



**Directorate of
Intelligence**

~~Secret~~



Near East and South Asia Review



25X1

13 March 1987

RECEIVED 8 APRIL

~~Secret~~

NESA NESAR 87-007
13 March 1987

Copy 328

Page Denied

Secret

25X1

**Near East and
South Asia Review**

25X1

13 March 1987

Page

Articles**Israel: Decisionmaking Under Shamir**

1

25X1

25X1

Israeli Prime Minister Yitzhak Shamir will be constrained by both the strictures of Israel's National Unity government and his own cautious leadership style from making bold policy initiatives during the next two years. Shamir's paramount goal is to complete his term as Prime Minister, and he will try to avoid provoking a coalition crisis.

25X1

Gush Emunim's Impact in Israel

7

25X1

25X1

The radical Gush Emunim has spearheaded settlement of the occupied West Bank since 1975, but it has failed to gain broad popular support. Even so, the Gush is likely to continue to play a noisy but limited role in support of agendas set by Likud and other rightwing parties.

25X1

Egypt: Seeking Balance in Foreign Affairs

11

25X1

25X1

Cairo's foreign policy is anchored in the West, but aspirations to Arab and nonaligned leadership and domestic criticism of dependence on the United States are motivating Egyptian leaders to expand ties to the Soviet Union and Eastern Europe, creating at least the appearance of greater balance in Egypt's relations with the superpowers.

25X1

Morocco-Spain: Trouble in the Enclaves

19

25X1

25X1

Moroccan nationalism has flared in the Spanish enclaves of Ceuta and Melilla during the past year. King Hassan does not want to precipitate a showdown over the enclaves, but he has exploited the issue to divert attention from domestic economic problems and to bolster his negotiating position with Spain on other bilateral issues.

25X1

Secret

NESAR NESAR 87-007
13 March 1987

Secret



25X1

Libya: Oil Industry Weathering Sanctions [redacted] 21



25X1
25X1

The Libyan oil industry has been able to cope so far with US economic sanctions, the withdrawal of US companies, and US diplomatic pressure. In the absence of stronger West European support for US policies, the Libyan oil industry should be able to maintain exports at current levels for the foreseeable future. [redacted]

25X1

Libya: Continuing Initiatives in the Caribbean [redacted] 27



25X1
25X1

Although Libyan leader Qadhafi has been relatively unsuccessful in gathering political support in the Caribbean, he has recently increased his efforts to strengthen ties to leftist and terrorist groups in the region. Qadhafi regards US "imperialism" and French "colonialism" as the chief impediments to his aims in the region.



25X1

Sudan: The General Staff's Relationship With Prime Minister Sadiq [redacted] 31



25X1
25X1

The Sudanese armed forces General Staff tacitly supports the civilian government of Prime Minister Sadiq al-Mahdi and appears content to put distance between itself and domestic politics and concentrate its attention on military affairs. Friction between the General Staff and Sadiq may increase, however, and erode the military's support. [redacted]

25X1

Bahraini-US Relations: Government Pleased, Shias Critical [redacted] 35



25X1
25X1

Humiliated over its inability to recapture Fasht ad Dibal from Qatar last spring and distressed by Saudi Arabia's reluctance to play a more partisan role during that dispute, Manama is actively seeking increased US weaponry and reduced dependence on Riyadh. The Shias in Bahrain, however, are critical of the warming US-Bahraini relationship. [redacted]

25X1

Secret

Secret

[Redacted]

25X1

Saudi Arabia: The Impact of Education Policy and Process on Economic and Political Stability [Redacted] 39

25X1
25X1

Saudi Arabia has radically transformed its educational system over the past 15 years, with more students attending school at every level and more completing their education. Despite its successes, the government has failed to attract Saudis to technical and vocational education, and the country will have to continue to rely on expatriates for economic growth. [Redacted]

25X1

Arab Aid to the Afghan Resistance—Benefits and Drawbacks [Redacted] 43

25X1
25X1

Arab donors—both governmental and private—provide a significant amount of financial support to the Afghan resistance. Arab donors, however, are sometimes unreliable, and insurgent leaders often resent the strings that are attached to the aid. [Redacted]

25X1

Afghanistan: Defense of the Revolution Forces—A Political Army [Redacted] 47

25X1
25X1

The Defense of the Revolution forces make up a directorate within the Afghan Ministry of Interior supervising paramilitary forces responsible for spreading the regime's Marxist ideology to outlying regions and providing military support to regular army units. These forces suffer from the same shortcomings plaguing most of Kabul's armed forces. [Redacted]

25X1

India: Rajiv Gandhi Adjusting Foreign Policy Tactics [Redacted] 51

25X1
25X1

Indian Prime Minister Rajiv Gandhi is frustrated by the lack of progress in implementing his foreign policy goals. The growing influence of Gandhi's personal advisers and military and intelligence officials over foreign policy matters—combined with his impatience to get things accomplished—presages tougher tactics with India's neighbors. [Redacted]

25X1

Secret

Secret



25X1

State Elections Test India's Congress Party

55

25X1



25X1

Four state elections scheduled for this spring offer India's ruling Congress Party its biggest electoral test yet during the Rajiv Gandhi administration. The Congress Party will probably win the election in Haryana, the most important of the contests, but the hard-fought campaign underscores the party's difficulty in retaining its Hindi core areas.

25X1

India: West Bengal's Government—Red Outside, White Inside?

61

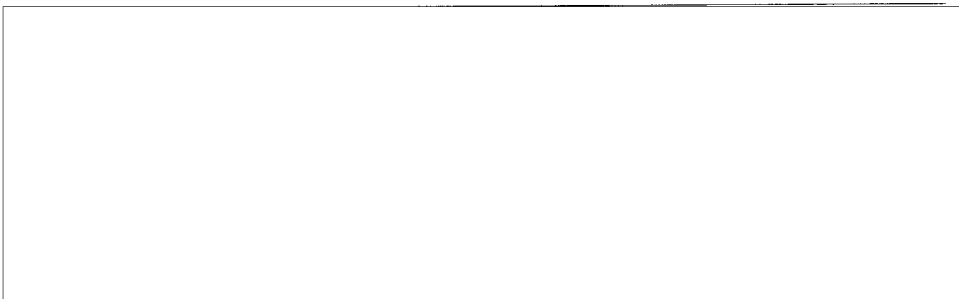
25X1



25X1

West Bengal is the only state in India with a Communist-led government, but the difficulties of running a government have given West Bengal's Communists a more practical bent than India's national Communist parties. Although challenged from the left and by Rajiv Gandhi's Congress Party, West Bengal's Communists will probably be reelected.

25X1



25X1

Karachi: Pakistan's Hotbed of Ethnic Strife

73

25X1



25X1

Karachi, Pakistan's largest city, is an uneasy mixture of ethnic and religious groups cohabiting in a city already strained by overcrowding, poverty, and drug abuse. This combination has resulted in increasing intercommunal violence, and the city's problems are eroding public confidence in the government's ability to maintain domestic order.

25X1

Secret

Secret

[Redacted]

25X1

Bangladesh: A Foreign Aid Bazaar

[Redacted]

79

25X1

[Redacted]

25X1

Low domestic savings, an inadequate tax base, and chronic trade deficits have forced Bangladesh to rely on foreign aid to carry out its development programs. Now that civilian rule is established, donors will be pressing President Ershad to undertake economic reforms to help ensure efficient use of foreign aid. [Redacted]

25X1

Brief

Arab States: Baghdad Payments Under Review

[Redacted]

83

25X1

[Redacted]

25X1

Some articles in the Near East and South Asia Review are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the view of a single analyst; an item like this will be designated as a noncoordinated view. [Redacted]

25X1

25X1

[Redacted]

Secret

25X1

**Near East and
South Asia Review**

25X1

Articles**Israel: Decisionmaking
Under Shamir**

25X1

Israeli Prime Minister Yitzhak Shamir, in our judgment, will be constrained by both the strictures of Israel's unusual National Unity government and his own cautious leadership style from making bold policy initiatives during the next two years. The unity government is full of checks and balances, and Israel's Labor Party can use the evenly divided 10-man inner cabinet to veto any major Likud proposal. Shamir's paramount goal is to complete his term as Prime Minister, and he will try to avoid provoking a coalition crisis that would give Labor a pretext for calling an early national election.

Shamir's innate caution and sensitivity to competing power centers in the unity government have led him to virtually abdicate responsibility for defense matters to Defense Minister Yitzhak Rabin (Labor), and economic affairs to Vice Prime Minister Shimon Peres (Labor) and Finance Minister Moshe Nissim (Likud-Liberals). Shamir's passive leadership style also leads him to place greater reliance on his aides—a team led by pragmatists with no longstanding ideological ties to Shamir's nationalist Herut Party.

Shamir's Passive Leadership Style

Shamir's personality and career experience have reinforced his tendency toward a tentative and low-key approach to decisionmaking. He worked for years in organizations shrouded in secrecy—first in the extremist Irgun and Stern Gang undergrounds before independence, and from 1955 to 1965 in Mossad, Israel's external intelligence service.

Shamir is a taciturn man who is uncomfortable with confrontation. US diplomats have described him as deliberate, self-controlled, and dignified, and he describes himself as not impulsive. Shamir has said he prefers to study matters and evaluate a situation carefully before deciding on a course of action. US

diplomats describe him as a fundamentally conservative figure for whom it is out of character to move quickly or to push for major policy changes.

Checks and Balances in the Unity Government

Shamir will not be able to make bold new initiatives unacceptable to Labor during his term as Prime Minister because Labor can veto such proposals in the 10-man inner cabinet. According to the guidelines of the national unity agreement, either Peres or Shamir can refer any issue they want to the inner cabinet, which has five Labor and five Likud members. In any major disagreement between the two blocs—such as new settlements in the occupied territories or a Middle East peace conference—this body would split evenly along party lines, effectively blocking the proposal.

There is likewise a near-even split in the full Cabinet, with the outcome of any vote dependent on the issue. Of the Cabinet's 24 members, 10 are from Labor and 10 from Likud, with the remaining four from small middle-of-the-road and religious parties forming a swing vote. We agree with the assessment of US diplomats in Tel Aviv regarding the leanings of the swing Cabinet members:

- Communications Minister Rubenstein is a nearly certain vote for Labor on any key ideological issue.
- Minister Without Portfolio Yigal Hurvitz, who entered the Cabinet under Labor Party sponsorship, is a less certain vote because of his hawkish political stance.
- Minister Without Portfolio Yosef Shapiro is a prosettlement activist nearly certain to vote with Likud.

Secret

NESA NESAR 87-007
13 March 1987

Secret

The Israeli Cabinet^a**Labor Party Ministers (10)***Vice Prime Minister and Foreign Affairs—
Shimon Peres*^b*Agriculture—Aryeh Nehemkin**Defense—Yitzhak Rabin*^b*Economic Planning—Gad Yaacobi**Education and Culture—Yitzhak Navon*^b*Energy and Infrastructure—Moshe Shahal**Health—Shoshana Arbeli-Almoslino**Immigrant Absorption—Yaacov Tzur**Police—Haim Bar-Lev*^b*Without Portfolio—Ezer Weizman*^b**Likud Ministers (10)****Herut (6)***Prime Minister—Yitzhak Shamir*^b*Construction and Housing—David Levi*^b*Industry and Commerce—Ariel Sharon*^b*Labor and Social Warfare—Moshe Katzav**Transport—Haim Corfu**Without Portfolio—Moshe Arens*^b**Liberals (4)***Finance—Moshe Nissim*^b*Justice, Tourism—Avraham Sharir**Science and Development—Gideon Patt**Without Portfolio—Yitzhak Modai***Ministers From Other Parties (4)****National Religious Party (2)***Religious Affairs—Zevulun Hammer**Without Portfolio—Yosef Shapiro***Shinui (1)***Communications—Amnon Rubenstein***Ometz (1)***Without Portfolio—Yigal Hurvitz*^a The post of interior minister as of 13 March is temporarily vacant.^b Members of inner cabinet.

- Minister of Religious Affairs Zevulun Hammer is a strong settlement supporter but also a thoughtful pragmatist who wants the unity government to continue. He is probably inclined toward Likud on most ideological issues, but his vote is not a certainty.

The unpredictable nature of a Cabinet vote on most contentious issues will lead Peres and Shamir to use the inner cabinet to veto objectionable proposals from the other side.

On sensitive issues, the leading triumvirate of Peres, Shamir, and Rabin has been the operative decisionmaker. Press reports, for example, indicate that the trio has set policy for relations with Iran and South Africa.

This forum of current and former Israeli prime ministers will continue to serve as the ultimate authority on delicate topics or security matters that require quick decisions. Nonetheless, the relationship of trust and mutual respect that Peres and Shamir established during the first half of the unity government's term has been damaged severely by heightened Labor-Likud tension over a proposed international conference on Middle East peace. US diplomats in Tel Aviv predict that worsening personal relations between Shamir and Peres will make the Prime Ministers' Forum a less effective policy formulation group.

Delegating Responsibility on Defense and Economy

In two key areas of policy—security and the economy—Shamir has virtually abdicated his authority to other ministers of the unity government, according to Embassy and press reporting. Defense Minister Yitzhak Rabin of the Labor Party is the key decisionmaker on all military issues—as he was during the first two years of the unity government. On the economy—a subject largely beyond Shamir's interest and expertise—Shamir has let Finance Minister Moshe Nissim shape Likud's stance.

25X1

Secret

Secret

As Peres did from 1984 to 1986, Shamir has deferred to Rabin's virtually unchallenged authority on security issues. Both Shamir and Peres realized that they had to treat Rabin deferentially because of his political strength as the number-two man in the Labor Party. Both also realized that Rabin brought unique qualifications to the Defense Ministry by virtue of his long career in the Israeli army, ending as Chief of Staff in 1968.

Rabin is the chief architect of Israel's Lebanon disengagement policy and sets the tone for Israeli administration of the occupied West Bank and Gaza Strip. In a range of other security-related issues—including policy toward Syria, responses to terrorism, and weapons development and procurement—Rabin's opinion carries tremendous influence in the government.

Similarly, Shamir has allowed Finance Minister Nissim the leading role in shaping economic policy, according to US diplomats in Tel Aviv, and accepted continued deep involvement in economic affairs by Peres since rotation of the premiership in October 1986. The lack of involvement by Shamir in economic decision making encouraged competing Israeli interest groups—unions, industry, and the Labor Party—to reject key elements of his economic reform proposals during recent policy debates, according to US diplomats in Tel Aviv. His crisis-avoidance approach to recent budget debates contributed to a widening budget deficit that is heading the economy toward renewed inflation.

Shamir's practice of delegating economic policy making to Peres and Nissim has prompted sharp criticism from Shamir's leading rivals in Herut—Construction and Housing Minister David Levi and Industry and Commerce Minister Ariel Sharon—each of whom aspires to lead Likud at the next national election now scheduled for November 1988. As the next election approaches, Shamir is likely to come under heavy pressure from Levi and Sharon to implement politically popular measures such as wage hikes and subsidy increases.

Shamir's mishandling of the debate on the economic reform package has contributed to a sharp decline in popular support for his leadership. A recent public opinion poll shows that Israeli confidence in Shamir's ability to manage the economy has plummeted to 42 percent from a peak of 73 percent last September. Levi and Sharon, meanwhile, have made slight gains in popular support.

Adverse changes in Israel's economic indicators will further test the Prime Minister's ability to mollify his critics. Since Shamir took office, Israel's trade deficit has widened, real wages have increased, and economic growth has stagnated—developments that may offset the government's success in controlling inflation. Before the election next year Shamir must demonstrate that he has the resolve to tackle these problems and to provide tangible economic gains.

Shamir's Inner Circle

Shamir's passive leadership style has increased the importance of his advisory team, and Embassy reporting suggests that Shamir's closest advisers have had a major impact in shaping his instinctively cautious thinking as Prime Minister. Shamir's top three aides share a pragmatic approach and appear to have been influential in promoting the more balanced stance Shamir adopted early in his term against additional West Bank settlements. Shamir also hinted he would consider carefully circumscribed international participation in Middle East peace talks, a stance from which he has retreated in the face of increasing pressure from Herut Party hardliners. We believe the Prime Minister's advisers are intensely loyal to Shamir and share his desire to avoid politically risky moves that could cut short his term.

Shamir relies most heavily on a trio of former top Foreign Ministry officials whom he recruited while heading that ministry from 1980 to 1986. Chief of Staff Yossi Ben-Aharon, Media Counselor Avi Pazner, and Cabinet Secretary Eliyakim Rubenstein are the closest to Shamir. None of the three are ideologues, and none were Herut activists.

Secret

Secret

Shamir's Inner Circle**Yossi Ben-Aharon**

Director General, Office of the Prime Minister
Foreign service veteran who has served as Shamir's top political aide for past six years . . . tapped for his grasp of complex policy issues and administrative talents rather than party ties . . . preeminent among Shamir's policy advisers . . . dominates inner circle, having centralized office functions in his own hands . . . coordinates with other ministries and drafts Prime Minister's speeches . . . despite shared hardline political views, has tried to give Shamir's administration more pragmatic tone . . . 54.

Avi Pazner

Prime Minister's Media Adviser
Longtime Foreign Ministry press spokesman, has served as Shamir's media aide since 1982 . . . has earned Prime Minister's confidence in his professional judgment and has free hand in performing his role . . . enjoys good rapport with both Shamir and press corps . . . acts as buffer between press and characteristically media-shy Prime Minister . . . has made some progress in turning around Shamir's previously dull public image . . . 49.

Eliyakim Rubenstein
Cabinet Secretary

Lawyer and seasoned civil servant . . . probably second most influential of Shamir's advisers . . . has direct access to Prime Minister despite office director Ben-Aharon's assumption of coordinating power . . . no sign of friction between two aides to date . . . highly regarded by Shamir, whom he first served while Foreign Ministry legal adviser (1982-85) . . . was Deputy Chief of Mission in Washington at time of his selection as secretary . . . influence, energy, and ability ensure him important behind-the-scenes role in shaping policy . . . official duties include briefing President and media on Cabinet proceedings . . . 40.

Dan Meridor

Member of Knesset
Younger generation Herut Party activist . . . has no official position in Office of the Prime Minister but is considered a confidant of Shamir . . . also plays part

in Prime Minister's economic councils . . . was highly regarded Cabinet Secretary under Menachem Begin and Yitzhak Shamir (1982-84) . . . Jerusalem-born lawyer with bright political future . . . longstanding personal ties to Menachem Begin and Begin's son Benny . . . 42.

Ehud Olmert
Member of Knesset

Articulate Herut Party activist and polished spokesman for party positions . . . member of Shamir's circle of political confidants but holds no formal position in Office of the Prime Minister . . . lawyer by training and onetime military correspondent . . . member of Knesset since 1973 . . . member of Foreign Affairs and Defense Committee . . . considered rising star in Herut . . . 42.

Ronnie Milo

Deputy Minister in the Office of the Prime Minister
Ally and confidant of Shamir . . . served as his deputy at Foreign Ministry, 1984-86 . . . ambitious Herut Party activist with family ties to Menachem Begin and 10 years of Knesset experience . . . nevertheless, plays secondary role in Office of the Prime Minister, suggesting standing with Shamir has diminished . . . hopes for important portfolio frustrated . . . belatedly put temporarily in charge of Ministry of Interior after Minister quit . . . Shamir's key lieutenant for internal Herut Party affairs . . . also has acted as Shamir's negotiator with camp of Construction and Housing Minister David Levi . . . 37.

Tzahi Hanegbi

Director of the Prime Minister's Bureau
Personal assistant to Shamir since 1984 . . . wields influence as gatekeeper for Prime Minister . . . oversees agenda, appointments, correspondence . . . provides political input on media team . . . son of Tehiya leader Geula Cohen; father was former classmate and comrade-in-arms of Shamir . . . established political career as extremist student leader at Hebrew University . . . led settler resistance to 1982 dismantling of Yamit settlement in Sinai . . . viewed as effective grassroots organizer . . . 36.



25X1

Secret

Secret

Two promising young Likud Knesset members—Dan Meridor and Ehud Olmert—have also increasingly taken on informal advisory roles. Neither holds an official position besides his legislative seat, but Shamir has come to value their counsel greatly.

Two other Shamir aides who rose through party ranks and are point men on intraparty maneuvering in Likud seem to have less influence on Shamir's policy. Deputy Minister Ronnie Milo and Bureau Chief Tzahi Hanegbi appear to have been eclipsed by the pragmatists surrounding Shamir.



25X1

Secret

Secret

Gush Emunim's Impact in Israel [REDACTED]

25X1

The radical Gush Emunim (Bloc of the Faithful) has spearheaded Israel's settlement of the occupied West Bank since 1975, but it has failed to gain broad popular support. The Gush is most unlikely to gain sufficient political strength to transform Israel from a pluralistic democracy into an aggressive, xenophobic theocracy, despite theories by an American scholar that such a trend might develop.

In an in-depth study entitled "Jewish Fundamentalism in Israel," Dr. Ian Lustick contends that the Gush Emunim is "the single most important political force on the Israeli scene." He claims the Gush has won major influence over rightwing parties by unifying nationalistic secular Jews with ultrareligious Jews through a religious Zionist ideology. Lustick postulates that the Gush Emunim may eventually "transform Israeli society following a breakdown of parliamentary democracy" into an aggressive theocratic state posing "a challenge to American foreign policy and security interests at least as profound as those resulting from the Islamic revolution in Iran."

US Embassy reporting makes clear that the Gush has lost much of its religious and moral fervor since the group's heyday in the early 1980s because of:

- Exposure in 1984 of the Jewish terrorist underground in which Gush members played prominent roles.
- The predominance of nonideological settlers in most West Bank settlements.
- The inability of the current National Unity government to promote aggressively the establishment of a large number of new settlements.

