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Near East and South Asia Review



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27 March 1987

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**Near East and
South Asia Review**

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Articles**Iran-Iraq: Dim Light at the End of the Tunnel**

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Iraq has encouraged several diplomatic initiatives to negotiate an end to its six-year-old war with Iran, but, as long as Tehran continues to call for the ouster of Iraqi President Saddam Husayn as a precondition for peace talks, it is unlikely that any negotiations will develop.

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Indian Reactions to A. Q. Khan's Press Interview

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Prime Minister Gandhi ordered a government reassessment of Pakistan's nuclear capability but has not publicly endorsed an Indian nuclear weapons program in the wake of the claim made by A. Q. Khan, director of Pakistan's Khan Research Labs, that Pakistan has built a nuclear bomb.

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India's Vulnerable Muslim Minority

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India's Muslims will continue to look to the secular Congress Party for leadership and protection from the country's vast Hindu majority. Prime Minister Gandhi courts Muslims, but the upsurge in Hindu chauvinism he faces could force him to mollify Hindus at the expense of India's Muslim minority.

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Opium and marijuana production remains high in Afghanistan in part because of the disruptions caused by more than seven years of war. Although most resistance leaders have denounced drug activity publicly, on occasion they have had to moderate their stance to maintain popular support.

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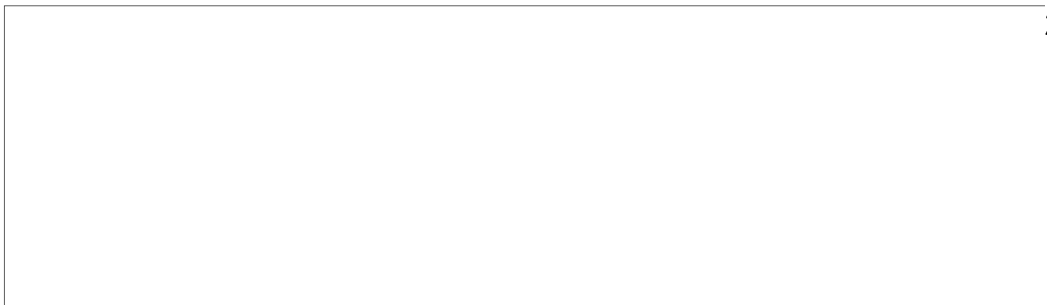
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Since Yitzhak Shamir took over as Prime Minister last October, he has failed to advance economic stabilization efforts begun under his predecessor, Shimon Peres. Moreover, Shamir's unwillingness to provide strong leadership in economic decision making hurts efforts to implement needed reforms that address the economy's long-term needs. [redacted]

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Muscat's goal of Omanization—to replace expatriate workers with Omanis—is progressing slowly, but Oman will continue to depend heavily on foreign labor in nearly all sectors of the economy and the armed forces, with British expatriates maintaining significant influence over Oman's defense policy into the 1990s. [redacted]

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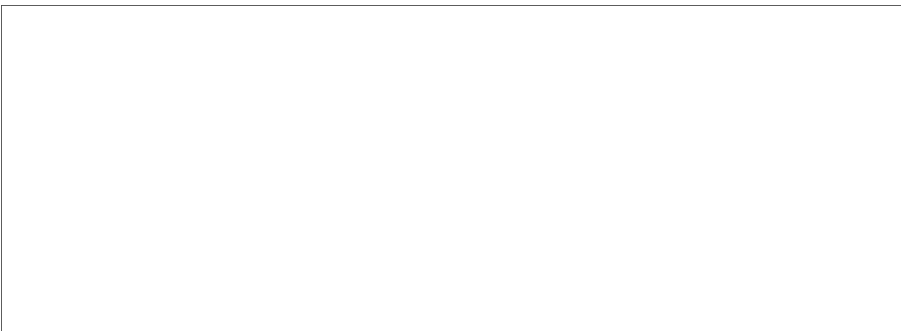
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Libya has a longstanding policy of accepting foreigners into its Armed Forces, both to fill out existing Libyan units and to build new formations. Tripoli has spent a great deal of time, money, and effort to train and house these recruits and has used them in combat, but overall the return on this investment has been negligible. [redacted]

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Results of the recent election for the National Assembly indicate that President Bendjedid faces further struggles in trying to bring about economic reform through expansion of the country's small private sector. The election revealed widespread disgruntlement over economic problems, particularly arising from new austerity measures. [Redacted] 25X1

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Mauritania faces new threats to its national security because of recent trends in the Western Sahara conflict. Morocco's strategy and the likelihood of intensified fighting will make it more difficult for the fragile military regime of President Taya to remain aloof from the war. [Redacted] 25X1

[Redacted] 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
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Articles

Iran-Iraq: Dim Light at the End of the Tunnel [Redacted]

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[Redacted] Iraq has encouraged several diplomatic initiatives to negotiate an end to its six-year-old war with Iran. Baghdad has focused its efforts on members of the UN Security Council and Iraq's Middle Eastern allies and has pressed them to work for a comprehensive peace settlement. Iraqi officials have recently visited France, Italy, Japan, China, and the Soviet Union to bolster support for a cease-fire and sanctions against Iran. Turkey and Algeria have expressed interest in mediating the war, but the likelihood that either will succeed depends on Iran's willingness to drop its preconditions for negotiations. As long as Tehran continues to call for the ouster of Iraq's President Saddam Husayn as a precondition for peace talks, it is unlikely that any negotiations will develop. [Redacted]

both sides to observe an immediate cease-fire, to withdraw to internationally recognized borders, and to immediately submit all aspects of the conflict to mediation or other means of peaceful settlement. Iran criticized the resolution because it failed to condemn Iraq as the aggressor. [Redacted]

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Initial Iranian gains during its recent offensive near Al Basra seem to have heightened UN interest in ending the war. In January the five Security Council permanent members began to discuss adoption of a resolution ordering an immediate cease-fire. The members agreed that, to be effective, the Security Council would have to back up this demand with sanctions if either Iran or Iraq rejected the cease-fire order. As the threat to Al Basra subsided, the move for strong UN action stalled. To revive peace efforts Iraqi officials have visited several countries, including France, Italy, Japan, China, and the Soviet Union, to urge them to adopt a strong resolution to end the fighting and possibly initiate an arms embargo against Iran. [Redacted]

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UN Efforts

The UN Security Council has attempted to bring the two parties to the negotiating table since the beginning of the war, but Iranian intransigence has impeded all its efforts. Since 1985, UN Secretary General Perez de Cuellar has tried to negotiate a peace settlement between Iran and Iraq but with little success. In March 1985 he presented both sides with a proposal that would reduce the scope and intensity of the war but not create a cease-fire. Iran was willing to discuss the proposal because it did not impede its ability to carry on a ground war. Iraq, on the other hand, rejected the proposal because it did not call for a cease-fire, withdrawal to international boundaries, or negotiations leading to a comprehensive settlement of the war. [Redacted]

The Iraqis are seeking a comprehensive cease-fire, a withdrawal of forces monitored by international observers, an exchange of prisoners, and assurances of compliance by both sides. As in the past, Baghdad says that it will reject any settlement that resembles previous UN resolutions, which favored Iran by limiting the cease-fire to the Persian Gulf and called for a step-by-step settlement rather than an overall end to the war. Iraq may believe that the UN initiative has a good chance of passing because Security Council members are worried about Iranian advances near Al Basra. Although we doubt that the

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Iran's occupation of Al Faw in February 1986 prompted the Security Council to issue a renewed appeal for an end to the war. On 24 February it unanimously adopted Resolution 582 that called on

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Conditions for Ending the War

Iraqi Conditions

Iraq has expressed a willingness to negotiate an end to the war since the early stages of the fighting. Originally, Iraq sought absolute guarantees concerning sovereignty over the Shatt Al Arab and over land that belonged to Iraq but Iran had seized. Baghdad based its claims on the agreements of 1913-14 that put the frontier on the eastern bank of the Shatt as opposed to the 1975 Algiers accord that fixed it at the deepwater channel. In July 1981 the Iraqi Foreign Minister said publicly that settlement of the conflict should be based on the following principles:

- The inadmissibility of using force in resolving disputes and the restoration of all rights taken by force from their legitimate owners.
- Mutual respect for sovereignty and noninterference in the internal affairs of other countries.
- Freedom of navigation in the Gulf and the Strait of Hormuz. [redacted]

By April 1982 declining Iraqi military fortunes had led Baghdad to seek arbitration of the dispute, and in October 1984 the Iraqi Foreign Minister told the press that Iraq would accept international arbitration of all territorial questions, including the Shatt Al Arab dispute, according to the principles of international law. [redacted]

In a message addressed to the Iraqi people on 14 June 1985 in connection with a temporary halt to the bombing of Iranian towns, Saddam Husayn listed the following conditions for ending the war:

- A comprehensive cease-fire on land, sea, and air.
- A pullback to international borders.

