoke major instability. Baghdad has been largely successful in its efforts to convince Iraqis that they must accept sacrifices, and the Iraqi security forces are ruthless in preventing any antiregime elements from trying to exploit the country's economic troubles. In our view, a major setback in the war is more likely to promote instability than continued austerity, although the regime remains wary of imposing additional economic hardships on the Iraqi people. [redacted]

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#### **Iran-Iraq: The War Takes Precedence**

While both Iran and Iraq face serious economic hardships because of the collapse in world oil prices, their political stability hinges largely on their performances in the war. As a result of declining oil prices and the declining value of the dollar, *Iran's* purchasing power fell by two-thirds in 1986, forcing the government to slash imports and government spending. The import-dependent industrial sector bore the brunt of these cuts while war spending remained untouched. Food, durable goods, and heating fuel shortages caused an increase in demonstrations, public dissatisfaction, and disregard for authority. Nevertheless, unrest did not reach a level that threatened the government or the war effort. The Iranian people are now facing their fifth straight year of falling living standards, but as long as Tehran can claim to be making military progress, public disgruntlement will be quieted over the short term. We believe discontent over depressed economic conditions will become a primary consideration in Iran only if the war ceases to be a major rallying point for the government. [redacted]

#### **The Bottom Line**

While many experts believe that economically inspired instability is most likely to occur after an abrupt interruption in economic growth, we see little evidence to support this in the wake of the oil price collapse. Once again, the relationship between economic deterioration and political instability, at least in these eight countries, appears to be indirect. [redacted]

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The authoritarian style of government in many of these countries undoubtedly improved their ability to deal with the oil crisis. The governments' ability to redirect resources; rule by decree; and, when necessary, repress dissension will continue to enable most of them to remain in power. In those cases where we indicate serious concern for the leaderships' future prospects, the causes of instability go beyond economic factors. [redacted]

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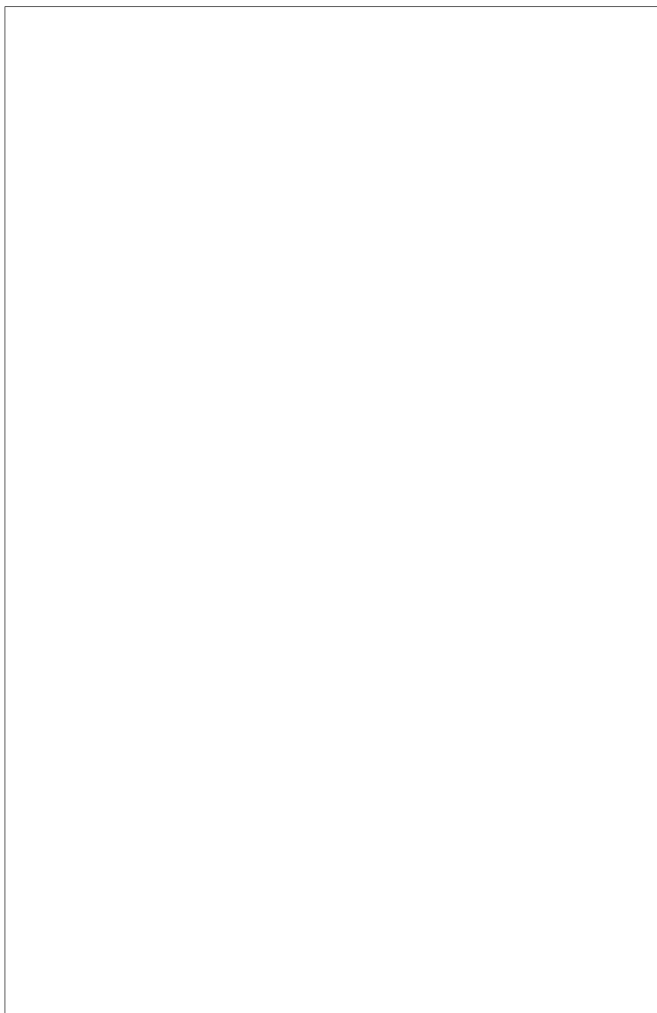
While *Iraq's* military performance remains Baghdad's chief political vulnerability, the deteriorating economy has increased pressures on the government as the people feel the sting of new austerity measures. Plunging oil revenues forced Baghdad to abandon its "guns-and-butter" policy and to slash

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**Part 2.**  
**Developments and Trends**