Reexamination of Methods and Goals

The exposure in 1984 of a Jewish underground with several Gush Emunim members caused an ideological upheaval within the Gush Emunim. Religiously motivated and less militant members were appalled at the machinegun attack by some members in 1983 on Hebron University Palestinian students—one of the

Fathers of Gush Emunim

Abraham Isaac Kook, who was appointed first Chief Rabbi for Palestine by the British in 1921, prophesied that spiritual redemption depended on settling in the heart of Eretz Yisrael—the biblical lands of Judea and Samaria now generally called the West Bank. Kook became the first to restate in modern terms the Jews' spiritual tie to the physical land, and his views eventually became the centerpiece of Gush philosophy. [REDACTED]

25X1

Following the Arab-Israeli war in 1967, Rabbi Tzvi Yehuda Kook put his father's beliefs into concrete terms by sanctifying Israel's possession of all the newly occupied territories—the Gaza Strip, the Sinai Peninsula, and, especially, the West Bank. Through his teachings, Rabbi Tzvi Kook influenced a group of young idealists who founded the Gush Emunim in the early 1970s. [REDACTED]

25X1

Moshe Levinger, a charter member and now leader of the Gush, urges Gush members to support violent means to advance the settlement cause. Levinger lives with his wife and family in the old Jewish quarter in the heart of downtown Hebron. He played a key role in helping establish the large Qiryat Arba settlement near Hebron in 1968. [REDACTED]

25X1

underground's most notorious actions—and were led to reevaluate their group's goals. Initially the Gush Emunim experienced a deep division following the shock of the disclosure. Some Gush leaders disassociated themselves from the activities of the suspects, while other activists called for official, unified Gush support for terrorist methods aimed at increasing Jewish settlement in predominantly Palestinian areas on the West Bank.

Secret

NESA NESAR 87-007
13 March 1987

Secret

The Gush remains divided between those promoting prosettlement political lobbying efforts and those supporting terrorist activities against the Arab population. According to US Embassy reporting, Gush espousal of Jewish religious and historical claims to the West Bank has not unified the group in favor of violence aimed at encouraging the Palestinian population to flee.

Inadequate Public Backing

As a settlement organization, the Gush Emunim appears to have exhausted its reservoir of potential settlers and is unlikely to significantly broaden its following. Although in the late 1970s and early 1980s the Gush played a key role in establishing small settlements in areas densely populated by Arabs, it remains essentially a band of middle-class Ashkenazim—mostly religious—facing a lack of new settlers. According to US officials in Tel Aviv, the pool of ideologically motivated Israelis willing to settle in heavily Arab-populated areas is drying up. The majority of Jewish settlers now on the West Bank are nonideological suburbanites residing in large urban settlements within commuting distance of Tel Aviv and Jerusalem. We estimate that only 15 percent of the estimated 55,000 Jewish settlers on the West Bank reside in settlements affiliated with Gush Emunim. Continued suburbanization of the West Bank means that Gush Emunim will become an even smaller minority among the Jewish settlers.

Gush leaders have failed to attract support among Israel's Sephardim. According to Israeli polls, the traditionally more observant Sephardi immigrants from Middle Eastern and North African countries in general hold more nationalist views than the Ashkenazim. But Sephardim generally do not implement these views by moving to the occupied territories, and few live in settlements. Sephardi leaders claim that the hardline Likud bloc has focused on the West Bank to the neglect of poorly funded Sephardi-dominated urban slums and development towns inside Israel proper.

Having exhausted its attempts to make deeper inroads in the secular or the Sephardi populations, the Gush in recent years has concentrated on promoting Jewish emigration from the Soviet Union and recruiting new

Soviet immigrants to its ranks. But the number of Soviet Jewish immigrants has yet to reach the volume necessary to support the Gush goal of creating a mass movement of settlers.

Political Influence

US Embassy reporting and Israeli public opinion polls demonstrate that the Gush Emunim remains a minority rejected by most Israelis, who are not religious fundamentalists. Most of those who support retention and settlement of the occupied territories do so for nonreligious reasons, particularly security and historical attachment. The relatively dovish Labor Party and virtually all ultraorthodox Israelis reject Gush goals and methods as nationalistic fanaticism.

Most Israelis supporting occupation of the West Bank are politically represented by the right-of-center Likud bloc, the ultranationalist Tehiya (Renaissance) Party, and the National Religious Party. These three groups together probably receive all the Gush vote.

A significant increase in public support for rightwing religious parties is unlikely. Published research by Israeli sociologists shows a clear trend toward secularization among young, native-born Israelis. Some religious voters have long voted for secular parties and almost certainly will continue to do so. Religious parties also have been unable to capitalize on the growing pool of potential voters coming of age in typically large ultraorthodox families due to the traditionally lower level of political interest within this inward-looking community.

Who Controls Whom?

In our view, the Gush Emunim is likely to continue to play a noisy but limited role in support of agendas set by Likud and other rightwing parties. The Gush goal of massive West Bank settlement became a fundamental aspect of policy during Menachem Begin's term as prime minister. Although Begin's Likud bloc was ideologically committed to the idea of retaining the West Bank, it used the Gush Emunim to promote settlement in order to reinforce Israel's commitment to the territories. Begin needed and manipulated the zealots of the Gush as a cadre of

Secret

Secret

Gush Political Strategy

Although it originally supported the National Religious Party, the Gush later abandoned support for it after the party refused to support legislation formally annexing the West Bank. The Gush has since refused to identify formally with any political party or to create its own. Members of the Gush primarily are involved in and support three different political groups—Likud, the National Religious Party, and Tehiya. By our estimate, aside from Tehiya—currently with only five Knesset seats—the Gush is not a majority in any party. Some key Gush leaders play particularly prominent roles in the key Matzad faction of the National Religious Party led by Yosef Shapiro—at present Minister Without Portfolio—and Knesset member Chaim Drukman.

As the Gush became frustrated at its slow progress in the political system, the group adopted more radical methods. Drukman publicly criticized the Begin and Shamir governments for failure to move more aggressively to expand settlements in the territories and for withdrawing from the Sinai Peninsula. In a highly publicized action in the spring of 1982, Gush member Israel Harel bitterly opposed Israeli withdrawal from the Sinai by barricading his settlement against the Israeli troops enforcing the evacuation. Even after being forcibly removed, he vowed to resist future government-approved territorial concessions.

The National Unity government's inaction toward increasing settlements on the West Bank has further inflamed Gush rhetoric. Harel has urged the settlement community to fund unauthorized settlements and to aid Jewish terrorists and their families. Daniella Weiss, the Gush Emunim general secretary, advocates that Jews head all West Bank municipal councils—even in towns where Arabs are the only residents. She also urges closure of all West Bank universities on the grounds that Palestinian students pose a threat to Jewish settlements.

young, enthusiastic pioneers, willing to settle in the very places that were unattractive to other Israelis because of the political controversy surrounding them. Gush Emunim settlements near and even inside major Arab towns like Nablus and Hebron—although perceived by many Israelis as provocative—served the Likud government as a necessary complement to its plan to permanently retain the West Bank.

Like Begin, Likud leaders Ariel Sharon and David Levi are using the Gush Emunim and the settlement issue to court popularity with hardliners in their party. Initial Gush Emunim support for Yitzhak Shamir after he became Prime Minister last October quickly faded when he deferred proposals for establishing new settlements. Some Gush Emunim leaders have even called for his resignation if he continues to hold the line against establishing a large number of new settlements.

Shamir's delay provides an opportunity for Levi and Sharon to weaken party support for his leadership. When settlement activists failed to win Shamir's support for immediate establishment of the four remaining settlements to be established under coalition guidelines, Sharon urged increased settlement during a rally in Jerusalem in January. Levi has become more active on the settlement issue, apparently burnish his Likud credentials, by formally submitting a proposal to the government for six new settlements at a cost of \$8 million, according to the Israeli press. Bolstered by Gush activism, both Sharon and Levi are likely to use the settlement issue to try to attract more support from the Herut rank and file during the Herut convention scheduled for 30 March 1987.

25X1

25X1

25X1

25X1

Secret

**Egypt: Seeking Balance
in Foreign Affairs**

25X1

Cairo's foreign policy is anchored in the West, but aspirations to Arab and nonaligned leadership and domestic criticism of dependence on the United States are motivating Egyptian leaders to expand ties to the Soviet Union and Eastern Europe. We do not believe President Mubarak intends to fundamentally alter Egypt's alignment with the United States or his commitment to the Camp David accords in the foreseeable future, but he appears determined to create at least the appearance of greater balance in Egypt's relations with the superpowers.

negotiations on key debt and trade issues than in previous months. Recent discussions have centered on interest payments on the outstanding Egyptian military debt (\$2-3 billion). The Egyptians also hope to gain economic cooperation and cultural agreements and renewed access to spare parts for some of Egypt's Soviet-made military equipment. The Egyptian-Soviet Friendship Society has been revived, and there have been numerous exchanges of high-level visitors, including a recent appearance by Anatoliy Gromyko. In the meantime, the Egyptian press has become steadily more critical of the United States, while it has increased coverage of favorable developments with Moscow.

25X1

New Foreign Policy Initiatives

Over the last six months, Egyptian diplomacy has become more active on a variety of fronts:

25X1

- After an extended period of standoffishness, Mubarak has taken the initiative in seeking greater acceptance in the Arab world, culminating with his appearance at the Islamic Conference Organization summit meeting in Kuwait in January.
- Mubarak has traveled extensively in Europe, consulting with officials in France, West Germany, and the United Kingdom on matters of mutual concern, such as the Arab-Israeli conflict and Egypt's economic situation.
- Egypt has expanded its ties to African neighbors such as Ethiopia and Sudan, as well as to other members of the Organization for African Unity.
- Trade and technical agreements have been initialed with East European and Asian states, including Yugoslavia, Czechoslovakia, and both Koreas.

These developments raise questions about the nature of Mubarak's strategy and its implications for Egyptian-US relations. What are the sources of tension with the United States, and what benefits does Moscow have to offer? How does Cairo view the tradeoffs in its relations with the superpowers?

25X1

Egypt's US Connection: Extensive Benefits But Increasing Costs

Economic necessity has pushed Cairo toward Washington since President Sadat turned away from the Soviets in the 1970s, but relations between Egypt and the United States historically have covered a much broader spectrum. Like Jordan and Kuwait, Egypt has extensive cultural and trade links to the United States and shares many Western values. Although relatively few Egyptian students attend school abroad, the large majority of those who do choose Western institutions. Egyptian commerce with Western states completely overshadows its trade with Middle Eastern or other developing countries. A similar trend in military assistance demonstrates a dramatic shift from the years of close Soviet ties.

25X1

The upswing in Egyptian contacts with the Soviet Union is particularly notable. Both Moscow and Cairo seem more determined to end the stalemate in

25X1

[Redacted]

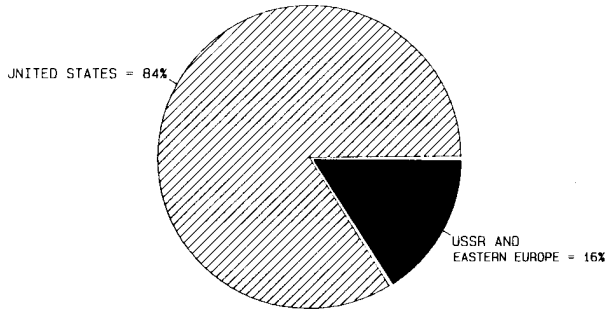
25X1

Secret

NESA NESAR 87-007
13 March 1987

Secret

EGYPTIAN STUDENTS ABROAD BY REGION OF STUDY 1983-1984



Egyptian Students in the U.S., U.S.S.R. and Eastern Europe in 1983/1984 = 2775

[redacted]

Mubarak has sustained the US connection initiated by Sadat, and we believe he regards this relationship as fundamental to his foreign policy. The US connection has served Cairo well on a variety of issues critical to the survival of the regime, especially economic stabilization, infrastructure development, and military modernization. Egyptian ties to the United States entail costs for the regime, however, in the areas of domestic and regional politics. [redacted]

Economic Challenges. We believe the Mubarak regime considers stabilizing Egypt's economy its first priority. Mubarak, like his predecessor, has depended on the United States—together with Western financial institutions such as the International Monetary Fund and the World Bank—to provide sufficient economic assistance to ameliorate Egypt's economic difficulties. Between 1979 and 1983, Washington provided over \$5.5 billion in aid to Egypt—almost two-thirds in grants—and is currently supplying over \$2 billion annually. In addition to funds, Mubarak expects the US Government to encourage private American investment and tourism in Egypt, according to the US Embassy in Cairo.

[redacted]

Despite major infusions of US aid, the gap between population growth and available resources continues to widen, and Egypt's middle and lower classes are

experiencing a decline in their standard of living. The government has implemented some economic measures successfully, and many improvements in infrastructure have been made, but international financial experts generally regard these efforts as piecemeal and insufficient. The reform process is hampered by fears of violent reactions to unpopular austerity measures and by opposition from within the archaic bureaucracy, which has a highly centralized style of administration and is still dominated in some offices by centrist-oriented economic thinkers. [redacted]

Fairly or not, Egyptians will hold the United States responsible for their nation's economic health. Over 10 years have passed since Sadat's realignment in policy, and Egypt's economy remains in deep trouble. Even where improvements in the daily life of many Egyptians have occurred, the regime appears to receive relatively little credit, and the scope of US assistance is not always understood or appreciated. Furthermore, cuts in that assistance could create the impression of abandonment by the United States and generate a strong anti-US backlash. [redacted]

Military Loyalty. [redacted]

[redacted] Mubarak depends on the loyalty of the armed forces to preserve domestic security. Their assistance was most recently required to put down rioting by security police in February 1986. These strong bilateral military ties have a major stabilizing effect on the overall US-Egyptian political relationship, according to US Embassy officials. [redacted]

Washington provides the Egyptian military with equipment and training opportunities that bolster morale and support modernization. Although there are problems in day-to-day relations, Egyptian military officers get along better with their US counterparts than with earlier Soviet advisers, regard US weaponry as superior to Soviet equipment, and gain enhanced prestige from joint exercises, according to [redacted]

25X1

25X1

25X1

25X1

25X1

25X1

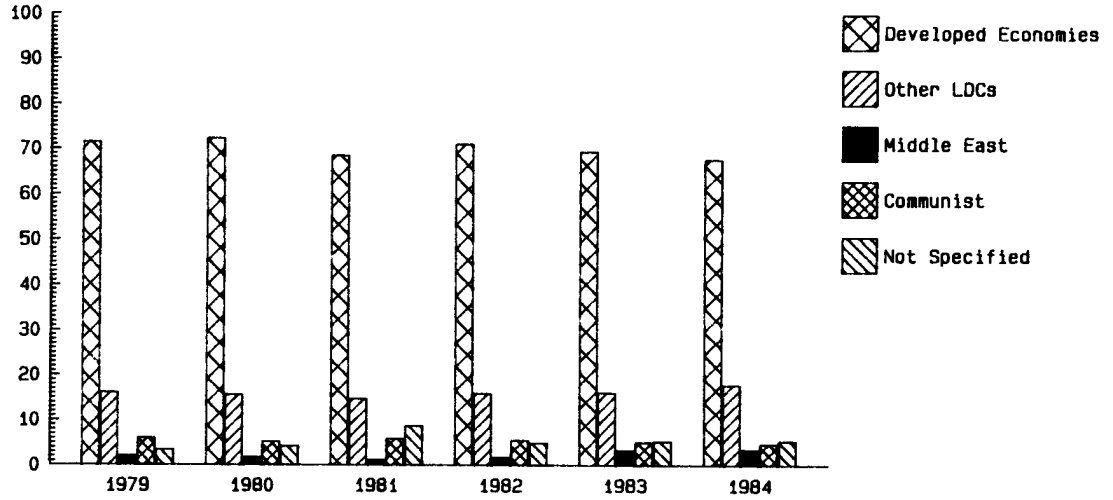
25X1
25X1

Secret

Secret

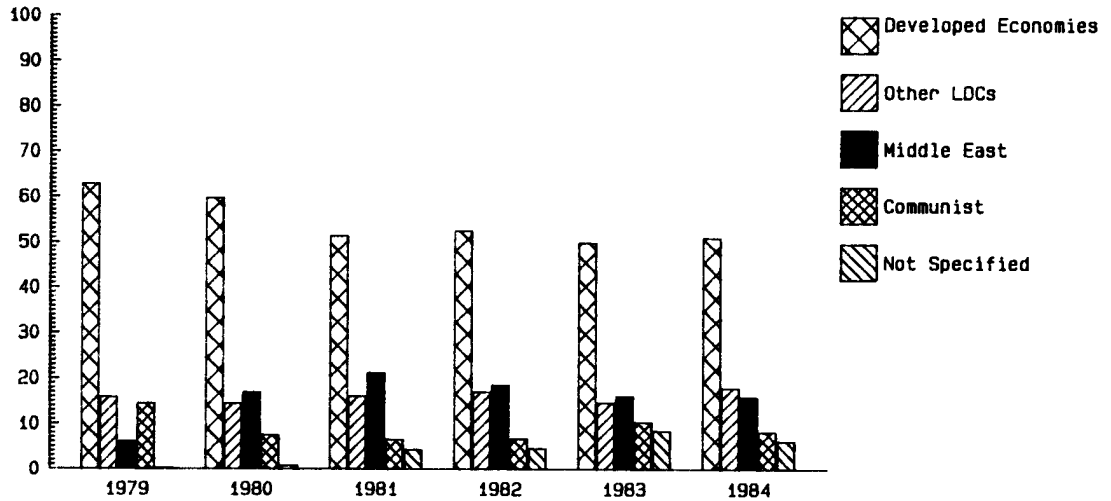
EGYPTIAN IMPORTS BY ORIGIN 1979-1984

(Percent of Total Imports)



EGYPTIAN EXPORTS BY DESTINATION 1979-1984

(Percent of Total Exports)

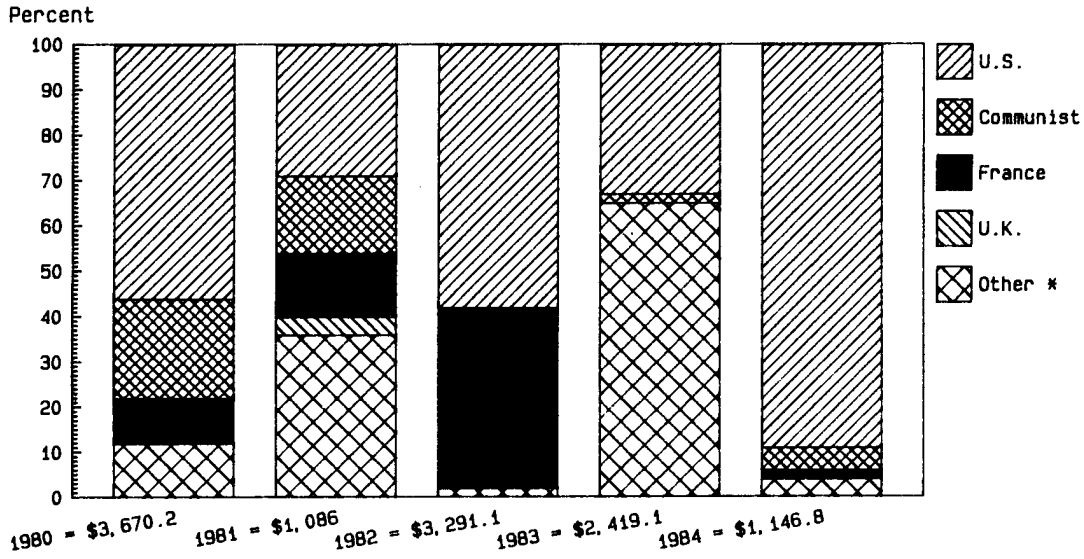


25X1

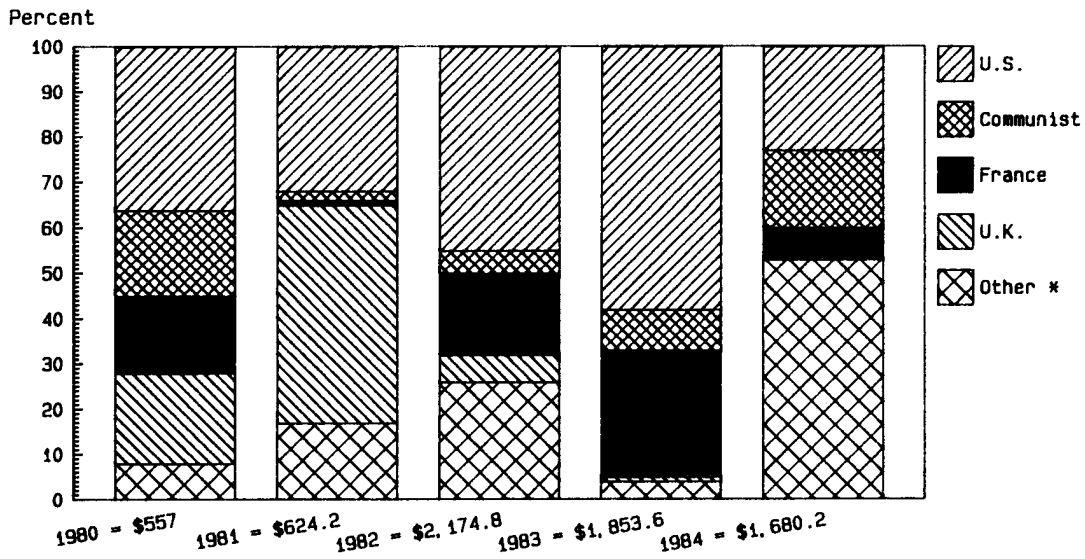
Secret

Secret

EGYPT MILITARY ASSISTANCE AGREEMENTS 1980 - 1984



EGYPT MILITARY ASSISTANCE DELIVERIES 1980 - 1984



Dollars in U.S. millions

25X25X1

Secret

Secret

On the whole, Egyptian officers have been pleased with the US-Egyptian military assistance relationship and its role in rebuilding Egyptian defenses, although some fear Egypt is becoming too dependent on the United States. The military closely monitors the US aid program for Israel to see that rough parity is maintained with the program for Egypt. [redacted]

Domestic Policy. Although the democratic trend Mubarak has fostered provides an outlet for dissent and a framework for resolving conflict, we believe it also makes the regime more vulnerable to elite and popular criticism. Many Egyptian nationalists still blame the United States, Israel, and the Camp David accords for depriving Egypt of its traditional role as the foremost Arab state. [redacted]

Moreover, Islamic radicals consider contact with Western societies a corrupting influence and see the economic liberalization policy as further evidence of foreign domination of Egyptian affairs, raising the specter of Egypt's colonial past. Consequently, opposition groups can exploit public opinion to challenge Mubarak on the issue of US-Egyptian ties, placing a constant burden on him to prove that the benefits of relations with the United States outweigh the costs for Egypt. [redacted]

Mubarak has responded to these domestic pressures, in part, by reducing the visibility of his ties to the United States and rebuilding Egypt's ties to the Arab world. He has resisted an agreement for US basing rights in Egypt, for example, because US facilities could become a target for domestic dissent or even terrorist attacks. [redacted]

Regional Policy. Mubarak's interrelated goals of achieving an Arab-Israeli peace settlement and reintegrating Egypt into the Arab mainstream have mixed consequences for his relations with Washington. Mubarak sees Egyptian activism in the peace negotiations as the primary vehicle to regain leadership of the moderate Arab states, remove the destabilizing potential of the Palestinian issue, and mute domestic criticism. At the same time, he bears both the burden of performing effectively as a broker in the peace process and the stigma of US or Israeli actions against Arab states. [redacted]

Problems for Mubarak arise from important differences between Egypt's peace policy and Israeli and US positions, primarily over who will represent the Palestinians and what is the appropriate role for the Soviet Union in negotiating a settlement. One of Mubarak's most public Arab initiatives is promoting a reconciliation between Jordan's King Hussein and the Palestine Liberation Organization to produce a united Palestinian representation to the peace talks acceptable to all parties. Mubarak has publicly supported Hussein's proposal for an international conference—to include participation by the Soviet Union—to prepare the way for true peace talks. [redacted]

25X1

25X1

The appearance of US disarray in its Middle East policy creates additional stresses on Egyptian-US relations. [redacted]

25X1

25X1

25X1

Nevertheless, Mubarak appears to have determined that Egypt's opportunity to gain readmittance into the Arab mainstream on its own terms has improved dramatically. [redacted]

25X1

[redacted] Mubarak's regional objective of reintegration has gained momentum from the recent Islamic Conference Organization summit meeting in Kuwait, where he won praise for his leadership and his handling of Syria's Hafiz al-Assad. [redacted] significant quantities of financial assistance will also be forthcoming from the Arab Gulf states, which seek to bolster Egyptian stability and hope to rely on Egyptian military strength as a counterweight to the Iranian threat. [redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Cairo and Moscow: Normalization and Constraints

[redacted] the Egyptian Government believes that improving ties to Moscow offers a range of specific benefits:

25X1

- Providing access to Soviet spare parts for industrial and military equipment.
- Rescheduling Egypt's military debts and resolving Moscow's blockage of funds in the Egyptian ruble account.

