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# Near East and South Asia Review

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*Special Issue: The Levant and  
North Africa in 1986*

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6 December 1985

Approved for Release  
Date JUN 1999

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6 December 1985

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Near East and South Asia Review

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Special Issue: The Levant and North Africa in 1986

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Articles

Middle East: Shifting Alliances, Enduring Rivalries

Page

1

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Prospects for a coalescence of Arab states to take the lead in addressing the issues that beset the region appeared to recede during most of 1985, and, although some regional tensions may ease in the coming year, hidden agendas will continue to inhibit an effective Arab approach to regional issues.

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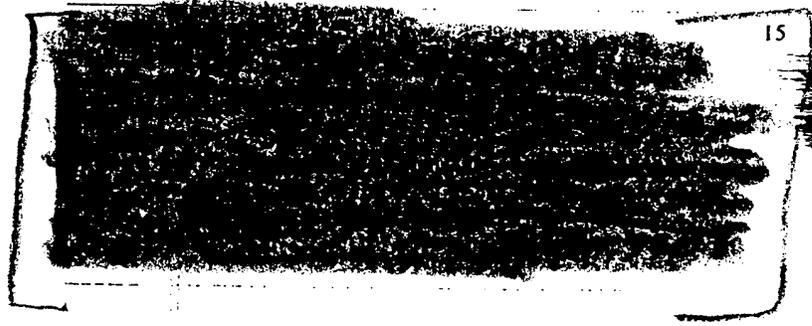
PLO: An Opportunity Lost?

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Despite moves that had encouraged Arab moderates to believe that PLO Chairman Arafat finally was serious about seeking peace with Israel, Palestinian terrorist activity increased significantly during the year, and Arafat's miscalculation of his ability to follow a two-track policy left PLO prestige in ruins.

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**Syria: Exploring Options**

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During 1985 President Assad demonstrated fresh determination to confront the persistent problems of Lebanon. Arab moves toward negotiations with Israel, military preparedness, and the economy, but ever-shifting alliances in the Arab world and the magnitude of the issues facing Syria mean that most of his goals will remain elusive.

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**Lebanon: Civil War Without End**

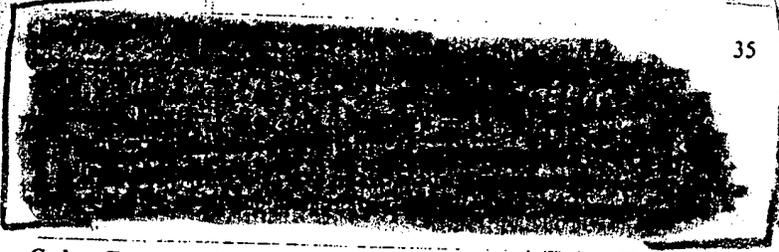
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Lebanon moved closer to political dissolution and territorial partition during the 10th year of civil war in 1985 as factional militias continued to battle throughout most of the country and initiatives aimed at political reconciliation fell victim to the endemic violence.

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**Sudan: Facing an Uncertain Future**

39

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The overthrow of President Nimeiri has unleashed political forces that promise to keep Sudan in flux over the next year, but the senior officers who ousted Nimeiri appear willing to honor their promise of a transition to civilian rule by next year, despite the lack of preparedness for elections on all sides.

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**Libya: Qadhafi Under Siege**

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An unprecedented combination of rising unrest and foreign challenges coalesced to put Qadhafi at bay in 1985, and, if there is no change in current conditions, his chances of surviving another year are little better than even.

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**Algeria: Bendjedid Politics Take Hold**

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At mid-decade all indications are that President Bendjedid is consolidating his position and continuing to put his mark on the country, but his efforts to promote private initiative and decentralize the bureaucracy are little more than economic and political tinkering.

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**Tunisia: Foreign Crises and Political Immobilism**

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This year has been one of unprecedented challenges for the government of President Bourguiba and Prime Minister Mzali that have revealed the weaknesses of the regime and its inability to resolve social and economic problems, and maneuvering in anticipation of Bourguiba's death will sharply limit the government's ability to act in the coming year.

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**Mauritania: Taya Under Fire**

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After 11 months in office, Mauritania's President Taya appears weak and vacillating in tackling his country's severe economic and political problems, and his ability to cope with these issues is complicated by external pressures to take sides in the Western Sahara dispute. If he cannot show progress in the next year, he may not survive.

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Articles

Middle East:  
Shifting Alliances,  
Enduring Rivalries ( [REDACTED]

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Prospects for a coalescence of Arab states to take the lead in addressing the issues that beset the region appeared to recede during most of 1985. One Arab leader's complaint early in the year that there were "too many waltzes" going on in the region proved to be prophetic. [REDACTED]

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Leadership quarrels, conflicts of national interest, and the intractability of the issues contributed to the high degree of fluidity in the relations among Middle Eastern states in 1985. Little could be agreed upon in the multilateral meetings called during the year, and Arab League efforts to ease tensions among regional rivals made little headway. [REDACTED]

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Developments during the past few months—Syrian-Jordanian rapprochement, Arafat's Cairo statement, and movement toward an Arab summit meeting in Riyadh—open the possibility during the coming year of an easing in some regional tensions. Broad agreement is likely, however, only at the cost of blurring the hard issues. Hidden agendas will continue to inhibit an effective Arab approach to resolution of the Arab-Israeli conflict and will contribute to the reappearance of enduring inter-Arab

b (3) rivalries. [REDACTED]

Despite the emergence of numerous claimants, the long-term outlook for effective regional leadership in the Arab world is poor. Regional conflicts are multiplying. No current or prospective head of state has the political resources to put together an Arab consensus or even a majority powerful enough to act or to maintain its ranks against defection when politically controversial decisions must be reached. [REDACTED]

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Multilateral Diplomacy and Its Limitations

Contentious Arab League meetings last spring and summer indicated the depth of the divisions within the Arab world through most of 1985. Thirteen Arab foreign ministers and five deputy ministers met in Tunis in late March for long and unproductive sessions on the Iran-Iraq war, the Jordan-PLO agreement, and other issues. [REDACTED] few of the delegates could agree on anything. A second ministerial meeting called in Tunis in June and a followup meeting of the permanent representatives in July produced sharp recriminations among the participants and public complaints that the meetings had left the Arabs even more divided. [REDACTED]

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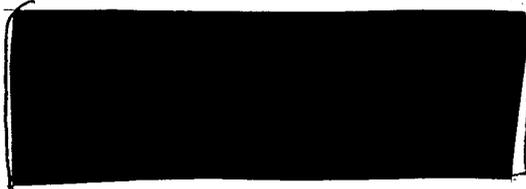
The extraordinary summit meeting called by the Arab League in Casablanca on 7-9 August served only to confirm the extent of the splits within Arab ranks. The League failed to endorse the Jordan-PLO agreement. The summit meeting produced signs of open disagreement among the very parties to the accord, with PLO Chairman Arafat refusing to accept King Hussein's position that a resolution of the Palestinian issue would be achieved only through hard, but peaceful bargaining. Final language on the Iran-Iraq war reflected the continuing refusal of several states to support Iraq against Iran. [REDACTED] the prevailing mood among the diplomats, delegates, and functionaries involved in the conference was one of futility. [REDACTED]

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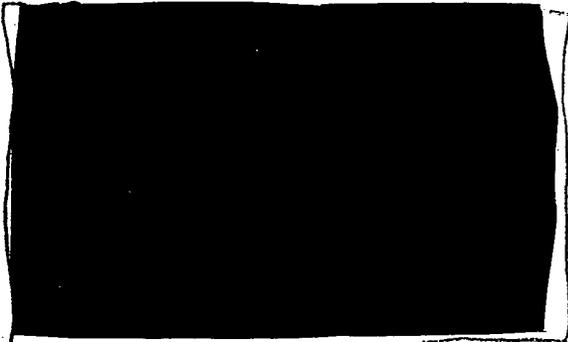
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Similarly, efforts by member states to mediate regional conflicts under the auspices of the League failed to make headway through most of the year.

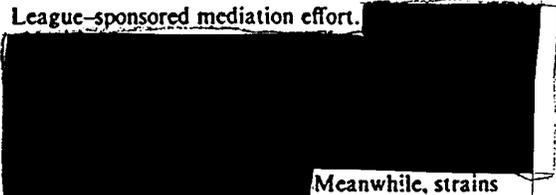


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The apparent polarization within the Arab world during the past year—like previous such cleavages—was short lived. In the past two months, Damascus and Amman have initiated a reconciliation, undertaken in the context of an Arab League-sponsored mediation effort.



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**Arab Moderates and Their Radical Opponents**  
Throughout much of 1985, the Arab world appeared split into moderate and radical factions.

Meanwhile, strains among the "radicals" persist, as the suspension of Iranian oil shipments to Syria and Libyan expulsions of Syrian workers contribute to new frictions.

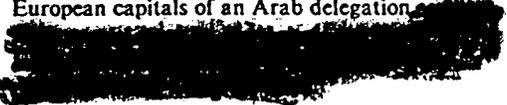
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**The Arab Agenda and Prospects for the Coming Year**  
The Arab-Israeli conflict and the possibility of peace negotiations remain at the top of the Arab agenda, but the prospects for an effective regional response to opportunities to achieve even a partial resolution are dim. An Arab summit meeting held in 1986 probably would result in a consensus restating the positions taken at Fez in 1982 and favoring an international conference as a means to move ahead. A successful Arab summit meeting, however, almost certainly would be followed by the dispatch to Washington and European capitals of an Arab delegation.

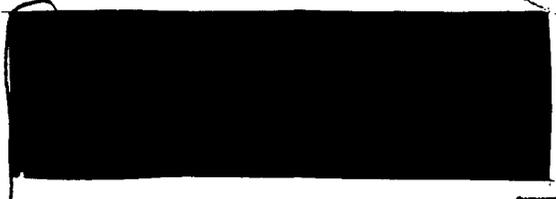
Developments after midyear indicated that the rival Arab alignments amounted to considerably less than was suggested by the rhetoric that accompanied their emergence:



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The proliferation of inter-Arab conflicts and rivalries occupies an increasingly greater share of the time and efforts of Arab League member states. In addition to the Iran-Iraq war, the League will have to contend with Algerian-Moroccan tensions over the Western Sahara; heightened friction between Libya and most of its neighbors (Algeria, Tunisia, Egypt, Sudan, and others are involved in disputes with Tripoli); and the conflict between Syria or its Lebanese surrogates and the Palestinians in Lebanon. [REDACTED]

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Over the longer term, the prospects for the emergence of effective regional leadership are poor. With few exceptions, political institutions in the Arab world are weak. Even apparently stable regimes are highly vulnerable to domestic "constituencies" that restrict policy change on what the Arabs call the "fateful" issues. At the regional level, the ideological dimension of interstate conflict has diminished—last year's polarization, for example, pitted Ba'thist Syria, revolutionary Libya, and fundamentalist Iran against the Hashemite monarchy of Jordan, Ba'thist Iraq, and republican Egypt—but the sources of regional tension and rivalry have multiplied along with the number of aspirants to regional leadership. [REDACTED]

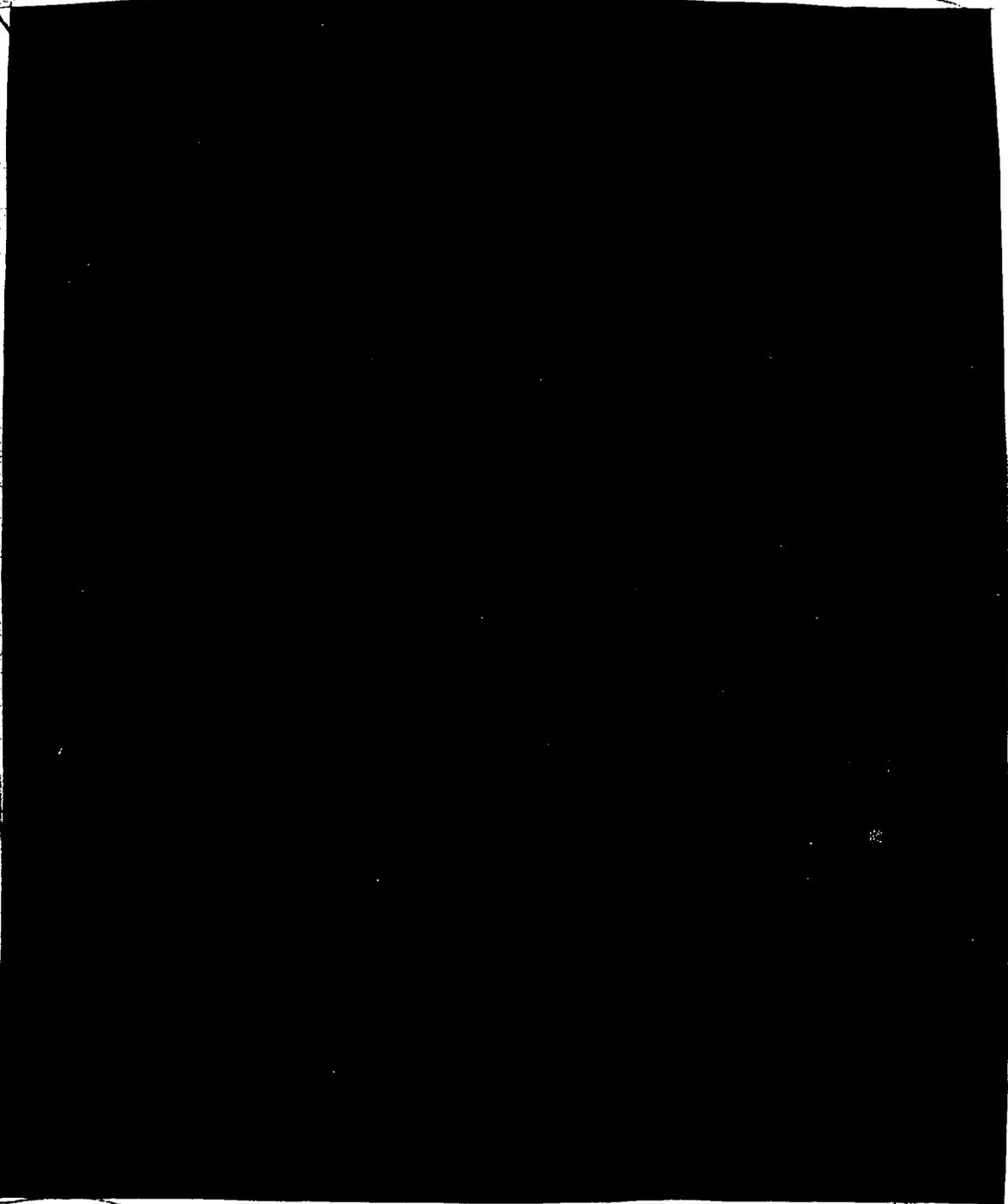
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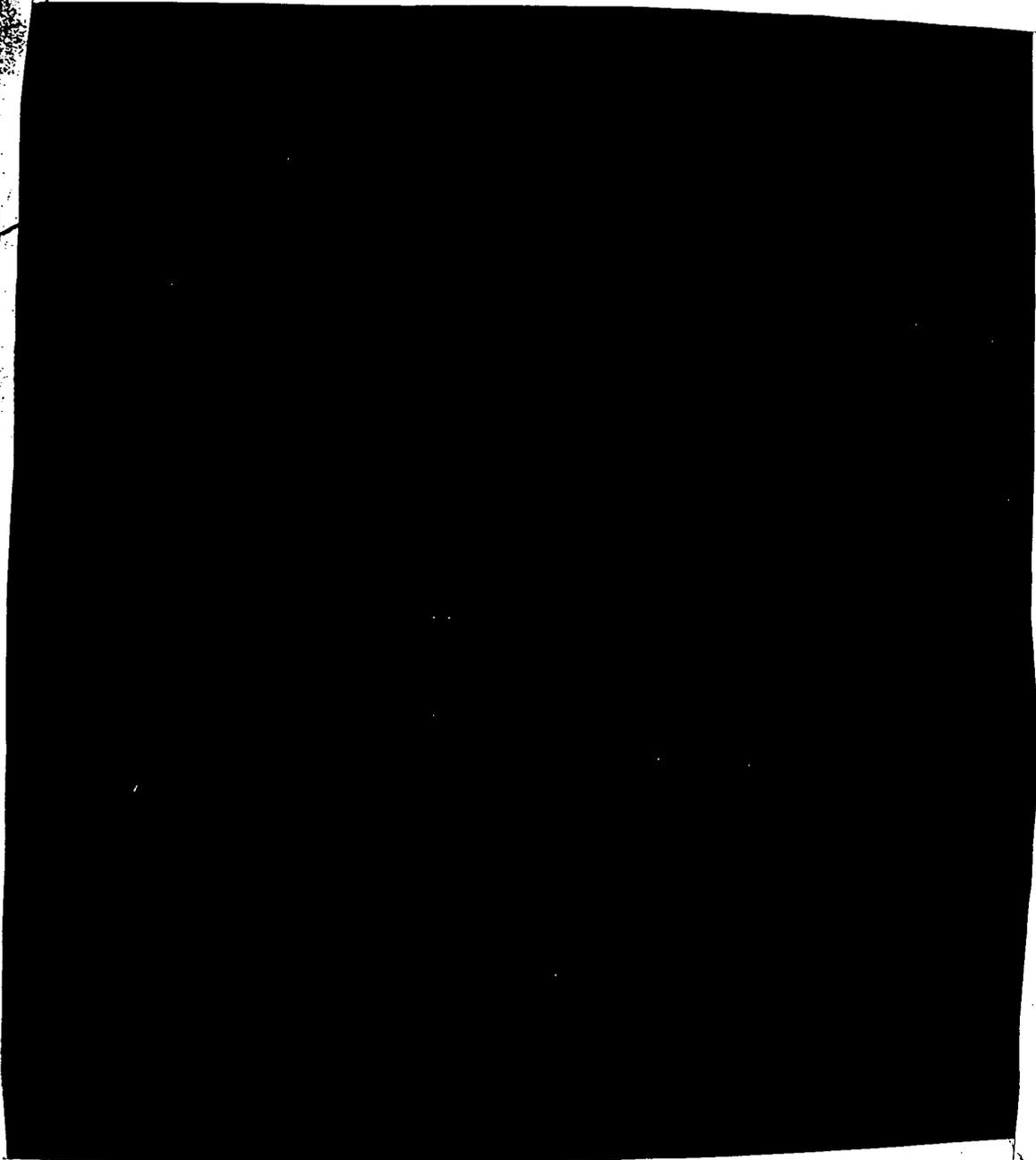
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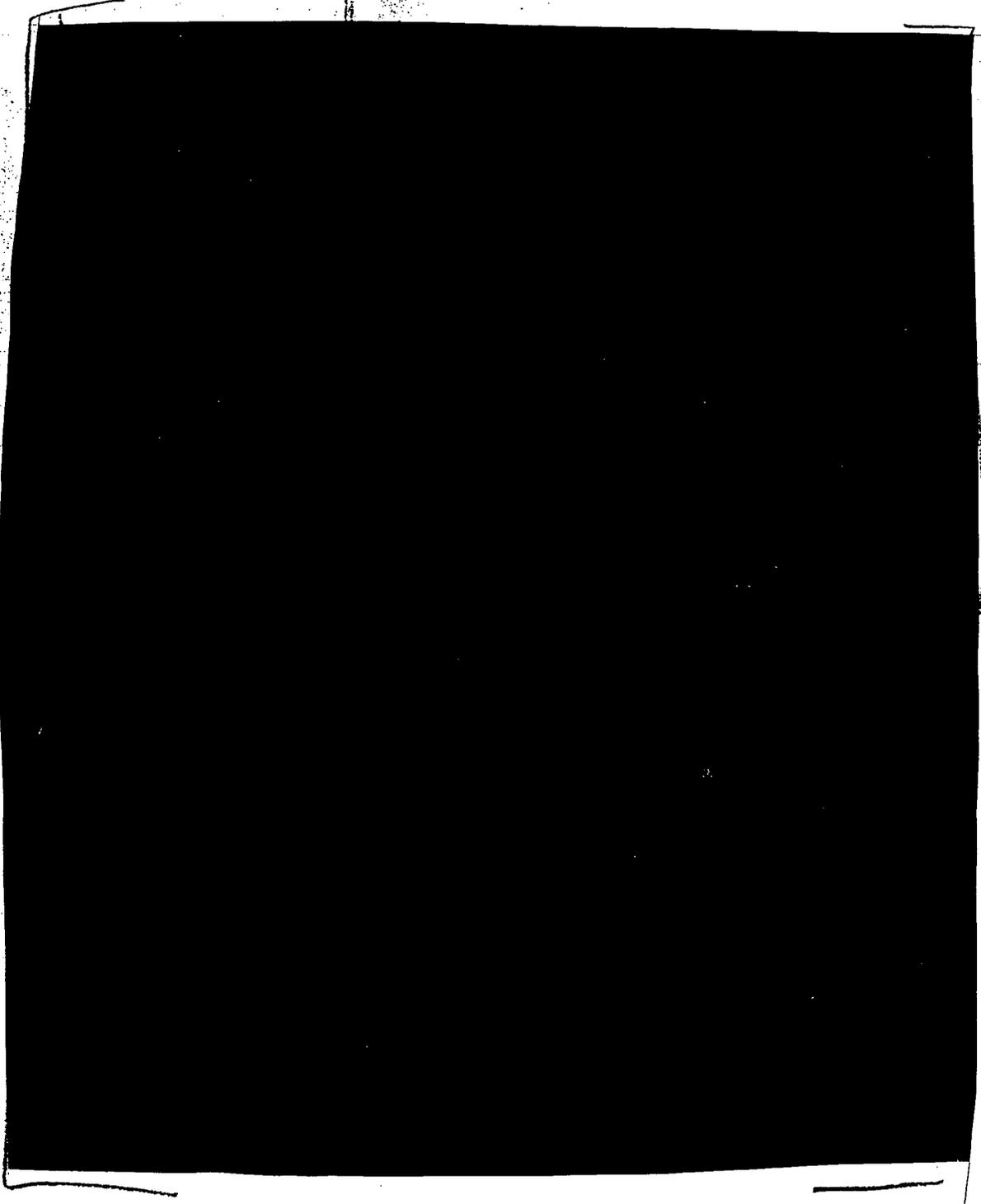
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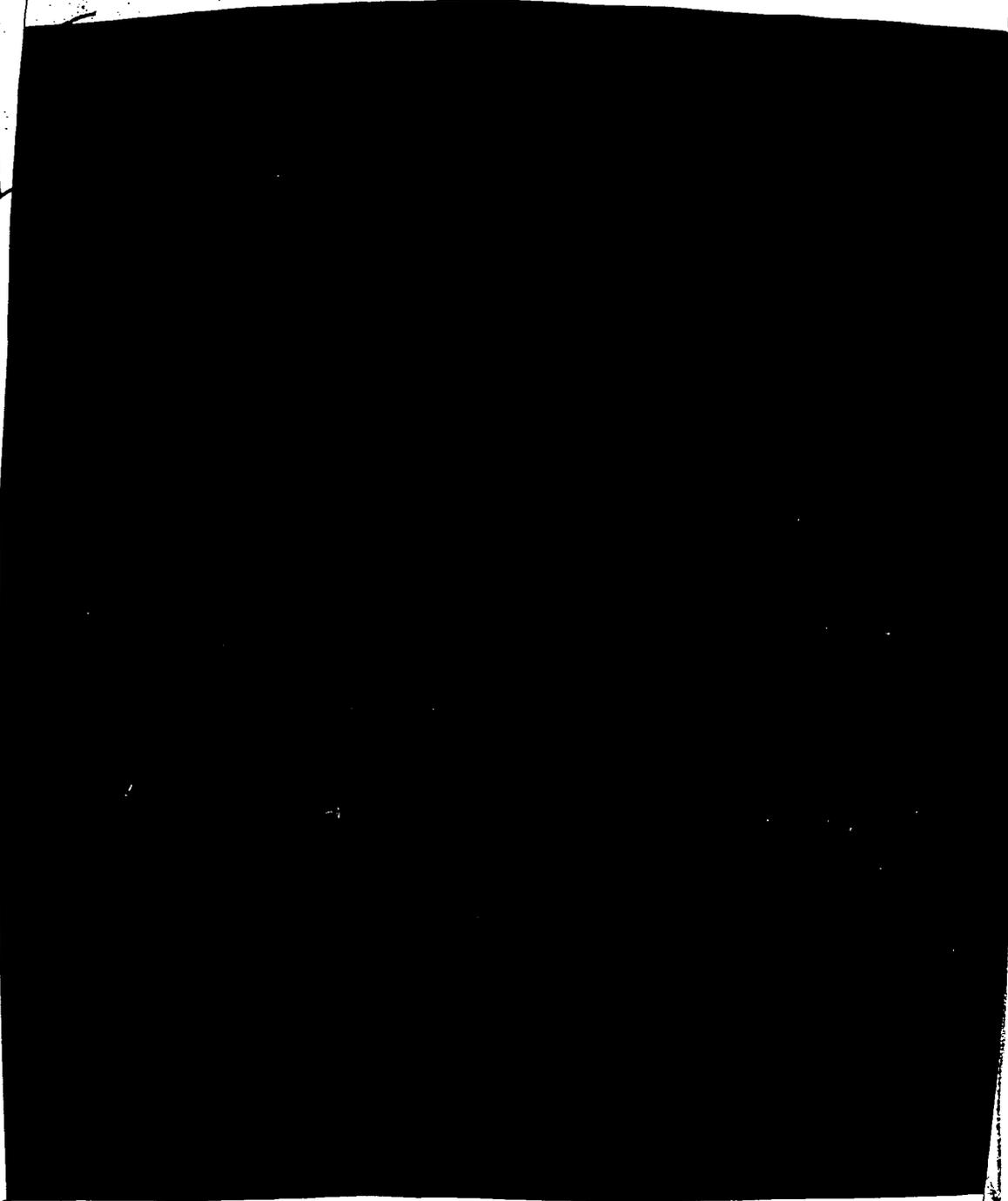
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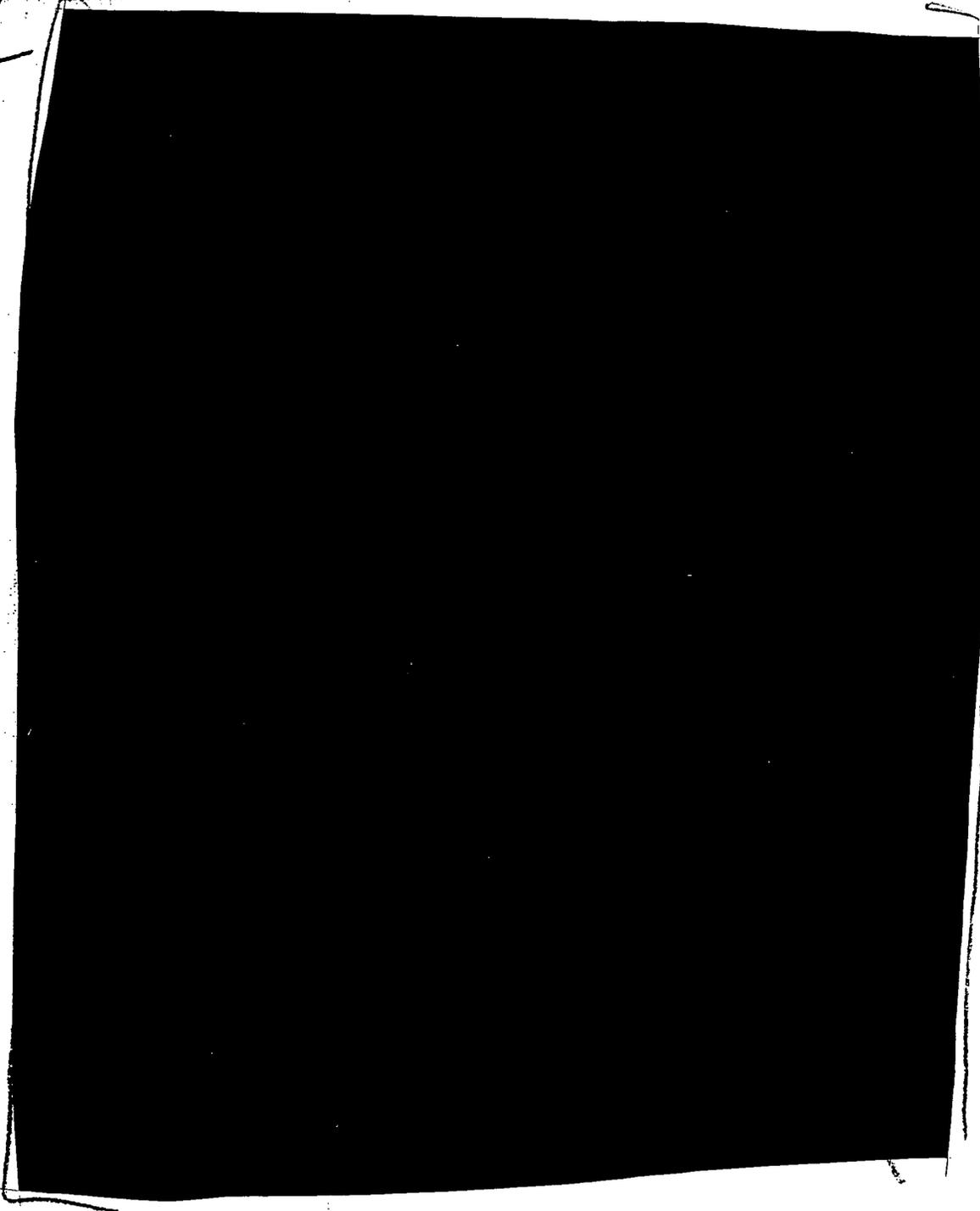
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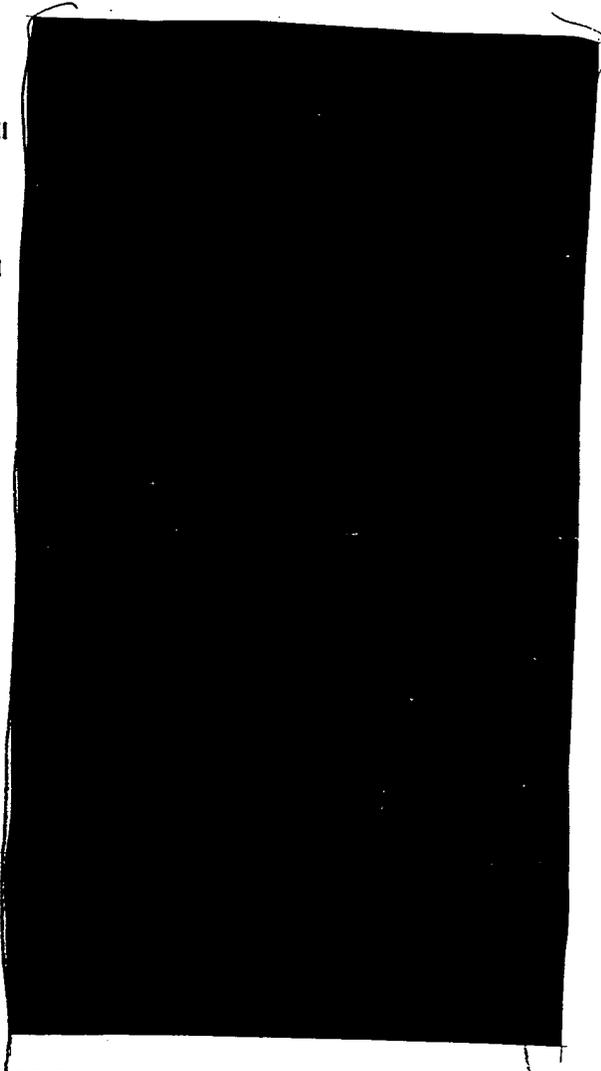
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PLO: An Opportunity Lost? ~~\_\_\_\_\_~~