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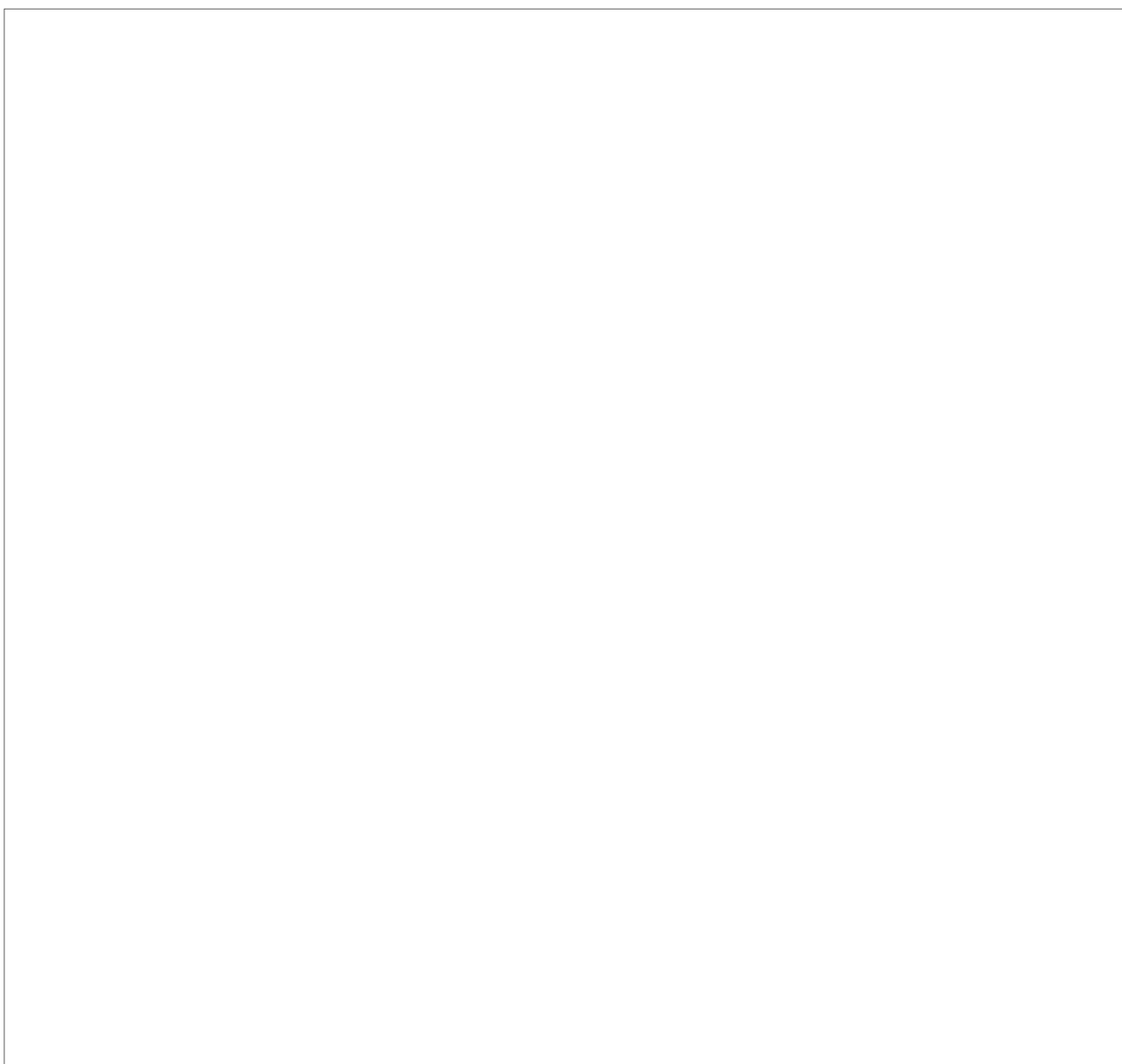
**Argentina:  
Selected Instability Indicators**

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***Outlook***

President Alfonsin's efforts are focused on civil-military tensions over the trials of officers for human rights abuses. A garrison mutiny in April forced Alfonsin to call for a state of siege, and the government is trying to reach a political solution acceptable to all sides. On the economic front, Argentina reached an agreement with its bank steering committee to refinance \$30 billion in debt and to obtain \$2 billion in new lending. Alfonsin's new measures—designed to stabilize the economy and boost his party's prospects in national elections this September—have so far failed to curb inflation.

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**Brazil:**  
**Selected Instability Indicators**

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*Outlook*

Many view the Sarney administration as being unable to cope with Brazil's problems, and the debt moratorium has done little to restore public confidence. [redacted] Sarney has become more dependent on the military to deal with paralyzing strikes such as those that closed the nation's ports and banking system in March. [redacted]

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[redacted] We believe that Sarney's lack of decisionmaking is eroding his congressional backing, and an unruly Constituent Assembly may shorten his term of office when it drafts the new constitution.

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**Chile:**

**Selected Instability Indicators**

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**Outlook**

Buoyed by the Pope's visit in April, Chilean moderates are making headway in their efforts to mount a free elections campaign. [redacted]

[redacted] Communist leaders are temporarily playing down terrorism in order to restore ties to the moderate parties but will continue to launch violent protests. Military support for President Pinochet may decline dramatically if he fails to quiet his junta critics and assuage senior officers' worries that the revelations about high-level official involvement in the murder of former Foreign Minister Letelier are damaging the armed forces' reputation.

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**Colombia:  
Selected Instability Indicators**

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*Outlook*

President Barco is bracing for a major confrontation with the Revolutionary Armed Forces of Colombia (FARC), Colombia's largest insurgent group, whose tenuous three-year truce with the government is unraveling. The rebels rejected Barco's demand that they demobilize by next year, and the President is hurrying to improve his limited counterinsurgency capabilities. At the same time, fearing guerrilla attacks, he is increasing military protection of the country's major oil facilities. We believe Barco will also try to maintain pressure on cocaine traffickers without provoking a major clash with insurgents involved in drug production.