- A comprehensive exchange of prisoners of war.
- Direct negotiations based on mutual respect of each side's integrity and noninterference in each other's internal affairs.
- A correlation of these basic points so that the violation of one would be deemed a violation of them all. [redacted]

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Iranian Conditions

Iran's primary demand for ending the war has been the ouster of Saddam Husayn and the Ba'th government in Iraq. Iranian leaders have sometimes hinted that they would be satisfied with the removal of Saddam Husayn, but Tehran's official position continues to call for the removal of the Ba'thist regime. The principal Iranian demands in the early stages were unconditional Iraqi withdrawal and international condemnation of Iraqi aggression. By October 1981 Iran's demands were as follows:

- Iraqi withdrawal from Iranian territory.
- Identification and condemnation of the aggressor by a competent international tribunal.
- Implementation of the 1975 agreements.
- Payment of reparations by the aggressor [redacted]

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Tehran eventually dropped the third condition, but in June 1982 another was added: the return of refugees to Iraq. By February 1983, when Iraq had withdrawn from most of the territory it occupied, the principle of Iraqi withdrawal became less important, and the most important conditions became the removal of the Ba'thist regime, reparations, and condemnation of the aggressor. [redacted]

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United Nations will impose political or economic sanctions against Iran, Baghdad probably hopes that a strong resolution would help isolate Iran and possibly promote an effective arms embargo. [redacted]

peaceful settlement to the war. The Soviets are likely to continue to be active in UN deliberations and to maintain contact with both Baghdad and Tehran. By doing this, the Soviets can ensure their involvement in any developing UN negotiations and strengthen their credentials with the Arab world as a peacemaker in the region. [redacted]

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A senior Iraqi official told US diplomats that Washington's support for Iraq's proposals, particularly an arms embargo, is a critical test of US good will following disclosures of US arms sales to Iran. In a meeting with a US Congressman in early February, Iraqi Foreign Minister Aziz called for President Reagan's active support for a renewed arms embargo against Iran. The Iraqis are pleased with the President's recent statement on the war in which he held Tehran responsible for continuing the fighting and called for a withdrawal to internationally recognized borders. The Iraqis, however, may be overestimating the US ability to persuade other Security Council members to support an effective arms embargo against Iran. [redacted]

Efforts by Other International Organizations

The Arab League and the Islamic Conference Organization also have tried to mediate the Iran-Iraq war but have been unsuccessful primarily because Iran suspects that both are fronts for Iraqi and moderate Arab interests. Following an emergency session of the League's Committee of Seven in Baghdad in early February, Arab League Secretary General Chedli Klibi met in Tunis with the ambassadors of the five permanent Security Council members to garner support for Iraqi and Arab efforts in the United Nations. The thrust of Klibi's message was that the League fully supported Iraqi efforts to secure a UN resolution condemning Iran and calling for a comprehensive peace settlement. According to US Embassy officials in Tunis, the Arab League members hope this approach will force the United States and the USSR to actively participate in UN efforts to impose a settlement. [redacted]

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The Soviet Stance

The Soviets have taken an active role in recent Security Council consultations on the war and have expressed a willingness to work for a cease-fire. The Soviet news agency TASS has reiterated Moscow's interest in finding the quickest negotiated end to the war and reported that Soviet officials endorsed UN efforts to achieve a cease-fire. Soviet Foreign Minister Shevardnadze has noted the importance of the Iran-Iraq agreement not to attack civilian targets as a necessary step toward a cease-fire and stressed that continuation of the war provided a pretext for outside intervention in the Gulf. [redacted]

The Islamic Conference Organization passed a resolution on the war during its summit meeting in Kuwait in January. The resolution called on Iran to accept UN Resolutions 582 and 588, as Iraq had done, and to declare its willingness to end the war peacefully. It thanked the Islamic Peace Committee for its efforts to bring about a settlement but failed to instruct the committee either to continue its work or to cease its existence. The summit meeting's final communique, however, called on the Islamic Conference Organization's secretary general to follow up on the resolutions adopted in Kuwait "by all possible means and in accordance with evolving circumstances." [redacted]

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Moscow used the recent visits of the Iranian and Iraqi Foreign Ministers to project an image of peacemaker in the Gulf, to ensure that Soviet interests in the region are protected, and to capitalize on revelations of US arms sales to Iran. According to US Embassy officials in Moscow, the Soviets were careful to provide the same access to both Foreign Ministers to demonstrate their willingness to treat both countries equally. At the same time, Moscow used the visits to criticize Tehran's continued belligerency and to underscore Soviet support for Iraqi efforts to find a

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Kuwait—deeply worried about the war just across its border—will try to breathe new life into an Islamic Conference effort that bypasses the moribund Islamic Peace Committee. A Kuwaiti official told US Embassy officials that Kuwait, as Islamic Conference chairman for the next three years, would do what it could in conjunction with the Peace Committee and Islamic Conference Secretary General Pirzada. A direct role for Kuwait is difficult, given Iran's perception that Kuwait is firmly aligned with Iraq. The Kuwaiti official revealed that Kuwait had contacted Iran during the summit meeting to ask for Tehran's cooperation with a scaled-down committee. Iran said it would cooperate only if it could approve the summit meeting's final communique and resolution concerning the war. Nevertheless, the summit meeting participants agreed that Kuwait, Pirzada, and the full Peace Committee should continue their efforts with Tehran despite its intransigence. [redacted]

Pirzada recently returned from Moscow, where he met with Soviet officials to discuss Soviet-Islamic Conference Organization relations and possibilities for mediating an end to the war. The Soviets told Pirzada that, on the basis of their discussions with Iranian Foreign Minister Velayati, Iran was not interested in making peace with Iraq. Furthermore, the Soviets said they saw little hope that the United Nations could bring about an end to the fighting and that, in their view, the Islamic Conference had the best chance of ending the war, given its recent mandate to try to mediate a peace settlement. [redacted]

Algerian Efforts

Algeria is one of the few Middle Eastern countries maintaining relations with Iran since the revolution, and it has offered to mediate since the early days of the war. Algeria's role in the 1975 Iran-Iraq agreements makes it well qualified to mediate, but, despite numerous contacts—[redacted]—with both sides, Algeria has been no more successful than others in bringing the two countries to the negotiating table. In 1984-85 the Algerians were largely inactive because they perceived that the Iranians were unwilling to talk, and Algeria did not want to risk damaging its relations with Tehran. An Algerian attempt to revive mediation in February 1986 was rebuffed. [redacted]

[redacted] Algeria may be interested in renewing its efforts to end the conflict, but, given Iranian intransigence, the prospects for success are slim. Iraqi Foreign Minister Tariq Aziz visited Algeria in January to press the Algerians to ascertain current Iranian thinking on the war. Aziz expressed concern that, in the face of Iran's recent military successes, support for Iraq among some of the Arab Gulf states might be wavering. The Iraqis also were concerned that Syria and Libya were preparing a resolution for presentation at the Islamic Conference summit meeting that would condemn Iraq without criticizing Iran. [redacted]

Aziz's trip to Algiers in January broke no new ground on the subject of reviving Algeria's dormant efforts to mediate the war, [redacted]. During meetings between Aziz and Bendjedid, the Algerians were fairly candid about their frustration over being unable to help resolve the conflict and were pessimistic that any mediation efforts would move the Iranians into negotiations. The Algerians reminded Aziz that, at the beginning of the war, the Iraqis had turned down Algerian requests to be more accommodating toward Iran. Now it was Tehran's turn to be intransigent. [redacted]