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PLO Chairman Arafat's position among Arab moderates was significantly enhanced at the start of 1985. Just two months before, he had successfully convened the long-awaited Palestine National Council in Amman despite opposition from Syria and Palestinian radicals. He also had succeeded in removing pro-Syrian opponents from PLO councils and replacing them with Arafat loyalists. Such actions—followed closely by his signing of the accord with Jordan on 11 February—encouraged moderate Arab leaders to believe the PLO Chairman finally was serious about seeking peace with Israel. ~~\_\_\_\_\_~~

By the end of the year, however, the PLO's international prestige lay in ruins, and Arafat's support among Arab moderates had become tenuous. The PLO Chairman had seriously miscalculated his ability to follow a two-track policy, by which he would pursue a diplomatic solution to the Palestinian problem while condoning military operations against Israel. Palestinian terrorist activity increased significantly during the year, not only by radical groups seeking to undermine Arafat and derail the search for a broader peace, but also by Arafat supporters frustrated by the apparent failure of their leader's diplomatic efforts. Such operations—capped by the disastrous Achille Lauro hijacking in early October—damaged Arafat's image as a man committed to finding a peaceful solution to the Palestinian problem. ~~\_\_\_\_\_~~



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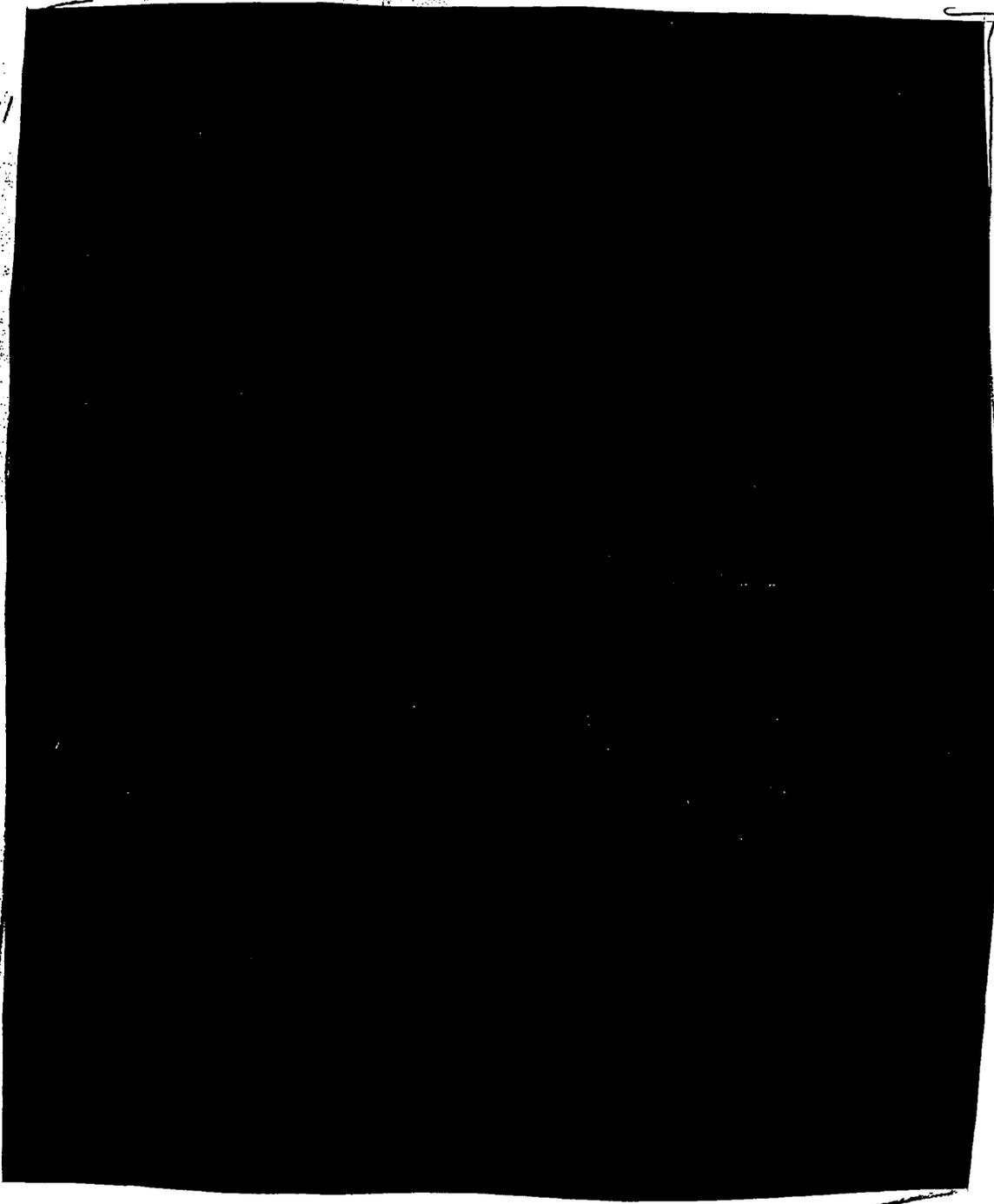
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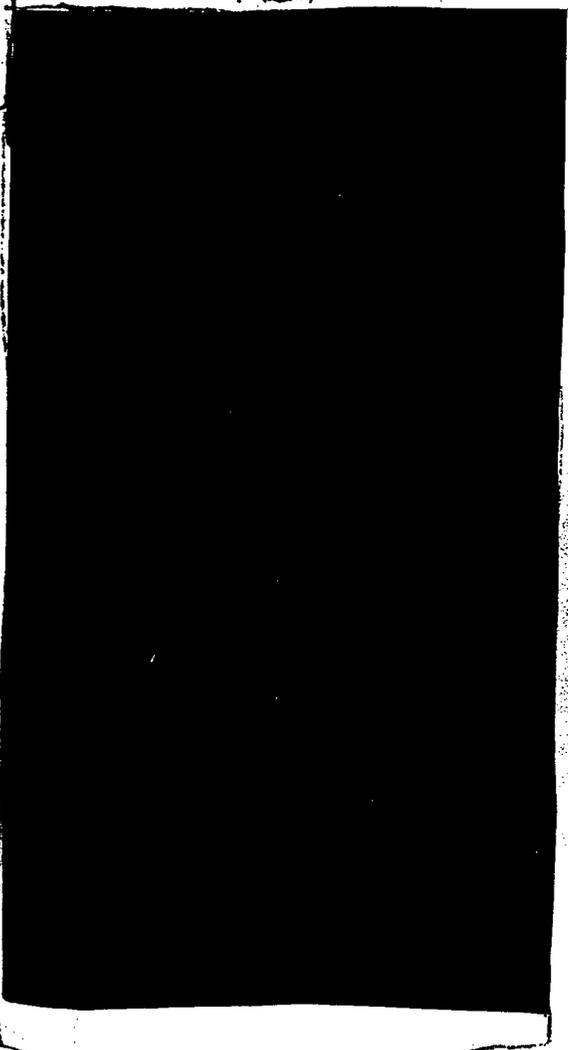
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Arafat almost certainly will not be able to reunify the various PLO factions, nor do we believe he cares to do so. A reunification of the organization would increase the problems he already faces within Fatah over his freewheeling style and would strengthen demands for a collective leadership.