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**El Salvador:**

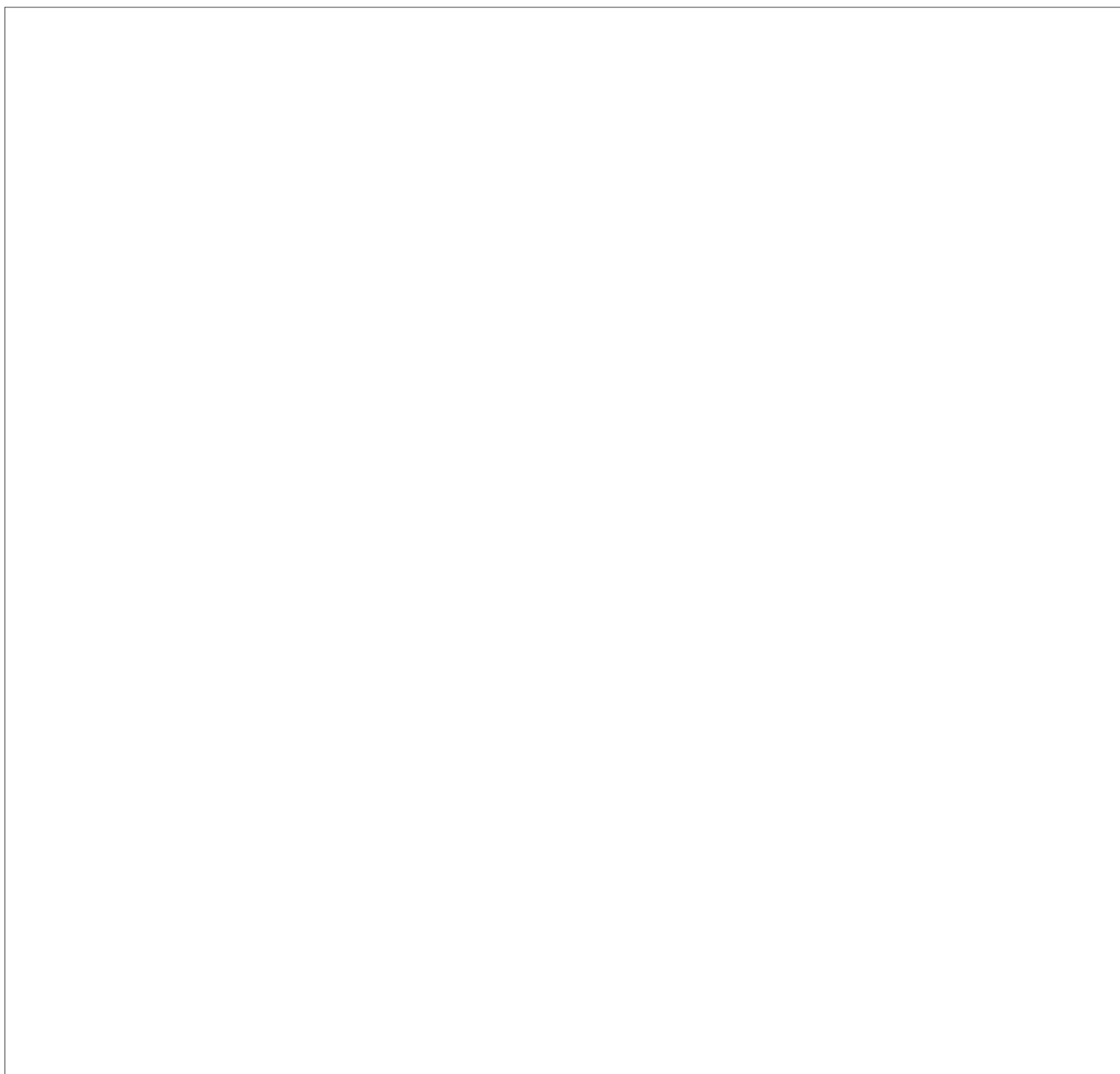
**Selected Instability Indicators**

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*Outlook*

Military irritation over the suspension of emergency powers since January because of a legislative boycott by the right wing is likely to subside. The ruling Christian Democrats and a conservative party have negotiated an end to the stalemate in the Legislative Assembly, which allows the government to secure passage of important legislation. Despite a general decline in rebel activity since February, a successful guerrilla attack on a brigade headquarters on 31 March demonstrates continuing Army vulnerability to well-planned and well-executed surprise attacks.

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**Guatemala:**

**Selected Instability Indicators**

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*Outlook*

The military remains concerned that President Cerezo's failure to strengthen the economy will provide opportunities for leftist advances, and rumblings of coup plotting have been reported. Nonetheless,

 the military is unlikely to risk a cutoff of US assistance by moving against the President. The high command will remain on guard against civilian interference, however, as illustrated by the decision to oust General Letona as Chief of Staff in February—barely a month after Cerezo appointed him.

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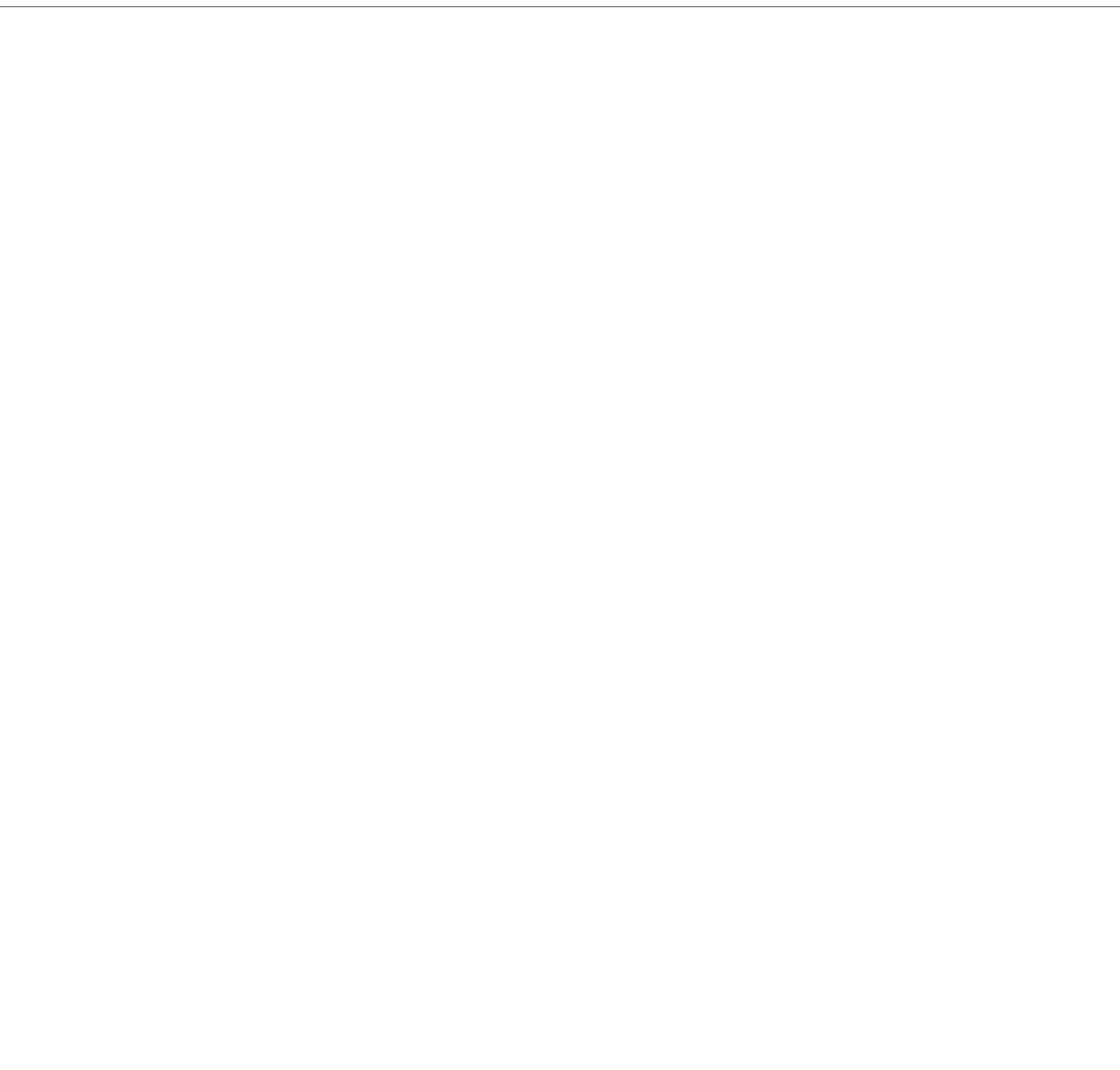
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**Honduras:  
Selected Instability Indicators**

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*Outlook*

Continued stability appears likely, but President Azcona probably will face intense criticism for rising unemployment and failure to replace weak Cabinet officials. Azcona reportedly is irritated by a proposal in the US Congress to reduce aid to Honduras and worries that Tegucigalpa is being penalized for its past support of anti-Sandinista rebels. Meanwhile, Honduran security forces—stung by public criticism of their failure to stem a recent rise in criminal activity—are cracking down on subversive activity, but their heavy-handed behavior may fuel charges of human rights abuses.