25X1

Secret

Secret

- Involving Moscow constructively in the Arab-Israeli peace process.
- Improving Egypt's leverage with Moscow to lessen aid to Libya and reduce its role in Afghanistan.

[Redacted]

Recent changes in the Soviet approach suggest that Moscow is considering making additional concessions on the interest rate of Egypt's military debt. In the past, the Soviets have dealt parsimoniously with Cairo on economic matters to avoid setting a costly precedent for their other creditor nations and out of an apparent belief that Cairo will offer little in return.

[Redacted]

Another round of talks is scheduled for mid-March. The US Embassy does not expect a major breakthrough immediately but anticipates that the two sides will continue exchanging visits to improve the climate for agreement. Mubarak may be counting on the Soviets to decide that the political advantages of improving relations with Egypt outweigh the economic costs of compromising on terms. A settlement whereby the Soviets forgive interest payments on the debt would set an uncomfortable precedent for Egypt's negotiations with the United States on the Foreign Military Sales debt.

[Redacted]

As far as economic assistance is concerned, we doubt that the Soviets will match US aid levels. In 1957-74, a period encompassing the heyday of Soviet economic assistance to Egypt, Moscow's aid totaled less than \$1.5 billion. Cairo has also been actively exploring ways in which the Soviets and East Europeans might help revitalize Egypt's public-sector industries, many of which were built with Soviet assistance.

In the area of military assistance, we believe that prospects for a full-fledged Egyptian-Soviet relationship are limited in the near term, although Egypt's pressing need to obtain spare parts for the remaining Soviet equipment, which covers the entire spectrum from trucks to aircraft to submarines, may eventually resurrect this program in a limited way. We believe the military remains strongly anti-Soviet and remembers Moscow's slowness to resupply Egyptian forces, and Soviet attempts to interfere in

Egypt's domestic affairs. [Redacted]

As far as the Arab-Israeli conflict is concerned, Mubarak has stated that the Soviets should be included in negotiations in order to ensure Syrian participation, and that Moscow could play a constructive role, according to diplomatic reporting. He also hopes that improving ties to Moscow will balance Soviet equities in Syria and give the Soviets a greater interest in the moderate Arab position. Egyptian officials believe that the moderate Arabs can contain possible Soviet mischief during peace negotiations if they act together, according to the US Embassy in Cairo.

Outlook for Egypt's Relations With the Superpowers
President Mubarak appears to be implementing a strategy of balancing Egypt's already extensive ties to the United States by expanding the scope of Egyptian relations with the Soviet Union as well as with other countries considered appropriate partners for trade or technical cooperation. Improving ties to Moscow, in addition to resolving outstanding bilateral questions, has the added benefit of bolstering Egypt's declared policy of nonalignment.

Nevertheless, Mubarak's efforts to expand the scope of Egypt's foreign relations—including ties to the Arabs, the Soviet Union, Eastern Europe, and Asian countries—will result mostly in a change of style, in our view. We have seen no indication that Mubarak is planning to change Egypt's alignment. Egyptian leaders will probably continue to find it politically advantageous to create the appearance of more balanced relations with the superpowers to quiet domestic critics of dependence on the United States and bolster Cairo's stature in the Arab world. In our judgment, Egypt's heavy dependence on US economic assistance, its military's preference for US equipment, and its reliance on the United States as a key participant in Arab-Israeli negotiations are compelling incentives for continuing close ties to Washington. We believe future Egyptian governments will also give great weight to these benefits.

25X1

25X1

25X1

25X1

25X1

25X1
25X1

25X1

25X1

Secret

Secret

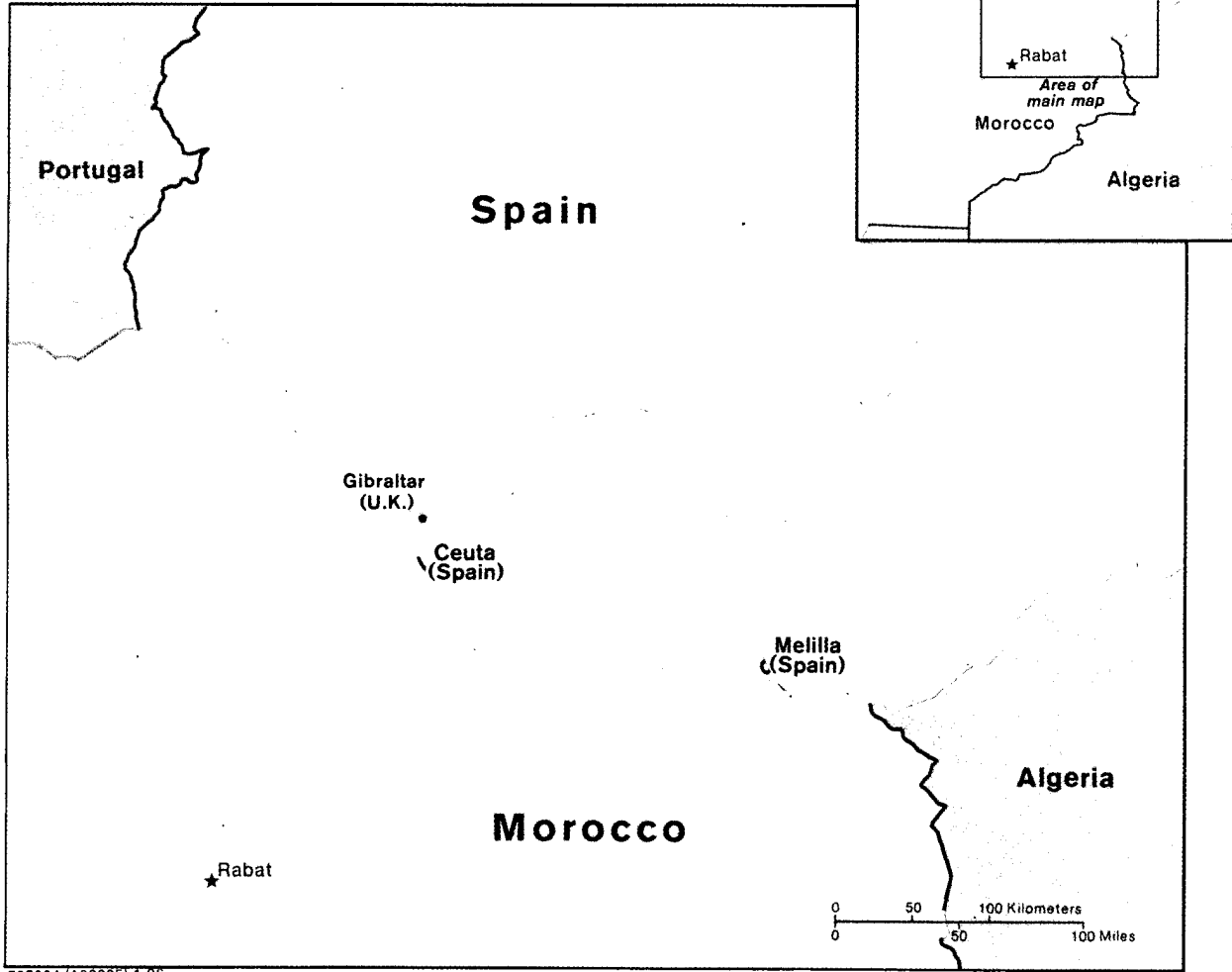
Neither the domestic nor the regional factors that strain the Egyptian-US relationship are likely to disappear soon, however, even though these strains will not necessarily redound to the Soviets' benefit. Mubarak's ability to balance his policy toward the United States and Israel with the precarious domestic economic and political situation could be upset by a continuing hardline Israeli stance on the peace process, by a new Arab-Israeli conflict, by a sharp jump in the influence of Islamic fundamentalists, or by an Egyptian economic collapse.

25X1
25X1

Secret

Secret

Spanish Enclaves in North Africa



707004 (A02005) 1-86

Secret

Secret

**Morocco-Spain: Trouble
in the Enclaves**

25X1

Moroccan nationalism has flared in the Spanish enclaves of Ceuta and Melilla during the past year. King Hassan almost certainly does not want to precipitate a showdown over the enclaves. But he has exploited the issue to divert public attention from domestic economic problems and to bolster his negotiating position with Spain on other bilateral issues. The King, however, could stir up nationalist sentiment that would be difficult to control.

Morocco shall be a liberator." Mohamed V had Morocco proper, Hassan had Western Sahara.

25X1
25X1

Hassan Ups the Ante

Nevertheless, in recent months King Hassan has done little to discourage local Muslim leaders from stirring up nationalist sentiment. Spain angered the Muslim community in April 1986 when it tightened residency conditions for foreigners. Most of Melilla's Muslims are Moroccan citizens. Although most probably would have qualified for residency permits, others almost certainly would have failed to satisfy the new Spanish guidelines. Uncertainty as to just who might be able to stay and who would have to leave generated widespread fear and anger among Melilla's Muslims. Some also resented Madrid's attempt to regularize their status as reassertion of Spanish sovereignty over the enclaves.

25X1

25X1

Conflicting Claims

Melilla and Ceuta comprise an area of 32 square kilometers and have a population of some 107,000. Morocco claims the enclaves as its own and asserts that Spain should have surrendered them when it relinquished the rest of its colonial territories in Morocco in 1955. Madrid has occupied and administered the enclaves as part of the Spanish realm since the 15th century. The question of sovereignty is, therefore, a sensitive issue in Spain and a highly charged rallying cry for nationalism and anticolonialism in Morocco. Most Moroccans believe that the enclaves have always been part of Morocco and that Spain is an encroacher.

The Muslim community responded by staging a series of increasingly violent demonstrations and strikes that led to the death of a protestor, the arrest of several Muslim activists, and the flight of the leader of the Muslim community, Aomar Dudu. Tension remains high, and we believe that one reason Madrid's efforts to defuse the crisis have failed is that Hassan has declined to support them as he did during earlier tensions.

25X1

25X1

Hassan has tried to bolster his claim to the enclaves by asserting that no one country should control a passage as strategic as the Strait of Gibraltar. Hassan has told the Spanish repeatedly since 1975 that, when Spain regains control of Gibraltar from the British—an effort Rabat supports—he will expect Spain to surrender the enclaves soon thereafter. We believe that, if Spain recovers Gibraltar, the Moroccan Government would orchestrate strong public pressure to establish Moroccan sovereignty over Ceuta and Melilla, and the likelihood of military confrontation between both countries would increase.

Indeed, the King escalated the issue in January when he publicly suggested the creation of a "commission" of wise men to study the question of the return of the enclaves to Morocco. According to the US Embassy in Madrid, the proposal is a potentially important change in the Moroccan position because it unlinks discussions about the enclaves from the resolution of the talks on Gibraltar. Spanish King Juan Carlos turned down the idea because it would imply a willingness of Spain to discuss its sovereignty over the enclaves.

25X1

25X1

The King, however, has been in no hurry to resolve the enclave issue. We believe that he does not want to jeopardize Spanish-Moroccan relations and that he has higher priorities he wants to achieve—most notably a resolution of the Western Sahara issue. Hassan's father, Mohamed V, said "every King of

Secret

To remove any doubt in Madrid that Dudu's activities were sanctioned by Rabat, Hassan told Spanish officials that Dudu is under royal protection and was officially received in the Moroccan capital in October 1986. At the Feast of the Throne, Dudu took part in the traditional swearing of allegiance ceremony. The King added that, in his capacity as Morocco's supreme religious leader, he could order Muslim religious leaders in Ceuta and Melilla to offer prayers for peace. We believe that through this comment Hassan conveyed to the Spanish that they may wield nominal political authority over the enclaves, but he has the power to influence the thoughts and actions of much of the enclaves' Muslim population. [redacted]

Hassan has also announced that a royal visit in September to northern Morocco—the first in 17 years—will include a trip to Nador, the Moroccan city bordering Melilla, where Dudu is in self-exile. In our view, whether or not Hassan chooses to publicly reiterate Morocco's claims to the enclaves, both Moroccans and Spaniards will see a connection. [redacted]

The King's Motives

We believe that Hassan is exploiting the enclave issue to divert attention from his troubled economy and to provide an issue for the opposition—particularly the oldest political party in Morocco, the Istiqlal—to focus on. Diplomatically, he almost certainly is trying to use the enclaves to exert pressure on Spain and increase Morocco's leverage in an otherwise unequal relationship. Hassan knows that Spain and the United States are engaged in delicate negotiations over US basing rights, and he may believe that the talks make Madrid particularly vulnerable to pressure on the enclaves. [redacted]

In particular, the King would probably like to reduce Spanish diplomatic support for Algeria's position on the Western Sahara issue. According to the US Embassy in Rabat, the King was unhappy last fall when Spain once again voted against Morocco in the United Nations on the Western Sahara question. We believe he also hopes to use the enclaves to press the Spanish to support Morocco on European Community issues, particularly the export of Moroccan citrus to Western Europe. In addition, he is urging the Spanish not to establish a steamship line between Oran in Algeria and Melilla and Barcelona. [redacted]

Prospects

We concur with the US Embassy in Rabat that Hassan will not and cannot afford to let the enclave issue long burden Moroccan-Spanish relations. Nevertheless, he is playing a dangerous game. If the issue drags on much longer, it could develop a dynamic of its own and elicit widespread nationalist support within Morocco. [redacted]

In our view, both countries see it in their interests to prevent the issue from becoming a serious confrontation in the near term. Indeed, both have clear incentives to preserve a highly lucrative and mutually beneficial relationship. Fishing rights granted to Spain off the Moroccan and Saharan coast are profitable to both Madrid and Rabat. In addition, last year the two capitals concluded an approximately \$220 million deal for the delivery of Spanish trucks and military equipment to the Moroccan Army and agreed to increased security cooperation with enhanced joint military exercises. [redacted]

Moreover, the King is aware that the enclaves are important to the economy of northern Morocco. Indeed, northern Moroccans display a closer affinity to Spain than France, Morocco's principal economic patron and other former colonial ruler, and northern merchants and businessmen worry that they and their region could lose economically if the enclaves are incorporated into Morocco. [redacted]

We believe that these considerations will lead Hassan to avoid a confrontation with Spain. He is an astute judge of the political climate within Morocco as well as of diplomatic relations in the western Mediterranean, and we doubt that he will overplay his hand or press the enclaves issue beyond the point where he believes he has extracted as much as he safely can from it. Nonetheless, he is walking closer to the brink with Spain than at any time in the past decade, and even skilled political tacticians occasionally miscalculate. [redacted]

25X1

25X1

25X1
25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

**Libya: Oil Industry
Weathering Sanctions** [redacted]

25X1

The Libyan oil industry has been able to cope so far with US economic sanctions, the withdrawal of US companies, and US diplomatic pressure on West European governments to reduce petroleum trade with Libya. The volume of Libyan petroleum exports in 1986—about 1 million barrels per day (b/d)—was essentially unchanged from 1985. Although oil revenues plunged primarily because of the collapse of oil prices, US pressures contributed to the slide by forcing the Libyans to discount some oil sales. West European and Asian companies, including numerous foreign subsidiaries of US companies, continue to provide oilfield equipment and services. Despite the increased difficulty and cost of obtaining some advanced technology and US-made computer parts, procurement difficulties have not caused major production problems. In the absence of stronger West European support for US policies, the Libyan oil industry should be able to maintain exports at current levels for the foreseeable future. [redacted]

- A shortage of drilling and production equipment, including workover rigs and downhole equipment.
- A shortage of qualified drilling personnel.

- Difficulty paying service contractors. [redacted] 25X1
[redacted] 25X1

The US embargo apparently has also forced Libya to pay a premium for equipment and spare parts. [redacted] 25X1
[redacted] the Libyans must pay 25X1
double the market price for equipment. [redacted] 25X1
[redacted] Libyan oil companies are paying 25X1

a premium of 65 percent for pipeline inspection materials. On the other hand, oilfield equipment prices are at a rockbottom level because of the depression in the world oil industry, and [redacted] 25X1
[redacted] the Libyans generally do not have 25X1

major problems obtaining most equipment. Overall, we estimate that the US equipment embargo has added \$25-50 million to the estimated \$200 million per year the Libyans spend on oilfield equipment and spare parts. [redacted] 25X1

Oilfield Operations

Despite discussion of a consolidation, Libya's oil industry has remained essentially unchanged since the departure of the US companies. The Libyan National Oil Company has maintained five separate production companies, although the names of the two formerly American-directed companies have been changed. AGIP of Italy is now the largest foreign producer—currently pumping about 110,000 b/d—and is developing an offshore field scheduled to begin production later this year. OMV of Austria and the West German firms Wintershall and Veba also participate in production operations on shore. [redacted]

Coping With Sanctions

Despite some problems, a surplus of productive capacity has enabled Libya to meet its production goals—recently cut to 948,000 b/d under the OPEC quota agreement. On the basis of industry reporting, we estimate that Libya could sustain maximum production of nearly 1.6 million b/d despite some deterioration in capacity over the last year. [redacted] 25X1
25X1

Libya has experienced some operational difficulties resulting from the US pullout and sanctions and a reduction in investment caused by Libya's financial troubles:

- A shortage of computer and electronic spare parts.
[redacted]

25X1

Secret

NESA NESAR 87-007
13 March 1987

Secret

Limited Impact of US Sanctions

US economic sanctions against Libya have had only a limited impact on Tripoli's ability to acquire US or substitute technological goods, and no significant impact on its oil production or ability to use international banking mechanisms. Under the sanctions, all direct trade, travel, financial, and other business transactions by US firms and individuals are prohibited. All Libyan assets, including bank accounts, under the control of US citizens here or abroad are frozen. Because only "direct" transactions are prohibited, however, foreign companies are not compelled to cooperate, nor are foreign subsidiaries of US corporations. According to economic press reports, more than 200 US corporations trade with Libya via foreign subsidiaries and/or affiliates.

\$265 million in the year ending in June 1987. The value will not fall much beyond that because Libya will still have a demand for some US goods and will be able to find suppliers of parts abroad.

25X1

The asset freeze caused Tripoli to find new banks. Libya now tends to deal with Arab-owned banks that are less likely than Western-owned banks to impose freezes. Locating new banks and shifting funds imposed some inconvenience but have had no significant effect on Libya's use of financial markets.

25X1

Sanctions will probably have even less impact in the next year unless wider support is gained—which is unlikely. Historically, economic sanctions have been most effective in the first six to 12 months. After that, alternative suppliers are usually found. Although lifting the sanctions would provide little economic benefit, we believe that Qadhafi would portray removal as a major defeat for US policy. He would claim removal demonstrated that Libya's commitment to its policies was stronger than US determination to punish his country.

25X1

25X1

Direct US-Libyan trade had already been severely reduced by three earlier rounds of US export restrictions. Official US figures put the value of direct trade at about \$250 million between July 1985 and June 1986. The economic press reports that the value of direct and indirect trade was about \$1 billion between July 1985 and June 1986. The reports predict that the new sanctions will reduce the value to

suppliers—including US subsidiaries—in Western Europe, Japan, and a number of newly industrialized countries including Brazil, South Korea, and Singapore.

[Redacted]

25X1

25X1

25X1

Many foreign firms regard the US sanctions as a windfall at a time of severe oil industry depression and have filled in readily for departing US firms.

• Intermediaries are used to procure some parts and services.

25X1

25X1

25X1

The Libyans have taken other steps to reduce the impact of sanctions:

Foreign Work Force

A small cadre of well-trained Libyan nationals control the top managerial positions, but the oil industry remains heavily dependent on foreign technicians.

- the Libyans have been stockpiling critical spare parts for several years.

25X1

Secret

Secret

North Americans and West Europeans provide most of the technical and supervisory expertise, and Asians perform a large part of the manual labor. Many foreign workers remain because of the high pay and the limited opportunities for employment elsewhere.

[redacted] as of December 1986, over 400 Americans and more than 1,000 Canadian petroleum workers were employed by Libya. [redacted]

[redacted] hundreds of French citizens, 2,000 Italians, and thousands of British remain in Libya. In addition, [redacted] substantial numbers of Pakistanis, South Koreans, Filipinos, and Bangladeshis in Libya. Technicians and workers from Communist countries do not play a major role in the Libyan oil industry. [redacted]

Petroleum Exports

Libyan exports averaged about 1 million b/d in 1986—about the same level as the previous year—despite swings in sales during the year. Exports reached a high of more than 1.3 million b/d last summer before dropping to about 900,000 b/d in September to conform with Libya's OPEC production ceiling. Libyan exports rebounded in January 1987 to over 1 million b/d, primarily as a result of the cold snap in Western Europe. Libyan product exports have grown to over 150,000 b/d as a result of the Ras Lanuf export refinery coming onstream. Despite maintaining exports at traditional levels, Libyan oil revenues plunged from about \$9 billion in 1985 to under \$5 billion in 1986 because of the collapse in world oil prices. [redacted]

Despite US diplomatic pressure, West European countries accounted for about 85 percent of Libyan petroleum exports—similar to previous years. Italy, West Germany, and Spain were the largest importers of Libyan petroleum during 1986 and accounted for approximately 55 percent of all Libyan petroleum exports:

- Italian imports increased to more than 300,000 b/d in 1986, driven by attractive prices and strong refinery demand for Libyan oil. Most was processed at refineries in Sicily and Sardinia specially equipped to handle waxy Libyan crudes.