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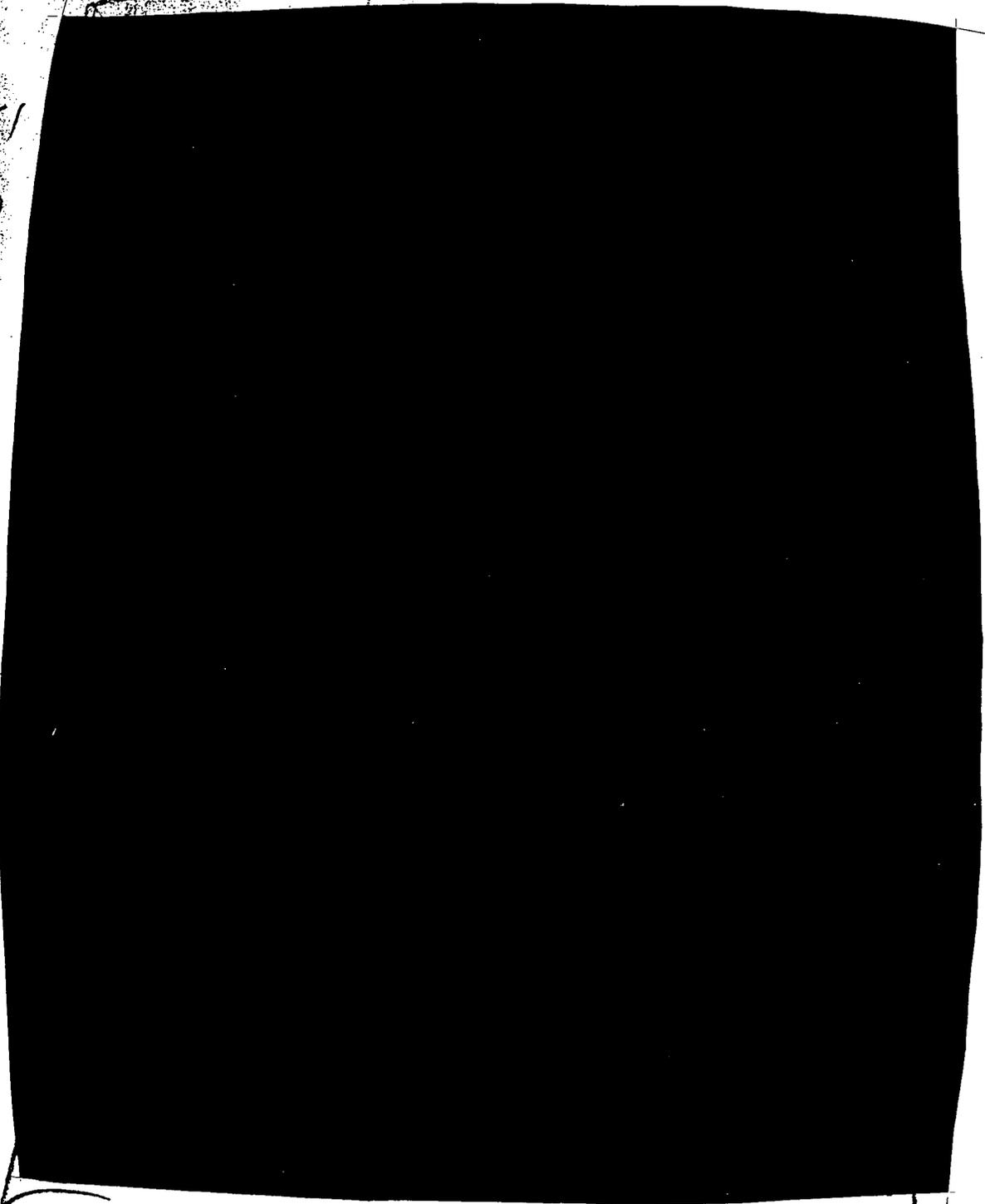
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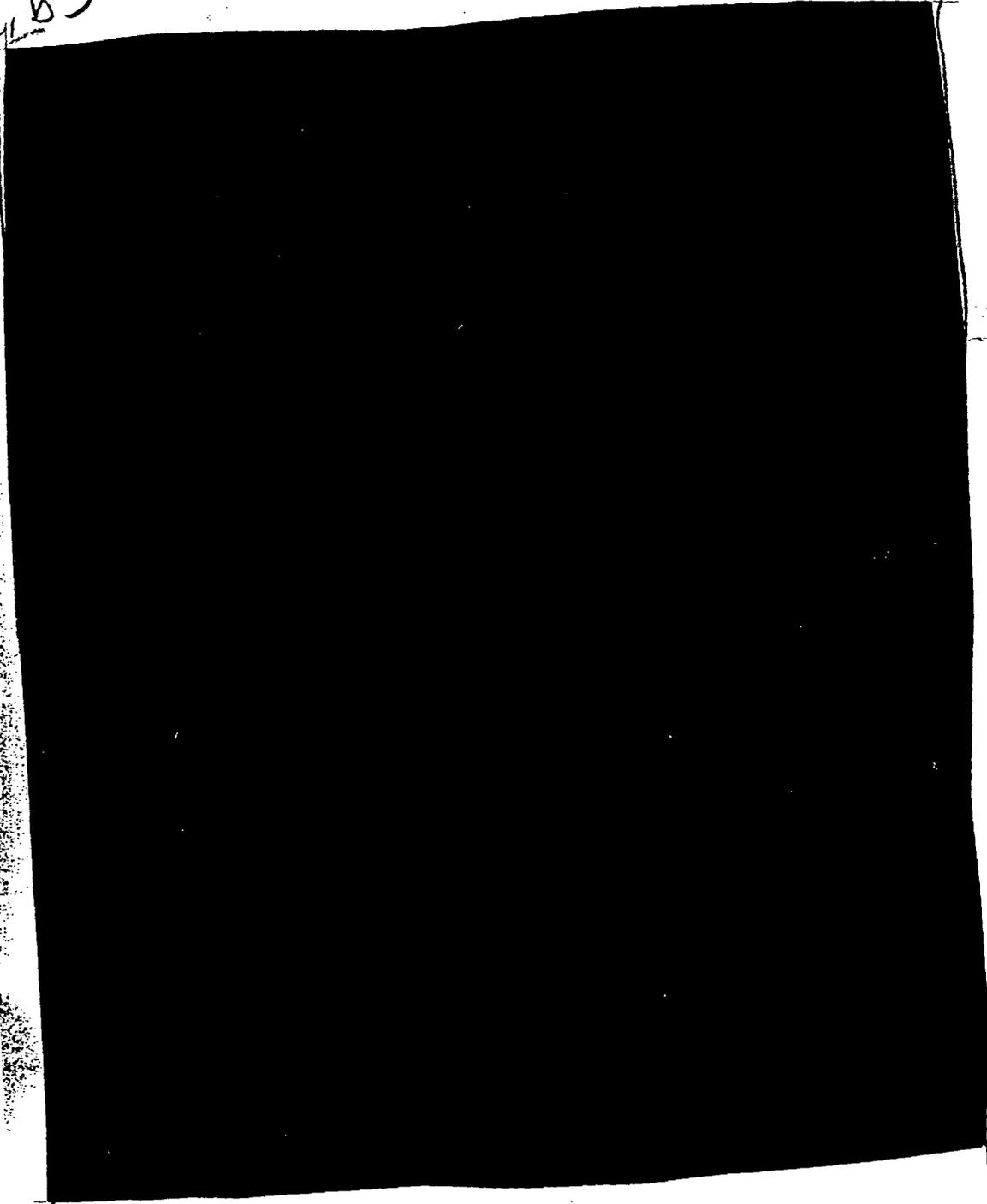
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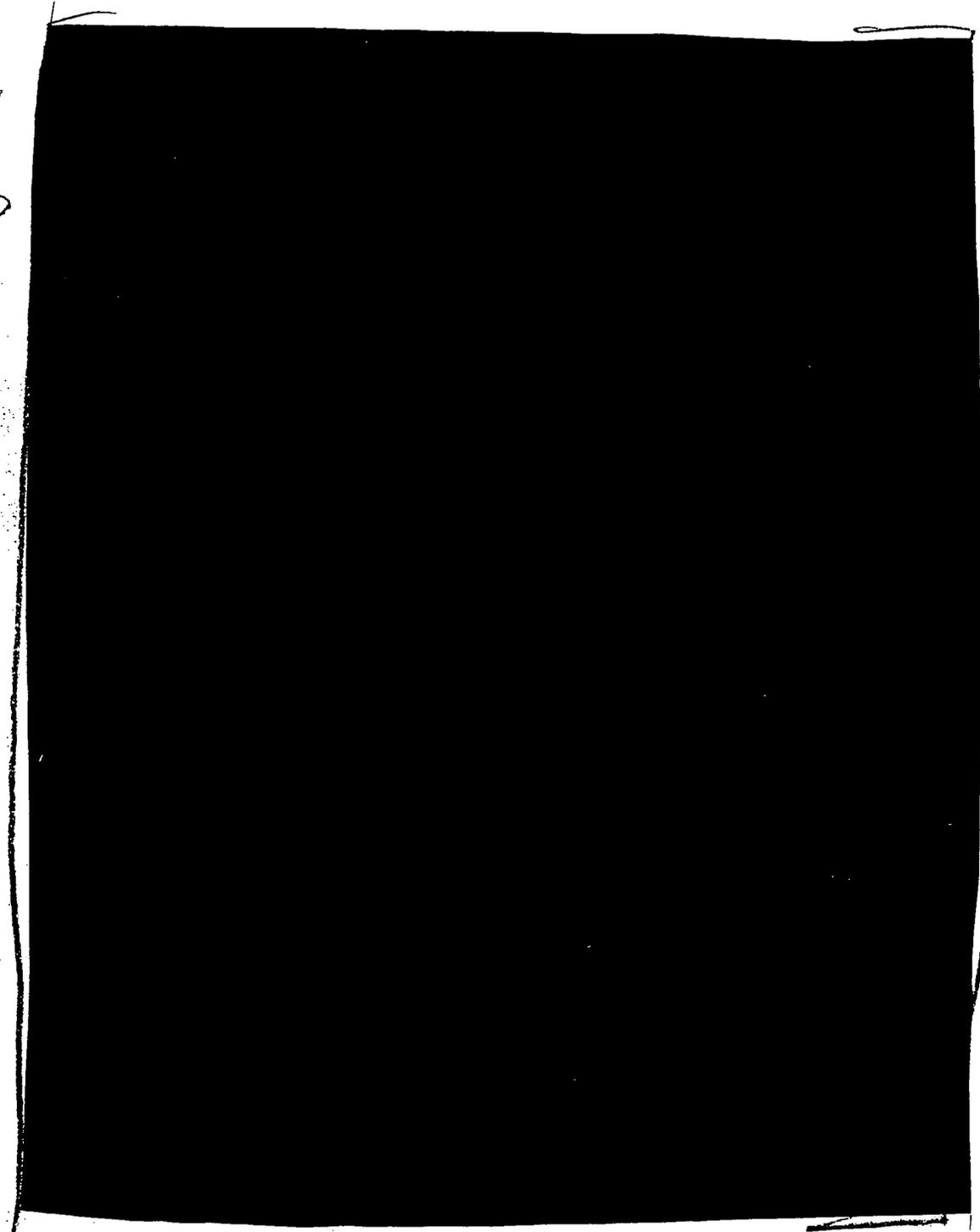


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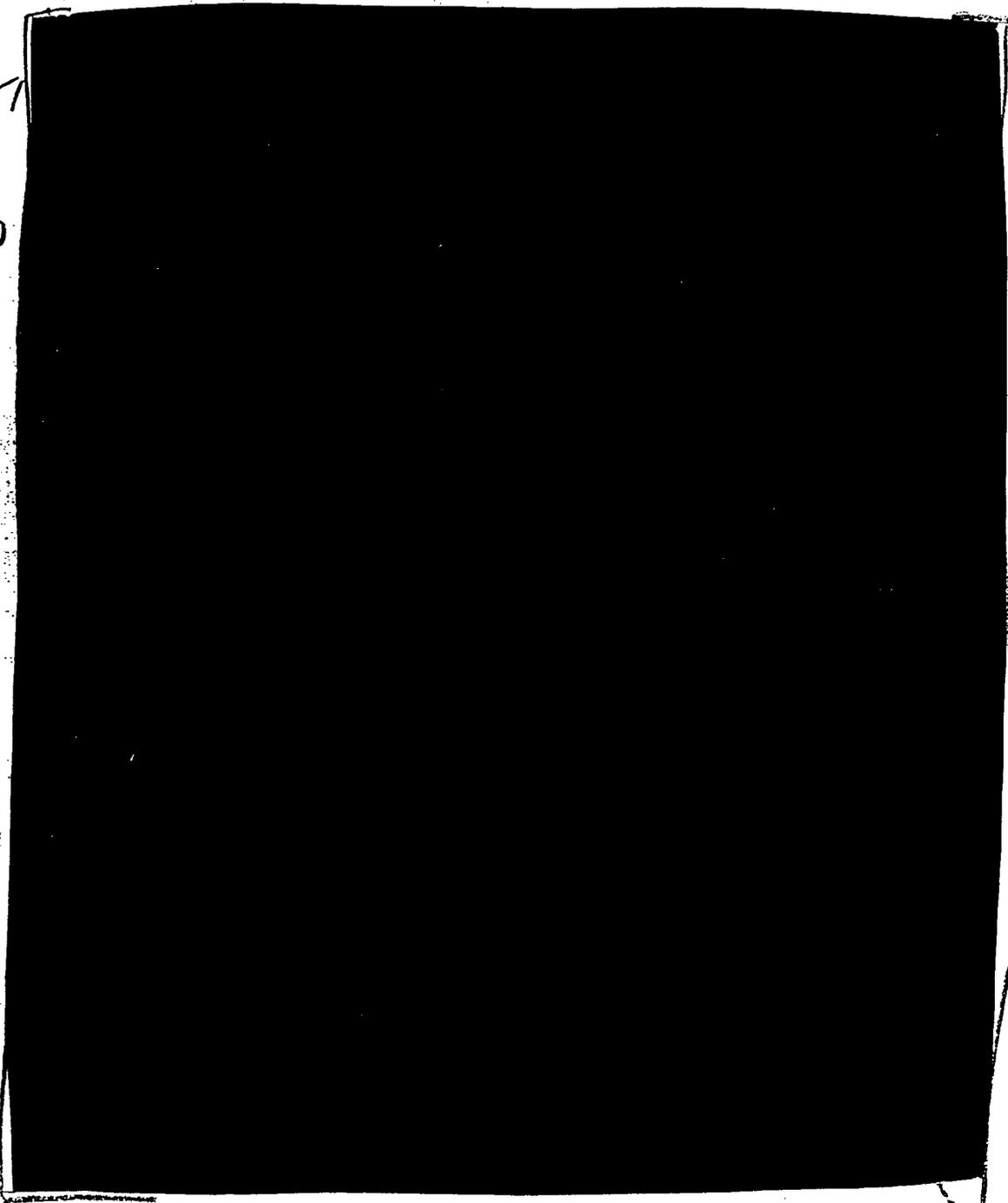


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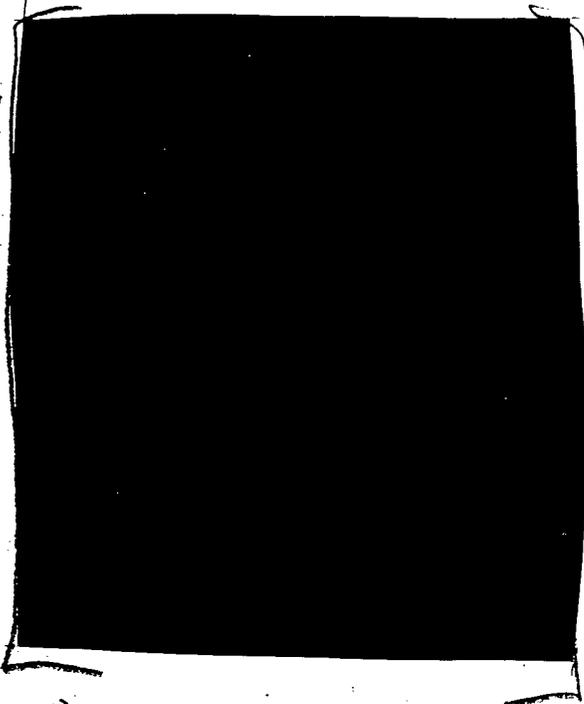
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Syria: Exploring Options ( [redacted] )

During 1985 President Hafiz al-Assad demonstrated fresh determination to confront the persistent problems of Lebanon, Arab moves toward negotiations with Israel, military preparedness, and the economy. Assad is a masterful tactician prepared to explore all options that would enable Syria to play the central role it covets in inter-Arab deliberations. Despite Assad's considerable political skills, ever-shifting alliances in the Arab world and the magnitude of the issues facing Syria mean that most of his regional goals will remain elusive. [redacted]

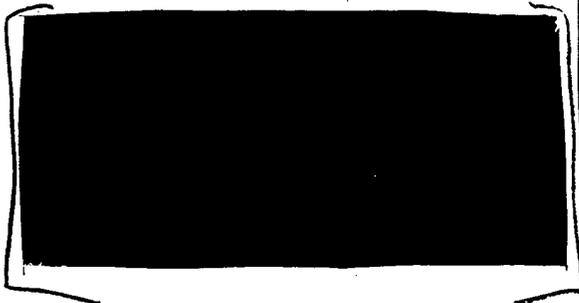
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On foreign policy issues, Assad has shown a willingness to make tactical accommodations with his adversaries, primarily to win short-term political and economic benefits, but also to shed Syria's rejectionist image. Despite Assad's apparent flexibility, aimed at establishing Syria as the pivotal regional power, he has not been able to initiate policies that would win broad Arab support. As a result, leadership of the Arab world continues to elude Assad, and Syrian goals are pursued largely through coercion and intimidation. [redacted]

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The Syrian economy continued its dismal performance, suffering from incompetent managers, corrupt officials, and the malaise and inefficiency of a centrally planned system. One bright spot this year was the naming of an economic reformer as Minister of Economy and Foreign Trade. Despite the implementation of some pragmatic reforms, Syria's economic distress will not be easily overcome in the near term. [redacted]