[redacted] They promised to explore future mediation possibilities but were pessimistic that this could be accomplished in the near future. [redacted]

Turkey's Role Limited

Turkey repeatedly asserts its neutrality in the Iran-Iraq war while continually calling for a quick end and offering its services as a mediator. Ankara maintains good relations with Iran and Iraq, Turkey's two leading trade partners in the Middle East. Economic

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ties, coupled with a long standing policy of seeking accommodation with its hostile neighbors, restrict Turkey's political maneuverability and contribute to its unwillingness to risk confrontation. [redacted]

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Other Arab states believe that Turkey can help mediate an end to the war, and at January's Islamic summit meeting in Kuwait they pressed Turkey to take a more active role. Iran, however, has repeatedly resisted Ankara's efforts, and relations recently have been strained by two Turkish attacks on [redacted] [redacted] Kurdish rebels in northern Iraq. [redacted]

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Ankara faces a dilemma. It would like to see an early end to the war, but not at Iraq's expense. The Turks probably tilt toward Iraq because their economic stakes in Iraq are larger and because they are nervous about the repercussions of a clear Iranian victory. Wishing to remain on good terms with Iran, however, and to preserve its perceived role as a moderating force in the region, Ankara probably will continue to offer its services as a mediator. [redacted]

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Prospects

Iraq probably will continue to press for a strong UN resolution calling for a comprehensive end to the fighting, but the likelihood of achieving a peace settlement, at least in the near future, is slim. Barring an Iranian defeat or the death of Khomeini, it is unlikely that Tehran will lessen its preconditions for negotiations, particularly its call for a change of regime in Baghdad. Tehran has linked the success of the revolution to its ability to topple the Ba'athist regime, and ending the war short of victory would call into question Iran's political credibility and claim of religious invincibility. [redacted]

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Algeria, Turkey, and the Islamic Conference Organization will continue to explore the possibilities of bringing the two sides to the negotiating table, but their efforts are likely to be blunted by Iranian intransigence. If Iran's position changes, Algeria probably has a better chance of playing the role of mediator, given its successes in the past. [redacted]

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Indian Reactions to A. Q. Khan's Press Interview [redacted]

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Prime Minister Gandhi ordered a government reassessment of Pakistan's nuclear capability but has not publicly endorsed an Indian nuclear weapons program in the wake of the newspaper interview on 1 March of A. Q. Khan, Director of Pakistan's Khan Research Labs, in which he said Pakistan has built a nuclear bomb. We believe Western press reports and Indian intelligence assessments were more important than the interview in provoking the investigation.

Pressure from the Indian Parliament almost certainly ensures that the nuclear issue will receive high government priority through the spring legislative session. Khan's assertions and the impending US Congressional vote on aid to Pakistan have occasioned a spate of articles and commentaries blaming the United States for making possible Pakistan's nuclear achievements and arguing that India should start a nuclear weapons program. Public opinion mirrors the press's hawkish stand. [redacted]

The Government Response: Restrained

In our view the Indian Government's response to the A. Q. Khan interview has been restrained. The government's restraint is probably an effort by New Delhi to cultivate the appearance of deliberately weighing Indian nuclear options in the face of both the Khan statements and Western press reports that Pakistan has made significant progress in its nuclear weapons program. A Foreign Ministry spokesman announced four days after the publication of Khan's interview that Gandhi was ordering the Defense and Foreign Ministries to reassess Pakistan's nuclear capabilities, but he rebuked a Pakistani journalist who questioned if the interview would lead India to "reveal its own atom bomb." According to the Embassy, New Delhi may have had time to prepare its response in advance because of the five-week interval between the interview and its publication. [redacted]

Gandhi's personal statements reflect his government's calculated response. He said publicly that Pakistan's clandestine nuclear program had hampered bilateral

relations. He also obliquely but unmistakably tied the United States to Islamabad's weapons program, claiming that Pakistan "gained momentum" with help from "certain countries." In the past he has stated publicly that India could build a nuclear weapon within several months after receiving compelling evidence of a Pakistani nuclear weapon.

[redacted]

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We believe Indian officials regard Khan's statements as genuine, but it is only part of the evidence that is leading New Delhi to reassess Pakistan's nuclear program. [redacted]

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Khan's statements were the catalyst for the review of Pakistani weapons capabilities. [redacted] the review was actually provoked by Indian intelligence assessments of Pakistani nuclear weapons progress. The Indian Foreign Ministry publicly characterized the Khan interview as part of a chain of evidence that Pakistan's nuclear program had a weapons orientation. We believe that Western press reports that Pakistan was "two screwdriver turns" away from a weapon also helped spur the Indian move. [redacted]

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The US Embassy in Islamabad discounts rumors that Kuldip Nayyar, the Indian journalist who interviewed Khan, worked with the Indian Government and intentionally delayed publication of the interview until US Congressional aid hearings on Pakistan were under way. According to the Embassy, Nayyar is considered a friend of Pakistan and has better access in Pakistan than most Indian journalists. Instead, the Embassy attributed the delay to the fact that Nayyar, who entered Pakistan on 22 or 23 January and apparently interviewed Khan shortly after arriving, did not return to New Delhi until sometime between

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China and Indian Nuclear Policy

In our judgment, some Indian security planners perceive China, not Pakistan, as the key long-term strategic threat to India. According to the Embassy, Indians still rankle at their humiliation by China in 1962 and see the Chinese as opposed to India's rise as a South Asian power. India also almost certainly worries that its lack of a nuclear deterrent against China, coupled with a Sino-Pakistani strategic alliance, would limit India's nuclear options against Pakistan. According to the Embassy, India measures its technological achievements in part against those of the Chinese. For example, both have set goals of 10,000 megawatts of nuclear power by the year 2000.

12 and 14 February, thus delaying the interview's publication in the *London Observer* to 1 March.¹

The Press Response and Public Opinion: "Make Bombs, Not War"

The majority of postinterview Indian newspaper articles and commentaries favor an Indian nuclear weapons program. Some argue that having nuclear parity with Pakistan, such as exists between the superpowers, is the only way to guarantee peace. Others claim nuclear weapons superiority is the only way to control Pakistan's behavior. A few journalists opposed to an Indian nuclear weapons program argue that only improved bilateral relations can guarantee peace, while some deny Pakistan has the capability to build a nuclear bomb despite Khan's statement and warn India against being pushed into acquiring nuclear weapons.

¹ Amidst the furor over his article Nayyar stood by his story that the interview was prearranged but said the *London Observer* had done a poor job editing the interview. Nayyar emphasized that Khan had not actually said Pakistan possessed a nuclear weapon, but that "what he [Khan] told me should be enough testimony."

Segments from articles in four major Indian newspapers exemplify the views being presented in the press on the nuclear weapons issue:

- *Times of India*, 28 February. "History shows that the development of nuclear weapons capability among nations having an adversarial relationship has led to stability; this has happened in Central Europe and on the Sino-Soviet border. Political wisdom lies in accepting the inevitable and planning for safeguarding our national security and interests in the light of that inevitability."
- *Indian Express*, 3 March. "The immediate and urgent question for New Delhi now is to reconsider its nonconventional security strategy."
- *The Statesman*, 4 March. "If Pakistan can make a bomb and claims it is for peaceful purposes only, India, too may be under pressure to manufacture a bomb, even only for display."
- *Hindustan Times*, 5 March. "There is a view gaining ground in the country that it should not bother if Pakistan does not renounce its nuclear weapons program and that India must exercise its own nuclear option."