- West German imports from Libya fell more than 25 percent, primarily as a result of the pullout of US companies from Libya.

- Spanish imports from Libya jumped dramatically during the summer as Spanish refiners maximized gasoline output for reexport. Libyan imports subsequently fell to traditional levels as Spanish refiners switched to heavier crudes for the winter heating season.

25X1

25X1

25X1

25X1

Belgium became a significant new importer of Libyan crude as a result of the South Korean firm Daewoo's purchase of a Belgian refinery to process Libyan crude received in payment for construction work. French imports from Libya dropped in 1986 as government-controlled oil companies ceased buying Libyan oil. [redacted]

25X1

25X1

The Soviet Union increased its liftings of Libyan oil in 1986 to over 80,000 b/d, although most was resold to refiners in Eastern and Western Europe. Sales to Bulgaria and Romania also rose, and Libya delivered crude and product to a greater variety of Third World countries, including Ethiopia, Saudi Arabia, Sudan, and North Yemen—mostly for political reasons—but volumes were relatively small. [redacted]

25X1

Marketing Tactics

Libya's sales organization, Brega International, successfully used special pricing discounts and netback deals to offset the loss of the US companies' previous role in marketing Libyan oil. These schemes enabled Libya to limit selling on the spot market, where prices for Libyan crudes consistently lagged prices of competing crudes by \$1 or more throughout much of 1986, in large part because of US pressure on major US oil companies and West European governments to avoid purchasing Libyan oil. Barter and countertrade deals—primarily with the USSR, Italy, and South Korea—and liftings by foreign equity crude producers also accounted for large shares of Libyan crude oil. Despite Libya's marketing success, we estimate US efforts to limit Libyan oil

25X1

Secret

Secret

Libya: An Economic Snapshot

Although the average Libyan has had to endure severe economic disruptions since oil prices collapsed last year, current conditions are the worst to date. Domestic economic difficulties are worsened by the cost of the conflict in Chad—perhaps as much as \$10 million a day. Nevertheless, Qadhafi appears unwilling to draw on the country's \$7.3 billion in reserves. As a result, the burden is apparently being borne by the Libyan population. [redacted]

[redacted] food shortages in Libya, always chronic, have become serious. Fresh dairy products, bread, and pasta are unavailable; fruits and vegetables are hard to find; and meat, when available, is extremely expensive and of poor quality. At least part of the problem can be traced to poor distribution of available food, which encourages hoarding. Rationing has not eased difficulties because most grocery stores have little or no food on the shelves. [redacted]

[redacted] commodities such as cigarettes, spare parts, gasoline, and natural gas also are in short supply. Indeed, even common household items such as light bulbs, soap, and shampoo cannot always be found. Moreover, what is available—shoes, bedding, and some clothing—is of inferior quality. As a result, the black market is rapidly becoming the principal source of most goods. [redacted]

[redacted] financial stringencies are hurting the Libyan populace in other ways:

- Potable water is in short supply in the cities, while waste removal is sporadic and sanitary conditions are extremely poor.

- Electricity in affluent sections of Tripoli is off for several hours a week, while in the poorer neighborhoods it is often off for several days at a time.
- Housing is becoming increasingly scarce because financing for new construction is extremely hard to find.
- Education, the hallmark of Qadhafi's revolution, is suffering under budgetary cutbacks.
- Civil service salaries have not been paid since November 1986, while military paychecks have not been distributed since October. [redacted]

[redacted] many Libyans resent such deprivations, most of which they attribute to the conflict in Chad. Many do not support or understand this increasingly costly military action, and mounting casualties are compounding these frustrations. [redacted] reserve callups and the drafting of high school students are further increasing tensions. [redacted]

There have been no organized economic protests so far. Discontent, however, is growing sharply over the increasing hardships, rising Libyan casualties, new conscriptions, and Qadhafi's foreign adventurism.

[redacted] Qadhafi already has lost virtually all popular support outside of a small cadre of revolutionaries—including the powerful revolutionary committees—and his security services. The ability of these groups to cope with increasing disgruntlement could weaken their resolve and provide the opportunity for disaffected military elements to move against the regime. [redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

sales cost Tripoli \$150-200 million last year, adding marginally to Libya's already pressing economic difficulties. [redacted]

25X1

Looking Ahead

Libyan oil prices have rebounded this year as a result of the recent OPEC accord. In line with other OPEC countries, Libyan netback contracts are being converted to fixed price contracts, and Libyan prices are averaging about \$18 per barrel. If prices remain firm this year and exports average about 900,000 b/d, the dollar value of Libyan oil sales will rise to about \$6 billion. So far, industry reporting has not indicated any falloff in Libya's planned export program of about 850,000 b/d. [redacted]

25X1

West European governments continue to show little inclination to join the US ban on petroleum imports. Barring further evidence of Libyan terrorist activity, Europeans will continue to buy Libyan crude and product as long as the Libyans are responsive to market price conditions. Libyan oil is valued by refiners because of its attractive refining characteristics and its proximity. In addition, equity crude offtake and debt repayment are powerful incentives to continue lifting Libyan crude. Customers had to be turned away during the fourth quarter.

[redacted]

25X1

Despite some recovery in oil prices from 1986 levels, the most significant problem the Libyan petroleum industry faces continues to be the low level of world oil prices. Lower oil revenues have forced a sharp cutback in capital investment, reduced maintenance work, and led to increased indebtedness to foreign contractors. Underinvestment in the petroleum sector could seriously restrict Libya's productive capacity by the end of the decade. [redacted]

25X1

[redacted]

25X1

Secret

**Libya: Continuing Initiatives
in the Caribbean** [redacted]

25X1

Although Libyan leader Qadhafi has been relatively unsuccessful in gathering political support in the Caribbean, he has recently increased his efforts to strengthen ties to leftist and terrorist groups in the region. Qadhafi's latest approach included the appointment of a liaison official to the Caribbean to oversee and develop policy in the region. Qadhafi is also employing traditional Libyan methods of subversion, including the Islamic Call Society, financial and military aid, and conferences for propaganda indoctrination. [redacted]

[redacted]

25X1

Qadhafi hopes to increase his freedom of movement and use Paramaribo as a hub for Libyan subversive activities in the Caribbean. Qadhafi regards US "imperialism" and "French colonialism" as the chief impediments to achieving his broader leadership aims in the Third World, including the Caribbean. In addition, should the war in Chad escalate, the region is rich in French assets that he could target. [redacted]

Toward the end of 1986, Libya revised its program in the region. The new program, a product of Libyan disappointment with the English speakers and perceived opportunities in the domestic situation of the islands, expanded its focus to include the French territories in the region. One of Qadhafi's first moves was to assign Abd al-Salam Ashur, Kusa's chief deputy, temporarily to the Libyan People's Bureau (embassy) in Panama. In January 1987 Ashur moved to Suriname on permanent assignment to become the Libyan public affairs attache for the Caribbean and South America. In early February, the Bouterse government responded to US pressure and asked Ashur to leave Suriname. [redacted]

25X1

25X1

Background

Over the past several years, Qadhafi has shown renewed interest in the Caribbean. English-speaking Caribbean leftists turned increasingly to Libya for financial help. In return, Tripoli urged Caribbean leftists to take violent actions against US interests in the region. The leftists resisted, reluctant to jeopardize their standing as legitimate politicians in their home islands and, to a lesser extent, mindful of Cuban concerns about Libyan meddling and US retaliation in the region. [redacted]

Ashur traveled to Trinidad, where he was confined to his hotel until his departure for Venezuela the next day. Venezuelan authorities detained Ashur when they discovered subversive documents in his possession. After confiscating the documents, Venezuelan authorities deported Ashur to Panama. We believe that those documents and other evidence reveal extensive Libyan subversive planning for the Caribbean. [redacted]

25X1

25X1

[redacted]

25X1

25X1

By the spring of 1986 the relationship began to sour, highlighted by the feeble support of the Caribbean clients for Libya after the US airstrikes. The most obvious indication came in a newspaper article by George Odum, a leftist in St. Lucia and longtime Libyan client. Although other clients continued in the Libyan camp, Odum accused Libya of insensitivity toward the region and urged leftists to look to Havana instead of Tripoli. [redacted]

[redacted]

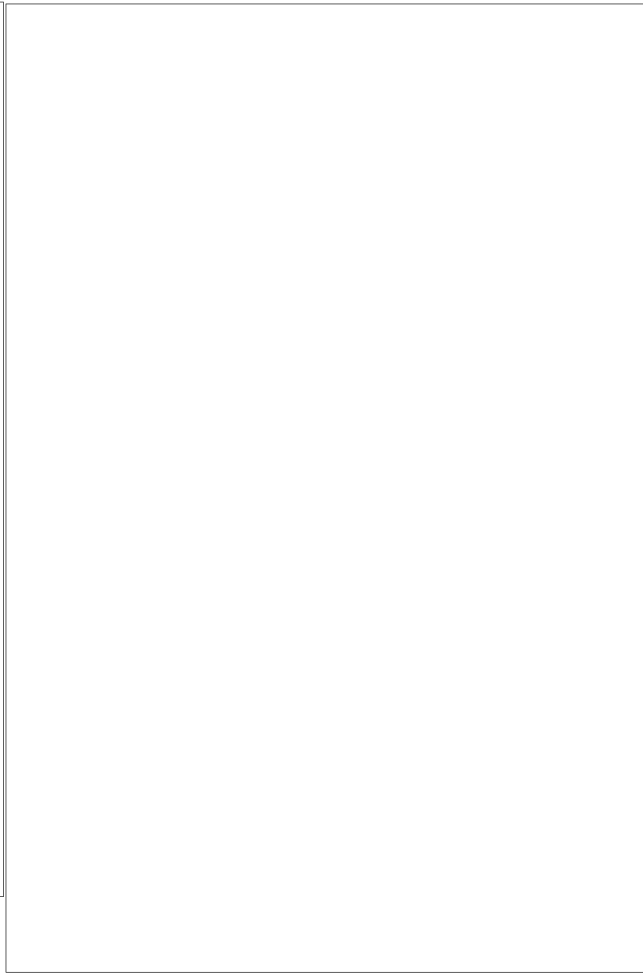
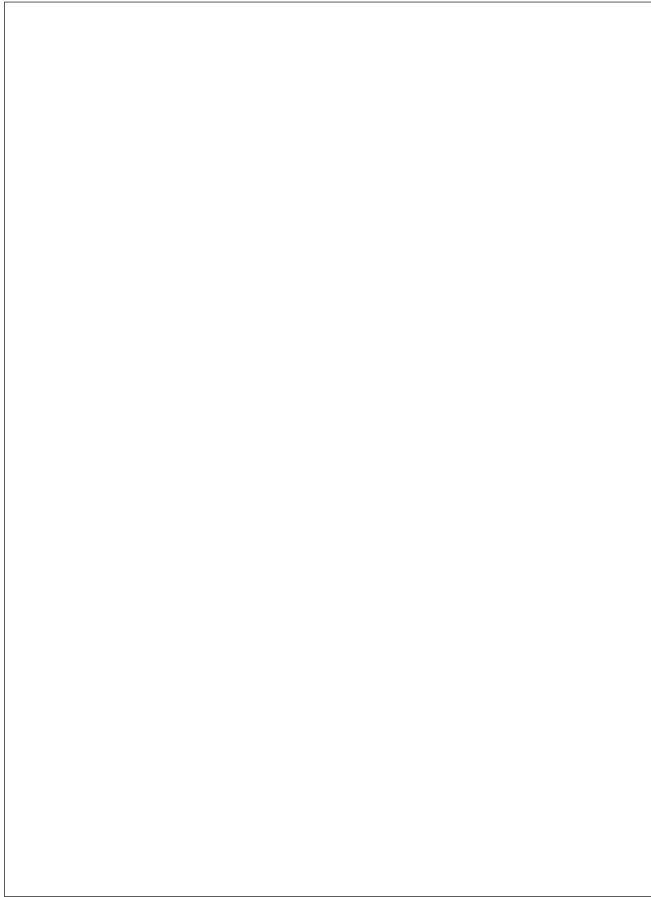
25X1

25X1

Secret

NESA NESAR 87-007
13 March 1987

Secret



25X1

The Appointment of Ashur

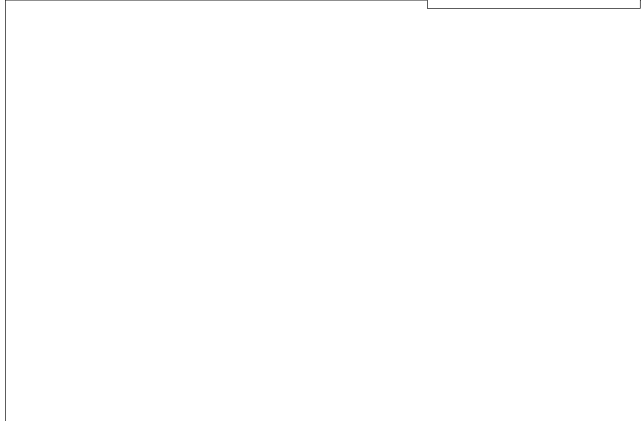
We believe Ashur's assignment to the Caribbean was an outgrowth of a broader policy reassessment. By having a key operative work directly with local leftists, Qadhafi hoped to rectify earlier mistakes of funding radical groups without supplying guidance and broader ideological instruction. [redacted]

The Suriname Connection

Libya's determination to expand its involvement in the Caribbean has also resulted in renewed interest in Suriname. [redacted]

25X1

25X1



[redacted] Among other provisions, Qadhafi will probably ask that Paramaribo allow Libya to use Surinamese facilities to transport military aid to "liberation movements" in the region. [redacted]

25X1

25X1

25X1

In addition, in hopes of keeping a significant Libyan presence in Suriname, Libyan authorities advanced the official opening ceremonies of the Surinamese

Secret

Secret

Islamic Call Society in Paramaribo from April to March, immediately following Ashur's departure. [redacted]

[redacted]

to work with groups in the French territories to foster successful subversive and terrorist operations against US and French assets. Qadhafi will most likely find a replacement for Ashur, but, until then, the Surinamese Islamic Call Society and the Libyan People's Bureau give Qadhafi mechanisms to set up a subversive network. [redacted]

25X1
25X1

25X1

In our view, Ashur was a key Libyan operative whose departure will temporarily postpone subversive and terrorist action in the Caribbean. [redacted]

25X1
25X1

[redacted]

Conferences

Qadhafi uses conferences to promote his "collective struggle" against imperialism and encourage radicals to act. In so doing, he hopes to expand direct contact with leftist and radical groups. Furthermore, the Libyans hope to improve coordination among the leftist and radical groups so they can better allocate Libyan resources for subversion and terrorism. For example, during a series of conferences in September 1986, the Libyans met with several radical delegations from the Caribbean to express disappointment at their lack of support in the wake of the US airstrikes. The Libyans nonetheless provided some financial aid, albeit small, to several Caribbean groups to reward their "good behavior" and increase Libyan influence. [redacted]

Libya has better prospects for inciting violence in the French territories than in the English-speaking islands. Not only has Qadhafi learned to keep a tighter rein on his aid, but we believe he also is more cautious and certainly more savvy in picking his targets. We believe Qadhafi will increase his attention to the radical French Caribbean groups because of their willingness to use more militant tactics. If Qadhafi succeeds in establishing a sophisticated clandestine network, the probability of successful attacks against anti-Western targets will increase significantly. [redacted]

25X1
25X1

More recently, citing the successful bombings in Guadeloupe in November and December 1986 by the Caribbean revolutionary alliance against French colonialism, the Libyans believe that the political atmosphere is favorable for increased anti-US and anti-French propaganda in the Caribbean. [redacted]

[redacted]

25X1

[redacted]

25X1
25X1

Outlook

We believe that Libya's aggressive meddling in the Caribbean will continue to have mixed results. Qadhafi suffered a setback with the departure of Ashur from the region, but he will probably continue

Secret

Sudan: The General Staff's Relationship With Prime Minister Sadiq [redacted]

25X1

The Sudanese armed forces General Staff tacitly supports the civilian government of Prime Minister Sadiq al-Mahdi and appears content to put distance between itself and domestic politics and concentrate its attention on military affairs. Friction between the General Staff and Sadiq may increase, however, and erode the military's support for the government. The General Staff will continue to guard against civilian intrusions into military affairs, such as Sadiq's attempts to increase his control and surveillance of the armed forces. [redacted]

coalition partner of Sadiq's Umma Party in the government and the political arm of the Khatmiyyah sect, the traditional rival of Sadiq's Ansar sect. As a result of this party's deliberations—probably intended to strengthen its influence in the General Staff at the expense of Sadiq—Abd al-Azim Sadiq Muhammad was named Chief of Staff rather than Deputy Chief of Staff for Operations, the post filled by Al-Sir Muhammad Ahmad. [redacted]

25X1

Differences in objectives and goals in the southern insurgency may arise and create tension between the General Staff and Sadiq. The General Staff, whose members generally acknowledge that a political solution is needed to end the war, shares Sadiq's determination to seize the military initiative against the southern insurgents, but this unity in purpose may erode if the military begins to suffer major setbacks, increasing the military's incentive to pursue a negotiated settlement. [redacted]

The Commander in Chief, Fawzi Ahmad al-Fadl, was promoted to full general, while the Chief of Staff and three principal Deputy Chiefs of Staff were promoted to lieutenant general. The promotions were commensurate with the positions in the chain of command and eliminate previous abnormalities such as the Chief of Staff being outranked by the head of the medical corps, [redacted]. Several major generals who had seniority over those promoted were given the choice of retiring or remaining on active duty as subordinates. [redacted]

25X1

25X1

25X1

25X1

Tensions between the General Staff and Sadiq may also increase over foreign policy. Both parties probably will continue to support a hard line toward Ethiopia. The General Staff, however, is likely to push for stronger relations with Egypt and the United States in hopes of obtaining military assistance. This may harm relations with Libya—which Sadiq may be unwilling to risk. Libya's capability to support destabilizing elements in western Sudan, to resume support of the southern insurgency, or to support acts of terrorism in Khartoum will continue to weigh heavily in Sudanese decisionmaking. [redacted]

Members of the armed forces generally reacted favorably to the change in leadership, [redacted]. Many soldiers believed the former Commander in Chief and the former Chief of Staff should have retired as originally promised when the Transitional Military Council turned over the government to civilians. Others believed the Army had been performing poorly against the southern insurgents and a change in leadership was needed to redress the situation. [redacted]

25X1

25X1

25X1

Background

In September 1986 Sadiq dismissed the five members of the General Staff and appointed replacements. The rearrangement was probably intended, in part, to increase the military's loyalty to the Prime Minister. Sadiq's candidates for the positions, however, had to be approved by the Democratic Unionist Party—a

Civilian-Military Relations

The General Staff appears content to put distance between itself and domestic politics and let the civilian government rule. [redacted] and all impressed him as essentially nonpolitical, focused on military affairs, and supportive of Sadiq,

25X1

25X1

Secret

NESA NESAR 87-007
13 March 1987

Secret

The General Staff**Gen. Fawzi Ahmad al-Fadl
Commander in Chief**

Member Khatmiyyah sect . . . respected by officers who regard him as tough, decisive, and fair . . . served as military attache to Cairo (1976-77) during period of close Sudanese-Egyptian ties . . . regards Libya and Soviet Union as threats to Sudanese security.

[redacted]

[redacted]

**Lt. Gen. Al-Sir Muhammad Ahmad
Deputy Chief of Staff for Operations**

Career intelligence officer who had tour as Director of Military Intelligence (1982-83) . . . long considered by US officials as one of Sudan's most capable officers . . . has criticized United States for not granting more assistance to Sudan . . . favored Sudan's past close relationship with Egypt and regards Libya as particular threat to Sudanese security.

[redacted]

**Lt. Gen. Faysal Mansur Shawir
Deputy Chief of Staff for Administration**

Has impressed US officials as knowledgeable and a shrewd officer . . . attended six-month training course in Soviet Union (1969) and served as military attache to Moscow (1978-80) . . . unpleasant experience in Soviet Union and Moscow's refusal to supply Sudan with spare parts for its Soviet-built equipment have left him strongly anti-Soviet.

[redacted]

**Lt. Gen. Muhatassim Saraj Ahmad
Deputy Chief of Staff for Logistics**

Able officer who has been described as interested in politics . . . believed to favor close ties to Egypt.

[redacted]

who has tried to appease the military with efforts to procure foreign military assistance and equipment.

[redacted]

25X1

Civilian activities that the military views as encroachments into its affairs, however, may erode the General Staff's support for Sadiq. Sadiq's relationship with the General Staff, for example, probably deteriorated with his decision to request the removal of pre-positioned US equipment from Port Sudan. Commander in Chief Fawzi was shocked to learn of the Foreign Ministry's request and immediately sought a meeting with Sadiq to register his concern. [redacted] The General Staff was no doubt irritated by the unilateral decision, particularly at a time when it seeks greater cooperation with the United States. [redacted]

25X1-human
25X1

25X1

25X1
25X1

In our judgment, Sadiq has also strained his relationship with the General Staff with attempts to increase his control and surveillance of the military.

[redacted]

25X1

- The General Staff refused to follow a recommendation by Sadiq to transfer certain officers from the provinces to Khartoum.
- Sadiq had a younger brother reassigned to the armored unit at Al Shagara to monitor the politically strategic unit. Sadiq also aroused General Staff ill feeling by arranging for this brother to attend the Jordanian military academy. The Staff believed the opportunity should have been offered on a competitive basis.
- Sadiq's use of the Umma Party security organization to monitor the military is apparently causing dissension among officers.