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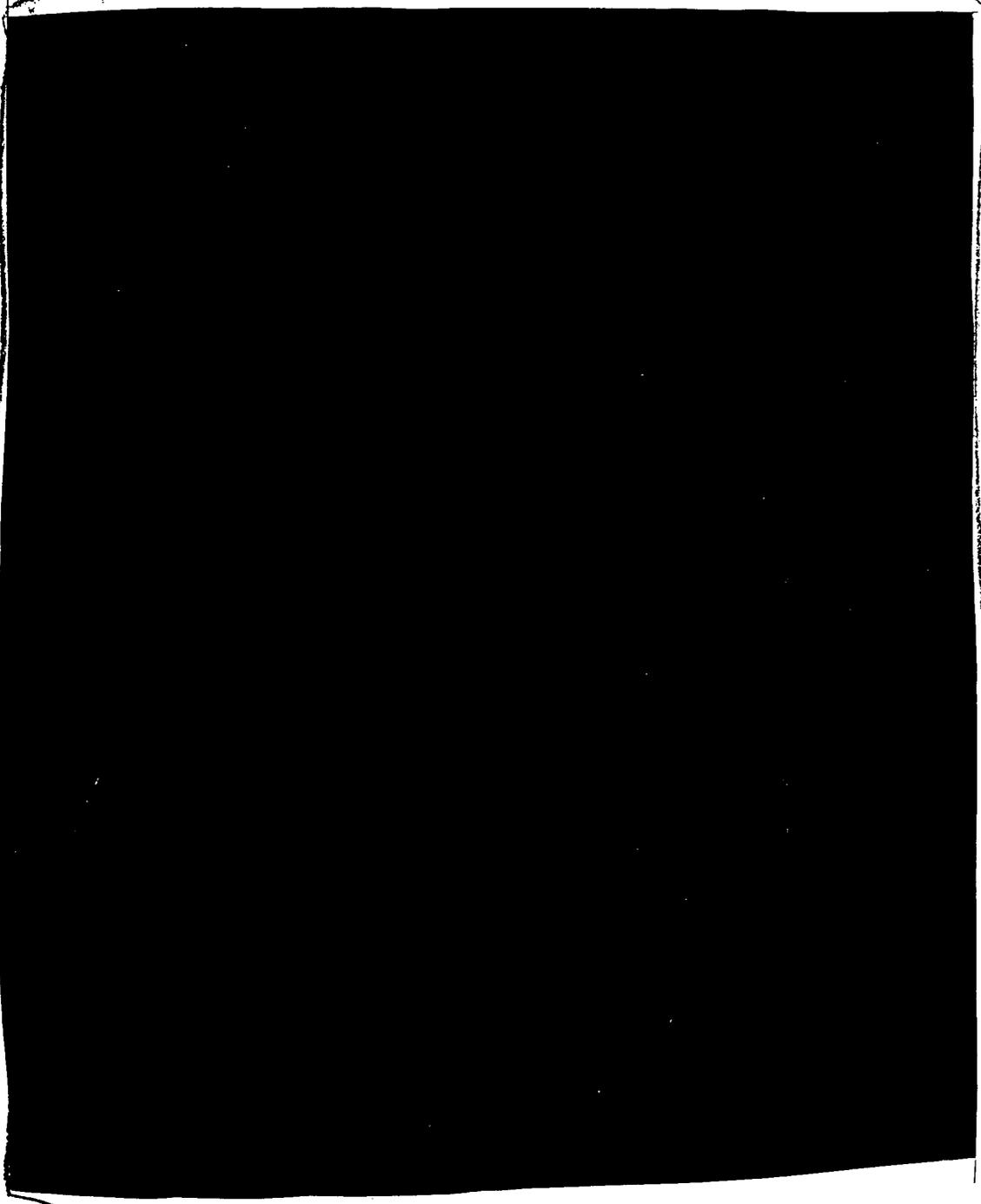
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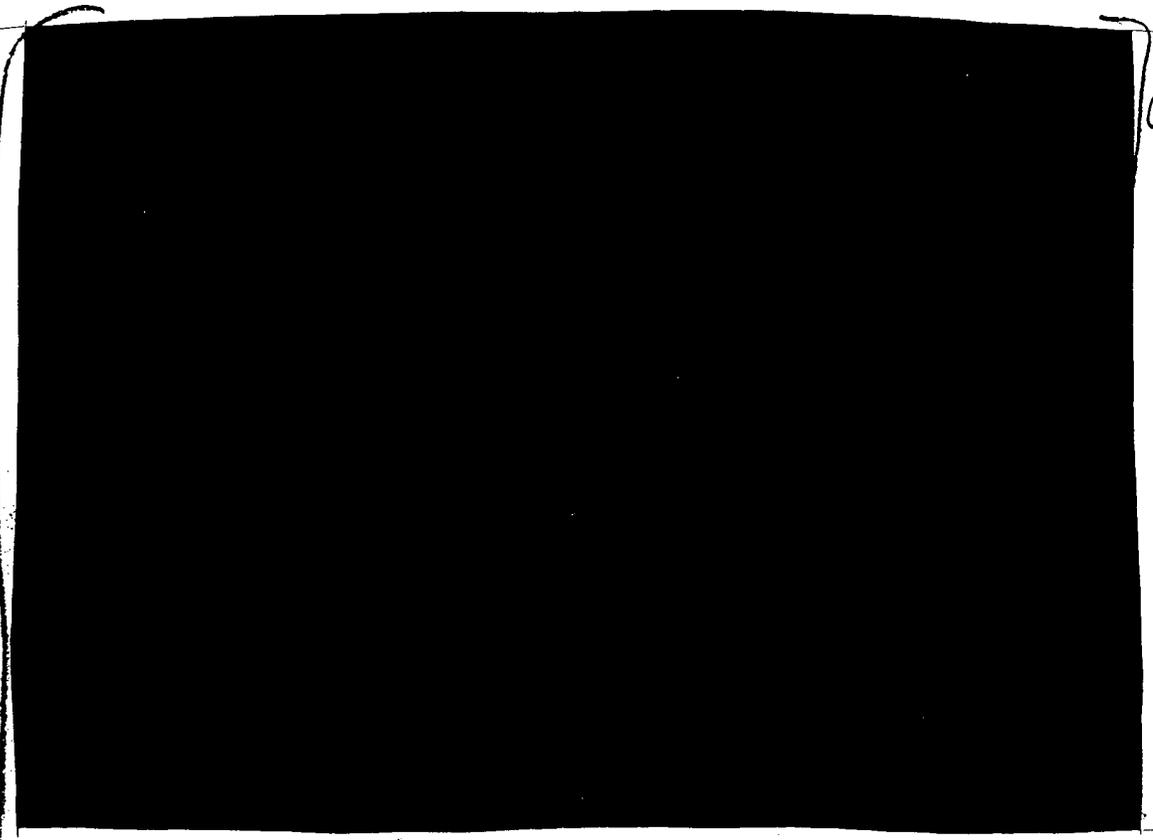
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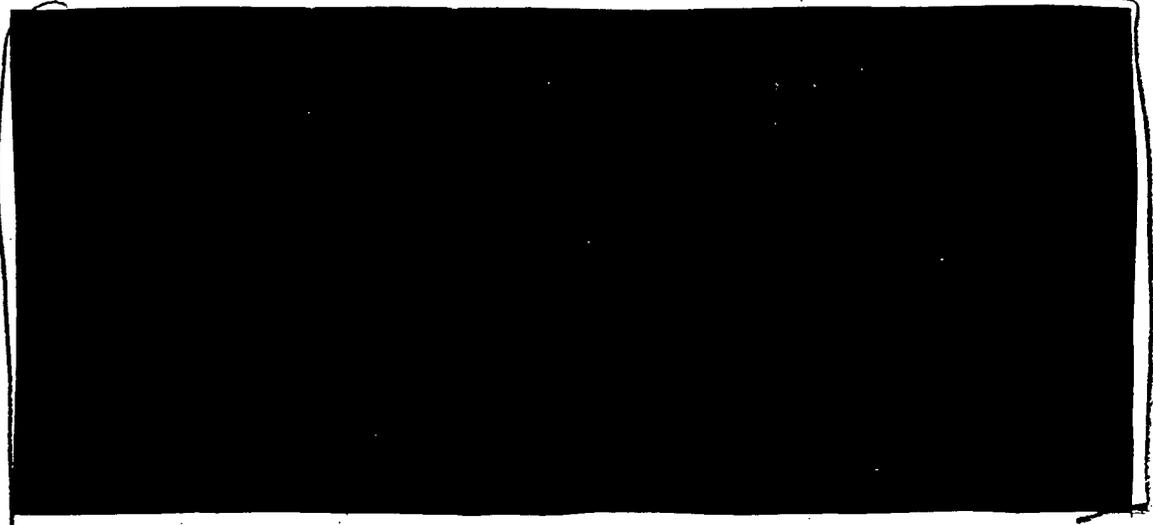
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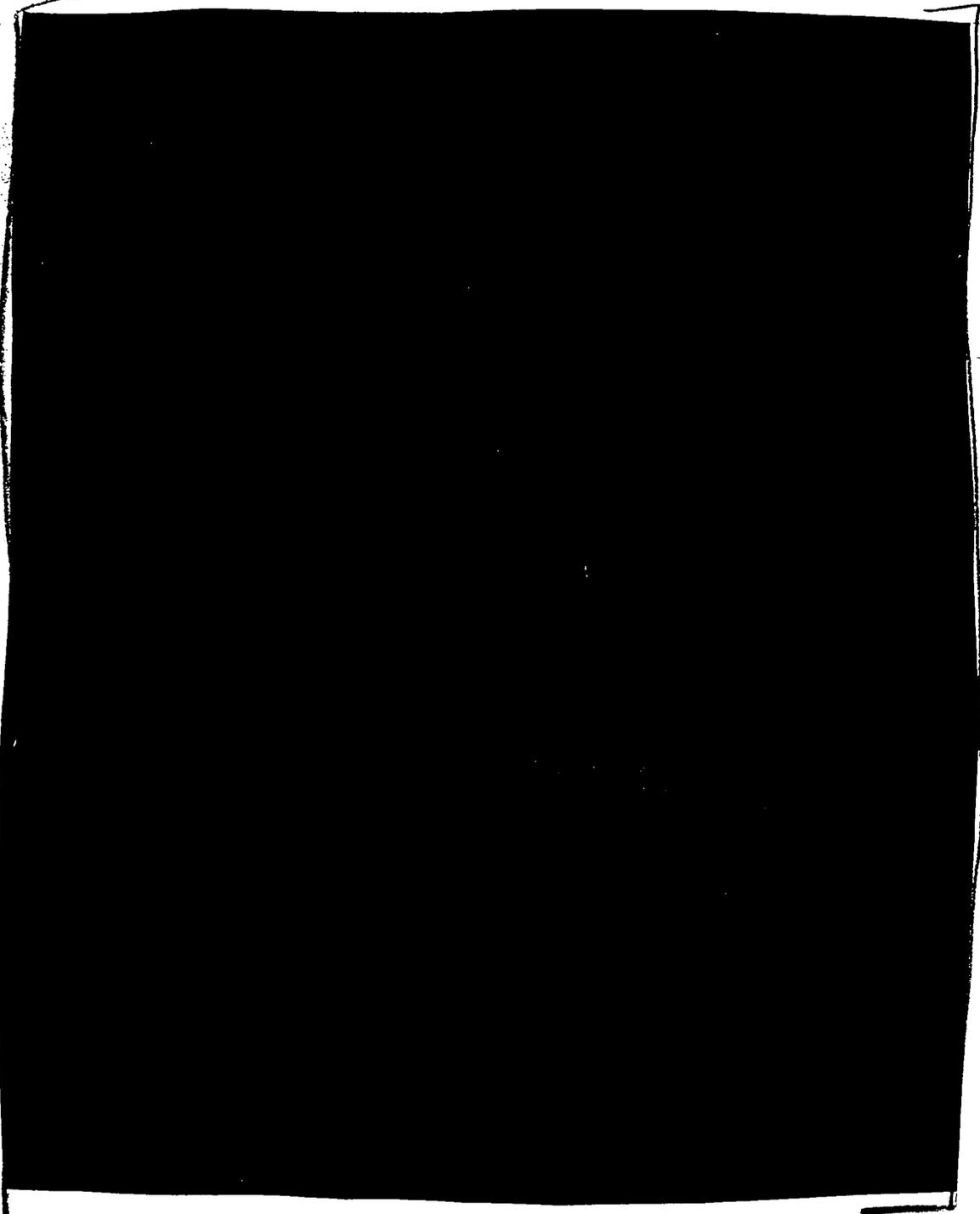
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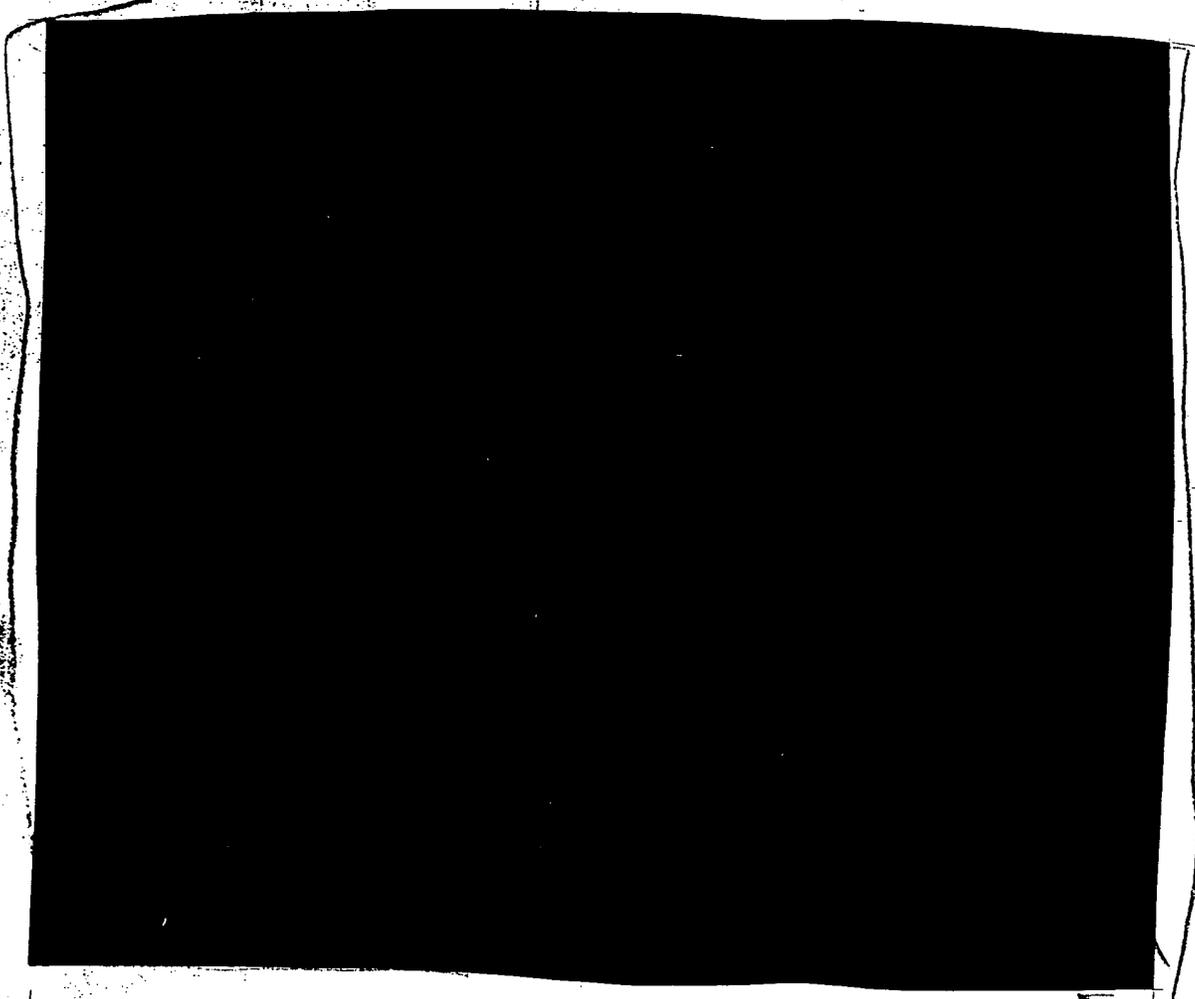
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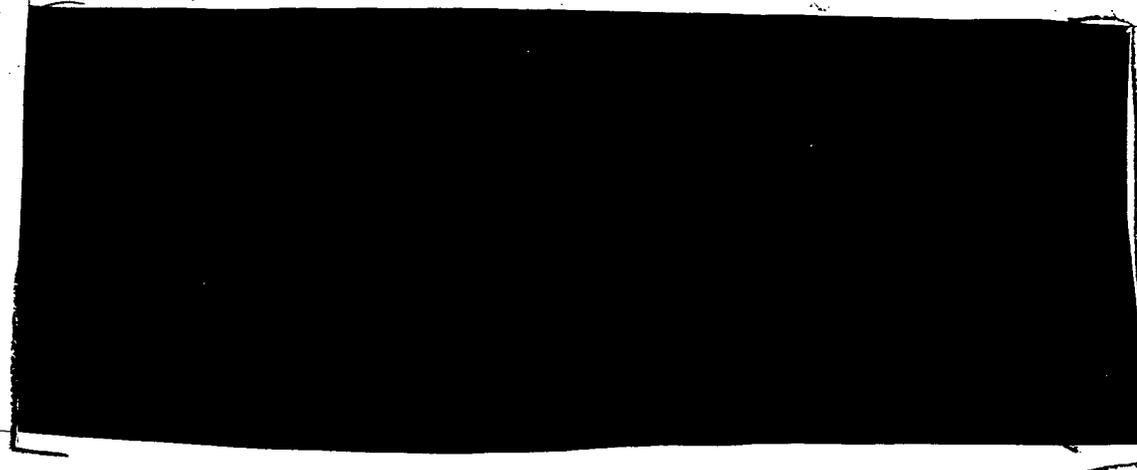
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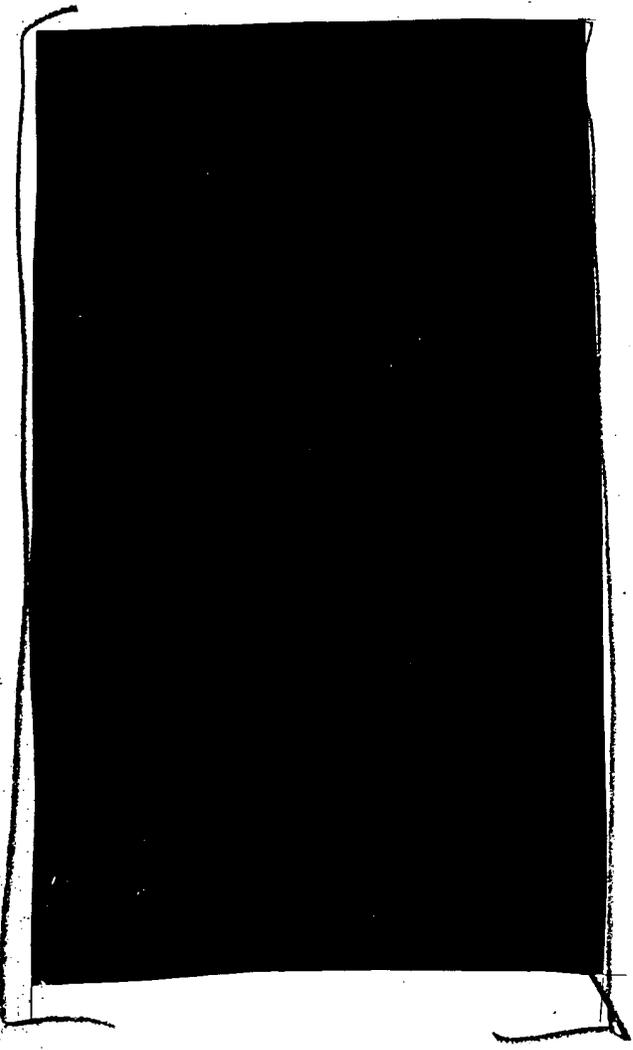
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Lebanon:  
Civil War Without End ~~██████████~~ b (3)

Lebanon moved closer to political dissolution and territorial partition during the 10th year of civil war in 1985. Factional militias continue to battle throughout most of the country, and initiatives aimed at political reconciliation have fallen victim to the endemic violence. Extremists on all sides use terrorism to discourage moderates from seeking a common ground. Despite increasing Syrian efforts to stabilize the country, Lebanon remains a political and security minefield for US interests. ~~██████████~~

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Political disagreements festered among leaders of each of the four major Lebanese religious communities—Christian, Druze, Shia Muslim, and Sunni Muslim. Each group is determined to maximize its parochial interests—in terms of power and security—at the expense of the Lebanese Government and the national political system. Political loyalties in Lebanon revolve around family, village, and religious sect. Most Lebanese feel no allegiance to the central government, which has become practically irrelevant. ~~██████████~~

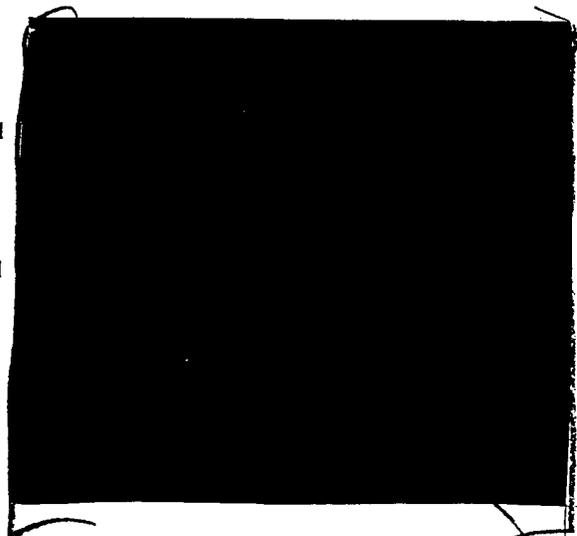
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The Lebanese Army units under government control—the few remaining Christian brigades—constitute a force no larger than either the major Shia or Druze militias. These Army units control only part of the Green Line, the area around the Presidential Palace in East Beirut, and a small part of the Alayh ridge southwest of the Palace. Much of the Lebanese Army is stationed in areas over which the Lebanese Government has no control. The 1st Brigade is in the Bekaa Valley and is directed and supplied by Syria. The loyalties of most troops of the 2nd Brigade, stationed in Tripoli, appear divided between Syria and the local anti-Syrian militias. The 6th Brigade in West Beirut is loyal only to Shia sectarian leaders. ~~██████████~~

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**The Rising Shia Tide**

The increasingly militant Shia Muslim community pressed its challenge to the Lebanese Government and the Christians in 1985. Shia organizations—both the



fundamentalist Hizballah movement and the more moderate Amal militia—continue to grow in power and influence in relation to the other major confessional groups. They are demanding a greater political and economic role more commensurate with their numbers. ~~██████████~~

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Divisions sharpened this year within the Shia community as the Amal secular reformers and the Hizballah fundamentalist revolutionaries clashed over territory and the right to speak for the Shias. Amal adherents generally seek to alter the existing political system to accommodate Shia demands, while the Hizballah radicals advocate the violent overthrow of the present system and the establishment of an Iranian-style Islamic republic. The Israeli withdrawal from most of southern Lebanon last spring sparked an intense struggle between the two Shia militias. ~~██████████~~

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Amal remains a larger organization, but the Hizballah network this year grew dramatically in size, sophistication, and effectiveness as a political party

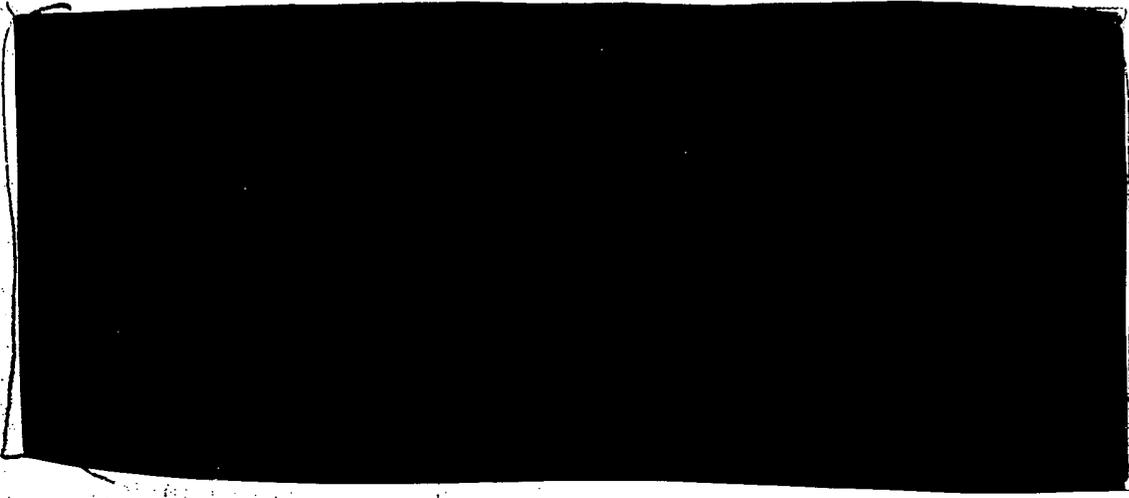
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and as a militia. The Hizballah published its first political "manifesto" last February and then held a series of public demonstrations in Shia areas of Lebanon that attracted large crowds. Hizballah fighters have almost completely supplanted Amal militiamen in the Bekaa Valley, operate virtually at will throughout West Beirut, and are expanding their foothold in southern Lebanon on a village-by-village basis.

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Syria has moved to stem the Hizballah fundamentalist tide by bolstering the Amal militia and preparing it to serve as the primary instrument of Syrian policy in Lebanon.



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**Christians, Sunnis on the Defensive**

Most leaders of the Christian community, which dominates the Lebanese Government and the Army,

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refuse to compromise on Muslim demands for political and military reforms. Christians, who now comprise a minority in Lebanon, fear that concessions to the Muslims would erode the Christian power base and threaten the security of the Christian heartland north of Beirut. Hardliners in the Lebanese Forces militia and the Phalange Party rebelled last spring against what they saw as the capitulation of some Christians—including President Gemayel—to Muslim and Syrian demands.

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Despite their intransigence, Christian leaders are slowly coming to grips with the need to deal with Syria. Key political and militia officials, including the new Lebanese Forces chief Elie Hubayqa, began traveling regularly to Damascus this year to negotiate with the Syrians. Hubayqa then endorsed a Syrian-sponsored peace plan in November, although it fell apart within weeks because of opposition within the Christian and other confessional communities. Hubayqa and other Christians hope that a show of submission to Syria will persuade the Syrians to guarantee Christian prerogatives in Lebanon.

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Sunni politicians also sought Syrian assistance in preserving their traditional position in the political system. The Sunnis, however, cannot compete with

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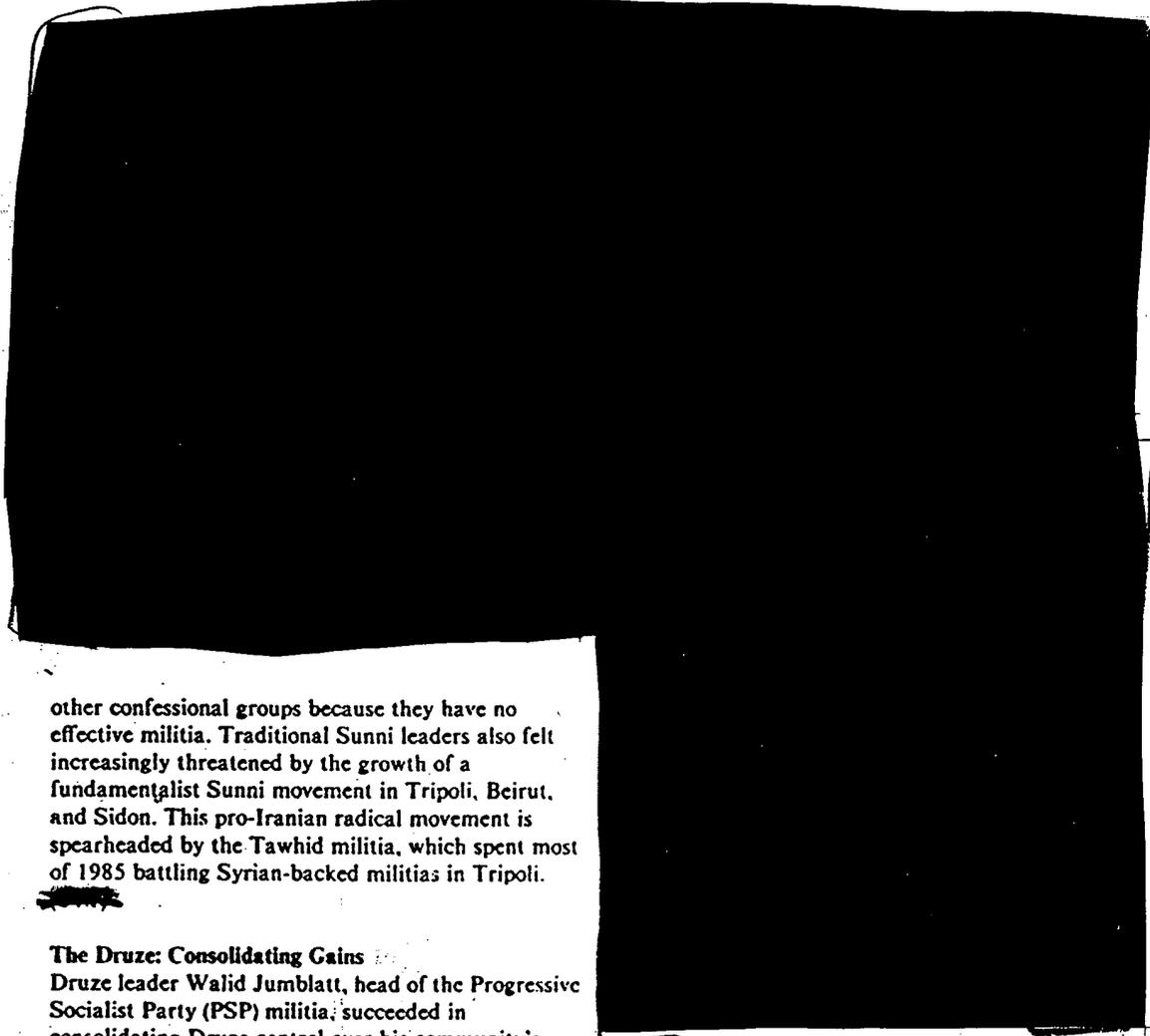
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other confessional groups because they have no effective militia. Traditional Sunni leaders also felt increasingly threatened by the growth of a fundamentalist Sunni movement in Tripoli, Beirut, and Sidon. This pro-Iranian radical movement is spearheaded by the Tawhid militia, which spent most of 1985 battling Syrian-backed militias in Tripoli.

**The Druze: Consolidating Gains**

Druze leader Walid Jumblatt, head of the Progressive Socialist Party (PSP) militia, succeeded in consolidating Druze control over his community's heartland in the Shuf mountains south of Beirut. The Israeli withdrawal from the Sidon area last spring gave Druze militiamen the confidence to move against the few remaining Christian villages on the periphery of the emerging Druze "canton" in the Shuf, forcing a Christian exodus.