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Anti-US Reactions

Most of the Indian press and public were convinced that Pakistan had a weapon before the Khan interview, according to the Embassy and press surveys. But the interview has dredged up anti-US feelings in India, where it surfaced in the midst of concern about Pakistan's possible acquisition of AWACS aircraft from the United States. According to US diplomats in Bombay, prominent Indians there have blamed the United States for making Pakistan's nuclear weapons achievement possible and argue for an accelerated "countermove" from New Delhi. One state legislator from the ruling Congress Party said that continued US aid to Pakistan would impel India

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How Urban Indians View a Nuclear Weapons Program

India's Sunday Observer recently published a 4-5 March survey of Bombay and New Delhi residents' views of Indian and Pakistani nuclear weapons programs. The questions were posed to a cross section of 627 literate adult men and women. The results were:

- 69 percent believed Pakistan has a nuclear weapon.
- 82 percent believed that, in view of reports that Pakistan had developed a bomb, India should also develop a bomb.
- 32 percent believed foreign reports that India already possessed a bomb.
- 68 percent believed that India should develop a nuclear weapons program regardless of the cost.
- 75 percent believed that, in the event of an Indo-Pakistani war, Pakistan would use a nuclear weapon first.
- 79 percent believed that India and Pakistan should sign a treaty banning the use of nuclear weapons against each other.
- 45 percent believed that India should bomb the Pakistani uranium enrichment facility at Kahuta; 46 percent said no.
- 52 percent believed that India's recent hike in defense expenditures was due to the fact that India knew Pakistan had developed a nuclear weapon.

to seek shelter under a Soviet "nuclear umbrella." Another Indian observer likened the incident to the presence of the USS Enterprise in the Bay of Bengal during Bangladesh's 1971 war of independence, which Indians still point to as evidence of US support for Pakistan in times of crisis.

Some Indian observers have used Khan's statements as fuel for criticism of US arms sales to Pakistan and allege that these sales occurred despite US knowledge of the military orientation of Islamabad's nuclear program. In his interview A. Q. Khan stated that the CIA knew everything about the Pakistani program, and many journalists and politicians have emphasized this point. Articles by press commentators range from allegations that the United States aided the Pakistani program to accusations that the United States simply tolerated it. For example, a former member of

Parliament compared US policy on Pakistan's nuclear developments to the Iran problem and said "both are double-faced and hypocritical." He claimed there was a "clear understanding between the United States and Pakistan over the latter achieving nuclear capability." Some commentators have taken a wait-and-see attitude, arguing that for India the real test for US nonproliferation policy will occur during the Congressional hearings on aid to Pakistan.

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Outlook

We believe New Delhi's public statement that it is reassessing Pakistan's nuclear program is in part an effort to prepare the Indian public should the government decide to begin an overt nuclear weapons program. If India has decided on an overt weapons program, we expect that before announcing its decision New Delhi will try to gain the moral high ground over Pakistan by portraying itself as a reluctant nuclear participant seeking only to defend against a threat initiated by Pakistan. As part of this program, we expect continued Indian suggestions that the US failure to press Islamabad to scuttle its nuclear weapons program played an indirect role in pushing India to counter with a weapon of its own.

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If he does not announce an overt nuclear weapons program, Gandhi will continue to counter the nuclear threat from Pakistan by stating that India could quickly produce a weapon of its own. At the same time, the government will continue to play on parliamentary and press interest in the issue to label Pakistan as the aggressor.

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We do not believe press support for an Indian nuclear weapons program can by itself significantly influence the outcome of India's nuclear debate. We believe Gandhi and a few senior advisers determine nuclear policy in India, and we doubt the Indian press has enough influence to mold government opinion. We believe, however, that the press has enough power to influence the direction of public debate, and we expect Parliament's spring session will ensure continued heavy media coverage of the nuclear issue.

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India's Vulnerable Muslim Minority

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India's Muslims will continue to look to the secular Congress Party for leadership and protection from the country's vast Hindu majority. Their participation in the Congress Party has enabled the Muslim community to exert leverage on the national government on issues such as Muslim personal law. Some Muslims, however, wary of growing Hindu militancy, question the Hindu-supported Congress Party's commitment to preserving their religious and cultural rights. Prime Minister Gandhi courts Muslims, but the upsurge in Hindu chauvinism he faces could force him to mollify Hindus at the expense of India's Muslim minority. At the same time, state politicians with large Hindu constituencies often place little emphasis on placating minority Muslim communities.

- Concessions ensuring greater representation of Muslims in higher education.

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Muslim Influence at the National Level

The Indian Muslim community has no exclusively Muslim political organization at the national level. Muslims lost their most effective leaders when Muhammad Ali Jinnah and much of the Indian Muslim leadership took Pakistani citizenship after Pakistan's formation. The departure of the Muslim elite left a less educated core of Muslims that could not afford to leave India and has yet to fill the postpartition Muslim leadership vacuum.

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The Muslim Agenda

Since independence in 1947 India's Muslims generally have focused their political energies on protecting their cultural and religious rights. They reacted to the postindependence rise of Hindu nationalism and the abolition of the British Raj's special Muslim electorates by relying on the secular Indian Constitution and the tolerance of the Congress Party for protection.¹ Legal recognition of Muslim personal law has been a major benefit of Muslim political leverage, but other grievances remain largely unanswered. Muslim demands include:

- Guarantees of the legal supremacy of Muslim personal law in Muslim households.
- Protection against anti-Muslim rioting.
- Protection of the status of the Urdu language and Arabic script. Although these are recognized in the Constitution, only Jammu Kashmir and several outlying areas give Urdu special recognition.
- More Muslim employment in government and nationalized service posts and in public- and private-sector industries.

Many Indian Muslims regard the Congress Party as their secular protector at the national level and vote for it in proportions approximately equal to those of other communities, according to academics. These scholars say Muslims calculate they reap more rewards by working within the Congress Party than by risking isolation by working outside it. Muslim support for the Congress Party began in 1947, when they backed Jawaharlal Nehru because he represented the ideal of a secular India where the overwhelming Hindu majority would respect Muslims' individual rights. Muslims have since served as a Congress Party vote bank—a pool of voters the party could count on for support—backing every Congress Party Prime Minister (except during the Janata Party's electoral victory in 1977) since independence. The Congress Party recognizes the importance of wooing the potentially crucial Muslim minority and routinely includes Muslims on national party committees and in the federal Cabinet.

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Muslim voters who do not support the Congress Party are split between other national or regional parties and Muslim parties. In West Bengal, Uttar Pradesh, and Bihar, for example, two secular parties—the Communist Party of India (Marxist) and the Lok Dal Party—fared well in the 1980 general election among

¹ The Indian Councils Act of 1909 established separate Muslim and Hindu electorates. The act gave Muslims some political representation but isolated them from Hindus, and both groups remained subservient to the British viceroy. In 1930 one Muslim leader told a British negotiator, "Divide and rule is the order of the day. But in India, we divide and you rule."

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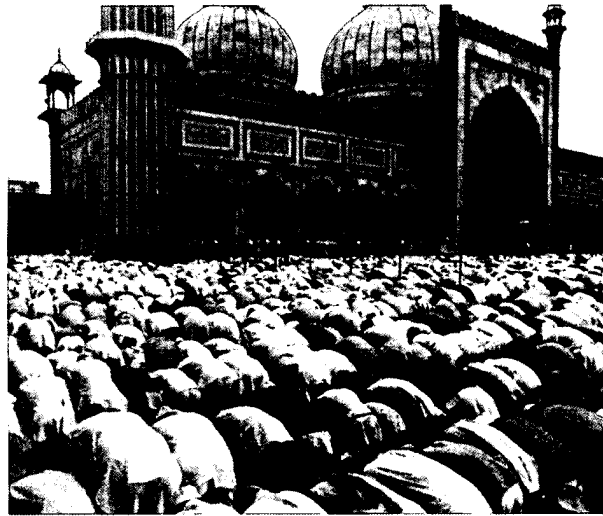
India's Muslims: Distribution and History

India's roughly 80 million Muslims are the world's fourth-largest Muslim concentration—behind Indonesia, Pakistan, and Bangladesh—and make up India's largest minority religious group, about 11 percent of the country's population. Muslims are spread throughout most of India, with the largest concentration in Jammu and Kashmir, the only state where they are a majority. The northern and eastern states of Uttar Pradesh, Bihar, Assam, and West Bengal all have 10 to 20 percent Muslim minorities. New Delhi also has a large Muslim population. [redacted]

The spread of Islam through northern India began in the 8th century, when Muslim merchants first filtered into India's southwestern Malabar coast, and an Arab military expedition entered Sind in present-day Pakistan. In 1206 Muslim invaders established a sultanate in Delhi. Three centuries later a Muslim from Central Asia conquered the sultanate and began two centuries of rule by the Mughal Empire. The empire and Islamic rule fell to armies of tribal Maratha Hindus in the early 18th century, but the Marathas lost control of India in the late 18th and early 19th centuries to the British East India Company. [redacted]