25X1

25X1
25X1**Southern Insurgency**

The General Staff shares Sadiq's determination to seize the military initiative against the southern insurgents this winter, but a rift may develop over the

25X1

Secret

32

Secret

pursuit of negotiations. US Embassy reporting suggests that Deputy Chief of Staff for Operations Al-Sir is optimistic that the armed forces will succeed in reopening surface routes throughout the south and regain the initiative against the rebels. Chief of Staff Abd al-Azim has also expressed optimism to US officials. [redacted]

The government's successful resupply of its besieged garrison at Bor in early January probably has reinforced the General Staff's optimism and contributed to the planning for more aggressive operations against the insurgents. [redacted]

[redacted]

Despite the General Staff's military campaign against the insurgents, its members probably seek a negotiated settlement to the war. Lt. Gen. Al-Sir, for example, has conceded that only a political solution could bring peace but has argued that insurgent leader Col. Garang must be countered militarily before he will be ready for serious negotiations.

[redacted]

Sadiq, in the future, may resist negotiation efforts longer than the General Staff might prefer, creating a rift between the parties. [redacted]

[redacted]

Foreign Relations

The General Staff probably will continue to support Sadiq's hard line toward Ethiopia, given Addis Ababa's support for the southern Sudanese insurgents and its periodic air attacks in Sudan. [redacted]

[redacted]

[redacted] Sadiq's Ethiopian policy is showing signs of success as the Ethiopians, in their assessment, have become more circumspect in their dealings with Sudan. [redacted]

The General Staff, however, will continue to be leery of Sadiq's overtures toward Libya. Despite Tripoli's past military assistance to Khartoum for its fight against the insurgency, the General Staff is suspicious of Libyan intentions and aware of the political strings attached to Tripoli's assistance. [redacted]

[redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

Sporadic and conditional Libyan military assistance probably has contributed to the General Staff's incentive to look to Sudan's traditional allies for sustained assistance. The Staff in general is favorably disposed to the United States and Egypt and,

[redacted] wants stronger relationships with Washington and Cairo. The military believes that Sadiq will not get meaningful support from Iran, Iraq, or the Soviet Union and that Sadiq's solicitations for assistance from these countries jeopardize military support from the United States and Egypt. Egypt has resumed military assistance and training to maintain close ties to the Sudanese military, according to the US Embassy in Cairo. [redacted]

may feel immediate responsibility to intervene. In the longer term, however, friction between the General Staff and Sadiq could sufficiently erode the military's support for the government to prompt the General Staff to contemplate intervention. Conversely, Sadiq, to preempt the military, might try to replace members of the General Staff to make it more responsive to his agenda [redacted]

[redacted]

25X1

25X1

25X1

25X1

The General Staff successfully persuaded Sadiq to reaffirm Sudan's commitment to the Sudanese-Egyptian defense treaty during his recent visit to Cairo [redacted]

The General Staff argued that the treaty is an effective deterrent against Ethiopian aggression. The military, however, realizes that Egypt is unlikely to take military action against Ethiopia under the treaty but may have used this argument to exploit Sadiq's animosity toward Ethiopia to encourage him to pursue increased Egyptian military assistance. [redacted]

25X1

25X1

Sadiq, however, may resist further General Staff efforts to establish strong military relationships with the United States and Egypt, given his nonaligned foreign policy. Closer ties to Washington and Cairo risk retaliatory actions from Libya, including resumption of support to the southern insurgency, the arming of tribes in western Sudan, or the sponsorship of terrorist attacks in Khartoum. Although the military almost certainly recognizes these risks, the General Staff may be more inclined than Sadiq to believe that they are outweighed by the benefits from closer relations with the United States and Egypt.

[redacted]

25X1

Outlook

In our view, the General Staff tacitly supports Sadiq and appears to prefer to concentrate its efforts on military affairs. We believe the military, for the near term, will continue this support, barring a major crisis sparked by civil disorder in which the General Staff

Secret

Secret

**Bahraini-US Relations:
Government Pleased,
Shias Critical**

25X1

Humiliated over its inability to recapture Fasht ad Dibal from Qatar last spring and distressed by Saudi Arabia's reluctance to play a more partisan role during that dispute, Manama is actively seeking increased US weaponry and reduced dependence on Riyadh. The Shias in Bahrain, however, are critical of the Bahraini-US relationship, and increased US visibility risks upsetting the current political balance on the island.

Bahrain. The commander of the Bahrain Defense Force, Crown Prince Hamad bin Isa Al Khalifa, is firmly committed to a strategic military relationship with the United States, according to the US Embassy, but has tied a favorable decision on Bahrain's request for F-16 fighter aircraft to acceptance of the US Central Command's request for pre-positioning materiel on the island.

25X1
25X1

Will the United States Be a Panacea . . .

Manama's decision to expand its relationship with the United States and increase its military capability stems from its dispute with Qatar over the Fasht ad Dibal reef. Manama was confident that Riyadh would extend military and diplomatic support after Qatar attacked the reef in April 1986. But Saudi Arabia failed to act decisively on Bahrain's behalf, and Manama apparently believes that Riyadh can no longer be considered a reliable ally.

. . . Or a Catalyst?

The increased visibility of Bahraini-US relations risks upsetting the current political balance on the island. The US Embassy reports that the Shia community in Bahrain—over 70 percent of the population—is increasingly critical of Bahraini-US ties. Many Shias apparently believe that Washington is building a US base on the island—probably a reference to work by the US Corps of Engineers on Bahrain's new Suman airbase. Although the Shias cannot influence the government to put distance between itself and the United States, Manama's growing relationship with Washington will almost certainly be a rallying cry of Shia opposition groups. The ruling family, however, has demonstrated an ability to stay in power, and, develop a well-trained security service that has prevented major terrorist acts from occurring on the island.

25X1

The ruling Al Khalifa family has justified recent purchases of US weapons as necessary to improve Bahrain's military posture in the turbulent Gulf. According to the US Embassy, Manama believes its dispute with Qatar has weakened the collective defenses of the Gulf Cooperation Council (GCC) against Iran. The ruling family probably doubts that the smaller Gulf states are committed to the security of Bahrain.

25X1

25X6
25X6

25X1

Manama's campaign to increase US weapons purchases is generally couched in terms of deterring Iranian aggression, but the weapons it has requested—M-60 tanks, TOW antitank missiles, and 155-mm howitzers—suggest that Qatar remains Manama's primary military concern. The Hawar Islands, which are controlled by Bahrain but claimed by Qatar, are a likely future battleground.

25X6

Bahraini society is almost completely segregated. The Sunnis hold nearly every important position in the public sector and dominate the Bahraini upper class. There are about 12 wealthy Shia merchant families who mediate between the poorer Shias and the government, and, in return for their loyalty and support, the regime has given these families lucrative business opportunities and some positions in the government.

25X6

25X1

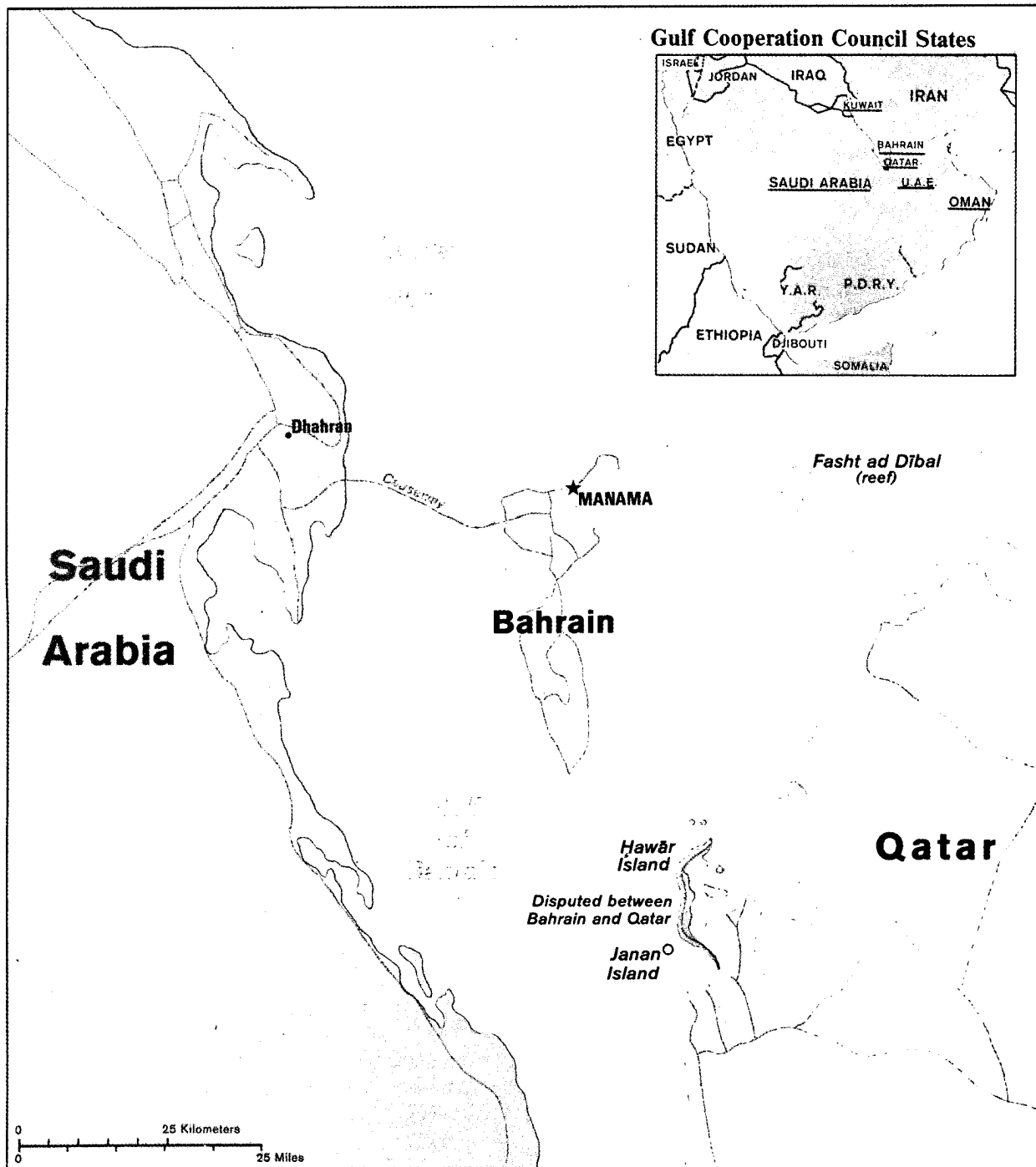
25X1
25X1

From Bahrain's perspective, support for the regime's military development program will be a major test of US credibility and will probably determine how cooperative Manama will be to future US use of

Secret

NESA NESAR 87-007
13 March 1987

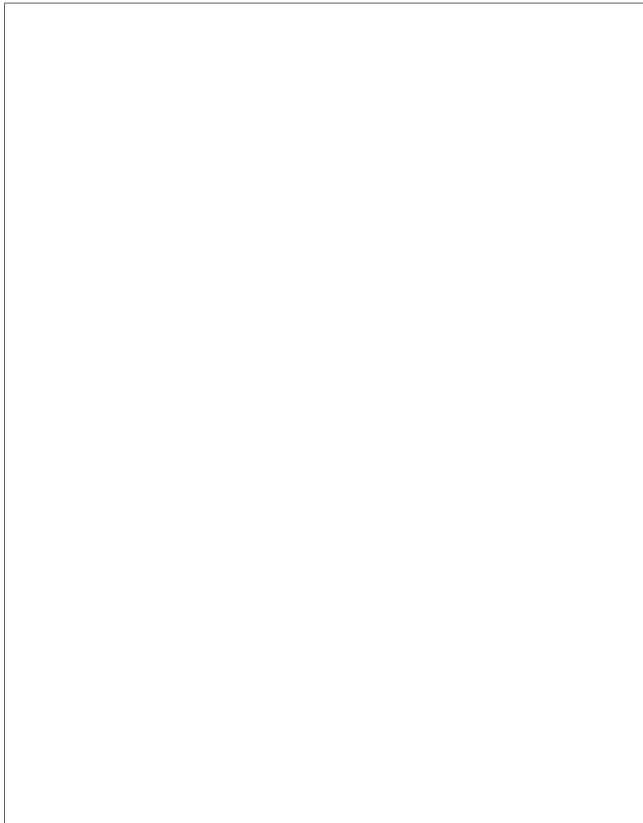
Secret



708531 9-86

Secret

Secret

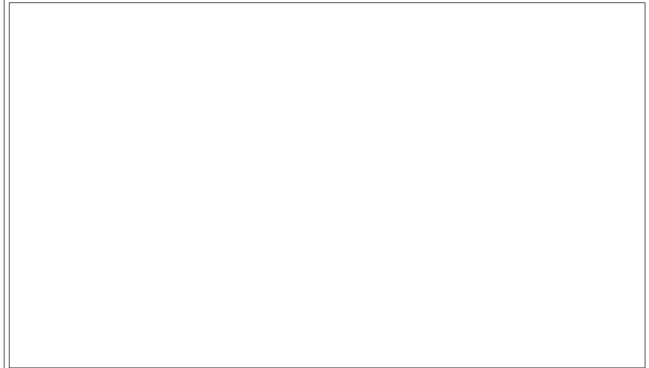


with an already depressed economy, would prompt major criticism from both Shias and Sunnis and increase the possibility for unrest.

25X1

25X1

25X1



The Outlook for Bahrain

Manama apparently is willing to risk the increased visibility of Bahraini-US relations because of a growing belief that Iran may win the war with Iraq. Manama understands that with its 70-percent Shia majority it would be a likely target for increased Iranian aggression and subversion. Bahrain, however, can never hope to defend against an all-out Iranian attack, and the recent weapons purchases risk increasing subversion and do little to deter the risk of aggression.

25X1

The cost of Manama's continuing arms buildup is having the greatest impact on Bahrain's economically neglected Shia majority. Manama can afford the military purchases it is contemplating only with continued support from the GCC and sharp cuts in domestic spending. Reduced expenditures, coupled

25X1



Secret

**Saudi Arabia: The Impact of
Education Policy and Process
on Economic and Political
Stability**

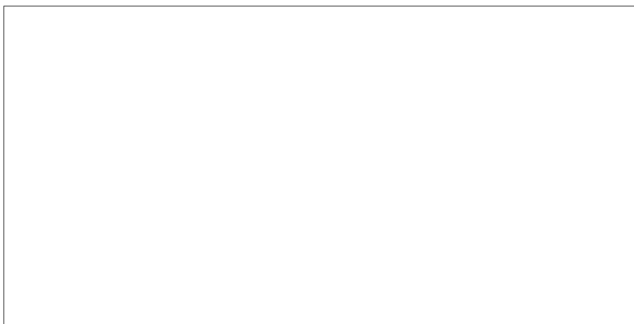
25X1

Saudi Arabia has radically transformed its educational system over the past 15 years. More students attend school at every level, and more complete their educations. Although a smaller proportion of women attend school in Saudi Arabia than in other Arab states, female enrollment has increased—especially at the university level. The government has built seven universities—often at great expense and using excessive architectural standards. The government has vastly extended the number of courses offered in the universities.

Despite some successes, the government's efforts to modernize the educational system have been insufficient to fulfill its goals for replacing expatriate workers with Saudis. Little or no progress has been made to attract Saudis to technical or vocational education—areas that would help the government to replace expatriate workers and promote economic growth. As a result, economic development in the kingdom probably will continue to depend on the ability of Saudi Arabia to hire large numbers of expatriates. At the same time, the kingdom faces challenges arising from a more educated population—particularly from women shut out of the work force for cultural reasons and from Saudis who cannot find work because of the economic slump.

Increased Focus on Education But Mixed Results

The kingdom's educational system languished well into the 1970s under the highly bureaucratic and lethargic leadership of the Ministry of Education. The government began to restructure the Ministry of



A High Priority Given to Education

Saudi Arabia had spent over \$30 billion through FY 1980 developing its educational system. Annual expenditures increased from \$148 million in FY 1970 to \$6.4 billion in FY 1980. The government called for an additional \$38 billion to be disbursed by 1985. Government spending on higher education rose from 12.2 percent of the total education budget in FY 1970 to 36.5 percent in FY 1980. As the budget fell in the early 1980s because of declining oil revenues, education was spared the deep cuts that affected other sectors.

25X1

Education in the mid-1970s, increased spending on education, and instituted major educational reforms. Ministry officials concentrated on providing more and better classroom facilities, raising the quality of teaching materials, and lowering student-teacher ratios. Student enrollments in all areas except technical education increased by 20 percent annually in the late 1970s and continue to rise.

Major problems persist. The pattern of recent expenditures on education reflects the government's efforts to overhaul the educational system while giving short shrift to efforts to modernize curriculums, raise standards of student performance, or encourage students to pursue fields most critical to Saudi Arabia's economic development, such as engineering, finance, computer programming, and management.

25X1

An illiteracy rate that probably still exceeds 50 percent is another measure of the kingdom's educational shortcomings. This partly reflects the government's lowering of standards in primary education to allow more students to get through the system. The Saudi Government also must strengthen

Secret

NESA NESAR 87-007
13 March 1987

Secret

standards for higher education. Before the economic slowdown, it was common for a university graduate to be given a high-paying job at a level hardly higher than his academic background. The government—by far the largest employer in the kingdom—used to dispense high-level jobs with little or no concern for ability. A university diploma virtually guaranteed employment. In some cases, ill-prepared students have been allowed to graduate [redacted]

[redacted] Rigorous examinations would be needed to eliminate those who seek higher education merely for the sake of status.

Economic Implications

Academic performance and educational diversification have become even more important with lower oil revenues and slower economic growth. To some extent, the Saudi Government's efforts to improve the educational system over the last decade will help to promote economic growth. The quality of teachers continues to improve, and more young Saudis are receiving basic and higher education. Educational improvements also have enhanced the capability of the economy to absorb some modern technologies.

Saudiization of the labor force is proceeding with renewed vigor because of the economic slowdown and the government's concern over a large foreign worker presence. The policy of indigenization has had only limited success, however, [redacted]

[redacted] Moreover, the number of qualified Saudi nationals is insufficient to maintain and operate many areas of the modern economy. The kingdom continues to depend heavily on a large expatriate labor force, particularly in critical technical areas such as computer operations, electronics, the petrochemical industry, and telecommunications. Saudi Arabia also depends heavily on foreign labor for administrative, clerical, teaching, and transportation services.

New technical and vocational institutes have been opened to help Saudi nationals fill employment opportunities in technical fields—positions that are held mostly by foreigners. Enrollment, however, is well below expectations. Status, prestige, and

tradition play major roles in the failure to attract students to technical and vocational fields. Saudi students still prefer to pursue a university degree or secondary baccalaureate designed to prepare them for white-collar jobs even if such jobs are becoming difficult to secure. Saudis view a technical or vocational degree as leading to a job involving demeaning manual labor. Students are further disenchanted by technical and vocational schooling because working conditions and wages in these fields fall below their expectations. For these reasons, Saudi Arabia probably will continue to rely on foreign labor for decades to come to maintain the industrial sector and to operate imported technology.

Political Implications

Teaching methods in Saudi Arabia tend to be highly structured and outdated, [redacted]

[redacted] Young Saudi elites occasionally discuss modernization and political equality- [redacted]

[redacted] Criticism is limited, however, and there is little in the present Saudi educational system that would stimulate a desire for greater political freedom. A spirit of inquiry and skepticism is unlikely to flourish in an environment where most students learn by using rote memorization.

Political tensions arising from the inability of women—often highly educated—to assume a productive role in the economy probably will increase. Saudi women increasingly have access to education at all levels and consistently get better grades than men. Women often remain in school longer and progress to higher levels than men largely because there is little else for them to do. Many Saudi women do not want to stay home, but they are denied working opportunities except in teaching and certain other areas deemed appropriate. As a result, a growing number of educated Saudi women are pressing for more employment opportunities and a wider range of occupational choices. Their defiance is muted, taking place largely within the family. Their efforts are

25X6
25X6

25X6
25X6
25X6

25X6
25X6
25X6

25X6
25X6

25X6

Secret

Secret

**Females as Percentage of Total Students
in Saudi Educational System,
1970/71-1980/81**

Education Level	1970/71	1975/76	1980/81
Primary	31	35	38
Intermediate	11	30	33
Secondary	9	27	33
Vocational, technical, and teacher training	48	17	30
Higher education	7	19	32

25X1

serious, however, and conflict with other trends toward Islamic fundamentalism and traditional values, which work to keep Saudi women in their present status and erode some of their already hard-won advances.

Conclusions

The kingdom's improvement of the educational system still falls far short of what is required for Saudi nationals to have a more direct hand in future economic and political development. The rapid inflow of oil money in the 1970s made it possible for Saudi Arabia to leapfrog generations of educational deprivation, but the wealth has done little to hasten improvements in the quality of Saudi Arabia's labor force. As a result, Saudi Arabia may be destined to become a nation that contracts for its future. Whole segments of the economy may become permanent preserves of foreign workers.

An extensive reordering of educational priorities is necessary for Saudis to assume a more active role in the work force. Saudi Arabia needs to shift from quantitative improvements to a concentration on qualitative changes—from the rapid physical growth of the 1970s to a review of present educational policies, which are inappropriate in view of the pervasive shortages of national manpower.

25X1

Secret

Arab Aid to the Afghan Resistance—Benefits and Drawbacks [redacted]

25X1

Arab donors—both governmental and private—provide a significant amount of financial support to the Afghan resistance. Arab funding of the insurgents has become more centralized and efficient, and donors are channeling aid to all parties rather than following their previous policy of funding only favored, conservative groups. Arab donors, however, are sometimes unreliable, and insurgent leaders often resent the strings that are attached to the aid. Despite these drawbacks, resistance groups will continue to rely heavily on Arab funds to meet vital needs, including transportation expenses and medical care. Arab aid levels are likely to be constrained, however, because of reduced oil revenues. [redacted]

Where the Aid Goes

Arab donors provide the insurgents assistance in a number of fields, including some military equipment.

25X1

[redacted]

[redacted] resistance groups are receiving at least some military equipment directly from private Arab sources. Other areas receiving Arab support are transportation, medical care, education, and food. [redacted]

25X1

25X1

Transportation. Although Arab subsidies for transportation expenses probably represent only a small portion of the total funds available to the resistance for this purpose, they are nevertheless an important source of finance for individual commanders. We believe most Arab money intended for transportation comes from private sources, such as the Saudi Red Crescent Society. Donations from individual Arabs generally are made directly to insurgent commanders. [redacted]

25X1

25X1
25X1

25X1

Arab Aid ¹

Arab aid to the Afghan resistance comes from both governmental and private sources. Major donors include Saudi Arabia—the primary source—Egypt, Kuwait, and the United Arab Emirates (UAE). Official Arab aid is often carefully camouflaged, with a significant portion channeled through private humanitarian organizations. Because of the blurred distinction between governmental and private aid it is difficult to make hard estimates of the amount of such aid. [redacted]

Private assistance comes from virtually every corner of the Arab world. Much of the aid is channeled through Islamic humanitarian organizations such as the Red Crescent societies. Other donors—most often conservative Arabs belonging to the Wahhabi sect or the Muslim Brotherhood—subsidize the insurgent groups directly, often traveling to Pakistan or into Afghanistan to make their donations in person.