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**Terrorism and Turf Battles**

Lebanon remains a battleground for trigger-happy militias for whom fighting has become a way of life. Factional violence erupted at various times of the year in virtually all parts of the country. Lebanese Army units and Druze militiamen exchanged fire repeatedly on the Alayh ridge south of Beirut. Southern Lebanon witnessed regular fighting between Amal and

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Hizballah gunmen, between Amal and Palestinians, and between the Israeli-backed Army of South Lebanon and practically everyone else. Sidon in particular experienced over a month of heavy street fighting as Muslim, Palestinian, and Christian militias struggled for control of the city and its environs. Pro-Syrian, anti-Syrian, and Palestinian factions reduced much of the city of Tripoli to rubble during an extended battle that lasted all year.

sparked wider conflagrations. A three-day battle between PSP and Amal militiamen in November occurred after the Druze tried to remove Lebanese flags from Amal-held buildings—a miniwar that the US Embassy described as “futile, even by Lebanese standards.”

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Terrorism is a fact of life in Lebanon. Most of the sectarian factions viewed car bombs, assassinations, and kidnappings as an acceptable form of warfare in 1985. Targets of major car bombings included the home of Shia fundamentalist leader Fadlallah in West Beirut, Druze and Christian militia centers on both sides of the capital, several Christian-owned supermarkets and a conference of Christian leaders in

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Beirut remains a lawless, heavily contested war zone in which turf battles erupt almost daily. Artillery duels are common between Christian East and Muslim West Beirut. During the past year, clashes occurred between virtually every combination of West Beirut militias. Clashes sometimes arose from disputes over which faction controlled which street, but as often as not they resulted from personal vendettas or carelessness at militia checkpoints that

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East Beirut, mosques and churches in Tripoli, and numerous Israeli and Army of South Lebanon facilities in the south.

government has had no problem funding this deficit because Lebanese banks have few local investment alternatives.

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Lebanese terrorism continues to victimize foreigners, especially Westerners. Extremists kidnaped four more Americans, four French, and three British citizens in 1985. Sunni fundamentalists seized four Soviet diplomats to try to force Syria to end its siege of Tripoli in October. Shia militants hijacked TWA flight 847 in June, resulting in the death of one American and a two-week hostage crisis in Beirut, where the absence of any central authority enabled the terrorists to operate with impunity.

The economic picture remains gloomy, but people have sufficient food, and considerable money remains in circulation. The militias continue to obtain overseas funds, possibly totaling as much as \$100 million during some months. Illegal trade with Syria increases commercial activity by \$50-75 million a month and provides income. Remittances from Lebanese abroad still continue, providing \$60-90 million a month. Lastly, the illegal and lucrative drug trade continues unencumbered by Syrian or Lebanese Government interference.

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**Bleak Economic Picture**

Lebanon's economy remains depressed with little chance of improvement in the coming year. After 10 years of civil war, the economy is probably operating at about half of its prewar level. Much of Lebanon's economic infrastructure has been damaged or destroyed, many of its most skilled people have emigrated, and the country is divided into sectarian zones of influence.

The Lebanese economy cannot recover until the security situation is brought under control. This, however, would require a political accommodation between the contending factions that is unlikely in the near future. In the meantime, the economy will function at its presently stagnant level, and the government will have to continue to resort to borrowing, eventually generating greater inflation and further worsening the situation.

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In the last year, inflation has more than doubled to about 75 percent, the Lebanese pound has depreciated by over 55 percent, and government debt has grown by over one-third. On the plus side, the Central Bank has been able to rebuild its foreign exchange reserves by refusing to fund the government's foreign exchange deficit, and agricultural production has started to recover from the disruptions caused by the Israeli invasion in 1982.

**Outlook and Implications for the United States**

We see no evidence that the Lebanese factions are prepared to make peace. Fundamental political and economic problems have worsened during the past year, and a decade of civil war has generated often insurmountable personal animosities between sectarian leaders. Many younger Lebanese who have come of age during the turmoil of war have no concept of a Lebanon in which all religious groups live together peacefully under one government. Despite the genuine war weariness that pervades much of society, the ethnocentric civil war mentality remains strong.

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The government continues to finance much of the country's economic activity through deficit spending. It pumps money into the economy by way of its bloated payroll and a few public works projects even though government revenues cover less than 15 percent of expenditures. As a result, government debt has grown from roughly \$1.6 billion at the end of 1984 to about \$2.3 billion in September. The deficit this year may total \$700-900 million. So far, the

Even if the mainstream religious communities could find a basis for cooperation, the increasingly influential Islamic fundamentalists and other extremists would seek to disrupt any political

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settlement. The fundamentalist movement is likely to continue to flourish in the anarchical environment of Lebanon. Despite their relatively small numbers in relation to other groups, the fundamentalists are determined and capable of playing a spoiler role in any Lebanese political reconciliation. [REDACTED]

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In our judgment, Lebanon will remain in effect a partitioned country for the coming year. The Christians and Druze will jealously protect their respective "cantons" in the mountains north and south of Beirut. The Shias will consolidate their areas of control in West Beirut, southern Lebanon, and the Bekaa Valley. The Lebanese Government will remain largely powerless, existing in name only. Violence between factions almost certainly will continue. [REDACTED]

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Continuing violence and instability in Lebanon affect US interests because of the potential spillover into regional politics. Syria remains preoccupied with enforcing a settlement in Lebanon, and its success or failure in doing so affects its relationship with Iran, Israel, and the United States—the other states that Syrian leaders view as participants in Lebanese politics. [REDACTED]

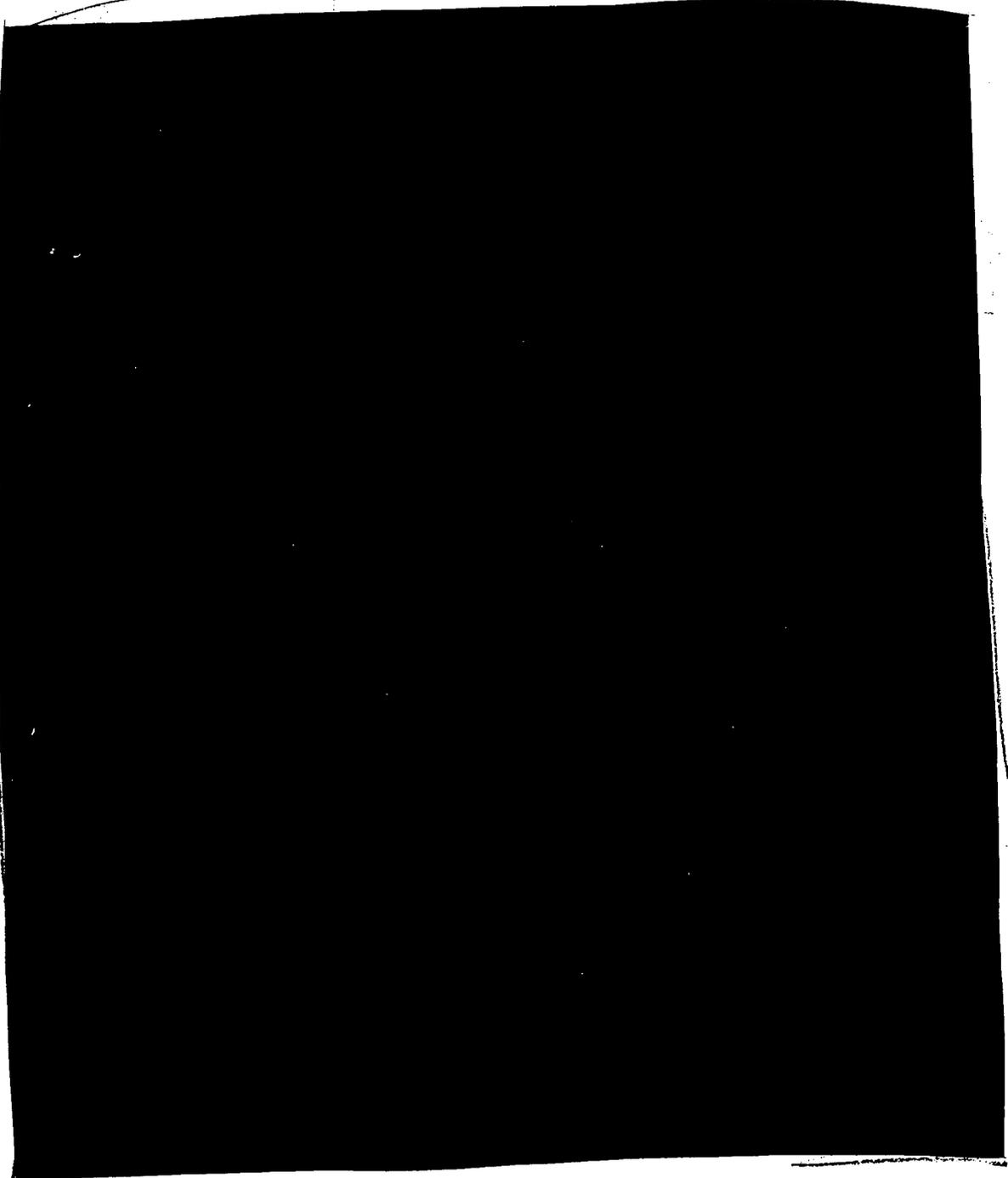
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The self-destructive tendencies of the Lebanese civil war are likely to cripple US policy initiatives aimed at reconciling the warring factions. US officials working in Beirut, moreover, will remain at high risk both from terrorism and from the random shelling that has become a fact of life in Beirut. [REDACTED]

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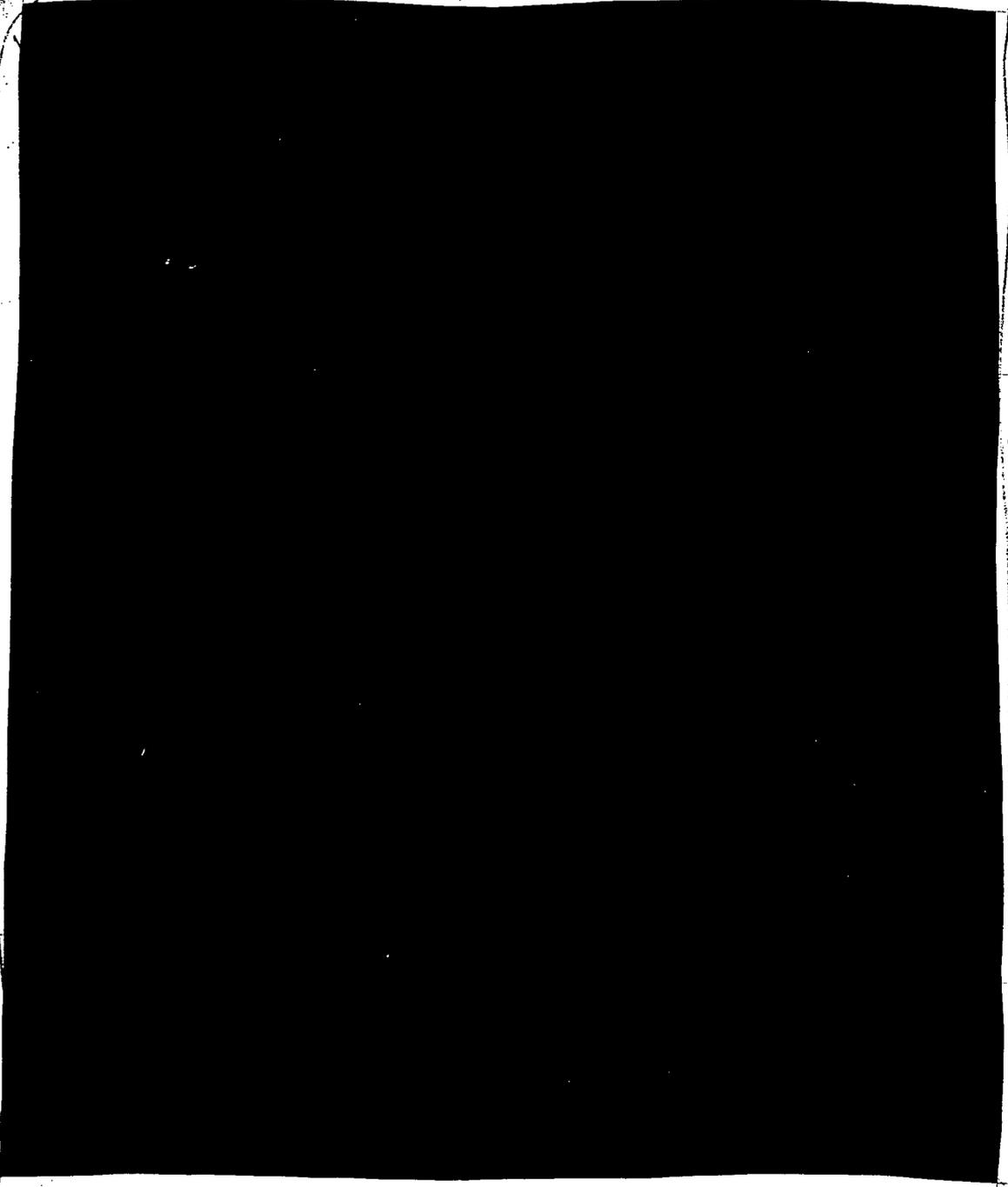
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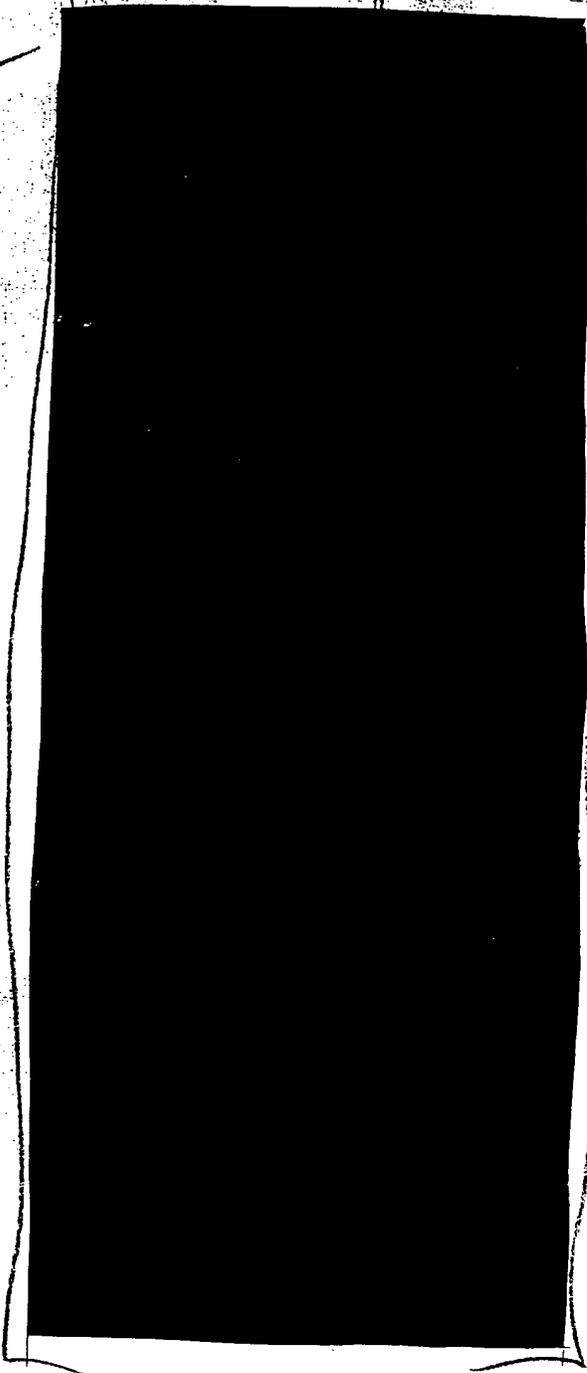
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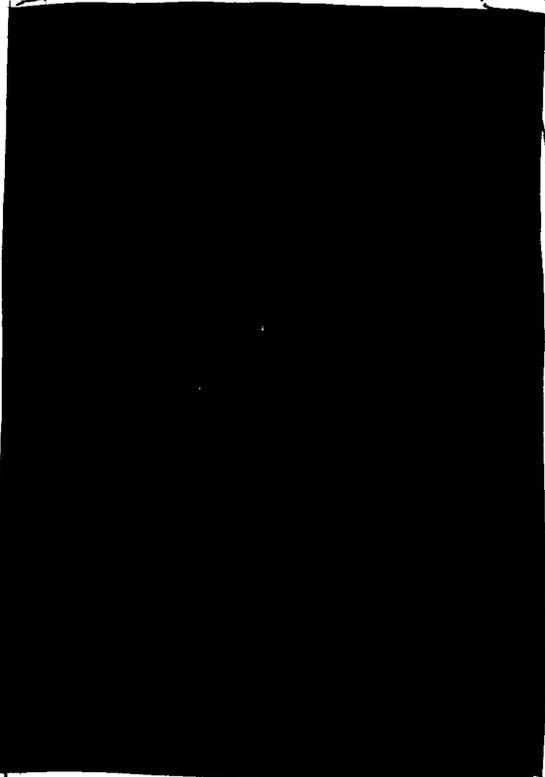
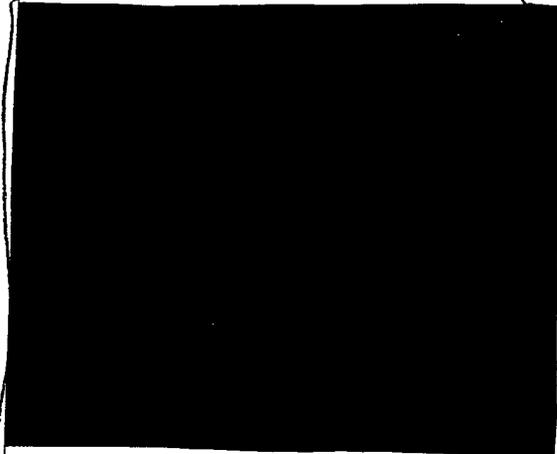
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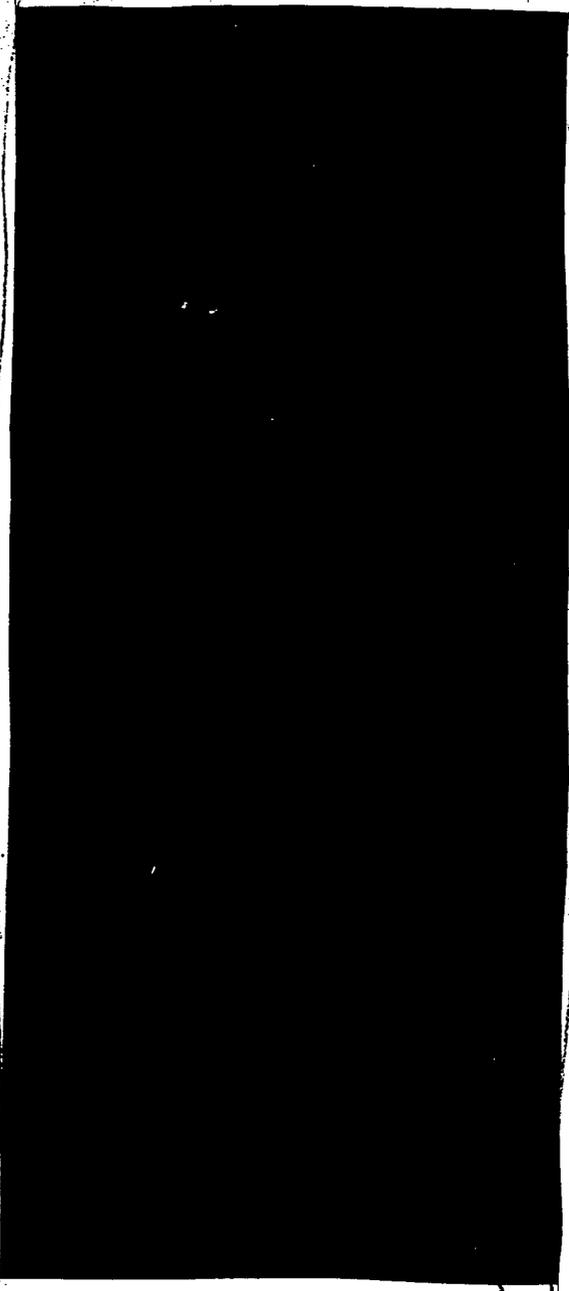


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**Sudan: Facing an Uncertain Future**

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The overthrow of President Nimeiri has unleashed political forces that promise to keep Sudan in flux over the next year. The senior officers who ousted Nimeiri have provided weak, inexperienced leadership through the interim government they created. Nonetheless, they appear willing to honor their promise of a transition to civilian rule by next year, despite the lack of preparedness for elections on all sides.

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We believe there is an almost even chance that elections and the transition to civilian rule will take place in 1986. There is an equally strong prospect that a reconstituted interim regime will hold on to power until Sudan is prepared to hold elections. Barring unrest over economic grievances or a costly defeat to southern rebels, the Army probably would prefer to see a civilian or another interim regime demonstrate its inability to run Sudan before moving to take over. Younger generals and middle-grade officers, who might lead a coup, probably could provide stronger leadership to settle the southern insurgency and impose needed economic reforms.

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Khartoum's stability will continue to be severely strained by internal divisions, both between and within its civilian and military elements. The south and the economy will provide the other major challenges to stability. Khartoum's acquiescence to labor demands for wage increases and its reluctance to increase prices are likely to result in higher inflation and growing shortages that could spark unrest next year. Meanwhile, the failure of the dialogue between the government and the southern rebels ensures the prospect of intensified insurgent attacks that will severely test the Army's loyalty.

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The regime's nonaligned foreign policy, which has strained US-Sudanese relations, probably will continue under likely successor governments. Khartoum will maintain its Libyan connection and pursue improved ties to the USSR and Ethiopia as a

tactic to reduce support to the insurgents in 1986. The decline in support for US positions in regional forums is likely to continue. Khartoum will continue to count on US military and economic aid.