The account of a British visitor to India in the 1820s offers a glimpse of how little Muslim-Hindu violence has changed over the years:

The fury which actuated both [Hindus and Muslims] was more like that of demoniacs than rational enemies. . . . It began by the Mussalmans breaking down a famous pillar, named Siva's walking-staff, held in high veneration by the Hindoos. These last [the Hindus] in revenge burnt and broke down a mosque, and the retort of the first aggressors was to kill a cow and pour her blood into the sacred well. In consequence every Hindoo able to bear arms, and many who had no other fitness for the employment than rage supplied, procured weapons and attacked their enemies with frantic fury wherever they met them. [redacted]



Muslims at an Indian mosque [redacted] Illustrated Weekly of India ©

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Muslim voters in their respective areas of strength. In the 1984 general election voters in Jammu and Kashmir backed the Muslim-led National Conference Party, long a powerful political force in the Muslim-dominated Kashmir Valley. [redacted]

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We believe widespread Muslim-Hindu rioting is a major concern for Gandhi and gives Muslims some leverage at the national level. [redacted]

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[redacted] Large-scale riots between Muslims and Hindus—who together comprise over 90 percent of India's population—would dwarf the nationwide security threat now posed by Sikhs, who make up only about 2 percent of India's population [redacted]

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During the past year the Muslim community has used its leverage to press Gandhi to support the retention of Muslim personal law and steamroll Congress Party members of Parliament to support a conservative Muslim women's bill, according to the Embassy. Some observers suggest that Gandhi changed his stand on the bill to stem Muslim desertions from the

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**National Issues and Hindu-Muslim Riots:
Two Case Studies**

In our judgment, Muslim-Hindu riots over the past several years have resulted from growing Hindu militancy and the ensuing Muslim fears that their communities and faith are threatened by India's 600 million-plus Hindus. India's Muslims often react violently to catalytic national events they regard as threatening to the status of Islam in India. On the Hindu side, senas—private religious armies—regularly instigate such rioting by methods such as routing their religious processions through Muslim neighborhoods. Some issues—such as questions of the legality of Muslim personal law and Hindu assertions that Muslim mosques built over Hindu temples should revert to Hindu control—earn immediate national attention and spark Hindu-Muslim riots throughout India. [redacted]

The Shah Bano Case. *In April 1985 an Indian court contradicted Muslim personal law and ruled that Shah Bano, a Muslim divorcee, was legally entitled to maintenance from her former husband. Although liberal, educated Muslims—including senior officials in Gandhi's government—supported the decision, it*

provoked strong dissent and rioting among more conservative, less educated Muslims. Gandhi eventually changed his stance on the issue, and a parliamentary bill later reversed the court's decision and supported Muslim personal law. [redacted]

The Ayodhya Temple Controversy. *During the 16th century, India's first Mughal emperor constructed a mosque on what Hindus have claimed for over a century is the site of the Ayodhya Temple, the 2,000-year-old birthplace of the revered Hindu deity Rama. The question of which religious group should control the site languished in India's courts for 35 years, but a court ordered in January 1986 that the mosque revert to a Hindu temple and has yet to consider a writ challenging the order. Coming on the heels of the Shah Bano decision, the timing of the ruling seemed ill advised, but the Embassy reported that the state's weak chief minister may have forced a resolution to the problem to curry favor with his Hindu constituency. The decision sparked Muslim-Hindu riots and, according to the Indian press, over 50 deaths* [redacted]

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Congress Party in impending elections and to protect the party's broad appeal by reaffirming its commitment to protecting the rights of religious minorities. [redacted]

Muslims and Regional Politics

Muslims often lose out in state politics to the interests of local majority groups, especially Hindus, and to other minorities. An academic study shows that Muslims form less than 20 percent of the population in over 85 percent of parliamentary districts. Because Muslims are spread so thinly, state leaders in those districts regularly ignore them to pursue the immense Hindu vote. At the same time, casteless Hindus, low-caste Hindus, and tribals get a larger share of attention and funds from states because they rank lower socially than do Muslims. The Indian Constitution gives special consideration to improving

the plight of selected minority groups that have traditionally suffered from discrimination, but the list does not include Muslims. [redacted]

Local elections can nevertheless serve as fertile ground for Muslim constituencies to squeeze concessions from ruling state parties by delivering crucial swing votes, especially in the approximately 14 percent of parliamentary constituencies where Muslims account for over 20 percent of the vote. In Kerala, for example, Muslims and Christians can heavily influence the state's ruling coalition because they hold the balance between Hindu voting blocs split between the Communist Party of India and the Congress Party. The ruling coalition in Kerala, for

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Shah Bano, plaintiff in Muslim law divorce case [redacted]

example, played to Muslim interests in the Shah Bano case to lure a splinter Muslim party from the opposition. [redacted]

Because Muslims constitute a majority in Jammu and Kashmir, they can play a greater role in state politics than do their coreligionists elsewhere in India. Most of the state's chief ministers have been Muslims, who dominate state political parties. Candidates from the Muslim-backed National Conference (F) Party, which runs the state government in coalition with the Congress Party, hold most assembly seats in the overwhelmingly Muslim Kashmir Valley. [redacted]

India also has a vocal minority of Muslim leaders—often spiritual figures—who have gained largely local followings by arguing that the government does not do enough to protect Muslim interests. Both the head of India's main mosque and the spiritual leader of Kashmiri Muslims sparked Muslim protests after the Ayodhya Temple and Shah Bano controversies last year. The Assam Accord, signed by Gandhi and Assamese youth leaders, infuriated Muslim leaders in the state who claimed it discriminated against Bengali Muslim immigrants. Finally, some Muslim fundamentalists in Jammu and Kashmir—frustrated with state Chief Minister Farooq Abdullah because they regard him as New Delhi's stooge—have turned to Islamic fundamentalist organizations not because of their conservatism but because they see such groups as the only alternative to New Delhi. [redacted]

Regional Islamic organizations and Muslim leaders periodically gain national notice, although their influence remains regional. Recent instances include:

- The Jamaat-i-Islami (Islamic Society), an orthodox religious/cultural organization that has mobilized a limited following in Jammu and Kashmir by advocating Pakistani acquisition of Kashmir, promoting Islamic orthodoxy, and supporting Hindu-to-Muslim conversions. The Jamaat encouraged Muslims to hoist Pakistani flags this year on India's Independence Day. It recruits university students through its youth wing, the Jamaat-i-Tulaba. The Jamaat is the main constituent of the Muslim United Front, a state-level umbrella group of Islamic nationalism organizations.
- The Shahi Imam, head of India's main mosque (the Jama Masjid), who has organized a private Muslim militant organization, the Adam Sena, and has used the group to dramatize Muslim grievances through street demonstrations. Liberal Muslims criticize the Shahi Imam for using his post as a political platform.
- Farooq Abdullah, chief minister of Jammu and Kashmir and head of the main faction of the state's National Conference Party, who took power in December after he forged an alliance with Rajiv Gandhi. Although he has strong popular support in his Muslim-majority state, Muslim leaders from other regions and parties in India have told the Embassy that they regard him as a spokesman only for Kashmiri Muslim concerns.
- Syed Shahabuddin, a Janata Party member of Parliament, who in early January 1987 called for a national Muslim boycott of Republic Day celebrations to bring attention to the Ayodhya Temple controversy. Other Janata Party members and leading Muslims in the central government criticized him for misrepresenting his party and provoking questions about the patriotism of Muslims. [redacted]

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Syed Shahabuddin, Janata
member of Parliament [redacted]

Illustrated Weekly ©

Impediments to Muslim Unification

We believe the wide distribution and variety of Muslim communities has undermined their ability to forge a national political coalition despite their common goals. According to one academic, Muslims are affected by Sunni-Shia differences despite the fact that about 90 percent of them are Sunni. Many rely on primary languages other than Urdu, such as Hindi and Bengali. Muslims also recognize distinct class lines, and India's Muslims have adapted to their culture the caste distinctions of the subcontinent. Regional differences in dress and religious practices also fragment the Muslim population. [redacted]