[redacted] we estimate that Afghan resistance groups receive more than \$100 million annually from nonofficial sources. [redacted]

25X1

25X1

¹ Official Arab military aid to the Afghan insurgents is not covered in this article. [redacted]

25X1

Secret

Medical Assistance. A large portion of official and private Arab aid goes to medical assistance for the insurgents and refugees in Pakistan. The Saudi and Kuwaiti Red Crescent Societies, for example, have established hospitals, clinics, and mobile medical units in the refugee camps in Pakistan. [redacted]

[redacted] private Arab donors distribute medical supplies to insurgent groups in Afghanistan. Arab organizations also sponsor tuberculosis clinics, medical training programs, hepatitis studies, dental programs, and the spraying of refugee camps to halt the spread of disease. [redacted]

Education. Private Arab donors provide the Afghan resistance considerable assistance in the field of education, in part because they view such aid as an excellent means of propagating their religious views. Most of their efforts have been targeted at the Afghan refugee population in Pakistan. [redacted]

[redacted] the Wahhabis have set up schools in Pakistan's North-West Frontier Province and are paying Afghan parents to send their children there. Conservative Arabs have also attempted to buy the loyalty of members of the resistance alliance education committee to get their views incorporated into the textbooks. Although the Arabs' generous bribes are often accepted, we see little evidence that the Wahhabis have achieved notable success in winning Afghan students to Wahhabism. Arab governmental donors provide only limited aid in the sphere of education. Saudi Arabia, for example, arranges stipends for some 160 Afghan students at Pakistani universities but does not provide educational assistance inside Afghanistan, according to the US Embassy in Islamabad. [redacted]

Food. Arab donors provide food or cash subsidies for food to insurgent groups in Afghanistan and the refugees in Pakistan. According to the US Embassy in Islamabad, Saudi Arabia donates 3,000 metric tons of dates annually to the World Food Program's relief program for Afghan refugees in Pakistan. Riyadh, Dubai, and Kuwait also make direct donations of food to Islamabad for the refugees. Private donors such as the Saudi Red Crescent Society often give insurgent commanders cash subsidies to help defray the cost of food for their men. [redacted]

Changing Trends

In our view, there has been some effort in the past year to improve the efficiency of the collection and allocation of funds for the Afghan resistance. According to the US Embassy in Cairo, the Egyptian Ministry of Social Affairs heads a committee designed to act as a clearinghouse for private Egyptian donations to the resistance. The committee collected more than \$500,000 for this purpose last year. Riyadh has also attempted to centralize fundraising for the insurgents, with much private aid being channeled through the semiofficial Saudi Afghanistan Relief Committee, according to the US Embassy in Riyadh. [redacted]

To foster insurgent unity and improve the effectiveness of the resistance, some donors are channeling aid to all resistance parties rather than following their previous practice of funding only favored conservative factions. According to the US Embassy in Riyadh, Saudi King Fahd channels Saudi governmental assistance through the resistance alliance or through the Government of Pakistan. Sayyaf previously received the bulk of Saudi aid. Many private donors have also changed their policy and are assisting all seven parties, [redacted]

[redacted] Nevertheless, a wide disparity in the amount of aid received persists, with fundamentalist groups the principal beneficiaries of the Arab largess. We believe the trend in funding all parties will continue with Arab governmental donors but that a substantial portion of private aid will continue to be erratically and unevenly dispensed to groups with religious views most compatible with the donors'. [redacted]

Arab financial support for the resistance has also become more public recently. In late 1986, Oman announced that it would provide, for the first time, a grant of \$100,000 for Afghan refugees in Pakistan. The UAE Red Crescent Society also announced its first large-scale project for Afghan refugees last year when it set up an office in Quetta. Individual private donors have also been more active. More Arabs were seen dispensing funds in the Peshawar area last year than in any previous year. [redacted]

25X1

25X1

.

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

.

.

25X1

25X1

25X1

25X1

Secret

Secret

The Drawbacks

Arab aid—particularly from private sources—has some drawbacks. Some commanders complain that Arab donors are unreliable and often promise aid that never materializes. Others complain of lengthy delays involved in receiving funds. Because the Arabs insist on physically inspecting each convoy before providing transportation funds, many of the convoys must wait weeks and sometimes months before they can transport their goods. [redacted]

Resistance leaders also charge that some Arab organizations—for example, the Saudi Red Crescent in Quetta—have been infiltrated by the Afghan secret police. [redacted]

[redacted] convoys subsidized by this organization in late 1986 had extremely high attrition rates shortly after entering Afghanistan, leading insurgent leaders to believe that Soviet and regime forces had forewarning of these convoys, very likely as a result of a penetration of the office's staff. As a result, some commanders have decided to forgo the Saudi subsidies rather than risk leaks. [redacted]

Arab donations have also had a divisive effect on the resistance in some instances. According to the US Embassy in Islamabad, an education committee funded by Wahhabis has sought to undermine the influence of the resistance alliance education committee. Arab interference also caused a serious rift within the Jamiat-i-Islami Party last summer between those who had come under Arab influence and those who opposed it. [redacted]

Some Afghans resent the proselytizing that often accompanies Arab donations. A significant portion of private Arab aid—particularly from Saudi Arabia and other Persian Gulf states—comes from members of the Wahhabi sect. [redacted]

[redacted] many resistance leaders complain that Wahhabis are trying to gain influence over the resistance and to alter the way the Afghans worship by pressing resistance commanders and their men to embrace Wahhabi beliefs in exchange for financial support. The Wahhabis, for example, will offer to fund education programs on condition that Wahhabi

The Wahhabis and the Afghan Resistance

The Wahhabis, whose members include the ruling house in Saudi Arabia, come mainly from Saudi Arabia and the smaller Gulf states and are backed by the Saudi clergy. They preach a conservative brand of Islam based on a strict interpretation of the Koran.

[redacted] they tend to regard Afghan Muslims as superstitious and strongly oppose some Afghan religious practices. A significant portion of Wahhabi financial support comes from

princes of the royal house of Sa'ud, channeled through 12 ulemas who serve as their spiritual advisers. In conducting their support for the Afghan resistance, the Wahhabis act more like missionaries than political activists. In the past, their criterion for supporting a particular resistance group was religious orthodoxy rather than military effectiveness. [redacted]

[redacted] they are more willing to give aid to all the resistance parties, although the largest share still goes to fundamentalist groups. [redacted]

views are incorporated into the textbooks. [redacted] the Wahhabis have been

successful in winning some converts in the ranks of the resistance, particularly within the Jamiat-i-Islami, Ittihad-i-Islami, and Hizbi Islami parties. Other commanders fiercely oppose the Arab interference, refusing to accept funds or allow them to preach among their men. Most insurgents, however, merely accept funds without altering their traditional forms of worship. [redacted]

The anti-Western propaganda preached by some private Arab donors has caused difficulties with Western humanitarian organizations aiding the resistance in Afghanistan and Pakistan. Wahhabi campaigning against the presence of Western medical teams—especially female ones—in Afghanistan resulted in a reduction in the number of Western medical teams inside the country last year. [redacted]

[redacted] Arab organizations sometimes also attempt to undermine the activities of

[redacted]

25X1

Secret

Secret

the International Committee of the Red Cross (ICRC) in Pakistan. [redacted]

25X1

personnel at a Kuwaiti hospital in Peshawar caused problems for the ICRC hospital there by telling wounded insurgents that amputations were "non-Islamic." The US Embassy in Islamabad reports that, in another incident, Saudis connected with the Red Crescent Society bribed Pakistani border guards to send patients to the Saudi Red Crescent hospital in Quetta rather than to the ICRC facility. Although the situation with the Saudis has apparently been resolved, the US Embassy claims that the Kuwaiti Red Crescent Society still occasionally competes with the ICRC for patients. [redacted]

25X1

Outlook

We believe official and nonofficial Arab donors will continue to provide substantial aid to the Afghan insurgents, although assistance levels may decline slightly because of budgetary constraints caused by reduced oil revenues. The US Embassy in Kuwait reports there was a "small but significant" reduction in Kuwaiti aid levels last fall because of the country's economic difficulties. Resistance leaders in Peshawar also claim that some Saudi money has dried up recently. [redacted]

25X1
25X1

We expect the trends toward centralized collection and allocation of funds and the funding of all insurgent parties to continue as long as the resistance alliance remains intact, with little public infighting. A significant upsurge in resistance factionalism or the disintegration of the alliance would probably lead most Arab donors to revert to their former practice of channeling funds only to favored parties, mainly the conservatives. [redacted]

25X1

[redacted]

25X1

Secret

Secret

**Afghanistan: Defense of the Revolution Forces—
A Political Army** [redacted]

25X1

The Defense of the Revolution forces make up a directorate within the Afghan Ministry of Interior supervising paramilitary forces responsible for spreading the regime's Marxist ideology to outlying regions and providing military support to regular army units. [redacted]

[redacted] we believe they encompass two paramilitary organizations:

- Revolution Defender units, which consist of poorly armed tribal militias in each province. They are nominally responsible for securing their villages against insurgent attacks.
- Soldiers of the Revolution units—first seen in 1985—consisting of party members or candidate members who act as armed propagandists for Kabul in rural areas. We believe their function is almost entirely propaganda, although [redacted] they also support military operations. [redacted]

The Defense of the Revolution Forces suffer from the same shortcomings that plague most of Kabul's armed forces—manpower shortages, uncertain loyalties, and outdated equipment—and we believe their effectiveness in the counterinsurgency effort is at best limited. Their primary role seems to be to expand the ruling party's role in the provinces and identify promising recruits for party membership. [redacted]

[redacted] the party's continuing inability to establish a presence outside Kabul suggests they have not made much headway. [redacted]

Background

The People's Democratic Party of Afghanistan (PDPA) created Defense of the Revolution village self-defense units shortly after it came to power in 1978 as a means of expanding the party's influence outside its urban strongholds. The units were modeled on the Cuban Committees in Defense of the Revolution, and Cuban advisers helped set up the first

groups. Although their functions in this period are not clear, intensifying resistance to the regime prompted the army to enforce local participation in the units in early 1979. After the Soviet invasion in December 1979, the units were apparently consolidated under the Ministry of Interior as an independent directorate. We believe that this move led to an infusion of regime support for the Defense of the Revolution forces, and [redacted] the forces began counterinsurgency and local defense operations by 1981. Defense of the Revolution operations battalions, which had been deployed to all 29 provincial capitals, were colocated with *sarandoy* (police) battalions by early 1982. [redacted]

25X1
25X1

25X1

25X1

After 1983 the Defense of the Revolution forces began to assume a lesser role. We believe this may be the result of a regime decision to consolidate their functions under the *sarandoy*. In our opinion, the *sarandoy* became the Interior Ministry's primary paramilitary force by late 1984, relegating the Defense of the Revolution forces to supporting the Revolution Defender militias. [redacted]

25X1
25X1
25X1

25X1

In late 1985, probably as part of its effort to put more emphasis on paramilitary forces, Kabul reactivated the Defense of the Revolution forces' offensive capability. Soldiers of the Revolution units were also established at this time, [redacted]

25X1
25X1

[redacted] This new force probably consisted of well-armed urban party members or activists in the Democratic Youth Organization. [redacted]

25X1
25X1

[redacted] these units were deployed throughout the country. [redacted]

25X1
25X1

[redacted]

25X1

25X1

Secret

NESA NESAR 87-007
13 March 1987

Secret

Military Effectiveness

[redacted]
[redacted] we

believe that they have not independently engaged insurgent forces in combat. Units have been primarily deployed in noncritical assignments such as static guard posts and to provide a regime presence in outlying areas. Revolution Defender units now include about 8,000 to 10,000 troops, [redacted]

[redacted] We judge that the size of the militia probably has decreased considerably because of desertions that affect all of Afghanistan's armed forces. [redacted]
[redacted]

Recently some Defense of the Revolution forces have been deployed out of area to reduce the chance they will collaborate with the local insurgents. [redacted]

[redacted] In the fall of 1986, for example, a string of 40 to 45 militia posts along the Sorkh Rud Valley in Nangarhar Province was manned by 12-man squads of Revolution Defenders from Qandahar Province. [redacted] In August 1985 [redacted]

[redacted] Defense of the Revolution forces were responsible for defending the regime outposts in Peshghowr that fell to Masood's insurgents that month. [redacted]

Some Soldiers of the Revolution units have been deployed in keeping with their aim of increasing party influence in outlying areas—with mixed results, in our view. In the fall of 1986 [redacted]

[redacted] Afghan paramilitary forces—apparently from Soldiers of the Revolution units—based in Badakhshan Province were rounding up local youngsters from 10 to 15 years old for ideological instruction, but the youths were apathetic and often escaped. Other Soldiers of the Revolution units have been deployed in support of army operations.

[redacted] a Kabul-based unit was sent to Herat last summer to aid in relieving besieged regime forces. In February 1987 the regime announced the deployment of a second Soldiers of the Revolution unit to the eastern frontier provinces, according to the US Embassy in Kabul.
[redacted]

A Typical Defense of the Revolution Unit

[redacted]
[redacted] a Defense of the Revolution operations battalion consisted of:

- A headquarters section under the command of a Ministry of Interior lieutenant colonel, with a chief of staff from the sarandoy ranks. Interior Ministry officers with the rank of major oversaw the operations, reconnaissance, technical, signal, and cipher departments. Sarandoy officials were responsible for the logistics and political departments. The political department was apparently the largest, consisting of sections for propaganda, indoctrination, and youth organization. All company political officers were subordinate to the political department.

- The combat forces of the battalion consisted of three militia companies, one machinegun platoon, one armored personnel carrier company, and one mortar company. Six hundred privates, 33 officers, and 52 noncommissioned officers were authorized for a battalion, although only 400 privates were actually stationed. The ranks of the officers and noncommissioned officers were probably also undermanned.

- The unit's transportation equipment consisted of three BTR infantry fighting vehicles and six BRMD reconnaissance vehicles, in addition to five jeeps and over 30 trucks. Six BMP armored personnel carriers were authorized but never delivered. The battalion's arsenal consisted largely of 600 AK-47 assault rifles, 30 light machineguns, nine mortars, and three rocket-propelled grenade launchers.

[redacted]

Command and Control

The Defense of the Revolution forces are under the command of Maj. Gen. Mohammad Azim Zormati, a member of the Khalqi faction of the PDPA and a

25X1

25X1

25X1

25X1

25X1

.

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

.

25X1

Secret

Secret

- *Lack of supplies.* Most Defense of the Revolution units are poorly equipped. They are often armed with antiquated weapons. A recent photo in the government-controlled press, for example, showed a Nangarhar-based defender group equipped with British single-shot rifles and World War II-era Soviet submachineguns. Ammunition for these weapons is probably in short supply. Soldiers of the Revolution units are better armed, [redacted] but still lack modern weapons. [redacted]

25X1
25X1
25X1

Outlook

Kabul is likely to continue supporting the Defense of the Revolution forces as an inexpensive means of maintaining a presence in outlying areas, freeing regular army forces for combat, and as a vehicle for propagating the regime's ideology and recruiting new members into the party. Like most of the regime's paramilitary units, the Defense of the Revolution forces are likely to be only marginally effective politically and militarily because of their outdated equipment, manpower shortages, and low morale.

[redacted]

25X1

[redacted]

25X1

Secret

Secret

India: Rajiv Gandhi Adjusting Foreign Policy Tactics

25X1

Indian Prime Minister Rajiv Gandhi is frustrated by the lack of progress in implementing his foreign policy goals—particularly vis-a-vis Pakistan and Sri Lanka, but also the United States and the Soviet Union. He has had only limited success in attracting advanced technology from the United States, the Soviet Union did not make firm public pledges of support for India in its recent confrontations with Pakistan and China, he has been unable to improve relations significantly with Pakistan, and his Sri Lankan mediation effort appears stalled. Gandhi's frustration has led to some angry outbursts during recent crises and abrupt firings of senior foreign policy officials.

Gandhi shows signs of being worn down by the responsibilities of leading India both in foreign affairs and in solving domestic problems:

- He appears frustrated by his inability to improve relations with Pakistan and to get Islamabad to curtail its support for Sikh separatists, slow its nuclear weapons program, and reduce its requests for sophisticated US military equipment. His harsh public claims in January that Pakistani military deployments threatened India suggest he is inclined to think the worst of Pakistan.

25X1

Because he has few attractive alternatives, Gandhi remains personally committed, in our judgment, to strengthening relations with the United States while maintaining close ties to the USSR. He also is dedicated to securing New Delhi's preeminence in the region by using diplomacy to reduce tensions with India's neighbors. The growing influence of Gandhi's personal advisers and military and intelligence officials over foreign policy matters—combined with his impatience to get things accomplished—probably presages a period of more hardline tactics with India's neighbors. The United States should be prepared for a period of high-risk Indian brinkmanship in April and May over the China-India border dispute if military and intelligence officials call the shots. Indo-Pakistani relations have improved somewhat following the recent border crisis, but India will be looking for concrete steps from Pakistan to improve relations and help control the Sikh problem. India may also become less understanding concerning delays in the provision of advanced US technology. A harder line toward Pakistan and difficulties with the United States may not, however, translate into Soviet gains, since New Delhi is also likely to be looking for firm evidence of Soviet support, particularly if Sino-Indian relations deteriorate this spring.

- His recent abrupt firings and public criticism of senior politicians and government officials involved in foreign policy reflect his growing exasperation with their failure to advance his goals.
- Domestically, Gandhi is under growing criticism for his failure to solve the Sikh problem and faces criticism for mismanaging the recent border crisis with Pakistan.
- On the personal level, his predilection for fast driving and a recent experiment with parasailing to escape his bodyguards suggest he is frustrated with his job as well as with the security restrictions required after his mother's assassination and the attempt on his own life last October.

Feeling the Pressure

25X1

Gandhi's intemperate reactions over the past six months to three incidents involving Pakistan—the Indo-Pakistani war scare in January 1987, the attempt on his life in October 1986, and the hijacking of a Pan Am airliner in Karachi in August 1986—demonstrate his frustration with his inability to improve bilateral relations. Gandhi's visceral response to the alarms of Indian intelligence that Pakistan intended to invade India, disregarded the safety of Indian passengers caught in the hijacking, and backed

25X1

Secret

NESA NESAR 87-007
13 March 1987

Secret



Rajiv Gandhi [redacted] India Today

foreign minister, one foreign secretary, and fired G. Parthasarthy, his mother's principal foreign policy confidant. [redacted]

25X1

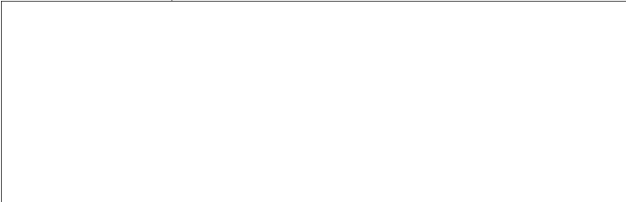
Gandhi also appears to be turning to high-risk physical activities—probably to escape his tight security and the frustrations he feels in his job as a result of failures in foreign and domestic policy. He has told the press that he misses his privacy and time with his family and resents the intrusion of security officers and procedures. Press reports say he enjoys driving at excessive speeds to outrun his bodyguards, and, in early January, on the spur of the moment and over the objections of his security officers, he tried parasailing at a local airfield. He seems to savor, if only for the moment, being free of restraints. [redacted]

25X1

Gandhi's Staff and Decisionmaking Style

From the beginning Gandhi has been an impulsive decisionmaker on foreign policy who prefers to act promptly on reading a briefing paper or after hearing a presentation. [redacted]

25X1
25X1



25X1

the assassin in New Delhi was to lash out against Pakistani President Zia or to give the green light to military commanders eager to counter Pakistani troop movements with more deployments of their own. Gandhi's initial reactions during each crisis have been softened and glossed over by a resumption of conciliatory comments, but they suggest that he is prone to erupt angrily at the onset of crises. [redacted]

As a consequence of his growing impatience with the Ministry of External Affairs and other members of the foreign policy establishment, Gandhi is consulting only a handful of people on his personal staff and in the military and intelligence organizations for advice on key foreign policy questions and appointments, [redacted]

25X1

The Secretariat staff members most frequently mentioned as being close to Gandhi include G. K. Arora, recently named "Special Secretary," according to US Embassy reports; Satish Sharma, a crony from airline days; and Mani Shankar Aiyer, his public relations specialist. Junior Cabinet officials Natwar Singh, P. Chidambaram, and Rajesh Pilot are also identified [redacted] as enjoying Gandhi's confidence. Officials in military and intelligence circles, who also have Gandhi's ear, have tended, in [redacted]

25X1

The growing impatience of Gandhi with the performance of Cabinet and senior government officials in foreign policy has resulted in several abrupt firings and resignations in recent weeks, lessening the influence of longtime professional diplomats in the Ministry of External Affairs. He has drastically reduced his contacts with the Indian foreign policy establishment. [redacted]

[redacted] apparently deciding that few in these circles have vision or can be trusted to represent his views. Gandhi has on short notice dismissed one [redacted]

25X1
25X1
25X1

Secret

Secret

our judgment, to take a hard line on India's relations with its neighbors, believing that the projection of military power and covert action can advance Gandhi's goals of reducing tension in the region and asserting India's preeminence. [redacted]

[redacted] former Foreign Secretary Venkateswaran lost his job when he refused to defer to Arora. According to the Indian press, Venkateswaran complained about the growing influence of the Prime Minister's staff and the Research and Analysis Wing, India's external intelligence service, in foreign policy matters. Gandhi's staff convinced the Prime Minister that Venkateswaran's angry confrontation with Defense Ministry officials, who excluded the Ministry of External Affairs entirely from the initial briefing on Indo-Pakistani border deployments, merited his dismissal. [redacted]