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**The Interim Regime's Scorecard**

Senior Sudanese officers—spurred by civil unrest, a general strike over price hikes, and increased insurgent activity—deposed President Nimeiri last April, after 16 years in power. The senior command's seizure of power was motivated largely to preempt a takeover by younger officers.

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The former President's policies, specifically his imposition of Islamic law and the political division of the south into three regions in 1983, heightened ethnic differences, causing growth in the then Libyan- and Ethiopian-backed southern rebellion that shut down major oil and water development projects. Furthermore, already poor economic conditions were made worse by shortages of food and energy and a serious drought that contributed to instability.

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The Transitional Military Council's promise to return the country to civilian rule in 1986 underpins its legitimacy and is a major reason that the regime has survived despite weak, inexperienced leadership. In our view, Khartoum is hard pressed to respond effectively to the conflicting demands from Islamic northerners and non-Muslim southerners, from the military and civilian sectors, and from international creditors and Sudanese domestic economic needs. Decisionmaking is further confused by the Military Council's continuing struggle with the civilian Cabinet. Nevertheless, divisions among opponents give the regime a durability it has failed to earn on its own.

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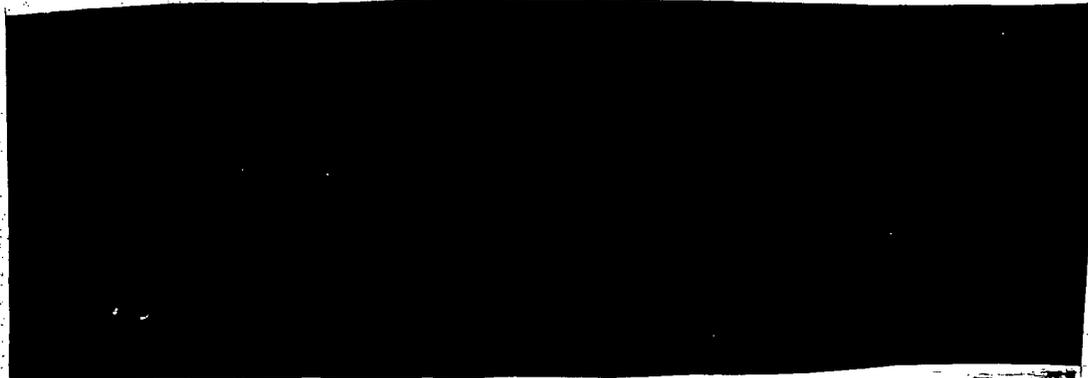
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The freer political atmosphere in Khartoum and the regime's nonaligned foreign policy allow opponents to take advantage of the existing political instability. Weakened counterintelligence capability—caused by the abolition of the State Security Organization—makes Khartoum more vulnerable to internal and external subversion. Radical groups such as the Communists, Ba'athists, and Libyan-backed Sudanese Revolutionary Committees operate openly and receive foreign support; and some are building their own militias. Libya is working hard to penetrate Sudanese society, and an increased number of agents from radical Arab and Muslim states are operating in Sudan. ~~██████████~~

Khatmiyyah's Democratic Unionist Party. If the Ansar and Khatmiyyah parties cannot form a coalition, elections may be postponed by the Military Council, particularly since some members of the council have begun to question the wisdom of holding elections next spring. ~~██████████~~

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The regime's survival depends on the Army's loyalty. Several coup attempts and a mutiny of southern troops in Khartoum failed to overthrow the government in 1985. The military has become further politicized, however, and seems more than ever to reflect the numerous divisions in Sudanese society. Reports of varying reliability indicate that there is extensive coup plotting at all levels of the armed forces, including collusion between key commanders and younger generals on the Military Council. Many officers and enlisted men are critical of the Military Council's lack of leadership, its failure to control civilian opposition activities, and its inability to resist the pressures of leftist-dominated unions. They also nurse resentments over slow promotions, poor pay, and fighting in the south. ~~██████████~~

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*Domestic Political Scene.* Preparation for elections scheduled next spring is a major focus for the regime. The Military Council reached a consensus on the interim constitution and an election law only after long and arduous debate with its civilian counterparts. More than 30 political parties have declared themselves since the coup. The regime now must whittle down their number by passing a political parties law granting official recognition to run in elections. ~~██████████~~

*Foreign Policy.* Khartoum has sought a more nonaligned foreign policy since the coup, largely to avoid the perception of being under foreign influence and as a mechanism to undercut external support to the insurgents. This policy gives both Libya and the Soviet Union an opportunity to increase their influence at the expense of the United States and

Only a handful of the parties have any following, and most of these have yet to reestablish the cohesion and structure lost under the former regime. The political spectrum of the parties ranges from the far left to the fundamentalist Muslim Brotherhood. The Ansar sect's Umma Party, the largest Muslim party, probably could win a majority if it succeeds in entering a coalition with its historic rival, the

Egypt. Khartoum is likely to value its recent rapprochement with Libya as long as Tripoli refrains from direct military support to the insurgents. Libya, moreover, has won influence in Khartoum by providing economic and military aid. Khartoum believes that the Soviet Union can press Ethiopia to withdraw its crucial support to the rebels. The regime will continue to seek improved relations with the USSR and spare parts for old Soviet equipment.

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Sudan's relations with Cairo and Washington have been strained by Khartoum's efforts to pursue a neutral foreign policy, especially the rapprochement with Libya. Relations with Cairo have improved in recent months, but US-Sudanese relations have further soured. The regime appears to lack the political will and ability to address US demands to expel Libyan and PLO terrorists in Khartoum and to control the anti-US tone in the trial of the former Sudanese Vice President for his part in the exfiltration of Ethiopian Jews.

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Nevertheless, Khartoum continues to say it values relations with Washington and views US aid as crucial. Sudan, however, supports the United States less frequently on regional issues, and military cooperation has declined.

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*The Economy.* Economic conditions remain chaotic despite an increase in aid since the coup. Stocks of fuel—with help from Libya—and consumer goods have been replenished, but famine relief is still impeded by inadequate transport and bureaucratic inertia. The war in the south is a financial drain that absorbs some \$500,000 a day. In addition, the insurgency continues to jeopardize Sudan's long-term economic future by blocking the development of vital oil and water resources.

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Sudan's financial status remains unsettled. The IMF has agreed to endorse conditionally Khartoum's limited economic reform package and not declare

Sudan ineligible for further Fund assistance if arrears totaling about \$200 million are quickly paid. Prospects for international assistance to repay arrears, however, are not good. The United States and Saudi Arabia together have pledged \$70 million, but other donors are noncommittal. Barring unexpectedly large pledges of aid, the arrearage issue will most likely remain unresolved, an impediment to larger aid disbursements by international donors as well as a constant source of tension between the Sudanese Government and the IMF.

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Khartoum's politically expedient economic policies are likely to become a source of major instability over the next year. The government's quick acquiescence to labor demands for large wage increases and its reluctance to allow consumer price increases are an almost certain prescription for higher inflation and growing shortages in 1986. Moreover, the failure to adopt a unified exchange rate or to demonstrate restraint in budget expenditures sends a negative signal to the business community, international and domestic alike, and confirms the suspicion of many that the interim government cannot, or will not, implement genuine economic reform.

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*The South.* Insurgent leaders placed the onus for initiating dialogue on Khartoum when they made their first serious overture last fall. They declared a cease-fire and set conditions for talks, including demands for public commitment to a national conference regarding the election of a new interim government by participants in the conference. A major factor behind the rebel initiative may be Khartoum's recent resort to a carrot-and-stick policy. The civilian Cabinet was encouraged to pursue a dialogue, while the Military Council worked to isolate and press the rebels by seeking to cut off their external support and pursuing a military solution.

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Resolution of the southern conflict will not be easy and may not be possible in the next year for any government in Khartoum, but, in our view, a military regime may prove more capable of flexibility than an

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(3) elected civilian government. At the heart of a political settlement will be Khartoum's adoption of a federal model of government in which the south will receive constitutional guarantees against the imposition of Islamic law and formal agreements on revenue sharing. Meanwhile, internal divisions among southerners are likely to impede progress on agreement. If a successful dialogue between the government and the rebels fails to materialize, the insurgents probably would receive Ethiopian backing to intensify their attacks in the south to weaken Khartoum's resolve.

#### Political Outlook for 1986 and Implications

Political instability in Sudan makes its future uncertain, but several outcomes are possible in the coming year:

- Barring massive civil unrest or a major military defeat in the south, there is an almost even chance that the current regime can muddle through to elections in the spring and a turnover to civilian rule. There is an equally strong prospect that a reconstituted interim regime will hold on to power until Sudan is prepared to hold elections.
- If prolonged civil unrest or a costly defeat in the south occurs before elections or after elections are postponed, the prospect increases that younger generals or middle-grade officers will lead a successful coup.
- Less likely is a coup by radical or extreme leftist junior officers with Libyan backing, particularly if the security situation deteriorates and the more senior officers fail to take charge.

(3) Extensive divisions among civilians in an elected government or military-civilian tensions in a new interim regime are likely to impair the government's ability to make the necessary hard decisions on domestic problems. In addition, there is likely to be little agreement on large portions of the constitution, including the status of Islamic law. If talks between Khartoum and the rebels fail to materialize, the insurgents probably would view any election that took place as invalid, would find it difficult to reach a settlement with an ineffective regime, and would

continue fighting. All these factors would make a civilian government or an interim regime vulnerable to removal by a coup.

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A civilian government or another interim regime, including one headed by Ansar leader Sadiq al-Mahdi, would continue a nonaligned foreign policy. Military cooperation with the United States would further decline.

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Such regimes, however, would continue to look to the United States for economic assistance. The USSR probably would remain a target of suspicion, but relations with Libya would remain good.

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A takeover by younger generals or middle-grade officers would be more effective and would have the greatest popular support if it took place in the midst of a crisis. A strong military-dominated regime, for example, might have greater leeway to impose stricter security and unpopular austerity measures needed to stabilize the domestic political and economic situation. Elections and a constitution probably would be postponed for some time. Ending the insurgency would be a priority for such a regime, which would have more flexibility and probably be less dogmatic than an elected civilian government. Insurgent leaders probably would have more trust in these officers, as opposed to some of the more senior officers in the current regime, especially if they had limited ties to former President Nimeiri.

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A new military regime would find the current nonaligned policy advantageous. It would also maintain the Libyan rapprochement and pursue improved ties to the USSR and Ethiopia as a tactic to reduce support for the rebels and as a source of much-needed economic and military assistance. Still, a military regime would be wary of Libyan, Ethiopian, and Soviet subversion. In addition, it would count on continued US economic and military support. Consequently, it would be unlikely to confiscate US investments.

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The least likely scenario, a coup by junior officers with a radical or extreme leftist orientation, probably would require the extensive support of Libyan or Soviet surrogates to be successful. US interests in Sudan would be damaged. Cairo would be unlikely to tolerate such an unfriendly regime in Khartoum for long.

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**Libya:  
Qadhafi Under Siege ~~(S)~~ b (3)**

An unprecedented combination of rising unrest and foreign challenges coalesced to put Qadhafi at bay in 1985. Four consecutive years of economic decline prompted growing dissatisfaction with the regime among the public and key interest groups. Dissident activity both abroad and in Libya is on the upswing, and for the first time in two years serious unrest in the Armed Forces was discovered. Doubts about the regime's viability have emerged, even among senior officials, and they are beginning to position themselves to succeed Qadhafi. Moreover, Qadhafi's principal adversaries close to home, Egypt and Algeria, are cooperating to put Libya on the defensive. Qadhafi has responded to these pressures by giving greater power to relatives and young radicals whose programs include domestic repression and international terrorism. Qadhafi could reduce the threat to his power by reversing or moderating his unpopular policies, but he shows no willingness to do so. In our view, political and economic trends in Libya continue to run against Qadhafi, and, if, as seems likely, there is no change in current conditions, his chances of surviving another year are little better than even.

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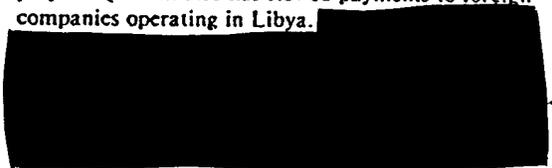
**The Economic Squeeze**

Faltering economic performance and a declining standard of living continued to erode Qadhafi's public standing in 1985. Despite Libya's producing about 150,000 b/d of crude oil above its OPEC quota of 990,000 b/d, we estimate that total export earnings will remain at about \$11 billion this year. Severe austerity measures probably will hold 1985 imports to \$7 billion, which, in conjunction with worker remittances and other services, will leave a current account deficit of about \$1.2 billion—slightly better than the \$1.5 billion deficit in 1984. Foreign exchange reserves have dwindled from about \$14 billion in 1981 to a current level of \$3.5 billion.

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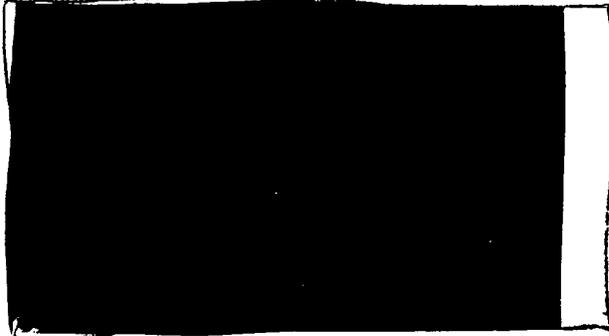
Declining income has forced Tripoli to reassess its development goals. Qadhafi has imposed lengthy delays on the completion of several showcase projects,

including the \$11 billion Great Manmade River water project. Qadhafi also has slowed payments to foreign companies operating in Libya.



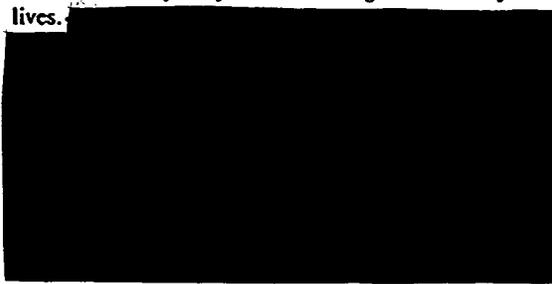
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The regime's efforts to cope with economic decline have placed a growing burden on the local population.



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Qadhafi probably has aggravated these economic grievances by his continual exhortations to revolutionary activity which further undermine the sense of security Libyans are seeking in their daily lives.



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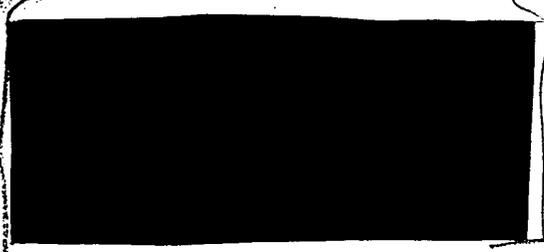
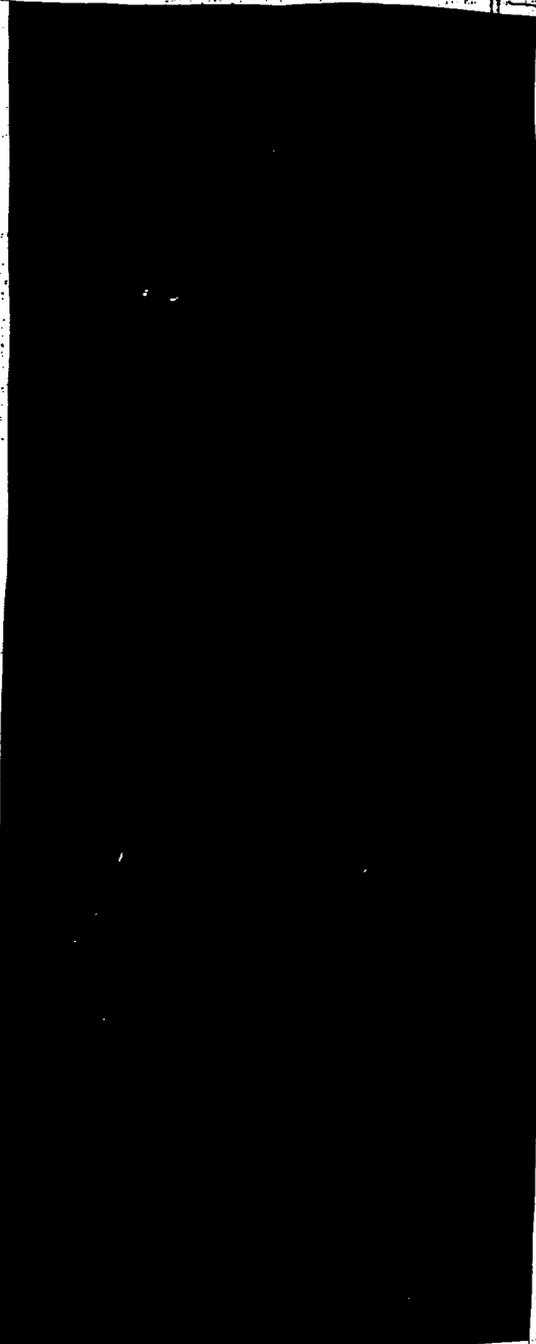
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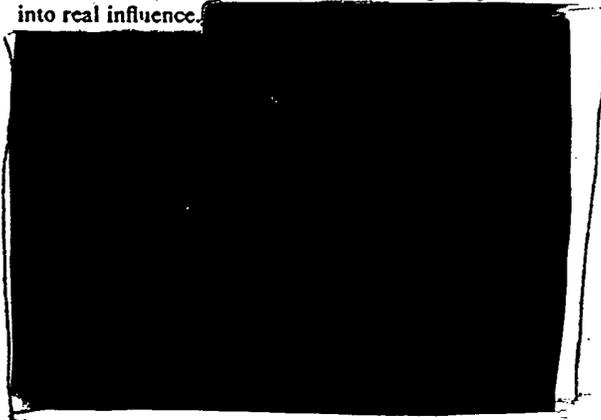
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**Troubles Abroad**

Foreign affairs presented Qadhafi with mixed results in 1985. He could point to some successes, the most important being the rapid expansion of Libyan influence in Sudan following a coup that brought down Qadhafi's old nemesis Jaafar Nimeiri. Tripoli also restored relations with another former enemy, Somalia, and reopened a People's Bureau (Embassy) in Niger. But, on the whole, Qadhafi has not enjoyed the same level of success this year that he did the previous year when he signed a union with Morocco, negotiated the French out of Chad at no cost to himself, and mined the Red Sea with impunity.

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Qadhafi was frustrated most of the year in his attempts to translate his support for foreign regimes into real influence.



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Qadhafi's most serious foreign policy miscalculation, however, was the expulsion in August of about 30,000 Tunisian and 10,000 Egyptian workers from Libya. The move was in part an effort to stem the drain on

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foreign exchange caused by workers' remittances. Qadhafi, in our judgment, also saw an opportunity to destabilize the already uncertain domestic situation in Tunisia and to punish Egypt for its ties to the United States and Israel. Qadhafi probably did not anticipate the willingness of Algeria and other Arab governments to come to Tunisia's aid. Most worrisome from Qadhafi's point of view was significantly closer cooperation among Tunis, Algiers, Cairo, and Baghdad.



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**Qadhafi Circles the Wagons**

For the most part, Qadhafi is a judicious political calculator who is capable of patient waiting. He has often been able to respond flexibly to his political troubles, tactically changing course without losing sight of his long-held revolutionary goals. But when he is feeling under siege or experiencing a heightened sensitivity that his revolution is failing, Qadhafi's usually pragmatic decisionmaking can falter. We judge that Qadhafi is now in such a strained period, and Qadhafi's flawed decisionmaking could well compound his political problems.

In a narrow tactical sense Qadhafi may have improved his security. His personnel changes probably have increased the ability of his supporters to thwart nascent coup plotting or other ~~anuregune~~ activity. In our view, however, Qadhafi's increasing reliance on extremists indicates how deeply eroded his support has become. In addition, as Qadhafi becomes more dependent on radicals for support, he risks losing the loyalty of the armed forces, the one institution capable of removing him.

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In dealing with his rising domestic problems and increased foreign pressures, Qadhafi has chosen to repress dissent at home and resist pressure from his neighbors rather than reverse or moderate his unpopular policies.

Another effect of Qadhafi's siege mentality has been increased infighting among senior officials as they prepare themselves for the inevitable succession struggle.

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 In our view, this reduces the likelihood that the regime will address the fundamental problems that threaten it.



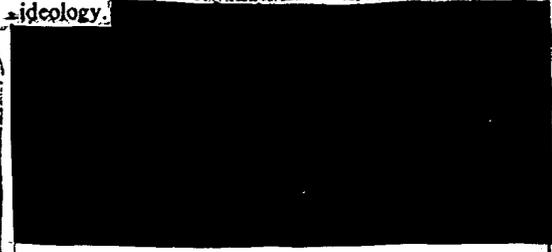
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Qadhafi has increasingly surrounded himself with people whom he believes he can trust—relatives, fellow tribesmen, or young radicals committed to his ideology.

**Prospects**

Qadhafi's popular base will continue to erode as long as he responds to the challenges to his regime by closeting himself with a diminishing circle of loyal revolutionaries in Azziziya Barracks. Qadhafi is almost entirely dependent on the continued loyalty

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and competence of the Revolutionary Committees and the security services to preserve his position. At present, these institutions appear capable of protecting him. Nonetheless, the political and economic trends in Libya are running against Qadhafi, and we assess his chances of surviving until the end of 1986 as little better than even.

probably be tested with small-scale probes by Chadian dissidents rather than an overt Libyan attempt to seize large swaths of territory.

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A popular revolt against Qadhafi is unlikely, even with a significant increase in popular discontent. Such discontent, however, increases the risk of assassination. In addition, the NFSL almost certainly will attempt to exploit this discontent, possibly by launching another commando raid on a Libyan installation. Qadhafi probably could survive such an attack, but, if NFSL operatives struck without suffering substantial losses—by no means a certainty—it would aggravate his insecurity, diminish his prestige, and probably attract greater foreign and internal support for the dissidents.

Domestically, Qadhafi might attempt to purchase support by reordering economic priorities, delaying some military purchases, and channeling savings into the consumer sector. He also might step up oil production. An increase of 100,000 b/d in oil exports at current price levels would boost revenues by about \$1 billion annually. Such an increase, however, would be difficult to sustain under current market conditions without some price adjustments. Nonetheless, the likely improvement in revenues would ease mounting tensions over living standards.