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**Mexico :**  
**Selected Instability Indicators**

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***Outlook***

The ruling Institutional Revolutionary Party is contending with a leftist faction that is challenging the legitimacy of the country's succession process by calling for greater democracy. Although this has created some party squabbling, Mexico's leaders appear prepared to accommodate some of the group's concerns to avoid a major internal split. As the September 1988 election approaches, the government is once again concerned with the military's needs. We believe Mexico's recent bank agreement and a steady repatriation of capital will produce the modest economic recovery President de la Madrid has promised for 1987.

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**Panama:**  
**Selected Instability Indicators**

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***Outlook***

The government missed a 1 April World Bank deadline to ratify reforms of the social security system, required for release of the second half of a structural adjustment loan. President Delvalle's failure to forge a consensus on this politically sensitive issue has provoked grumbling within the General Staff, but Defense Chief Noriega appears unwilling to persuade the military's allies in the ruling coalition to support Delvalle. Nonetheless, according to US Embassy reports, Panama's economy remains relatively healthy, and Delvalle and Noriega probably will delay action on the reforms until they can assure broad political backing.

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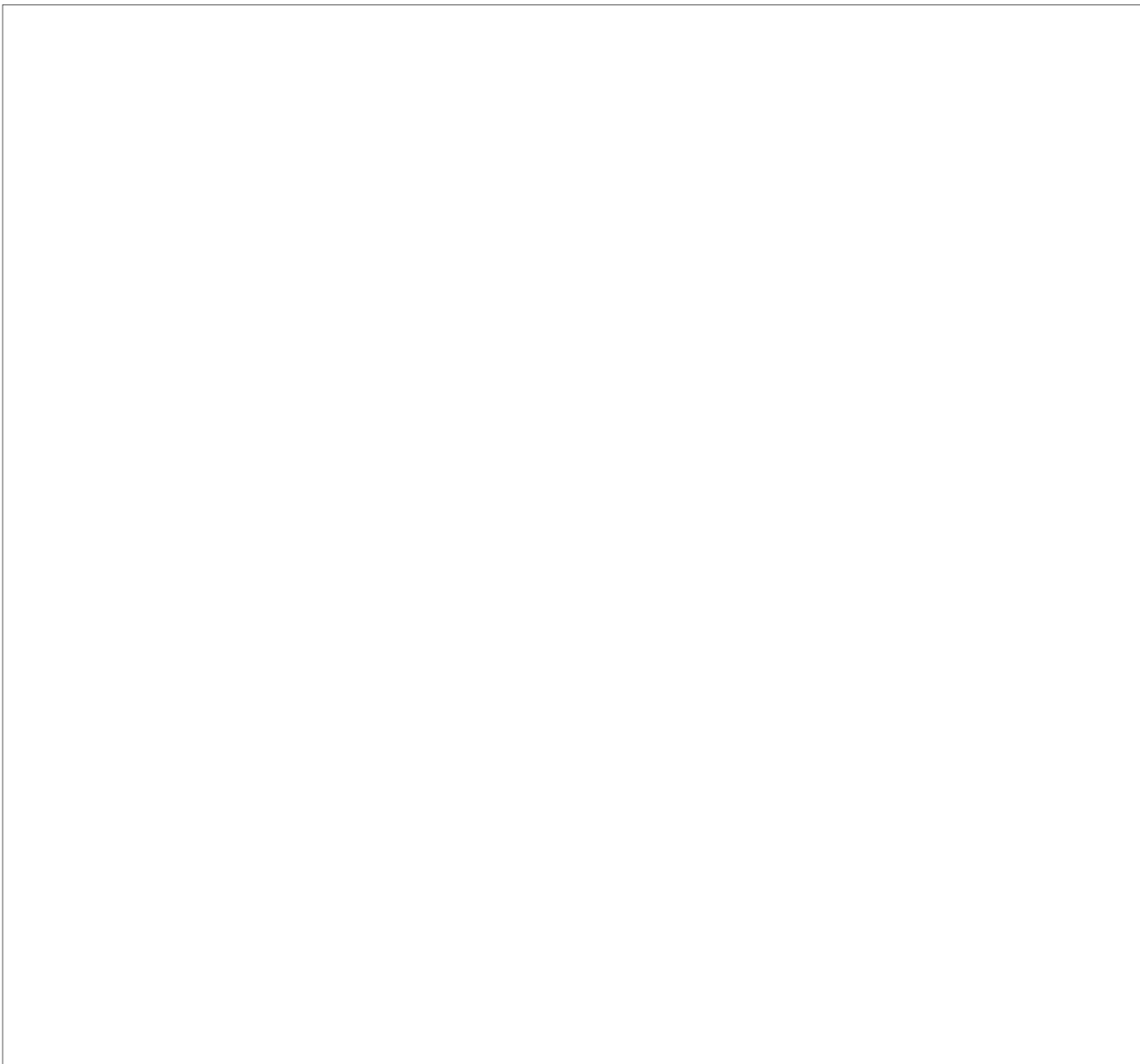
**Peru:**  
**Selected Instability Indicators**

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*Outlook*

President Garcia's move to establish a new Ministry of Defense has created substantial discontent in the armed forces, and civilian-military relations are likely to become increasingly strained over the next few months. Sendero Luminoso insurgent attacks are also increasing, including some notable attacks on foreign business personnel and property, which adds to the pressures on Garcia to take stronger action. Meanwhile, inflation has become more serious, reaching a 100-percent annual rate last quarter; and we judge a growing budget deficit is likely to push it still higher.