We believe the threat of Hindu violence also hinders Muslim unity. According to an Embassy source, Muslims risk "political irrelevancy" by stirring up Hindu concerns about Muslim unification and the threat it poses to India's integrity. Muslims clearly understand Hindu suspicions about the intentions of the Islamic countries surrounding India; Islamic "expansionism" and conversions of outcaste Hindus to Islam; and the danger of Muslims becoming Pakistani spies and a "fifth column" that might support Islamabad in the event of another war. In the face of another cycle of rising Hindu militancy, many Muslims have revived the belief that politization of Muslims spurs Hindus' fears of Islamic separatism in India and stimulates Hindu chauvinists to further unify as a militant bloc. This reasoning has prodded Muslim politicians and senior Muslims in the federal government to publicly call for their coreligionists to reject Islamic revivalism, to integrate socially and

politically in India, and to support the Indian ideals of constitutionally mandated secularism. For example, when Syed Shahabuddin called for a boycott of India's Republic Day, both his fellow party members and Muslim government officials roundly condemned his suggestion as "antinational" and contributing to anti-Muslim sentiment in India. They also accused him of using the party as a national platform to fan Muslim communal fires. [redacted]

Outlook

Muslim-Hindu violence probably will continue to be characterized by sporadic riots spurred by what Muslims perceive as Hindu-sponsored affronts to Muslim rights. Without a major catalytic event or a series of moves Muslims perceive as anti-Islamic—such as repeated conversions of contested mosques into Hindu temples—the short-term prospects for sharply increased violence or the emergence of national Muslim political organizations will remain limited. [redacted]

Instead, Muslims will probably continue to ally with the Congress Party, despite their fears that Gandhi will sacrifice Muslim interests to win Hindu votes. For his part, Gandhi will probably continue to use the Congress Party's political muscle to assuage Muslim fears and stave off drastic disaffection with government and party attitudes toward Muslim grievances. Gandhi will probably seek to influence Parliament to favor conservative Muslims when he sees popular sentiment stirring behind sensitive Islamic issues. [redacted]

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Areas of Poppy Cultivation and Major Military Activity



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Afghanistan: Drugs and the Resistance

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Opium and marijuana production remains high in Afghanistan in part because of the disruptions caused by more than seven years of war. Antidrug programs are a low priority for all sides. The various groups in the Afghan resistance alliance have found themselves responsible for the administration of sections of the country, including many regions of high drug production. Although most resistance leaders have denounced drug activity publicly, on occasion they have had to moderate their antidrug stance to maintain popular support. We do not believe drug activity provides a significant source of funds for any of the Afghan resistance groups. Individual insurgent commanders in some areas, however, derive a portion of their income from drug production and trafficking to meet local needs.

Regardless of the outcome of the war in Afghanistan, we believe the drug issue will remain a difficult problem for any national administration. If hostilities end, resistance leaders are unlikely to support unpopular measures to limit the country's drug output. Opium and cannabis growing is likely to continue to be a major source of foreign exchange in an economy that will be under great pressure to make up the shortfalls resulting from nearly a decade of war.

The Resistance and Drug Trafficking

Insurgent military successes have often been in eastern Afghanistan's prime drug-growing region, where farmers traditionally have grown both opium and cannabis as a cash crop. Despite widespread fighting and refugee flight from these areas, drug production has remained high because:

- These areas are the homelands of several Afghan tribes with long histories of drug activity.
- The areas straddle several main smuggling trails.
- The depopulation of the region by the war increases local farmers' desire to plant crops with high economic return, such as poppies and cannabis,

Increasing Opium Production: Economic Motivations

Although cannabis and poppy growing have been a source of income for tribal Afghans for centuries, cultivation has increased in recent years, in part because of the disruptions of the war. Although reliable official figures are unavailable, US diplomats in Kabul estimate that illicit drug production has increased steadily for the past several years. US estimates of the annual opium production for 1984 were between 140 and 180 metric tons. This estimate was raised to nearly 300 tons for 1985. The most current projection for 1986 suggests that overall opium output will remain near 300 metric tons.

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From an economic viewpoint, opium yields a large cash return relative to other crops, and cultivation costs are low. In a country where much of the population has fled as refugees and road and irrigation systems have deteriorated because of combat activity and poor maintenance, opium poppies are an ideal cash crop. Drug cultivation earns a greater cash return per volume than alternative crops, can be grown with or without irrigation, and can be adapted to a wide range of terrain. In addition, processed opium is easy to transport, resists spoilage, and can be stored indefinitely. Because of its many uses—various parts of the poppy plant can be used as food, fuel, or medicine—opium poppy cultivation is highly valued. Increasingly, processed opium is used instead of cash as a means of exchange.

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- Soviet and Afghan regime forces in the area either ignore or support production and marketing of raw opium and hashish.

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Economic Factors

Seven years of war have disrupted the traditional agriculture-based economy in some areas of Afghanistan, leaving the local population increasingly destitute. Where resistance groups previously could depend on the civilian population to supply them with food and clothing, many civilians are now forced to look to the insurgents for economic support. Rising costs for food and transportation have placed an additional strain on insurgent finances. Although most commanders receive some support from one of the resistance parties in Peshawar, many complain that this assistance is not sufficient to meet their needs. In our judgment, faced with rising expenses and limited sources of revenue, some insurgents have turned to drug production and smuggling to make up the shortfall. [redacted] some local insurgent commanders accept cash or drugs to guarantee the security of drug and contraband caravans through their territory. [redacted]

In our view, income from the production or smuggling of drugs does not represent a significant source of finance for the Afghan resistance as a whole but may be an important source of funds for some groups at the local level. We see little evidence to suggest that the resistance parties based in Peshawar derive financial benefit from the drug industry. [redacted]

[redacted] individual commanders or insurgents in some areas depend on profits from drug production or trafficking to meet some of their needs. [redacted]

Some insurgents use income earned through involvement in drug trafficking for basic necessities for themselves and the civilian population under their control. [redacted] some insurgents have also become involved with drug trafficking to earn money to support their families in refugee camps in Pakistan. [redacted]

[redacted] some commanders rely on narcotics production and smuggling to fund weapons purchases and military operations. Hashish and other drugs are sometimes used to bribe Soviet soldiers—many of whom have become drug abusers while serving in Afghanistan—to provide information, sell arms, or allow insurgent vehicles to pass through security checkpoints. [redacted]

[redacted] Hashish, opium, and heroin are also increasingly used as mediums of exchange and can be traded for necessary items such as gasoline. [redacted]

Soviet and Afghan Regime Response

Both the Soviets and Afghan regime authorities have been inconsistent in addressing the problem of insurgent involvement in drug activity. We believe that numerous regime local commanders tax the movement of drugs and other contraband through their areas of control. Individual commanders and some local Soviet military officials also apparently have organized limited marketing of raw opium and heroin in some prime growing areas. [redacted]

[redacted] one commander in Qandahar oversees the marketing of opium, arranges for its transport to heroin refineries in Pakistan, then trucks the heroin to distribution points along the Iranian and Soviet borders. UN antinarcotics officials have reported recent increases in both legitimate—although unreported—purchases of Afghan opium by Moscow and of clandestine trafficking of Afghan drugs to the Soviet Union.¹

[redacted]

We believe the Soviets cannot and will not undertake significant antidrug programs in Afghanistan because of the current military and political chaos. Until the hostilities end, both the Soviets and the Kabul regime will place a low priority on drug issues. In our judgment, Soviet efforts to control drug activity will be limited to attempts to reduce drug abuse among Soviet troops and to disrupt the trafficking networks that run drugs into the Soviet Union from Afghanistan. According to recent reports in the Soviet press, Moscow is concerned that troops returning

¹ According to the provisions of the 1961 Vienna Single Convention on Drug Control, Afghanistan, like other traditional producers of opium, must report all international sales of opium to the drug board. These sales must be limited to opium seized in antitrafficking operations within the country. The recent decline in such reports of sales to the Soviet Union, Kabul's only legitimate opium buyer, suggests the regime's probable noncompliance with UN reporting requirements, according to US diplomats in Kabul.