Gandhi's Foreign Policy Goals Unchanged

Despite his foreign policy problems, Gandhi shows no signs of abandoning his basic goals—strengthening relations with the United States while maintaining longstanding ties to the Soviet Union and securing India's preeminence in the region. Gandhi probably sees no attractive policy alternatives, given what New Delhi views as encouraging but limited success in attracting technology from the United States. He also values Moscow's promises of continuing support for New Delhi but is concerned about Soviet overtures to Islamabad and Beijing. [redacted]

We believe that Gandhi may begin using new tactics to achieve these foreign policy goals. His impatience with traditional channels of communication on foreign policy matters suggests he may turn more frequently to hardliners in the Research and Analysis Wing and the military to help get things done, particularly when dealing with neighboring states. At the same time, we believe he will stick with his preferred personal style of nonconfrontational diplomacy. Gandhi's appeals to senior US officials to use their influence with Islamabad one week before the Indo-Pakistani mobilization and his invitation to Pakistani President Zia to attend a cricket match in February indicate that he prefers personal diplomacy conducted in a nonconfrontational manner. [redacted]

Outlook

Gandhi's frustrations are unlikely to cause dramatic changes in Indo-US relations, but we believe India may become more impatient with what it regards as US delays in supplying advanced technology, particularly in regard to US participation in India's Light Combat Aircraft project. New Delhi is signaling the United States either to make concrete offers or back out of the project. At the same time, Gandhi probably is buoyed by US offers to advance the launch date for India's INSAT 1-D communications satellite and by progress in the sale of a US-made supercomputer. [redacted]

Relations between India and Pakistan have improved as a result of the recent disengagement agreement, but India will be looking for Pakistan to take additional steps to improve relations. Gandhi would be especially encouraged by progress in implementing the agreements on trade and antinarcotics measures that he and President Zia discussed during their meeting in late February or in measures to control Sikh infiltration. If there is no improvement in relations over the coming months, we believe Gandhi will become increasingly susceptible to those advisers who favor supporting dissidents in Pakistan. [redacted]

We should be prepared for a period of high-risk brinkmanship over the Sino-Indian border this April and May, given Gandhi's behavior and the rising influence of the military and the external intelligence service at the expense of professional diplomats. We expect that Indian military officers will advise taking an aggressive stand against the Chinese along the contested border. The new Foreign Secretary, K. Menon—most recently Ambassador in Beijing—probably will have few fresh proposals to break the negotiating deadlock. If the situation gets too hot, Gandhi may ask the United States to provide both sides with detailed satellite maps of the contested border to defuse the crisis. [redacted]

Difficulties in India's relations with the United States, Pakistan, or China will not necessarily translate into gains for the Soviets. [redacted]

[redacted] New Delhi is disappointed with what

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

it views as inadequate Soviet diplomatic support during recent tension with Pakistan and China. If the Sino-Indian border heats up this spring, the Indians are likely to look to Moscow for strong public support that the Soviets may not be willing to provide. [redacted]

25X1

[redacted]

25X1

Gandhi's frustrations are increasingly likely to color diplomatic exchanges with the United States—and others—during crises or periods of uncertainty. We can anticipate impulsive, angry outbursts from Gandhi in a future crisis as doomsayers in the military and intelligence services outline worst case scenarios or bring him reports that outsiders—including the United States—wish him ill. Gandhi's impatience with Ministry of External Affairs bureaucrats suggests that the United States probably will have to continue to depend heavily on contacts at the highest level of Gandhi's administration to maintain and strengthen ties. Institutionalizing improved relations will be a slow process as long as Gandhi continues to fire and shuffle top foreign policy officials. [redacted]

25X1

[redacted]

25X1

Secret

Secret

State Elections Test India's Congress Party

25X1

Four state elections scheduled for this spring offer India's ruling Congress Party its biggest electoral test yet during the Rajiv Gandhi administration. The Congress Party will probably win the election in Haryana, the most important of the contests, although we expect heated competition at the polls. The hard-fought campaign in Haryana underscores the difficulty the Congress Party faces in retaining its grip on Hindi-speaking states across northern India, which have sustained the party's national electoral supremacy while regional parties have prevailed in fringe states. The Congress Party is campaigning hard to increase its leverage over its coalition partners in the Kerala and the Jammu and Kashmir elections, but the party will probably suffer heavy losses against West Bengal's Communist-led ruling coalition.

officials are concerned that this trend will spread to Haryana, where Hindu voters have yet to see benefits from the Punjab Accord and believe Gandhi is bowing to pressure from Sikh extremists at the expense of Congress Party supporters in Haryana.

25X1

India's electoral commission scheduled elections for 23 March in Jammu and Kashmir, Kerala, and West Bengal. The commission agreed to a request from the Congress Party to delay the Haryana election, although it must be held before the term of the current assembly expires on 23 June, unless Parliament decides to extend the life of the assembly.

The Haryana election is also a test of whether regionalism in India—the increasing appeal of regional parties and issues at the expense of national concerns—has taken root in areas traditionally supportive of the Congress Party. Growing regionalism in India intensifies the problems Congress Party candidates face—even in Hindi-speaking states—competing against candidates with platforms more keyed to local interests. Congress Party candidates, tied to their party's platform of secularism and national unity, often lose out to non-Congress politicians, who can enhance their electoral appeal by exploiting regional ethnic and religious prejudices.

25X1

25X1

Election Issues. The most important local issues in the Haryana election include agriculture, the Punjab Accord, and caste:

25X1

- **Agriculture.** The election hinges on which party can convince Haryana's large farming population of its commitment to ensure enough water for the state.
- **Punjab.** The Congress Party's opposition in Haryana has trumpeted the failure of Gandhi to curb Sikh extremism and implement the accord's provisions as proof of the Congress Party's lack of commitment to Haryana's Hindu farmers.

Haryana: The Key Election

We believe Gandhi needs an electoral victory in Haryana to prove to Congress Party officials that his efforts to appease India's diverse ethnic groups have not damaged the party's standing among its traditional supporters. Congress Party officials see the Haryana election in part as a grassroots referendum on whether Gandhi's conciliatory attitude toward regional ethnic groups will cost the party votes in states with Hindi-speaking majorities traditionally supportive of the party. Of the four ethnic accords signed by Gandhi—Jammu and Kashmir, Assam, Punjab, and Mizoram—the latter three have resulted in Congress Party losses at the polls. Congress Party

¹ The Punjab Accord, signed in 1985, awarded Chandigarh to Punjab in exchange for as yet unspecified land for Haryana. The accord also addressed land and water rights disagreements between the two states, but several commissions appointed to resolve these problems have failed to define the terms of the agreement.

25X1

Secret

NESA NESAR 87-007
13 March 1987

Secret



706405 12-85

— States with elections

■ States with Hindi-speaking majorities

25X1

Secret

Secret

Haryana—Facts and Figures

Haryana forms part of India's Hindi Heartland, a belt of northern states populated largely by Hindi speakers who have long served as the backbone of Congress Party support. The Indian Government conferred statehood on Haryana in 1966 when Punjab was divided to accommodate Sikh demands for a state with a Sikh majority. Most Sikhs remained in Punjab, while many Punjabi Hindus migrated to Haryana. The city of Chandigarh remained the capital of both states. Haryana is currently under Congress Party rule, with Bansi Lal as chief minister. [redacted]

- *Caste.* The election also depends in part on which side can capture voters from the Jat caste, which makes up about 30 percent of the state's population. [redacted]

The Congress Party's Opposition in Haryana. The Congress Party's most formidable opposition in Haryana comes from the Haryana Sangarsh Samiti (HSS), a coalition led by the Lok Dal Party and the Bharatiya Janata Party (BJP). The Lok Dal has strong support among Jat caste farmers. The BJP appeals to Hindu chauvinists—often merchants—who point to Gandhi's inability to contain Sikh extremists and implement the Punjab Accord as proof of their allegations that the Congress Party-led federal government is pandering to Sikh interests in Punjab. [redacted]

Who Will Win in Haryana? We believe the Congress Party will win a narrow victory over the HSS in the election:

- The Congress Party will gain the advantage over the opposition HSS if, as we expect, the commission that was organized to decide a water rights dispute between Haryana and Punjab releases a report favorable to Haryana before the election. According to the US Embassy in New Delhi, the commission has recently submitted its report to the government, and rumors in New Delhi indicate that the decision favors Haryana. Haryana Chief Minister Bansi Lal

Implications for Punjab

A victory in Haryana would affirm Hindu voter support for Gandhi and give him a limited mandate to risk additional concessions to strengthen the moderate Sikh state government in Punjab. Gandhi might consider releasing Sikh detainees held without trial or offering land concessions to Punjab's farmers to offset a pro-Haryana decision on water sharing. A defeat for the Congress Party in Haryana, however, would limit Gandhi's negotiating position with Sikh moderates. In our judgment, without strong Hindu backing, Gandhi would not offer Punjab key concessions on land or water—the main points still to be implemented from the 1985 accord—at the expense of Haryana. [redacted]

25X1

25X1

has already claimed that the state will get a larger share of the disputed waters of Punjab's Ravi-Beas Rivers, according to the Embassy.

25X1

- According to the Embassy, the Congress Party will probably win a majority of Harijan (outcaste) voters, who make up about 20 percent of the population. The Harijan vote had been tightly contested until last January, when the Congress (J), a Congress Party splinter group with strong support in the Harijan community, reunited with the parent party.
- The Congress Party has more money to spend on the election. According to US Embassy sources, it is far outspending its opposition in the media. Gandhi, who has traveled to Haryana several times to campaign for the party, has backed the party's "Congress for Development" slogan by handing out a \$300 million federal grant during one of his visits. Finally, the Congress Party has the funds to buy local votes with patronage jobs and development projects. [redacted]

25X1

25X1

The Other Elections

We believe Gandhi and the Congress Party have less at stake in the three other state elections—West Bengal, Jammu and Kashmir, and Kerala—than in

Secret

Secret

Haryana. Voters from these states, which are outside the Hindi heartland, regularly elect non-Congress majorities in state elections. The Congress Party is nevertheless mounting strong campaigns in these states, running hard to maintain parity with its coalition partner in Jammu and Kashmir and increase leverage over its running mates in Kerala. We believe the ruling Congress Party/National Conference (F) coalition will easily control the polls in Jammu and Kashmir. Meanwhile, the Congress Party probably will gain dominance within Kerala's coalition government, but it will almost certainly lose to the West Bengal ruling coalition led by the Communist Party of India/Marxist.² [redacted]

Jammu and Kashmir. The recently installed coalition state government, led by the National Conference (F) and the Congress Party, will almost certainly win the Jammu and Kashmir election. The coalition's candidate for chief minister, incumbent National Conference leader Farooq Abdullah, has the support of most of the state's Muslims, according to the Embassy, and his party can probably gain enough electoral backing to dominate the coalition. Abdullah is perceived as an honest and effective politician, and his father is by far the most popular and charismatic leader the state has ever known. Abdullah's brother-in-law, G. M. Shah, leads the rival National Conference (K), but we believe Shah's poor political performance as a onetime chief minister in Jammu and Kashmir makes him the underdog with Kashmiri voters. We expect that Shah will win only enough seats in the state assembly to constitute a vocal minority. [redacted]

Kerala. The Congress Party will probably lead the state's ruling United Democratic Front (UDF) coalition to victory, according to the Embassy. Party officials, responding to complaints that the domineering attitude of the Congress Party's chief minister had irked coalition partners, have tried to mediate the disputed selection of seat assignments for the election. UDF partners disagree on which candidates should be given tickets and how seats

² For further details on West Bengal, see "India: West Bengal's Government—Red Outside, White Inside?" in this issue of the *Near East and South Asia Review* [redacted]

should be allocated among the coalition factions. At the same time, Gandhi visited the state in January, announcing financial assistance for the state to rally support for the state government's "Cooperation Instead of Confrontation" election slogan. According to the Embassy, the Left Democratic Front, a Marxist-led opposition party, has little chance for success in the election, although the coalition has allocated numerous seats to young candidates to win the youth vote. Other smaller parties are wielding disproportionate amounts of power because they offer swing votes in an election where voting splits among multiple castes and ethnic groups will narrow the Congress Party's margin of victory. [redacted]

Implications

We believe a Congress Party victory in Haryana would bring major short-term political gains for Gandhi and help him overcome criticism that he lacks national and party leadership skills. A victory will enable Gandhi to argue that he can continue conciliation with contentious ethnic groups without damaging the Congress Party's appeal at the polls. [redacted]

If the Congress Party wins only a slim electoral mandate in Haryana, as we anticipate, we expect the opposition in the state assembly to lobby against perceived Congress Party failures in implementing the Punjab Accord and battling Sikh extremists. A large and vocal minority in the assembly would probably keep Gandhi from offering more than limited concessions to Punjab. In our view, this slim mandate, coupled with the uneasiness Haryana Hindus feel about violence in neighboring Punjab, will probably force any Congress Party-led government in Haryana to oppose federal actions Hindus perceive as inimical to their interests. [redacted]

A Congress Party loss in Haryana will leave Gandhi with an uphill battle to regain his credibility within the party. Gandhi's opposition and his critics within the Congress Party will accuse him of pandering to troublesome ethnic minorities and of alienating the party's Hindu supporters. We expect that the opposition and press would pounce on a loss as

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

evidence that Gandhi and his party were nearing the end of years of dominance over the Hindi-speaking states. We doubt that the repercussions of the election alone would presage a national loss of power in the 1989 parliamentary election for either Gandhi or the Congress Party.

25X1

We believe Gandhi and the Congress Party would easily weather losses in other states, although unexpected setbacks in Jammu and Kashmir and in Kerala would spur localized and short-term criticism of Gandhi from party dissidents. Judging from the muted reaction to the recent Congress Party loss in the Mizoram election, we believe additional Congress Party losses in fringe areas would provoke only limited negative reactions from Congress Party leaders and Indian political commentators.

25X1

25X1

Secret

Secret

India: West Bengal's Government— Red Outside, White Inside?

25X1

West Bengal is the only state in India with a Communist government. The Communist Party of India/Marxist (CP/M) has ruled there for the past 10 years. The difficulties of running a state government—particularly of providing jobs for West Bengal's teeming masses—have given the CP/M state government a less ideological bent as compared with the strong Marxist ideology of the national CP/M and the Communist Party of India (CP/I). These differences have led to backbiting among India's Communists. Relations are also strained between the central government in New Delhi and West Bengal, and the relationship is becoming more tense as the CP/M and the Congress Party begin final campaigning for state assembly elections.

Local CP/M Leadership Under Attack From the Left

Stalin's description of the Chinese Government as "red on the outside and white on the inside" could also apply to the Communist government of West Bengal. The CP/M of West Bengal, under the leadership of Chief Minister Jyoti Basu, is more pragmatic than other Communist parties in India. The CP/M of West Bengal follows neither the pro-Soviet line of the CP/I nor the Maoist ideology of the CP/M at the national level. Instead, Basu has attempted to bend the party's ideology to deal with local political and economic problems, prompting criticism from the CP/I national leadership and other hardline leftists.

High unemployment in urban areas along with New Delhi's reluctance to give financial assistance to West Bengal has prompted Basu to emphasize private investment as a means of expanding the state's industrial capacity and creating jobs. Measures initiated to attract private companies to establish industries in West Bengal include:

- Establishing free trade zones.
- Assisting multinationals to secure import licenses from the central government.
- Offering preferential rates on power.
- Exempting firms from import duties.

West Bengal—Facts and Figures

When India was partitioned in 1947, Bengal was split into east and west. The former became part of Pakistan (now Bangladesh), and the latter became the Indian state of West Bengal. The state extends from the Bay of Bengal to the foot of the Himalayas. It is slightly larger than Maine but has a population density per square kilometer 25 times that of Maine. Although Bengal is one of India's most industrialized states, agriculture contributes 50 percent of the state's income and employs 90 percent of its labor force. Calcutta, the intellectual as well as political capital of the state, has long been India's center for Marxist ideology and political experimentation.

25X1

Basu's reluctance to take over ailing local industries has spurred criticism from his own party. He has refused to support financially inefficient firms such as those engaged in the manufacture of jute products. In our view, Basu hopes that continued competition will prompt the firms to modernize and increase product quality and output through better management of resources and manpower.

Politically, the CP/M and the CP/I disagree over the CP/M's manipulation of state elections. According to press reports, the CP/I accuses the CP/M of limiting the number of seats the CP/I could win in the West Bengal assembly election scheduled for this month. According to press reports, the local CP/M keeps a tight rein on seats in the state assembly, using intimidation and force to cow opponents, including CP/I candidates.

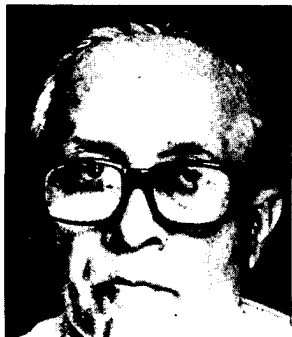
Challenged by Congress Party in State Election

Although the government of West Bengal supports Prime Minister Rajiv Gandhi's foreign policy, it disagrees with New Delhi over domestic and

Secret

NESA NESAR 87-007
13 March 1987

Secret

Jyoti Basu, West Bengal's Chief Minister*Illustrated Weekly of India*

Basu, 72, is one of the deans of the Indian opposition. He dominates both the CP/M and the left coalition government of West Bengal headed by the CP/M. According to Indian press reports, West Bengal voters regard Basu as a "cultured gentleman" and a statesman. Basu, who is more a political opportunist than an ideologue, has argued that India's Communist parties "cannot bring about fundamental changes (in the country's economic and social systems) until we get power at the center." [redacted]

Basu has his Communist roots in Britain, where he studied and was eventually called to the bar. He never used his legal training, choosing instead to work full-time with the CP/I after his return to New Delhi in 1940. Basu rose through the party ranks, eventually concentrating on trade union organization as a railway union spokesman. He was first elected to the West Bengal state assembly in 1947 and was reelected to almost every assembly until 1971. He is a member of the CP/M Politburo. Basu suffered a stroke in December 1983. [redacted]

economic issues, according to US Embassy reports. Both the CP/M and the Congress Party, which rules on the national level, are actively involved in a gutter-style campaign to elect delegates to the state assembly. Gandhi has called the government of West

Bengal "the most incompetent in India." Basu has responded by accusing New Delhi of running its campaign on a "pack of lies":

- New Delhi accuses the state government of misappropriating funds by overspending on public relations and underspending on industry and agriculture, according to Indian press reports. The CP/M government complains that New Delhi is withholding development funds allocated to West Bengal.
- New Delhi claims that enforcement of the Black Laws, which ban strikes in the public sector, are necessary for the welfare of the state. The West Bengal government, on the other hand, claims New Delhi is using the laws to prevent the state government from expressing its dissatisfaction with New Delhi by conducting public employee strikes.
- Although the national government defends its longstanding open-door policy between Nepal and West Bengal, the state government is urging New Delhi to curtail Nepalese immigration.

CP/M at Odds With New Delhi Over the Gorkhas

In our judgment, the most serious issue between the government of West Bengal and New Delhi is the demand by Gorkhas living in West Bengal for a separate state within the Indian union. Since Gorkhaland would have to be carved from West Bengal, the CP/M advocates a tough line against Gorkha agitation. Gandhi, however, probably sensing an issue that he can use to weaken the CP/M government and strengthen the Congress Party in the state, has been more sympathetic to Gorkha complaints and critical of the West Bengal government.

Violence between GNLF followers and the CP/M steadily increased until Rajiv Gandhi negotiated an agreement last January, according to US Embassy reports. GNLF leaders agreed to curtail violence in return for citizenship for ethnic Nepalis and the establishment of an Indian Army regiment of Indian Gorkhas, according to US Embassy reports. This

25X1

25X1

Secret

Secret

The Gorkhas

The Gorkha National Liberation Front (GNLF) was founded in 1980 by its present leader, Subash Ghising. GNLF followers are of Nepalese origin but live in West Bengal and believe that only through a separate state—Gorkhaland—can they guarantee their rights and privileges. The Gorkhas—approximately 500,000, according to Indian Government estimates—live mainly in the Darjeeling area near the Bhutan and China border.

25X1

maneuver on the part of New Delhi benefited both the government of West Bengal and New Delhi in that it curtailed Gorkha agitation and removed it as a major campaign issue. We believe, however, that state Congress politicians around Darjeeling will continue to appeal for Gorkha support by denouncing Basu's handling of the Gorkha issue.

Outlook: CP/M Will Meet the Challenge

We expect the CP/M to win the March state election, even though the Congress Party has increased its local popularity. Jyoti Basu is a well-respected and charismatic leader. His controversial economic reforms have contributed to a minor spurt in industrial growth that should win him votes. He also has retained his popularity among the rural population. With the installation of a new subway and phone system, he has improved his image in the urban areas of Calcutta, where his popularity had diminished.

We believe, however, that GNLF agitation will reappear after the election and that incidents will become more violent and more frequent. According to local press reports, the movement is increasing in size and is being supplied with small arms, and the present, more accommodating leadership's popularity is declining. More radical Gorkha leaders, who advocate armed revolt in their pursuit of an independent Gorkhaland, are emerging.

25X1

Secret

Page Denied

Next 8 Page(s) In Document Denied

Secret

Karachi: Pakistan's Hotbed of Ethnic Strife

25X1

Karachi, Pakistan's largest city, is an uneasy mixture of ethnic and religious groups cohabitating in a city already strained by overcrowding, poverty, and drug abuse. This combination has resulted in increasingly violent ethnic and sectarian riots—some 200 deaths occurred in recent months—and the city will continue to be a flashpoint for communal violence. In our view, Karachi's problems are eroding public confidence in the national, provincial, and local governments' ability to maintain domestic order. These governments lack the political and financial resources to alleviate the city's deep-rooted ethnic and social tensions. Karachi's violence probably will not spread to other parts of the country because the city's ethnic diversity is not found elsewhere.

Sources of the Consulate estimate that Karachi's annual population growth rate is about 5.6 percent—as compared with the national rate of 3 percent—and almost half of the population is under 18. A Pakistani demographer, using data from the 1981 Pakistani census, estimates that Karachi's population will double to 16 million by the year 2000.

Growing Sectarian and Ethnic Violence

25X1

The influx of various religious and ethnic groups into Karachi has strained communal relations, often to the breaking point. Sectarian violence between Sunnis and Shias—many of Pakistan's minority Shia population live in Karachi—in February-April 1983 caused some 20 deaths and damage to both Sunni and Shia neighborhoods, according to press reports.