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Grumbling in the military is likely to continue. The arrests and personnel changes made this year probably have disrupted coup plotting for at least the next several months. Nonetheless, we expect to see more evidence of antiregime activity by dissatisfied officers over the next year, and a move against Qadhafi by the armed forces cannot be ruled out. If the officer corps coordinates a coup attempt with dissident attacks and/or foreign intervention, we believe the chances for toppling Qadhafi are better than even.

Qadhafi is least likely to reverse his unpopular policies and curb the power of the Revolutionary Committees to shore up support for his regime. Such a reversal would be an admission that his revolution had failed, and, in our view, Qadhafi will not—and possibly psychologically cannot—make such an admission. Moreover, even if he reined in the Revolutionary Committees, Qadhafi might not be able to count on greater support among alienated military officers. Such a move might instead be interpreted as a sign of weakness and encourage coup plotting.

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Qadhafi will try to repress dissent and ride out the storm. At the same time, he may try to recapture international attention and burnish his prestige through sudden, bold foreign policy maneuvers. He almost certainly will continue current efforts to break up the cooperation against him between Algeria, Tunisia, and Egypt.

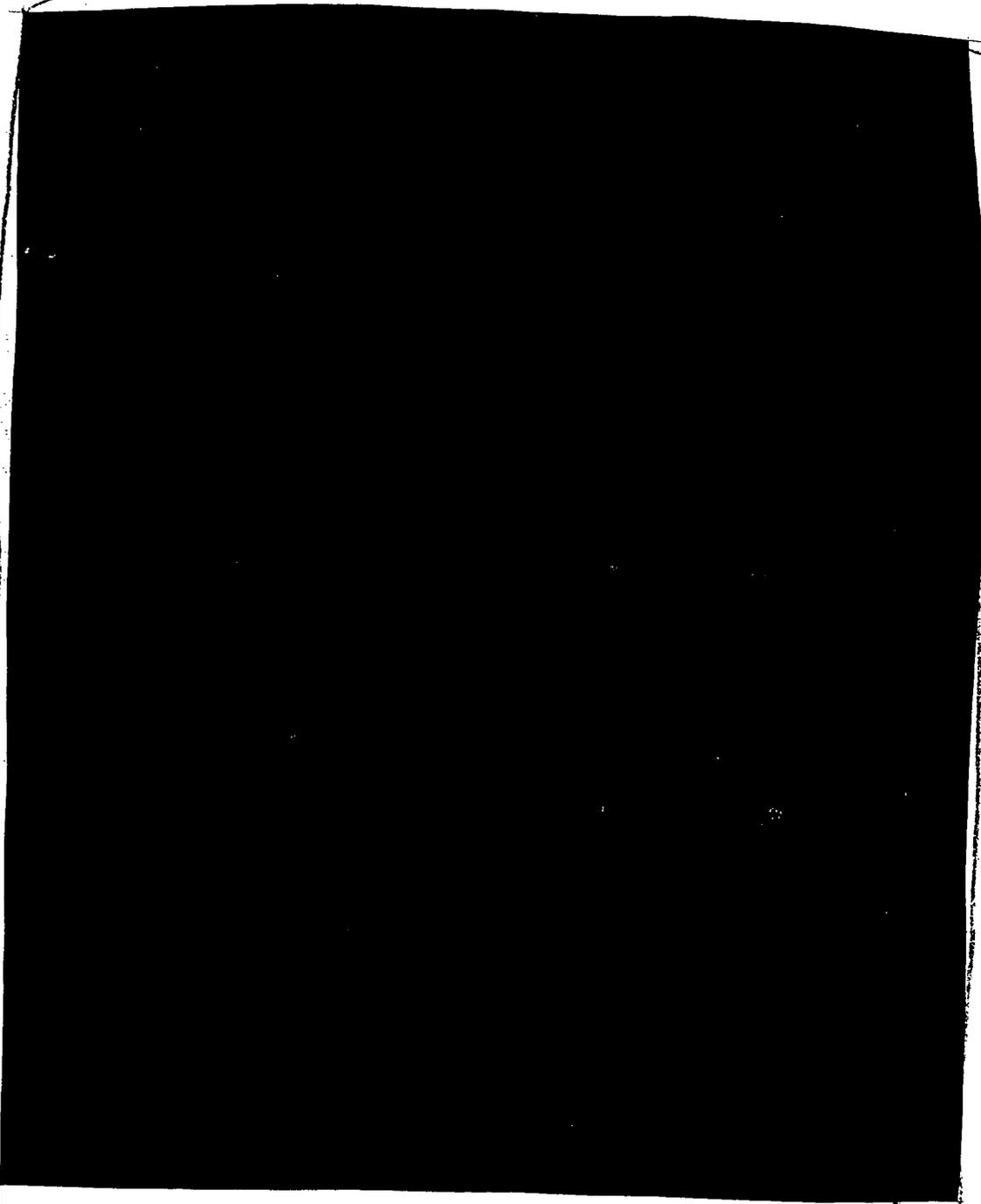
Qadhafi, however, probably will continue his confrontational tactics with Egypt and may try to strike indirectly at Egypt by expanding the Libyan presence in Sudan. Renewed Libyan aggression in Chad may be in the offing, although French resolve to support N'Djamena would

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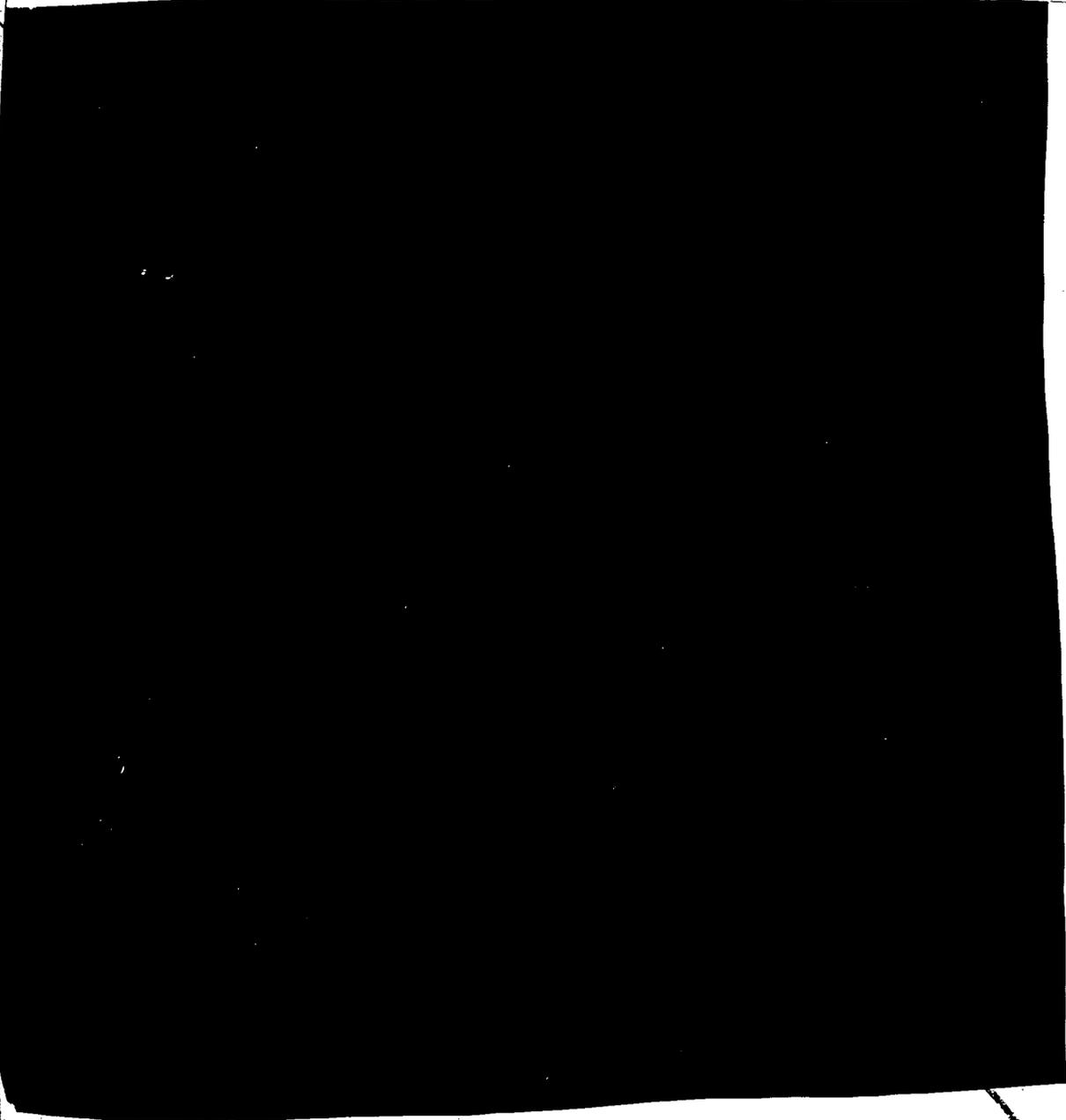
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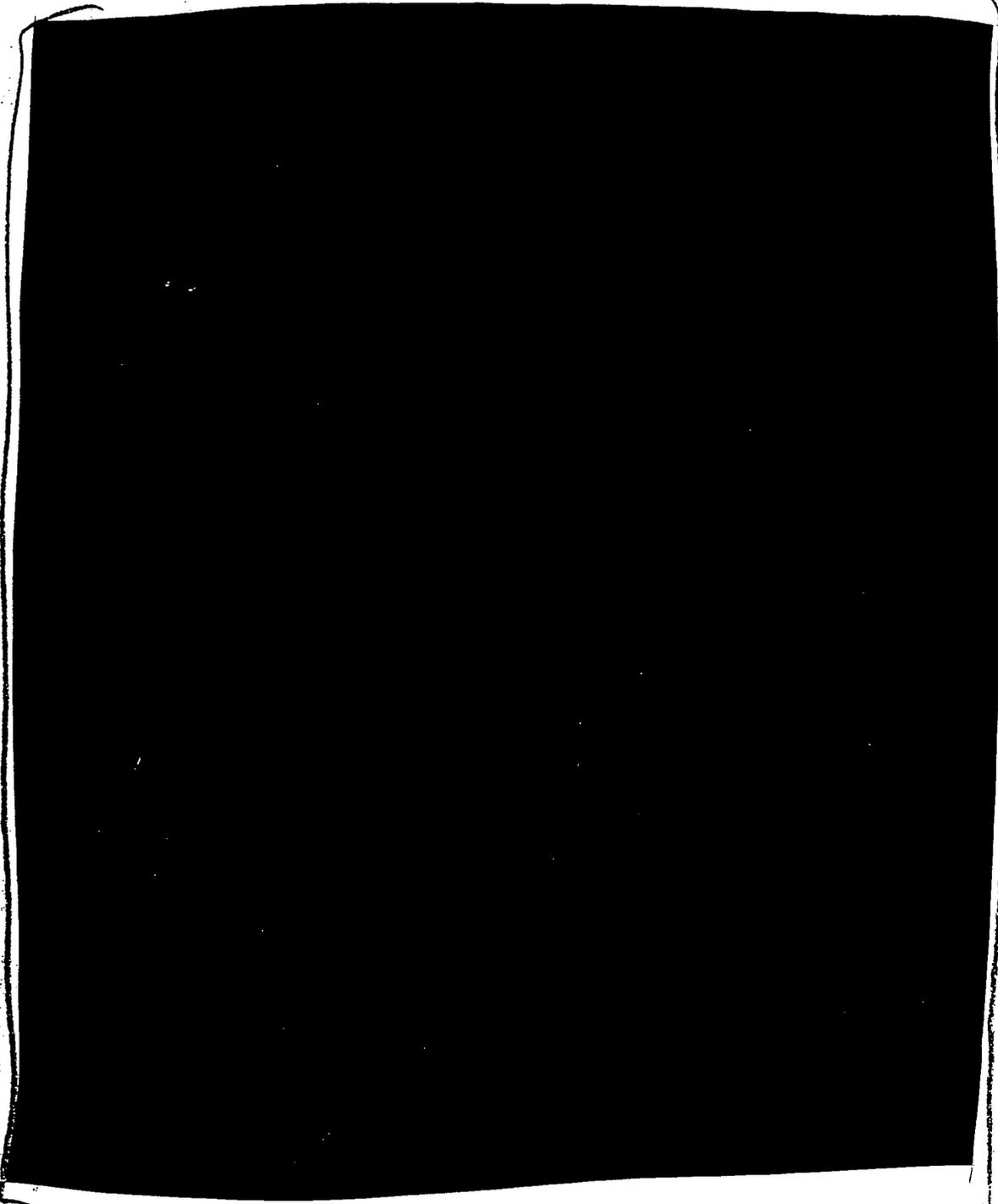
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**Algeria: Bendjedid Politics b (3)**  
**Take Hold (████████)**

At mid-decade all indications are that President Chadli Bendjedid, who assumed his post in 1979, is consolidating his position and continuing to put his mark on the country. The focus of politics in 1985 has been a Bendjedid-initiated debate on the "enrichment" of the National Charter, a document promulgated by former President Boumedienne in 1976, which sets forth the country's socialist ideology modeled on Soviet lines. Reconsideration of the Charter, which may be concluded by the end of December, appears to be part of the government's efforts to adopt a less dogmatic brand of socialism mainly through a shift toward private initiative in the marketplace and decentralization of the government bureaucracy. ██████████

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Bendjedid's orientation strikes a responsive chord in a population that is weary of economic austerity and inefficient public administration is ready for comprehensive change. It is unlikely, however, that the debate or its results will spark much optimism among the public. Reforms espoused by the government—although headed in the right direction—represent little more than tinkering with the economic and political system. Dim economic prospects and demographic pressures demand more concerted action by Algerian leaders, especially because they can no longer rely on rising petroleum-generated revenues to fund rapid development. ██████████

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**National Charter: Institutionalizing "Bendjedidism"**  
In our view, Bendjedid's decision to revise the National Charter stems from the same political motivation that led Boumedienne to adopt the Charter: to formalize his own version of the country's ideology. Boumedienne could institute Soviet-style socialism in Algeria only after a 10-year battle with conservative opponents and other rivals, who were finally overcome in the mid-1970s. Bendjedid's attempt to revise the Charter signals his success in pushing aside Boumedienne's leftist stalwarts and replacing them with military officers and technocrats who share his pragmatic political and economic orientation. ██████████

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For the most part, the current debate and its results are preordained. Most observers believe the findings will reflect government policy. ██████████ the debate has been closely supervised by the ruling National Liberation Party (FLN), the only legal party, as it progressed from the local to the national level. FLN commissions tasked with supervising the debate restricted discussions to three areas—state institutions, economic development, and political ideology—while skirting more controversial issues such as Islam or the role of the military. Bendjedid, at the initiation of the debate at the 14th FLN Central Committee meeting last spring, promised a national referendum on the revised National Charter. The vote could take place by the end of the year following the FLN Congress in mid-December. Alternatively, Bendjedid may have the revised Charter ratified by the FLN, because he specified that a referendum would not be necessary if few changes were made. ██████████

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Despite the formality of the debate, it symbolizes the profound changes taking place in Algeria. The government, in the face of public disgruntlement with Soviet-style socialism, is groping to institute reforms, largely along Western lines, to cope with a major population surge, falling hydrocarbon revenues, and low agricultural productivity. Bendjedid also hopes to modernize military, educational, and governmental organizations. At the same time, Bendjedid and his colleagues do not want to abandon the revolutionary heritage that has marked Algeria from independence. ██████████

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**The Economy: An Opening Toward Capitalism**  
At the heart of Bendjedid's espousal of a larger role for private enterprise is the apparent failure of centralized planning to promote economic development and satisfy consumer demand. Although

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Algeria has the strongest economy in the region and a reputation for careful financial management, we believe Bendjedid realizes the country no longer has the financial resources to squander on economically questionable heavy industrial projects at the expense of other economic sectors, especially agriculture. Oil and gas exports, the mainstays of the economy, show little growth in terms of value. In addition, the country is becoming more dependent upon food imports, in part because of a burgeoning 3-percent annual growth in population and almost no growth in domestic food production. Algeria also must renegotiate gas contracts with its key West European customers next year. Downward pressure on gas prices and the availability in Western Europe of Soviet gas from the trans-European pipeline will make it difficult for Algiers to maintain above-market prices for its gas.

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The government hopes to encourage private initiative primarily in agriculture and in nonstrategic light industries and services. Algeria's current five-year development plan is geared toward agriculture and the offer of free state lands to farmers. Private-sector farms already account for the bulk of the country's cereal and meat production. Officials hope to implement Western management techniques in the state sector and allow entrepreneurs greater freedom of action.

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The benefits of these economic reforms probably will be long in coming, however, as long as the government controls the principal sources of economic activity. For example, there are no indications that Bendjedid will reduce redundant manpower in state-owned factories, despite the implementation of more rational management programs. The government also seems inclined to retain control over the selection of crops and the marketing mechanism for all farms. Businessmen will be prohibited from investing in heavy industry, in the all-important petroleum sector, and in the manufacture of consumer goods.

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#### The Military: From Revolutionary to Professional Corps

In a less visible manner, the government is embarking on a program to transform into professional armed services a military still imbued with the ethics of

guerrilla warfare. Algiers has adopted two courses to achieve this goal: diversification of its military equipment, and reorganization of the Ministry of Defense and the officer corps.

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Within a year of signing its last major arms contract with the Soviet Union in 1980, Algiers approached major Western arms manufacturers including the United States, Great Britain, France, and West Germany to solicit bids on a variety of new military projects. Since then, the Bendjedid government has asked Western suppliers to coproduce various armaments in Algeria as another means of breaking the country's dependence on Moscow. Weapons diversification will be a time-consuming process, given the country's restricted finances and continuing need for close ties to the Soviets to assure access to spare parts.

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More progress is likely in reorganizing the Armed Forces. Late last year, President Bendjedid promoted eight colonels to general officer rank, reinstated the office of chief of staff, and appointed a new senior military adviser. The government approved a second round of senior officer promotions in July, while creating new directorates and reorganizing existing ones. Still unclear is how the reorganization will affect lower level tactical units in terms of their training and fighting doctrine.

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The psychological implications of these decisions on the military hierarchy and public will be far reaching. Never before has the military had generals. Moreover, there are no separate armies for generals to command. Finally, four of the six new generals were given jobs related to intelligence and internal military security. These changes will allow for more efficient management as well as closer supervision of the newly redesignated Air Force, Navy, and air defense commands. The creation of general officers also will provide greater headroom. Lack of promotion opportunities has been a longstanding complaint among junior officers. At the same time, there is some skepticism in the military and among the public over

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the need for general officers, and some view such positions as nothing more than high-paying jobs for Bendjedid's cronies.

**Foreign Policy: Putting National Interests Above Idealism**

Parallel with the government's attempts to adopt Western practices in economic and bureaucratic management is its shift toward closer relations with Western nations. Another theme is Algeria's concentration on regional politics and issues that touch directly on national interests, rather than on more visionary international issues such as the Algerian-sponsored "new economic order" and North-South economic dialogue of previous years. Even though the majority of Algeria's diplomatic contacts are—and probably will continue to be—with Communist and Third World radical states, relations with Western states are increasingly important to Algiers. Algeria needs Western markets for its natural gas exports and wants access to Western capital, food, and military hardware.

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In 1985, Algeria began to shift its attention from Morocco, the country's traditional adversary, to Libya as a threat to national security. We believe that Algerian leaders now view Libya as a menace at least as dangerous as Morocco. The manifestations of this concern are Algeria's steady shift of military forces eastward, its budding economic and military cooperation with Tunisia, its willingness to patch up differences with Egypt, and its collaboration with both Tunis and Cairo on ways to undermine Libya's influence in Arab and regional politics.

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Algeria's relations with Morocco have deteriorated since Rabat's "union" with Libya in August 1984. Earlier this year, Bendjedid presented King Hassan with a plan that would allow the Western Sahara to be linked to Morocco much like the relationship between the United Kingdom and the Commonwealth nations. Relations between Algiers and Rabat in the past year have been marked by the destruction of a Moroccan reconnaissance aircraft by Polisario guerrillas with an Algerian-provided missile, Morocco's capture of Islamic dissidents based in Algeria, and another Moroccan-Algerian stalemate in the United Nations over measures to end the conflict in the Western Sahara.

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Other elements of Algeria's diplomacy have followed patterns established in recent years. Algeria continues to keep the radical Arab "rejectionist" states at arm's length, while probing for ways to bridge the differences between radical and moderate Arab states. Algeria's activist diplomacy in Sub-Saharan Africa appears designed to blunt Moroccan diplomacy and Libyan machinations. Relations with France remain strained in large part because of what Algiers views to be Paris's inclination to appease Qadhafi and side with Morocco in the region.

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**Domestic Crosscurrents**

Bendjedid's efforts to change course have not been without cost. Programs to modernize the country through the promotion of Western managerial techniques and a modest degree of local initiative on the administrative level have produced some tensions within the government. Although information is sketchy, there is evidence that the modification of the National Charter is being resisted by leftist stalwarts in the FLN, who fear that liberalization will undermine the regime. Such opposition does not present an immediate danger to Bendjedid, given his firm control over the government apparatus. Nevertheless, differences could become more intense and widespread if the government's liberalization of society encourages open dissent or the economy does not rebound.

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Some of these pressures may be coming to the surface in the guise of ethnic and religious dissidence. Both the Berbers, a non-Arab ethnic group that comprises about 25 percent of the population, and Islamic fundamentalists have been increasingly active during the past year. Recently, for example, Berber activists clashed with police in Tizi Ouzou—the Berber capital 100 kilometers east of Algiers—following the conviction of a popular Berber singer for anti-regime activities associated with the alleged Berber-dominated "Algerian League for Human Rights." A widely publicized raid by putative Islamic fundamentalists on a police armory last summer was the boldest action to date by religious dissidents. Government concern about the threat from this quarter was reflected in the pervasive security roadblocks around the capital during the late summer

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and fall and a massive two-month dragnet by security forces that netted 17 fundamentalists. In October gendarmes used helicopters and armor to quash one of the more dangerous groups based in Larba, 40 kilometers south of Algiers.