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from Afghanistan spread drug abuse through other Soviet military units. In our judgment, there is growing Soviet concern that recent increases in the volume of drugs trafficked through the country highlight potential border control problems and a disturbing rise in official corruption. [redacted]

We believe that resistance leaders consider drug trafficking a marginal issue and will not respond to US concerns at this time. In our judgment, the current political situation also precludes serious discussion of bilateral or regional antidrug efforts involving the Soviets or the current regime in Kabul. [redacted]

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Islamabad: Balancing Insurgent and Drug Concerns

Pakistan's relations with the Afghan resistance groups based in Peshawar are complicated by charges that the insurgents are actively involved in the drug business both in Afghanistan and on Pakistani soil. Islamabad provides shelter and support to more than 3 million Afghan refugees. In the last several years, the Zia government has come under increasing pressure from Western states to reduce Pakistan's drug production and trafficking. Islamabad cannot or will not pursue investigations of Afghan refugee or resistance leaders who might be involved in cross-border drug trafficking. Moreover, the Pakistanis have not been able to break up the well-structured transport rings that move drugs from Afghanistan to Karachi and other Pakistani ports. [redacted]

[redacted]

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Prospects

Regardless of how the struggle for political control of Afghanistan is resolved, any Afghan regime will face strong resistance to reducing drug trafficking. Reintegrating the more than 5 million refugees who have fled the country—3 million in Pakistan and more than 2 million in Iran—will be an enormous task, and problems of reducing Afghanistan's role as a major drug producer and trafficker in the region are likely to receive a low priority. [redacted]

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Any Kabul regime, however, will come under increasing international pressure to improve its performance on antidrug issues. Afghanistan will require massive amounts of foreign aid to restore the national economy, thus providing aid donors with significant leverage to improve Afghanistan's antidrug efforts. [redacted]

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**Israel: Shamir's Report Card—
Economic Grades
Trickle In**

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Since Yitzhak Shamir took over as Prime Minister in the National Unity government last October, he has failed to advance economic stabilization efforts begun under his predecessor, Shimon Peres. Moreover, Shamir's unwillingness to provide strong leadership in economic decision making hurts efforts to implement needed reforms that address the economy's long-term growth needs. With the next election less than two years away, Shamir faces an uphill struggle in attempting to match former Prime Minister Peres's more active and effective management style.

Shamir's Major Failure—The Government Budget

Reducing government expenditures and the budget deficit are crucial to the overall success of the government's plan to achieve stable, long-term growth. Former Prime Minister Peres made a good start by lowering the budget deficit from about 14 percent of gross national product in the Israeli fiscal year ending in March 1985 to about 3 to 4 percent, the lowest level in the 1980s, when he left office in October 1986. Accounting for this drop were across-the-board spending reductions by government ministries, especially in funding cutbacks for the defense budget from domestic resources.

Prime Minister Shamir's initial goals for economic reform were unrealistic. His initial plan for the fiscal year beginning on 1 April 1987 proposed spending reductions totaling almost \$300 million, including cuts of about \$110 million in the defense budget. The plan mandated reductions in social programs as well. Subsidies were to be slashed by \$65 million, and the budgets for the Ministries of Health and Education were each to be cut by \$18 million. The proposal put additional demands on labor by seeking to prohibit negotiated wage increases and to postpone about half of the annual cost-of-living adjustment—the first half will be added to workers' paychecks this month—until April next year.

The public's loss of enthusiasm for continued economic austerity was evident in the immediate and almost universal opposition to Shamir's proposed

spending cuts. Objections poured in from powerful interest groups, including the Ministry of Defense and Histadrut—the national labor federation—demanding annulment of the budget cuts. Other affected ministries, including Health and Education, jumped on the bandwagon against spending cuts.

Shamir even failed to win partisan support as Likud members joined the Labor Party in criticizing various aspects of the spending cuts. The proposals drew fire from the Knesset Finance Committee, the body that must agree to the budget submission before the entire Knesset can enact it into law.

Additional objections almost certainly will surface that will contribute to defeating Shamir's now scaled-back recommendations. Before final approval, the budget must undergo additional Knesset debate with fresh opportunities for political wheeling and dealing. The likely result for Shamir will be a failure to trim spending within the guidelines of economic austerity.

Policy Drift: Inflation

Lowering inflation received top priority under the National Unity government's economic stabilization program due to the effects of high inflation on investment decisions. Peres inaugurated a comprehensive package of wage and price controls and an informal freeze of the exchange rate vis-a-vis the dollar—after an initial 19-percent devaluation—to break the high inflation cycle. As a result, the annual inflation rate during Peres's tenure fell from about 500 percent to about 27 percent. The high-inflation cycle was broken, and, more important, the public's inflationary expectations were reduced.

In contrast, Shamir appears unable to steer the economy into the single-digit inflation rate prevailing in West European countries—the goal of Israeli inflation policy. In fact, inflation appears to be

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moving in the opposite direction, edging up to about 35 percent on an annual basis. Furthermore, the recent 10-percent devaluation of the shekel and the Bank of Israel's mid-February increase in the prime interest rate—which raised the effective annual interest rate for borrowing from 19 percent to 31 percent—may lead to higher inflation in the coming months while increasing the public's inflationary expectations.

Unemployment

After the implementation of the economic stabilization program in July 1985, the unemployment rate increased from 5.9 percent to 7.8 percent by the end of September. Contrary to past responses—in which increases in the unemployment rate led to an exodus of Israelis and stirred up considerable public animosity—public reaction to the higher unemployment levels was muted. Most Israelis evidently realized that, to achieve long-term economic stability, temporary increases in unemployment would have to be tolerated.

When Shamir took office in October, the unemployment rate had fallen to slightly over 7 percent, and it has stabilized near that level since then. Prospects for further reducing unemployment to the 5- or 6-percent rate prevailing before the stabilization program appear dim because of a lack of measures to encourage long-term economic growth.

Trade Deficit

The trade deficit, which has long been chronic and has averaged about \$3.4 billion in the 1980s, improved slightly under Peres. In 1985 the trade deficit fell by \$100 million to \$3.1 billion. The deficit fell further to \$2.4 billion in 1986—influenced by positive developments in world oil markets—which helped Israel reduce the drain on its foreign exchange reserves.

The gains made in reducing the trade deficit, however, appear to be short lived as the deficit has started to edge up. The upward trend during Shamir's first four months in office involved a 13.8-percent increase in imports and only a 4.1-percent increase in exports compared to the same period a year ago. The worsening trade data are mainly due to exchange rate

developments that have increased the relative price of Israeli exports, along with a surge in private consumption expenditures—especially for imported consumer goods.

Tax Reform

Both Peres and Shamir receive failing grades for their inability to implement a sorely needed overhaul of Israel's tax system. Peres, while recognizing the need for a sweeping overhaul to restore work incentives and spur economic growth, failed to formulate such a plan. As such, he missed an important opportunity to capitalize on the public's heightened sense of concern over the economy's health by encouraging reform. In effect, tax reform was shelved as the government created a number of temporary one-year taxes to reduce the budget deficit while easing pressure to deeply cut government spending.

Shamir must be given credit for formulating a tax reform plan, even though it was poorly planned. As outlined by Finance Minister Nissim in early February, the tax plan embodied several reform measures, at the heart of which were reductions in income taxes. Under the plan, personal income tax rates for upper income levels were to be slashed and the number of exemptions that taxpayers may claim were to be reduced. Corporate tax rates—which effectively tax businesses at a rate of 61 percent for undistributed profits—were to be cut to 45 percent.