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**Venezuela:**  
**Selected Instability Indicators**

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***Outlook***

Despite his failure to revive the economy, President Lusinchi remains politically powerful. Venezuela recently won concessions from its creditor banks—an achievement that will temporarily mute criticism of the government's debt management. Opposition to austerity policies and debate on various political topics, including relations with Cuba and Nicaragua, will intensify as the 1988 presidential election nears. Lusinchi's primary adversary, former President Carlos Andres Perez, is beginning to campaign aggressively, and we believe he can be expected to dust off his credentials as both a populist and a major Third World spokesman.

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**Greece:**  
**Selected Instability Indicators**

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*Outlook*

Prime Minister Papandreou appears to have regained his confidence and sense of direction after the Cabinet reshuffle in January. His strong stand against Turkey during the crisis in March over the Aegean continental shelf rights has also helped restore his stature. Nevertheless, we expect problems such as the Greek Orthodox Church's stand against the redistribution of its land and the ruling party's poor showing in recent student elections—which may be reflective of general discontent with PASOK—will continue to nag Papandreou over the next quarter.

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**Spain:**  
**Selected Instability Indicators**

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*Outlook*

Recent unrest, while more widespread than usual, is unlikely to affect significantly the prospects of the governing Socialist Party in the local elections this June. Prime Minister Gonzalez's prudent economic policies have helped bring down inflation, improve the current account, and boost foreign investment, but they have also spurred unemployment to over 21 percent and slowed the pace of social reform. Students, workers, farmers, and others have responded by staging a series of demonstrations, but the opposition remains divided and weak. Opinion polls indicate that Gonzalez is still popular among the electorate.

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**Turkey:**  
**Selected Instability Indicators**

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*Outlook*

Prime Minister Ozal, buoyed by successful heart bypass surgery, remains secure politically but we believe he faces stiff challenges as he leads Turkey toward further democratization. Tensions with Greece remain high over the Aegean continental shelf issue and Turkey's imminent application to the European Community (EC). The Kurdish insurgency, a chronic problem, will complicate plans to lift martial law in the volatile southeastern provinces as Turkey tries to show a return to normalcy in order to increase the prospects for a positive EC response to its application.

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**Egypt:**  
**Selected Instability Indicators**

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***Outlook***

Egypt's near-term economic outlook appears to have brightened somewhat with incremental moves toward a more realistic exchange rate regime, higher oil prices, and financial aid from the Gulf Arab states. Nonetheless, we believe basic weaknesses in the economy remain, and despite his party's healthy showing in the April parliamentary elections, Mubarak will be reluctant to address them. Although he may undertake some economic reforms in the next quarter that would further raise prices on some basic commodities, we believe he probably will reverse himself at the first sign of unrest.

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**India:**  
**Selected Instability Indicators**

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*Outlook*

Waning public confidence in his leadership and honesty and in his management of Indo-Pakistani relations has Gandhi on the defensive at home [redacted] His Congress Party recently lost two of three state elections to the opposition, and by June he must submit his policies on Sikhs to an electoral test in the predominantly Hindu state of Haryana. Meanwhile, India faces a likely military challenge from China over disputed territory this summer that will test not only the Indian military but also Gandhi's ability to rally domestic support for his policies.

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**Iran:**

**Selected Instability Indicators**

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*Outlook*

Iran's key lower class constituencies continue to support the government in the war against Iraq. There are reports of sporadic protests over the war and economic conditions, however, and the regime has difficulty recruiting in some regions of the country. Stepped-up activity by the Islamic Marxist opposition group, Mujahidin-e Khalq, has forced the regime to beef up security in parts of the country. Intense political maneuvering continues as leaders jockey for position in anticipation of Ayatollah Khomeini's death, but we believe this politicking does not pose a threat to regime stability in the coming months.

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**Iraq:**  
**Selected Instability Indicators**

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*Outlook*

Baghdad has earned a temporary respite on the battlefield by blocking a determined Iranian attack aimed at seizing the key city of Al Basrah. The pause may be short lived, however, because Iran maintains large troop concentrations at the front and could resume attacks with little warning. Meanwhile, Iraq's Air Force has resumed attacks on Iran's economic targets in an effort to force Tehran to the negotiating table. We expect Kurdish rebels again to step up guerrilla activities with the arrival of spring, putting another burden on the government's resources.

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**Morocco:**  
**Selected Instability Indicators**

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*Outlook*

We judge that King Hassan faces no immediate challenges to his regime. He continues to consolidate his military hold on Western Sahara, despite an escalation of attacks on Moroccan troops by Algerian-backed Polisario guerrillas in recent months. Although he still has formidable long-term demographic problems, the economy has improved over the short term, in part because a good harvest and lower oil prices have reduced the cash crunch. In addition, Rabat has obtained a new IMF agreement and has rescheduled a portion of its foreign debt.

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**Pakistan:**  
**Selected Instability Indicators**

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***Outlook***

The sectarian clashes that have rocked Pakistan have subsided, but tensions remain high—particularly in Karachi—and we believe new outbreaks of violence are likely. Meanwhile, the general populace increasingly blames the Afghan refugees for domestic woes. The upsurge in Soviet-Afghan cross-border attacks and sabotage bombings in the border provinces is increasing tensions between the refugees and local residents. Moreover, several recent terrorist bombings in the Punjab Province have raised fears that the sabotage campaign may be moving into major Pakistani population centers.

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**Saudi Arabia:**

**Selected Instability Indicators**

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*Outlook*

Riyadh appears confident that its strategy to boost oil prices is working and is optimistic that production and price discipline among OPEC members can be maintained. Although we believe the Saudi economy is likely to remain depressed, Riyadh will continue to avoid taking drastic austerity measures. Saudi concern over an escalation in the Iran-Iraq war has lessened following Iraq's successful defense of Al Basrah, and continued efforts by Riyadh and Tehran are reducing tensions between their two countries. The regime also has eased its heavyhandedness in dealing with its Shia minority, helping to mute popular criticism.