**Prospects for 1986**

In our view, the Bendjedid government does not face a serious threat either from ethnic or religious dissidents or from other opposition groups. Berber activists are better organized than the fundamentalists and probably more numerous. Their demands, however, are principally social, particularly the protection of the Berber language, rather than political. The fundamentalists hope to foment a popular revolution, but they are fragmented.

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While the Bendjedid government is not in immediate danger, we believe it will face more open challenges as it attempts to move the country away from the revolutionary legacy of previous leaders. Most Algerians did not witness the revolution or experience the early years of nation building, and they are less inclined to make sacrifices for the sake of socialism and national development. Both the Berber and Islamic activists seem less inhibited in confronting the government, and both groups appear to have enough support to sustain their activities. Tough security measures alone will prove ineffective in quashing dissent from these quarters, in our judgment. At the same time, Bendjedid probably will attempt to find ways to co-opt or accommodate dissidents without relinquishing any of his prerogatives.

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Algeria's economic fortunes will be tied to world oil and gas markets for the foreseeable future, despite Bendjedid's efforts to restructure the economy. We do not expect a significant decline in the demand or prices for Algeria's hydrocarbon exports next year—which probably will allow Algiers sufficient financial leeway to move ahead with essential development plans. A marked deterioration in the oil or gas markets, however, would severely hinder government plans to redress social needs and implement economic reforms. For example, the government loses \$340

million annually in export receipts for each \$1 decline in oil prices at current production levels. Moreover, every 100,000-barrels-per-day drop in hydrocarbon exports costs the regime almost \$1 billion at present price levels.

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In its foreign policy, the Bendjedid government probably will unveil few surprises next year. Algiers will continue its hardline stance toward Morocco and Libya and its balanced position between the radical and moderate groups of Arab states. Relations with Western Europe show promise, but they will hinge to some extent on developments in trade talks over gas pricing. Algerian relations with the USSR and its allies probably will continue to mark time because of Algeria's more important regional concerns and interest in expanding trade contacts with the West. The possible exceptions to continuity are further rapprochement with Egypt and possibly Libya, especially if Algiers detected a loosening of the Moroccan-Libyan political union. Renewal of formal ties to Cairo, however, probably will come only after other Arab states have done so.

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Algiers will remain keenly interested in further trade and political openings toward Washington. Most key Algerian officials appear committed to securing US technology and expertise to revitalize the country's industrial plants and military establishment. Common trade interests aside, political relations probably will develop more slowly, given the divergence in political viewpoints in both capitals on Middle Eastern issues. Algiers probably will want to move carefully in developing bilateral ties on the political level because of what it views to be Washington's continuing military and diplomatic support for Morocco, as well as Algeria's own interests in maintaining ties to radical Arab states.

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### Tunisia: Foreign Crises and Political Immobilism

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This year has been one of unprecedented challenges for the moderate pro-Western government of President Habib Bourguiba and Prime Minister Mohamed Mzali. Libya's expulsion of about 30,000 Tunisian workers beginning last summer, and the resulting threat of military conflict, were followed by the surprise Israeli airstrike on PLO facilities in Tunisia. More recently, the government clashed with the principal labor union—the largest organization in the country—over wages. These challenges revealed the weaknesses of the regime and its inability to come to grips with festering social and economic problems. In our view, political maneuvering in anticipation of Bourguiba's death will sharply limit the government's ability to move quickly and decisively in the coming year.

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#### A State Adrift

At yearend, the traditional mainstays of Tunisia's foreign policy are badly eroded. France and to a lesser extent the United States, the principal allies of Tunisia since independence, have been found wanting, according to Tunisian leaders. In their eyes, both countries have been reluctant to respond to urgent requests for military assistance to deter military threats from Libya. The Israeli airstrike, which produced a consensus that the United States was at least negligent in not warning or protecting Tunis, compounded these misgivings. Although Tunis undoubtedly will want to strengthen its ties to Washington and Paris, it will do so with less confidence that its Western partners are committed to helping Tunisia deal with foreign subversion or aggression.

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To compensate for French and US dilatoriness, Tunisia has sought military and political support from Iraq and Egypt. Its major diplomatic effort, however, has been in courting Algeria. Tunisia has undertaken an unprecedented expansion of military and economic cooperation with that country. Algerian leaders, for their part, have been eager to accommodate Tunis, given their own concerns about Libya and longstanding pretensions to regional leadership.

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This courtship, however, has not been completely palatable for Tunisians. Government leaders and much of the public share misgivings about Algerian motives and intentions. Most officials probably believe that the United States and France would come to the country's support solely out of concern for stability in North Africa and to check the advance of Libya. Algeria's motives, however, are perceived differently. As the most powerful country in the region and a neighbor with a radically different ideology, Algeria is suspected by Tunisians of having political and even territorial designs on their country.

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#### Mutiny in the Body Politic

Libya's expulsion of Tunisian workers and its blatant attempts to undermine the government through press attacks and letter bombs have not been sufficiently threatening to quell public discontent with the government and curtail infighting between political groups and individuals. Prime Minister Mzali, who appears to have taken advantage of Bourguiba's declining faculties to strengthen his own position, has, however, attempted to exploit Libyan machinations to undermine opponents. His principal target is Habib Achour, leader of the politically powerful, 350,000-member General Union of Tunisian Workers (UGTT). Achour during the past year called on Mzali to end the wage freeze and link wages to inflation. To back up his demand, Achour threatened nationwide strikes to paralyze the government.

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The relaxation of tensions between Tunisia and Libya in late October allowed Mzali to launch a full-scale attack on Achour. Probably aware of infighting between Achour and other UGTT executives who support a softer line toward the government, Mzali initiated an intense press campaign against Achour, accusing him of mismanagement. Mzali followed up with harsher action, using police units and union militants associated with the ruling Destourian

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Socialist Party (PSD) to raid UGTT offices. About 450 union leaders were temporarily detained, and Achour was placed under house arrest. UGTT members supporting Achour staged several strikes in response and, in some instances, clashed with police.

Following a two-week interlude, Mzali renewed his offensive against the UGTT leadership. The most ominous move was a government proposal for an extraordinary UGTT congress to remove Achour's associates, who control the national headquarters of the UGTT. Any attempt to further weaken Achour could unify the opposition and prompt more widespread violence. Opposition parties, which had been discreet in their support for the UGTT leadership, are openly supporting Achour.

At this juncture, Mzali has won a fragile victory over the UGTT. Progovernment workers have gained control over most UGTT offices, and most of the strikes called by Achour supporters have failed because of the threat of government sanctions. The reconstituted leadership of the UGTT appears sufficiently cowed to refrain from leading antigovernment actions. Mzali also has been able to avoid the serious economic-related disturbances that rocked the country early last year, when Tunisians rioted following the announcement of a 100-percent rise in the price of bread.

In its geographic dimensions, the government-UGTT clash reveals a clear distinction in regional support for each side. The first UGTT locals to openly criticize Achour's leadership last summer were located in President Bourguiba's home base in the northern town of Monastir and in other cities of the Sahel. UGTT branches in the southern cities of Gabes, Gafsa, and Sfax resisted the takeover of union offices by the PSD-controlled militia. These affiliates also have been able to organize successful strikes. Government control over southern Tunisia traditionally has been weak, given the concentration of political power in clans from the north and ethnic ties of southern Tunisians to tribes in Libya.

At the senior levels of the government, longstanding infighting within the political elite over Bourguiba's mantle appears to have abated because of the

imperative for unity. We believe, however, that political maneuvering will continue and that Mzali's ability to hold onto power is not assured. He is unpopular because of his strong support for increased bread prices that prompted last year's riots.

Influential rivals such as Minister of Public Works Sayah, Foreign Minister Caid Essebsi, or Bourguiba's son Habib and wife Wassila pose a threat as long as Bourguiba lives. Nevertheless, Mzali has adroitly used the country's crises to strengthen his position as Bourguiba's designated successor.

The military, traditionally apolitical, is increasingly concerned about the government's ability to restore the country's economic health. Younger officers also are inclining toward Islam and nonalignment as an alternative to the current socialist, Western-oriented political and economic structures. Mzali has attempted to improve his popular standing among the military's lower ranks, but we doubt that he can rely on military support in the event of widespread antigovernment demonstrations.

#### Economic Shoals

Internal disorder and foreign policy problems have distracted the government from the country's economic difficulties. At the heart of Tunisia's poor financial outlook are dwindling petroleum resources, which will make the country a net importer by the next decade, and reduced prices in the international market for phosphates, long a key export commodity. These shortcomings are compounded by high population growth, dismal performance in the agricultural sector, and a drop in remittances from workers in Western Europe and Libya.

A recent study of the Tunisian economy by the World Bank outlined the more obvious manifestations of the country's financial decline. These include a near doubling of the current account deficit and debt service ratio between 1981 and 1984, a steady widening of the balance-of-payments deficit, a 4-percent-per-year increase in the labor force despite a persistent 20-percent unemployment rate, and foreign exchange reserves covering only two or three weeks of

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imports. The Bank's proposed remedies involve politically risky initiatives in both government spending and allocation of foreign exchange:

- Devaluing the Tunisian dinar in 1986 by 15 to 20 percent.
- Reducing price controls and subsidies (the latter by 2.5 percent per year).
- Limiting wage increases to 2 percent per year in the public sector.
- Instituting a progressive cut in the budget deficit from the current level of about 10 percent of GDP to 1.6 percent by 1991 through lower expenditures instead of through a tax increase.

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Government leaders claim to recognize the need for action. Tunis's willingness to let the value of the dinar depreciate against major West European currencies during the past six weeks is a step in the right direction. The commitment to major reductions in government spending, however, is likely to be far more tenuous because of the impact on prices of subsidized consumer goods and on already uncomfortably high unemployment. The World Bank, nonetheless, believes—and we agree—that Tunis has little time left to avert a financial crisis and a loss of needed foreign credits. The Bank projects the crunch could come as soon as 1988.

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**Forecast: Stormy Seas Ahead**

Tunisia's troubles almost certainly will persist beyond 1986, even with Bourguiba on the scene. Tunis cannot be assured that the UGTT will remain passive, despite its emasculation. Reports that the government may propose another year of wage freezes could spark a fresh round of demonstrations and violence, especially if officials simultaneously reduce subsidies for bread or other basic commodities. In any event, the ruling PSD will remain tied to Bourguiba's socialist policies and increasingly concerned with its own survival. This inaction will only benefit government opposition groups. For example, all indications are that Islamic fundamentalists are enjoying a resurgence throughout Tunisian society, especially among youths who perceive the current regime as out of touch with popular concerns.

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Internal strains also will encourage unwanted foreign meddling. Libyan leader Qadhafi almost certainly hoped that his unceremonious dumping of Tunisian

workers would both unsettle the Bourguiba regime and provide an opportunity to introduce agents of influence. He could at any time decide to repatriate additional Tunisian workers, back a commando operation by Tunisian dissidents, or launch terrorist operations against Tunisia. reports during the past year cite arrests of foreign agents associated with Iraq and Syria. In our view, Algerian assistance, although potentially helpful in preempting political or military action in Tunisia by other Arab states, could be used to influence future Tunisian leaders.

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Tunis probably will continue to explore further military and economic cooperation with Algeria and friendly Arab neighbors. The government, however, will stop short of permitting a sizable Algerian military presence unless it perceives an imminent threat from Libya. The Tunisians could attempt to secure weapons from Italy or West Germany if France continues to procrastinate in supplying military aid. Tunis may also expand contacts with the Soviet Union and discuss weapons purchases, if only to gain leverage to extract greater security assistance from France and the United States.

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Mzali's ability to appear as a decisive leader will be a key to Tunisia's internal stability in the near term. Bourguiba's declining faculties will provide further opportunities for the Prime Minister to place his mark on the bureaucracy and policies of the country. Nevertheless, Mzali cannot be assured of complete freedom of action until Bourguiba's death. He also will have to contend with powerful opponents within the political elite, who almost certainly will intensify their efforts to discredit Mzali as Bourguiba's demise becomes imminent. We believe that Mzali will continue to take tough action against real or imagined opponents. There is little evidence that he will ever fulfill earlier promises to allow greater political participation by opposition movements. In our judgment, he is more likely to move firmly to protect the regime, even if harsh measures tarnish the country's record as a relatively moderate and tolerant Arab state in terms of its domestic politics.

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Bourguiba's death during the next year would be a catalyst for more instability in Tunisia. Mzali is Bourguiba's successor under the constitution, but he would immediately face challenges from leading political figures within the government and from opposition groups during elections scheduled for late 1986. Under these circumstances, the chances of military intervention, either in cooperation with Mzali or against him, would increase dramatically. ~~\_\_\_\_\_~~

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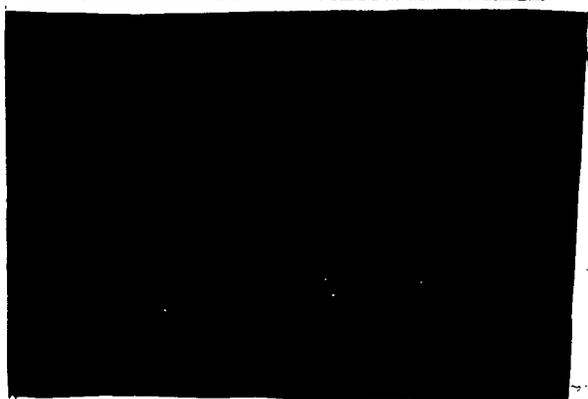
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**Mauritania: Taya Under Fire**

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After 11 months in office, Mauritania's President Taya appears weak and vacillating in tackling his country's severe economic and political problems. Nouakchott's limited resource base has been further weakened by drought, corruption, and managerial ineptitude. The government depends on foreign largess for survival. Taya's ability to cope with these issues is complicated by external pressures to take sides on the Western Sahara dispute. He cites his predecessor's pro-Algerian stance as instrumental in last December's coup. Taya knows he must avoid being sucked into the fray because of the risks of reopening the ethnic split between Arab officers and black Africans—who dominate the military's enlisted ranks and have previously refused to fight against the Polisario.

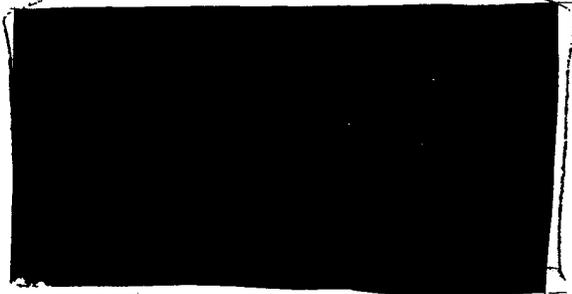
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During the next year, Taya will be under increased pressure to take a more active role in managing the economy. This will be a formidable task, as there are no prospects for a dramatic turnaround in iron ore and fish prices, Nouakchott's principal sources of revenue. Diversion from this task by foreign policy concerns will only complicate Taya's already daunting problems in getting Mauritania back on its feet.

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**A New Start**

When Chief of Staff of the Armed Forces Maaouiya Ould Sid Ahmed Taya replaced Mohamed Khouna Ould Haidalla in a bloodless coup last December, he pledged to end corruption and economic mismanagement and to deal with the effects of the drought. In a recent speech, Taya catalogued his predecessor's faults but offered almost no evidence that his regime was coping with the country's problems.

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one of the highest rates of urbanization in the world—and the construction of villas in Nouakchott's new northwest residential quarter are prompting queries about corruption. Crime—always low by Western standards—is increasing at a sufficiently high rate to catch the attention of the government-controlled media.

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**A Mendicant Nation**

Mauritania's small economy is the primary source of national frustration. A per capita GDP of \$450 ranks Mauritania among the poorest nations in the world, a

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situation that is worsened by a sharp disparity in the distribution of wealth. The agricultural sector has been especially hard hit by recurrent drought, managerial ineptitude, and lack of investment. Agriculture employs about 60 percent of the population but produces less than 5 percent of GDP. Grain production of 20,000 tons this year is down by 80 percent from levels in the late 1970s and meets less than 20 percent of domestic demand. GDP growth has averaged only 1 percent annually over the last five years, about half the rate of population increase, prompting a marked decline in living standards.

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Mauritania is in constant need of concessional assistance to keep its economy afloat. Foreign aid accounted for 30 percent of budgetary receipts last year. Moreover, the government has borrowed heavily to support development and, to an increasing extent, food imports. Chronic foreign payments problems and mounting debt service costs on the nation's \$1.4 billion debt have brought the financial system to its knees. The government narrowly averted financial collapse last spring by putting large amounts of scarce foreign exchange into several failing banks. The regime successfully completed a Paris Club debt rescheduling in April, but with only \$64 million remaining in foreign exchange reserves—about three months of import coverage—Nouakchott probably will again fall behind on debt obligations of \$74 million payable next year.

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Mismanagement is manifold throughout the economy. The government continues to move ahead with plans to reopen its long-dormant copper mine with the help of wealthy Arab states—Algeria is a key backer, [redacted]. The project, however, has no assured market for the ore and is plagued by high mining costs. Moreover, plans to proceed with the \$20 million rehabilitation of the country's only oil refinery is contrary to World Bank recommendations that the refinery remain closed because of high production costs, poor prospects for oil supplies, and a weak domestic demand for oil.

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Fishing is a potential bright spot. A recently signed accord with Moscow provides financing and ships to exploit Mauritania's marine resources. None of the

**Mauritania: Current Account Balance** *Million U.S.*

	1981	1982	1983	1984	1985*
Current account balance	-261	-384	-301	-301	-196
Trade balance	-117	-186	-63	-95	0
Exports, f.o.b.	271	239	315	285	290
Of which:					
Iron ore	169	135	131	150	140
Fish	99	96	161	134	144
Imports, f.o.b.	388	425	378	380	290
Of which:					
Food	113	93	93	65	85
Services (net)	-123	-167	-208	-181	-170
Private transfers	-21	-31	-30	-25	-26

\* Projected.

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fish, however, will be processed in Mauritania, and the government has only a limited capability to police the catch. In our view, Moscow will reap the lion's share of the benefits from the accord.

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**Foreign Policy Concerns**

Coping with economic problems is complicated by foreign policy demands, particularly the Western Sahara issue. Taya cited his predecessor's pro-Algerian stance as a critical reason for his overthrow. Taya has moved to adopt a more balanced posture toward both Algiers and Rabat. Correspondingly, relations have cooled with the Polisario Front, which Haidalla officially recognized in 1984. Relations with Morocco had been strained since the alleged Moroccan-backed coup attempt against Haidalla in March 1981. Taya hoped that by taking a balanced position he would avoid reinvolvement in the Western Sahara. Instead, growing pressure from both Morocco and Algeria to take a side threatens to divide the regime.

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President Taya has told ██████████ that his government is subject to continued Algerian pressure on behalf of the Polisario at the same time it receives strongly worded messages from Morocco. Rabat has threatened to engage in hot pursuit into Mauritania if Nouakchott cannot control Polisario activity in the border area. In addition, the Polisario has asked for permission to establish an embassy in Mauritania, transit rights for Polisario military units through Mauritania, the right to resettle the Polisario in camps on Mauritanian territory, and access to provisions for military units. ██████████

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We believe Mauritanian military leaders suspect that the shift in fighting southward is part of an attempt by Morocco to move the war to neutral territory. Nouakchott's inability to control Polisario activity could produce severe strains in Taya's military cabinet, particularly if Morocco carries out its threat of hot pursuit. Some officers believe a confrontation with either Morocco or the Polisario guerrillas is necessary to preserve Mauritania's territorial integrity, but the majority of black soldiers view the dispute as an Arab rivalry and would resist renewed involvement. A similar split led to the military coup in 1978 by Taya's predecessor. Moreover, in our view, Taya's policy of neutrality might put Mauritania in the unenviable position of having to face all contenders. ██████████

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Taya also worries about Libyan machinations in his country and remembers Qadhafi's efforts to destabilize previous regimes in Nouakchott.

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██████████, Libyan goals include opening a consulate in Nouadhibou, establishment of a revolutionary committee, installation of a radio transmitter, and landing or overflight rights. In our view, Taya will not grant the first three objectives but may acquiesce on privileges for Libyan aircraft because that would not involve an increased Libyan presence in Mauritania and might result in some aid for Nouakchott. Landing rights at Nouakchott would allow Libyan planes the transit point needed to ship military equipment to Latin America. ██████████

b (3)

**The Role of the Military**

Taya's principal asset is his continued popularity in the military. Taya has been prompt in meeting the needs of the military. ██████████ salaries are paid on time, living standards are maintained, and modest upgrading of equipment is under way. This policy, however, puts undue stress on the budget and sharply reduces funds available to meet the needs of the country's burgeoning poor. The President—though of Moorish descent—strongly favors increasing the percentage of blacks in the junior officer ranks. Blacks make up the majority of enlisted personnel, and such a move could provide him with broader based support than any other Moor leader since independence. Nevertheless, in our view, this move could backfire by splitting the military along ethnic lines and prompting senior Arab officers to engineer a coup to maintain the status quo. ██████████

b3

b (3)

**Outlook**

In our view, Taya faces almost insurmountable barriers in solving Mauritania's economic and foreign policy problems. Shortfalls in food and employment are a certainty for the near term. If the drought continues, its effect on agricultural production and rural migration will place increased strain on the government to meet basic human needs. The most crucial factors for overcoming these problems—a massive infusion of money and a guaranteed water supply—are largely beyond Nouakchott's control for the foreseeable future, and it will remain heavily dependent on outside help. ██████████

b (3)

The President's major foreign policy concern almost certainly will be the Western Sahara. Mauritania will be under pressure from all sides in the war, particularly with the extension of Morocco's defensive berm shunting the conflict increasingly into the triborder area. Taya almost certainly will try to forestall entry of Moroccan troops into Mauritania to engage the guerrillas. At the same time, his own

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military is incapable of preventing Polisario forces from using Mauritania as a base to attack Moroccan positions. [REDACTED]

b (3)

If Taya cannot show progress on the economic front or keep the Polisario problem under control, he may not survive next year. In the meantime, Taya's weaknesses will provide openings for Libya, Algeria, and Morocco to compete for a dominant voice in Nouakchott. [REDACTED]

b (3)

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