25X1

25X1

From Port Town to Overgrown Metropolis

After the partition of India in 1947, Karachi grew dramatically in population and commerce. Before partition, Karachi had been a port city of about 300,000 people, mainly Sindhis, who are indigenous to the region, and Baluchis who emigrated from areas west of the city over the past century. Growth was relatively stable. After independence, hundreds of thousands of Muhajirs (Muslim immigrants from India) flocked to Karachi—both a water and rail terminus. Businesses such as shipbuilding and textiles grew because Karachi was Pakistan's only developed port. Karachi also served as Pakistan's capital from 1947 to 1959.

Ethnic fighting, however, has been more frequent and enduring. Fighting between different groups occurred periodically in the city during the 1950s, 1960s, and 1970s, mainly between Sindhis and newly arrived Muhajirs. In the past several years we have noticed an increase in ethnic violence involving other groups and often causing more deaths. According to US Consulate reports, at least 130 persons were killed during April 1985 in fighting between immigrant Biharis from Bangladesh and Pushtuns from Pakistan's North-West Frontier Province.

25X1

25X1

Karachi's population is now about 8 million, according to US Consulate estimates. In addition to the Muhajirs, the city has become a mecca for other Pakistani ethnic groups, such as Pushtuns and Punjabis seeking jobs and economic opportunity. More recent arrivals include several hundred thousand Afghan, Iranian, and Bangladeshi refugees escaping turmoil and persecution in their native countries.

The worst outbreaks of ethnic violence, however, occurred between Pushtuns and Muhajirs over a three-month period from late October 1986 to January 1987. US Consulate reporting indicates that at least 165 people died in the fighting; press reports say the toll probably exceeded 200. The fighting began in October, when Muhajirs commandeered buses and trucks in a Pushtun neighborhood to attend a political rally. The disturbances continued intermittently over the next three months, spreading

25X1

Secret

NESA NESAR 87-007
13 March 1978

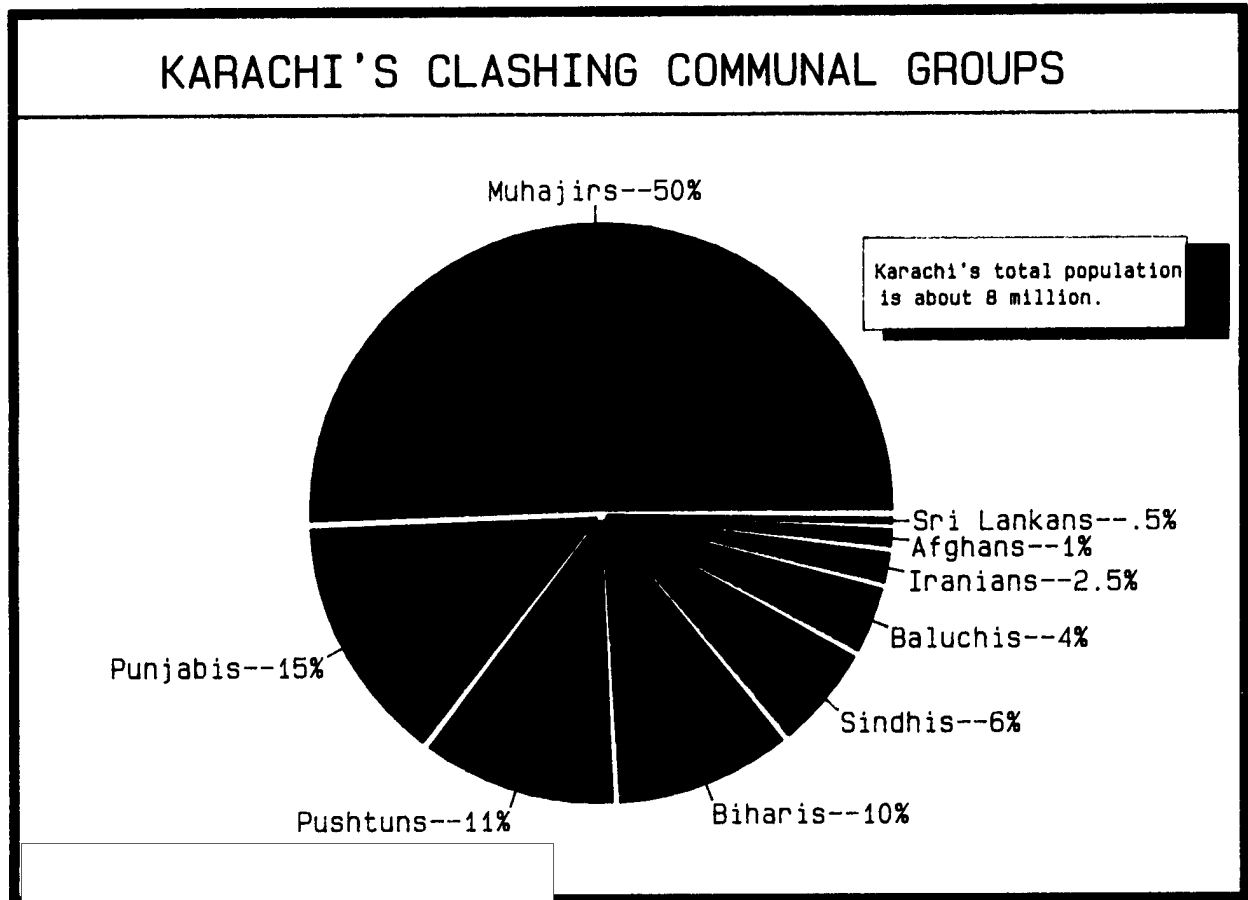
Secret



Base 504018 1-79

Secret

Secret



25X1

to several other cities in Sind Province. Many of the combatants were well armed. [redacted]

[redacted] many rioters were using automatic weapons and even RPG-7s. The federal government authorized the dispatch of Army troops to Karachi several times to restore order. Curfews were imposed on most of the city, and President Zia and Prime Minister Mohammed Khan Junejo visited in November to meet with local officials and appeal for calm. [redacted]

Roots of the Violence

In our view, ethnic violence in Karachi originates with social and economic problems such as overcrowded urban conditions, drug abuse, poor public facilities, and an influx of foreign refugees as well as from differences in language and culture. For example, the US Embassy in Islamabad estimates that more than

one-third of Karachi's population lives in crowded slums and shantytowns that lack such basic amenities as electricity and running water. Unemployment, illiteracy, and disease in these areas are chronic. The slums are demarcated along ethnic lines, and, when seemingly minor incidents occur involving two or more ethnic groups, such as a traffic accident or a police arrest, tensions can quickly explode into intercommunal violence. [redacted]

25X1
25X125X1
25X1

Drug trafficking and abuse also contribute to communal tensions. US diplomatic reports point to Karachi as a center and transit point for illegal narcotics—mainly heroin—that are produced in and shipped from the North-West Frontier Province. A Pakistani journalist estimates that there are more

Secret

Secret

than 30,000 heroin addicts in one Karachi neighborhood alone. The effort by Karachi police last December to clean up a major drug dealing center in a Pushtun neighborhood was the catalyst for ethnic fighting. Many Muhajirs charged that armed Pushtun "Drug Mafia" gangs terrorized Muhajir neighborhoods to enforce a Pushtun-led strike in protest against the police action. [redacted]

The unrestricted influx of refugees from neighboring countries is often cited in the Pakistani press as a major cause of ethnic tensions. Press reports indicate that Afghan refugees are often singled out by Karachi residents as being involved in the city's illegal drug and arms trafficking, even though the US Consulate reports that it is generally Pakistani Pushtuns, not Afghan refugees, who run these illicit activities. In response to rising antirefugee sentiment, the Pakistani Government is relocating many of the Afghans to a refugee camp outside Karachi. [redacted]

The lack of adequate public transportation in the city has also increased ethnic enmity. According to Pakistani press reports, Pushtuns have gradually come to dominate Karachi's public transport sector as bus and truck drivers. Many Karachi residents, however, charge that the Pushtuns are incompetent and often reckless and have little regard for traffic laws or safety because most do not have families in Karachi. Incidents involving Pushtun drivers injuring Muhajir pedestrians have sparked several ethnic disturbances in the last two years. Local Muhajir officials have tried to restrict the number of driver's licenses granted to Pushtuns, so far without success. [redacted]

Political Ramifications of Karachi Violence

The local, provincial, and federal governments have all lost credibility with the public because of their inability to prevent ethnic violence or alleviate Karachi's urban problems. Muhajirs complained that the local police—who are primarily Punjabis and Pushtuns—dealt more harshly with them than with Pushtuns, while others accused the police of being corrupt and in league with Karachi's drug and arms smugglers. The Governor of Sind Province and the Sind provincial cabinet resigned in December 1986 in the wake of the communal rioting. When President Zia and Prime Minister Junejo tried to visit a hospital

in Karachi during hostilities in November, they were turned back by angry patients and doctors protesting government inaction during the riots. [redacted]

The Karachi violence has also exposed tensions between the local and provincial governments. The mayor of Karachi, Abdul Afghani, and about 100 municipal officials were arrested on orders of the Sind provincial government on 12 February after they led a protest demanding that the province turn over to the city the authority for collecting motor vehicle taxes. The Sind government dissolved the city government for six months and appointed a provisional administrator. Mayor Afghani has argued that the city needs more revenues to improve social and economic conditions, according to the US Consulate. [redacted]

Opposition politicians have tried to exploit public dissatisfaction with the federal government's performance during the riots. Benazir Bhutto said that the violence proved the need for a new national election, and her Pakistan People's Party set up collection drives for victims of the riots until the government shut them down. Other opposition leaders have publicly suggested that the Army was behind the carnage in order to undermine Junejo's civilian government and bring on another period of military rule. [redacted]

Some Pakistani officials have attempted to blame some of the recent rioting in Karachi on foreign subversion. During a parliamentary debate in January on the Karachi riots, Interior Minister Aslam Khattak suggested that "a foreign hand" was behind the disturbances and said that "foreign powers" were preaching separatism for Pakistan's ethnic groups. [redacted] former Sind Governor Jahan Dad Khan said last December that there was evidence of Indian and Soviet money being paid to foment the rioting. Senior Pakistani officials told US diplomats in January that the Soviets were exploiting the Karachi riots to erode support for Islamabad's sheltering of Afghan refugees. [redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

Outlook

Karachi will continue to be subject to sudden and violent ethnic and sectarian fury. The frustrations of living there will probably increasingly be expressed in violence instigated by young men, many of whom are poorly educated, out of work, and with few other outlets for their anger. Although we do not believe the disturbances will be repeated on the same scale outside Karachi—its multiethnic diversity is not found elsewhere in Pakistan—they will almost certainly contribute to public disillusionment with the local, provincial, and national governments. The ruling Muslim League’s performance at the polls in nationwide local elections scheduled this fall could be adversely affected.

We expect continued competition for scarce city resources to increase the militancy of ethnic groups. In particular, we believe the Muhajirs in Karachi will become better organized and increasingly aggressive in their confrontation with other groups such as the Pushtuns. The US Consulate reports that a Muhajir interest group called the Muhajir Quami Movement has grown in numbers since last year’s riots and is probably now the single largest party in Karachi.

In our view, the Pakistani Government is at an impasse in dealing with ethnic violence in Karachi. It lacks the financial resources to significantly improve housing, sanitation, and job opportunities, and it will be reluctant to use police force to crack down on drug and other criminal elements for fear of inciting violence against local authorities. Repeated use of the Army to quell disturbances will, in our view, convince many Pakistanis that the civilian provincial and federal governments are incapable of running the country. Official inaction, however, will increase the public impression that the authorities are either apathetic about law-and-order problems or are in league with criminal elements.

Consequently, we expect government spokesmen to increase efforts to shift the blame for ethnic riots to unnamed “foreign” subverters. Although we do not rule out the possibility of foreign involvement in the

recent disturbances, we believe such charges by Pakistanis ignore the real social and economic causes of ethnic violence.

25X1

Future drug interdiction efforts in Karachi will probably increase local anti-American sentiment due to the popular perception that the United States is forcing Pakistan to stem the trafficking of illegal narcotics. The linkage of the United States to the war in Afghanistan will also lead many Karachi residents to blame Washington for unrest perceived to be caused by Afghan refugees

25X1

US citizens in Karachi—numbering about 200—run the risk of being caught in the crossfire of civil disturbances. The US Consulate has not been subjected to violence so far, but it is in the main business section of the city and vulnerable to attack.

25X1

25X1

25X1

25X1

25X1

Secret

Bangladesh: A Foreign Aid Bazaar

25X1

Low domestic savings, an inadequate tax base, and chronic trade deficits have forced Bangladesh to rely on foreign aid to carry out its development programs. Disbursements of nearly \$1.3 billion in FY 1986,¹

[redacted] were the equivalent of 50 percent of investment, 47 percent of government revenues, and 55 percent of imports. Because most aid to Bangladesh is in the form of grants or highly concessional loans, Dhaka's debt service burden is still manageable. Now that the parliamentary and presidential elections that were part of the transition to civilian rule are over, donors will be pressing President Ershad to undertake economic reforms to help ensure efficient use of foreign aid.

Aid Programs

Bangladesh receives aid from more than 50 nations and international organizations. The International Development Association is the largest donor, providing about \$460 million a year in economic assistance, according to press reports. Japan is the largest bilateral donor, followed by the United States, Canada, the United Kingdom, West Germany, and the Netherlands. These six countries account for nearly 53 percent of aid disbursements. Other donors include several Middle Eastern countries, led by Saudi Arabia and Kuwait, and various Communist countries. Aid commitments from Middle Eastern donors, however, have declined in response to falling oil prices.

[redacted] 35 percent of total aid commitments in FY 1986 were grants. The remainder were soft loans. Bangladesh has not been forced to borrow heavily from commercial lenders, so its debt service ratio is low.

Composition of Aid

Project aid accounts for the bulk of aid commitments, but only 50 percent on average has been disbursed, creating a large backlog. Many projects are delayed

¹ The Bangladesh fiscal year is from 1 July to 30 June.

Japan's Aid Program

Japanese assistance—estimated at \$260 million annually, according to the US Embassy in Dhaka—is one of the few programs that do not emphasize policy reform and structural adjustment. Japanese aid officials do not initiate projects. They solicit and then respond to project proposals initiated by the Bangladesh Government. Japanese businessmen, however, play an informal but nonetheless prominent role as the aid program takes shape and is executed to ensure that the Japanese private sector benefits.

25X1

25X1

According to the US Embassy in Dhaka, grants—comprising nearly one-third of Japan's aid program—are tied to purchases of Japanese equipment and raw materials, raising the procurement costs of development projects by 15 to 20 percent. Moreover, most of the projects focus on capital-intensive sectors that serve Japan's commercial interests and generate spare parts orders for its equipment. Even so, the US Embassy in Dhaka projects Japanese assistance to double by the end of the decade—a policy in line with Tokyo's goal of doubling total aid disbursements to all Japanese aid recipients—and the composition of aid-funded activities to continue to benefit its companies.

25X1

because of redtape in Dhaka and lack of funds for domestic procurement. For example, the foundation stone for the Buriganga bridge—a project that has been on the books since the 1950s—has been laid, but work has stopped until a location has been decided. The Rooppur nuclear plant and the Jamalganj coal projects have yet to be implemented despite support from donors.

25X1

Secret

NESA NESAR 87-007
13 March 1978

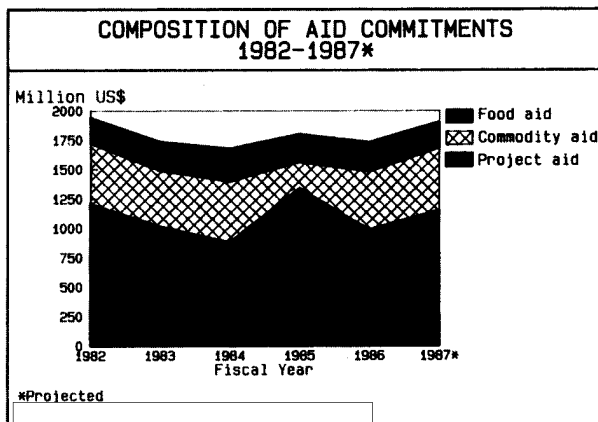
Secret

Food aid—comprising on average about 9 percent of Bangladesh's foodgrain consumption—has varied over the last five years, reflecting fluctuations in domestic food supplies. Still, even with generous aid prompted by a devastating typhoon in 1985, commercial borrowing has been required in recent years to meet food needs. According to the US Embassy in Dhaka, given the expected rise in the debt service ratio for FY 1987 that will tie up limited foreign exchange resources, the Bangladesh Government is asking for supplements to the FY 1987 food aid allocation as well as multiyear agreements from its donors to avoid additional commercial borrowing.

Commodity aid relieves some of the demand for scarce foreign exchange by allowing procurement of items other than luxury or military goods. According to the US Embassy in Dhaka, most items—such as turboalternators for tea estates and steam turbines for power generators—are procured to maintain or increase the production capacity in industries set up by aid donors.

Donor Pressures for Reform

Bangladesh officials get high marks from the donor community for recent steps toward economic reform—elimination of subsidies on some fertilizers, improvement of the foodgrain distribution system, and increased private-sector participation in the economy—according to US Embassy reporting, but much remains to be done. Corruption is a major problem, and local officials feel hamstrung by donor demands for efficient use of resources on one hand, and, on the other, by requirements that aid be tied to equipment and commodity purchases from the donor countries. In many cases purchases could be made more cheaply elsewhere, and equipment received from a variety of countries makes for a lack of standardization. Meanwhile, there is a lack of coordination among donors on priority projects. Bangladesh officials are sensitive to donor concerns. The US Embassy reports that the major impetus for the return to civilian rule last year was that many donors felt uncomfortable dealing with a martial law administration.



25X1

Debt Burden

With more than 90 percent of Bangladesh's external debt on highly concessional terms, according to the US Embassy, Dhaka has maintained a manageable debt service ratio—18 percent last year—even though outstanding foreign debt has increased by almost two-thirds since 1981, to \$6.4 billion in 1986. The ratio is expected to rise to 20 percent in FY 1987 and FY 1988—assuming exports hold up—as debt incurred during the first years of independence, commercial loans to finance food imports, and repurchase obligations to the International Monetary Fund fall due, but the ratio will decline thereafter, according to World Bank projections, assuming no new commercial borrowing in the interim, which would increase interest and principal payments in the short term.

Outlook

The relatively low cost of foreign aid is a buffer for poor export performance and inadequate domestic resource mobilization, contributing to continued dependence on aid. The Third Five-Year Plan (FY 1985-90) calls for heavy reliance on external assistance to finance the capital imports required for transportation, industry, and electricity. Dhaka is negotiating for multiyear agreements with several

Secret

80

Secret

donors to help alleviate shortfalls caused by bad weather and declining remittances. Worker remittances are expected to fall to \$500 million in FY 1987, down from \$550 million in FY 1986, according to World Bank projections, because of falling wage rates in the Gulf states and increased competition for the small number of jobs.



25X1

Secret

Secret

Near East and South Asia Brief

Arab States

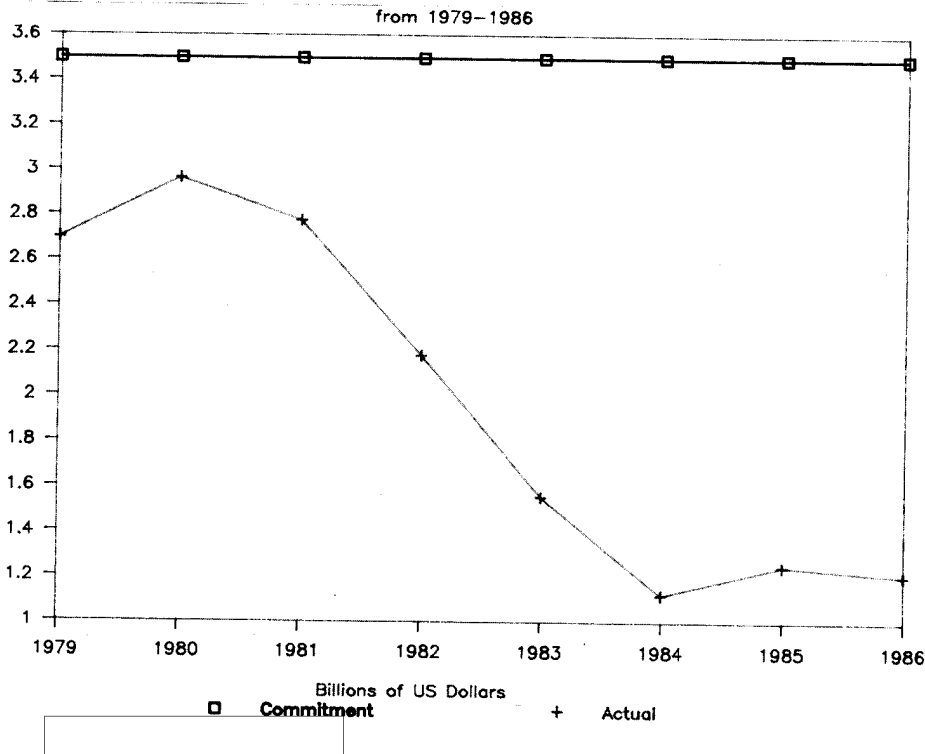
Baghdad Payments Under Review

25X1

The system of aid payments to Syria, Jordan, and the PLO agreed to in Baghdad in 1978 by seven Arab states—Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Iraq, Libya, and Algeria—runs out next year but is likely to be replaced by ad hoc aid arrangements. Under the agreement that was signed following the Camp David accords, Syria, Jordan, and the PLO were to receive combined annual payments of \$3.5 billion from the Arab donors. Payments were to be used by states confronting Israel and to discourage other moderate Arab states from joining Egypt. It was only during the early years, however, that donor countries came close to fulfilling their commitments. Saudi Arabia so far is the only state that has met all of its obligations. Other countries, including Kuwait, the United Arab Emirates, Qatar, and Iraq, have not fully paid their commitments since at least 1982, according to US Embassy reporting. Algeria made payments in 1980 and 1981, but Libya has never contributed

25X1

Baghdad Aid Payments



25X1

Secret

Secret

In our view, the donors will not renew the agreement because of their own financial constraints. Saudi Arabia and Kuwait are the only countries likely to continue giving significant amounts of aid. Even so, the Saudis probably will replace the current aid system with a discretionary one, similar to one that Kuwait implemented unilaterally in 1984. Riyadh is likely to continue to assist its traditional recipients as well as use aid disbursements to try to persuade its more radical neighbors to take more moderate positions on issues of concern to the kingdom.

25X1

Secret

Secret

Secret