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**Sudan:**  
**Selected Instability Indicators**

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***Outlook***

In our view, Prime Minister Sadiq most likely will continue to avoid the tough decisions that his enemies could use to mobilize opposition against him, but the foundering economy keeps the potential for demonstrations and strikes alive. Intermittent Libyan and Ethiopian military action in Sudan held public attention in the first quarter, raising public and military concerns about Sadiq's competence. Sadiq's efforts to strengthen his control over military decisions appear to be weakening military support for his leadership, although we judge that a coup is probably not imminent.

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**Kenya:**  
**Selected Instability Indicators**

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***Outlook***

President Moi remains firmly in control, despite growing international concern about his increasingly autocratic methods. Moi's standing at home was bolstered by his visits to the United States and Britain in March. Nonetheless, falling revenues from Kenya's two most important foreign exchange earners—coffee down one-third over the last six months and tourism down one-fourth—indicate that Nairobi's fragile prosperity is eroding. These trends are likely to complicate Moi's political agenda, but we believe they do not pose an immediate danger to his continued rule.

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**Nigeria:**  
**Selected Instability Indicators**

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*Outlook*

Religious riots in northern Nigeria last March, which resulted in a dozen deaths, have heightened tensions but, in our view, are unlikely to threaten the regime's stability. Religious issues in the Muslim-dominated north are never far below the surface, however, and new clashes are possible, which—at a minimum—would distract Lagos from pressing economic issues. Nevertheless, President Babangida's relatively firm grip on power was underscored by the political calm that prevailed during his monthlong absence last February for back surgery in France.

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**Somalia:**  
**Selected Instability Indicators**

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***Outlook***

President Siad probably weakened the position of Ali Samantar as his designated heir by removing him as Minister of Defense and appointing him Prime Minister with ill-defined authority. Samantar is further jeopardized by the appointment of members of Siad's Marehan tribe—Samantar's opponents—to key party and defense ministry posts. The moves appear designed to prevent Samantar from usurping power, while deflecting pressure from Marehans to cashier him. Samantar's opponents, however, will probably continue to press Siad to install a Marehan or a more acceptable figure as his successor.

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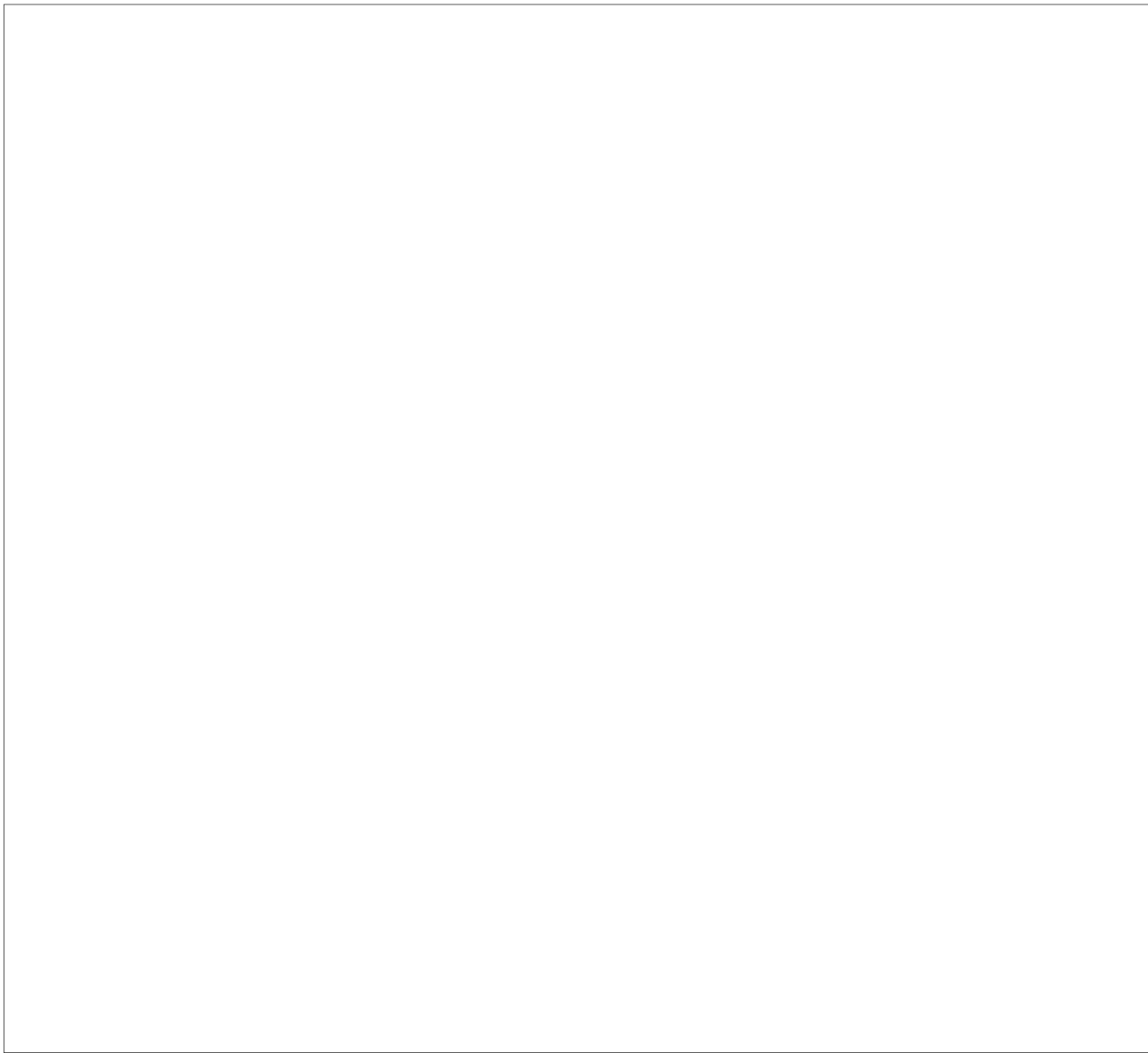
**South Africa:**  
**Selected Instability Indicators**

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*Outlook*

Despite Pretoria's vigorous enforcement of the nationwide state of emergency—including a heavy security force presence in the townships, press restrictions, and detentions—black townships remain highly volatile with frequent outbursts. Opposition groups increasingly are turning to the labor movement and civil disobedience campaigns as alternatives to large-scale public demonstrations. We believe a cross-border strike at African National Congress facilities is quite likely following recent signs of an increase of ANC activity, including sporadic bombings and landmine and grenade attacks.

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**Zaire:**

**Selected Instability Indicators**

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*Outlook*

We believe President Mobutu's political position remains firm despite Kinshasa's new economic austerity measures and problems with neighboring Angola. The government increased domestic fuel prices and devalued the currency in March to clear the way for a new IMF standby agreement, while attempting to deflect domestic criticism by granting a significant wage increase. Meanwhile, Kinshasa retaliated against Angolan cross-border raids on suspected UNITA rebel bases last February, and we believe more low-level attacks are likely. Both countries, however, appear to want to avoid a major confrontation.

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**Indonesia:**  
**Selected Instability Indicators**

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*Outlook*

The "stage-managed" parliamentary elections in April, intended to reaffirm the Soeharto regime's legitimacy, underscore the lack of a legal channel for voicing dissent. We believe criticism of Jakarta's management of the deteriorating economy is likely to increase if further budget cuts are made now that the elections are over. The military's discontent is also rising, as its salaries have been frozen and living allowances have been cut. Concerned by Indonesia's falling foreign exchange reserves, banks are considering reducing credit lines, and unabated drawdowns could force Jakarta to reschedule its debt.

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**Philippines:**  
**Selected Instability Indicators**

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*Outlook*

President Aquino's candidates in the 11 May congressional elections face a serious challenge from conservative old-guard oppositionists who are better organized at the local level. In our view, Aquino's permissive management style and the inevitability of a fractious legislature suggest that she will have difficulty pushing her reform program through even with nominal majority support. Meanwhile, some soldiers remain dissatisfied with Aquino's leadership and that of Chief of Staff Ramos.

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**South Korea :**  
**Selected Instability Indicators**

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***Outlook***

With universities back in session, the door closed to constitutional revision, and a harder line opposition party in the making, we believe the potential for unrest remains high. President Chun's decision to end the deadlocked constitutional debate and to declare that his successor will be elected—as early as December—under the current system gives opponents a focal point. We believe Chun's moves could enlarge student protests—with harsh anti-US overtones—in May during the anniversary of the 1980 Kwangju uprising. Opposition unity remains elusive, with Kim Dae Jung and Kim Young Sam competing for control of their breakaway party.

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**Part 4. Special Annex** 

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**Indicators of Political Instability**

The following indicators were used in our examination of each of the countries treated in this publication. While these factors—especially if taken individually—may not be predictive of instability for any single given country, they have been associated with political instability in the past.

**Social Change/Conflict Indicators****Demonstrations and Riots**

1. Are demonstrations/riots increasing in frequency, scale, and scope?
2. Is the government taking a more permissive view of the demonstrations/riots? If so, does this account in part for the increase? Or is it having a calming effect?
3. Are government repression and opposition violence escalating?
4. Is the violence in demonstrations/riots indiscriminate? Is it being directed against the government, a scapegoat minority or religious community, or other group?
5. Are demonstrations starting to assume a general antiregime tone, or do they focus on one specific issue, a minority group, or a particular region?
6. Does a demonstration attract a larger crowd than originally predicted? Does a demonstration called by one opposition group attract the genuine—not manipulated—support of other groups not previously involved, such as labor groups in support of student marchers?
7. Are the media:
  - Becoming more critical of the government or supportive of the demonstrators/rioters?

- Ignoring government guidance in their reporting of the incidents?

8. Are there indications that elements of the political elite or the security forces are beginning to sympathize with the demonstrators/rioters?

9. Is the government making concessions to the demonstrators/rioters for the first time? If so, are these having a calming effect, or are they seen as a sign of weakness?

10. Are the demonstrators/rioters disrupting any area of the economy? If so, does the concerned sector blame the government or the demonstrators/rioters? Are the disruptions affecting the government's ability to provide goods and services, patronage, and so forth?

**Strikes and Other Job Actions**

11. Are job-related protest activities such as strikes, slowdowns, sit-ins increasing in number, frequency, and location?
12. Do the strikers have political objectives apart from economic motivations? If so, are these directed against the government?
13. Are labor groups that oppose the government forging links to nonlabor opposition groups?
14. Are the strikes and other job actions drawing increasing support from the general public?
15. Is the government starting to meet the workers' demands despite sound economic reasons that it not do so? If so, have the concessions persuaded workers to return to work?

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16. Are the strikes and other protest activities starting to hurt the economy?

**Maintenance of National Unity**

17. Do increasingly large numbers of the public tend to sympathize with the demonstrators/rioters?

18. Is effective government control over some areas outside the capital being eroded? Are local officials increasingly unwilling or unable to implement directives from or to perform services, such as tax collection, for the central government?

19. Is the government starting to carry out policies that change the political or social status of any group; for example, is it increasing religious intolerance and suppressing the use of a minority language or culture? If so, are the policies compelling those affected to oppose the government in any way?

20. Is the middle or merchant class starting to withdraw its support for the government?

21. Are religious leaders increasingly critical of the state of the nation? If so:

- Are religious leaders becoming active in antigovernment activities?
- Is the general public beginning to support these activities and agree with the criticisms?

**Economic Stability Indicators**

22. Is the government losing its ability to generate revenues? If so, is it finding difficulty in providing public services or maintaining popular subsidies?

23. Is the government increasingly turning to money creation to finance its operations?

24. Is the general public blaming the government for the deteriorating economy?

25. Are sudden price rises or drops in food or energy supplies likely or increasing?

26. Is the international economic situation starting to depress the local economy? If so:

- Is only one sector affected, or is the populace hurting across the board?
- Do popular perceptions tend to blame pernicious international forces or countries?

27. Have remittances from expatriates assumed an important place in the economy?

28. Is the government's ability to obtain foreign aid and investment starting to decline?

29. Does the economy include a traditional sector, such as subsistence agriculture and barter, that remains isolated from the modern economic sector and that could provide a safety valve in times of crisis? If so, is this being eroded by overpopulation, landlessness, crop specialization, and so forth?

30. Do the country's reserves or the free market exchange rate reflect capital flight? If so, is the capital flight the result of economic reasons, such as lack of return on investments, or because of political fears?

31. Is the government unlikely to meet its debt service repayment obligations? If so, are the government's creditors willing to reschedule all or part of the debt?

32. Is the government starting to implement its own or IMF-supported austerity measures? If so, can it withstand pressures from opposing domestic interests?

33. Are the government's economic policies benefiting only a small segment of the population, such as the elite and associated groups?

34. Conversely, are attempts to redress inequality through taxation, land reform, anticorruption drives, or other economic measures alienating important elements of the elite, such as the military or clergy?

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**Opposition Groups Indicators**

35. Are opposition groups coalescing against the government? Are they increasingly able to mobilize large numbers of people for antiregime activities?

36. If opposition groups are organized along class, ethnic, religious, or regional lines, are these factional forces and their attraction growing?

37. Is any opposition group representing itself as the embodiment of the national identity?

38. Is a polarization of forces taking place—that is, are centrists and moderates increasingly compelled to choose among radical positions?

39. Is separatism a growing issue?

40. Is there an opposition leader whose charisma is increasingly recognized even by those who oppose him?

41. Are opposition parties increasingly claiming that the violent overthrow of the government is the only way to bring about change?

42. Are the intellectuals becoming alienated from the system? Is so, does this lend strength to the opposition?

**Terrorism and Sabotage Indicators**

43. Are incidents increasing in frequency and intensity? If so, what has been the rate of increase in:

- The number of incidents?
- The number of cities or provinces in which incidents occur?

44. Are the terrorists or saboteurs being indiscriminate or selective in their targets? If selective, who are the targets—government supporters, the opposition, perceived traitors to one or another side, or others?

45. Is terrorism or sabotage starting to deter any part of the general public from supporting the government?

46. Is terrorism or sabotage starting to hurt the economy? If so:

- Is production declining in key areas such as energy?
- Is the government's ability to provide goods, services, and patronage being reduced?

**Military Attitudes and Activities Indicators**

47. Are there any signs of antiregime or coup plotting?

48. Are there indications that elements in the military and security services, particularly senior personnel, are becoming discontented over government actions or policies?

49. Are the corporate interests or dignity of the military being assaulted or threatened?

50. Are there elements in the military that are discontented over career loss, pay, or other benefits?

51. Are there signs of a split within or between military or police leaders?

52. Are the military or security services becoming less disciplined? For example, are desertions and acts of disobedience, increasing?

53. Are the security services being reorganized frequently or to an extent that affects their efficiency and morale?

54. Are expenditures for the military and security services a strain on the budget?

55. Is the government trying to upgrade the efficiency and morale of the military and police through such measures as:

- Better recruitment, pay, leave, and promotion policies?
- Increased training in dealing with civil disobedience?
- Better equipment?

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**Secret****External Factors Indicators**

56. Are foreign influence and aid being viewed negatively by the public and by influential power groups? If so, is this starting to hurt the regime?

57. Is the opposition receiving increased aid from radical foreign sources? Is the increased aid improving the recipients' capabilities, or is it evoking negative responses from any groups, indicating that they feel their interests are threatened?

58. Are neighboring countries or other external influences beginning to affect sectarian or regional groups in a way that is eroding loyalty to the government?

59. Is the government under threat of incursions or subversion by foreign elements?

60. Are other countries starting to pose a military threat? If so, does this enable the government to "wrap itself in the flag" and rally support it might otherwise have lost?

61. Is the public's mind being taken off deteriorating domestic conditions by the government's overseas adventures? Or, is the government's meddling abroad unpopular at home?

62. Is an influx of foreign refugees creating problems?

**Regime Capabilities and Actions Indicators****Repression of the Opposition**

63. Does the general public increasingly see the government as more responsible than opposition groups for perpetrating domestic violence?

64. Is the government increasing the use of repression to counter opposition activities? Is there more torture, imprisonment without trial, banning of political parties, press censorship, or school and university closings?

65. Are the regular police having difficulty putting down demonstrations or riots? If so, is the government increasingly using paramilitary police units, hired thugs, or military forces?

66. Are government officials talking about the possibility of declaring martial law or perpetuating it?

67. If the government uses mass force, does this disrupt opposition groups and make them less effective? What is its effect on the general public—is it seen as a necessary sign of firmness, or is it seen as brutal and repressive?

68. Are there indications that the public sees the government as inconsistent? For example, does the average citizen complain that he has "no way of knowing what he can or cannot do to stay out of trouble?"

**Government Leadership and the Ruling Elite**

69. Is conflict breaking out or increasing among groups that make up the ruling elite or between the ruling and supporting elites?

70. Are there indications that government leaders are doubting their major policies or their ability to rule?

71. Are there any indications that the ruler may be considering stepping down because of factors such as age, ill health, a shift in public opinion, or personal tragedy? If so, is the political elite gearing up for an obvious succession crisis?

72. Is the ruler's style changing in such a way that lessens his ability to rule? Is he increasingly isolated in the "palace," becoming erratic, or losing his party's loyalty?

73. Is a weak coalition government leading to legislative paralysis?

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74. Has the ruler shown that he is prepared to use the security forces to suppress activities such as demonstrations, riots, or strikes? If so, is he prepared to take extremely tough measures before the situation gets out of hand?

75. Is the government introducing reforms? If so, is it doing so under pressure or at its own initiative, and is it prepared to enforce them?

76. Are media criticism of and jokes about the ruler and the government becoming more direct and open?

**Government Bureaucracy**

77. Is the bureaucracy becoming less loyal to the leadership because of differences such as divergent political views, or distaste for the government's policies?

78. Is effectiveness being eroded because the leadership is firing competent officials as scapegoats?

79. Has the government shown ineptitude in coping with natural disasters such as earthquakes, floods, crop failures?

**The Education System**

80. Is the education system turning out too many graduates in relation to employment opportunities?

81. Are students becoming restive because of government repression or because of restrictive policies in the educational area?

82. Are fundamentalists or other religious groups starting to set up schools in opposition to the public school system, or is enrollment increasing at such schools already in existence?

**The Business Sector**

83. Is the business sector starting to be hurt by specific government policies? If so, are losses sufficiently serious to make businessmen increasingly critical of these policies?

84. Are conditions in the country generally deteriorating to such an extent that the business sector is expressing doubt about the government's ability to rule?

85. Is a substantial segment of the business sector starting to support the opposition? If so, is this support political, financial, or both?



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