The plan falls short of the comprehensive tax reform needed, however, since it ignores reform for other taxes including the value added tax (currently 15 percent), the purchase tax (a sales tax levied on certain goods and services at different rates), property taxes, the employers' tax (a 7-percent tax on business payrolls), the betterment tax (a tax on the profits from the sale of real estate at rates from 0 to 50 percent), and the travel tax (imposed on Israelis traveling abroad). Ignoring reforms in such taxes prompted a cacophony of protests from special interest groups that also seek a piece of the tax reform pie. Histadrut attacked the proposed reductions in tax rates for upper-income levels, claiming the end result would be

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ECONOMIC REPORT CARD ^a		
	Peres' Tenure	Shamir's Tenure
Progress made in reducing--		
Government Expenditures & Budget Deficit	+	-
Inflation	+	-
Trade Deficit	+	-
Unemployment	-	-
Private Consumption Expenditures	-	-
Interest Rates	+	-
Progress made in implementing--		
Tax Reform	-	-
Capital Market Reform	-	-
Progress made in--		
Stimulating Investment	-	-
Overall Rating	+	-
^a a plus (+) sign indicates where progress has been made, whereas, a negative (-) sign indicates no progress or a worse performance		

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a more regressive tax structure unfairly hurting lower-income individuals. Moreover, Finance Minister Nissim's failure to aggressively lobby for the tax reform plan—and properly package it—have all but killed a comprehensive tax reform for 1987, making only a partial tax reform likely. Partial reform, however, may generate problems for the government if it reduces government revenues—a prospect that may worsen the already troublesome budget deficit outlook.

Outlook

Peres' achievements were supported by two external developments that are unlikely to prevail during Shamir's tenure:

- The lowered price of imported oil. Israel's imported oil bill fell from \$1.2 billion in 1985 to an estimated \$750 million last year, a decrease of about 37 percent.
- US supplemental economic assistance. The additional \$750 million in aid received in 1985 and 1986 allowed Israel to slow the growth of debt while adding a cushion to foreign exchange reserves.

Peres was also fortunate in that, by serving first as Prime Minister in the National Unity government, economic policy successes were more likely given the economy's ailing condition.

With US supplemental economic assistance ended and oil prices edging up, Shamir will find it increasingly difficult to place the economy on the long-term growth track. Shamir's efforts in the near term will also be hindered by his apparent apathy about making economic policy decisions, a fact that special interest groups will almost certainly seek to exploit.



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Omanization: A Slow Process

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Muscat's goal of Omanization—to replace expatriate workers with Omanis—is progressing slowly, but Oman will continue to depend heavily on foreign labor in nearly all sectors of the economy and the armed forces. The complexity of the economy has grown faster than the country's capability to educate and train native Omanis to replace expatriates. Omanization has moved most slowly in the military, and Oman's heavy reliance on British military expertise will allow British expatriates to maintain significant influence over Oman's defense policy into the 1990s.

Prosperity Breeds Problems

Even though Sultan Qaboos has publicly promoted a policy of Omanization, the country's dependence on foreign labor has risen in recent years. Despite progress in building a vocational school program, economic development has outpaced the growth in education for native Omanis. In 1985 an estimated 300,000 foreigners worked in Oman, accounting for about 25 percent of the country's population and a far higher share of the labor force employed in the modern sector. Approximately 250,000 of them are from the Indian subcontinent, working in construction, agriculture, commerce, and the medical professions. Teachers come mainly from Egypt and Jordan—the only significant Arab presence in Oman's labor market. The Philippines supply a growing number of technicians. The West, particularly the United Kingdom, has been the major source of engineering and managerial expertise.

Muscat probably hopes that the new \$315 million Sultan Qaboos University will train a generation of Omanis to replace the expatriates. According to press reports, the university will specialize in teaching the skills most needed in Oman, including medicine, agriculture, engineering, science, and education. Nonprofessional occupations will probably be harder to fill. Younger Omanis, raised during the years of relative prosperity resulting from high oil prices, will probably be reluctant to work as laborers in jobs previously held by expatriates.

Sultan Qaboos believes Omanization is a desirable objective, but he does not want it implemented so hastily that it interferes with the country's efficiency. The growing nationalist element in Oman, however, is pressing Qaboos to move now to protect local cultural and social values that they believe the large foreign presence in Oman is eroding. Its concerns appear well founded. The availability of better paying jobs in Muscat has drawn many Omani men away from their villages to work in the city. With their higher salaries, they can afford to bring in laborers from the subcontinent to work the family land. The US Embassy reports that even the Bedouin are hiring Indians to tend their camels.

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The growing economic burden of such a large expatriate community is compounding the social costs. Outward remittances reached a high of nearly \$1 billion in 1985—20 percent of oil export earnings—adding to Muscat's difficulties in maintaining its foreign exchange reserves. Declining oil revenues will probably lead to austerity measures that will prompt Muscat to quicken the pace of Omanization.

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The Armed Forces: Still a British Show

Omanization has moved most slowly in the military, which depends on British military expertise to sustain its performance. British military expatriates dominate key command positions in the Omani armed forces despite the promotion of several Omanis to senior positions. Omani military officers nominally command the Sultan's Land Forces and its major units, but British expatriates continue to fill 400 of the 1,000 officer positions, Omanis fill the number-two spots in the Sultan's Navy and Air Force, but British fill 134 of 238 naval officer billets and 275 of 500 Air Force officer slots.

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Candidates for Chief of Defense Staff

[redacted] wants to appoint another British officer to succeed Brigadier General Watts as Chief of Defense Staff when he leaves Oman. Should Qaboos bow to the increasing pressure to appoint an Omani, he is likely to choose one of the following senior officers.

Yusuf bin Khalfan al-Busaidi

Commander, Northern Oman Brigade

Brig. Yusuf bin Khalfan al-Busaidi's family ties, leadership qualities, and recent performance make him the prime Omani candidate for the Chief of Defense Staff position. He is a member of the royal family, has the personal trust of Sultan Qaboos, and retains a close working relationship with Land Forces Commander Nasib Ruwayhi. He also enjoys the respect of fellow officers and soldiers for his fairness and straightforward manner, [redacted]

[redacted] During his previous tour as Southern Brigade commander (1984-85), he handled Oman's southern border problems effectively.

[redacted] his late 1985 appointment to command the Northern Brigade was a prelude to assuming a new, highly responsible position in the Chief of Defense Staff's office, possibly in preparation for becoming Chief of Defense Staff. Although Busaidi's relatively junior brigadier rank could pose a drawback, his higher ranking rivals for the job are either close to retirement or have serious liabilities. [redacted]

In addition to his brigade command posts, Busaidi has led the Sultan's Training Regiment and served as

an officer in the Royal Guard Brigade. He has not attended any staff courses abroad. Information on his age is not available. [redacted]

Nasib bin Hamad al-Ruwayhi

Commander, Sultan of Oman's Land Forces

Maj. Gen. Nasib al-Ruwayhi is the highest ranking Omani candidate to succeed Watts. The first native Omani to head a major armed service, Ruwayhi replaced Watts as commander of the Land Forces—the sultanate's most Omaniized service—in 1985. A capable and respected officer, Ruwayhi is popular among his troops because of his commitment to promoting Omanis to key positions and his willingness to lobby Qaboos and Watts for a greater budgetary share for the Land Forces. Ruwayhi also has tried, apparently with some success, to curb British dominance of Oman's arms purchases system, and he generally supports US-Omani military ties. [redacted]

Ruwayhi's drawbacks have diminished the chance that his reported imminent transfer from command of the Land Forces will be to the Chief of Defense Staff position. His superiors perceive that he lacks ambition, and he has been unable or unwilling to minimize tribal strains between Land Forces officers, [redacted]

Ruwayhi's military career began with his enlistment in the Northern Frontier Regiment in 1960. He was commissioned a second lieutenant in 1968 and fought against antigovernment guerrillas in the Dhofar war. In 1974 he transferred to the Royal Guard Brigade as

The Omanis continue to rely almost entirely on expatriate military personnel—about 7,000 men—to operate and maintain their most sophisticated military equipment. As of late 1986 there were only eight jet-qualified Omani pilots for the Air Force's 22 Jaguar fighter-bombers. Most of the Air Force and Navy maintenance billets are filled by British and Pakistanis, and [redacted] Omani naval personnel are incapable of independently maintaining the Exocet missiles on Oman's guided-missile patrol boats. [redacted]

British expatriates also control Omani military planning and decisionmaking. Sultan Qaboos nominally heads the Omani armed forces but has delegated most military decision making to British Brig. Gen. Johnny Watts, Chief of the Defense Staff. Watts exercises significant control over all aspects of Omani defense policy, including weapons purchases and training. [redacted]

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a squadron commander and assumed command of the Sultan's Training Regiment in 1978. He is about 50. [redacted]

Ali Rashid al-Kilbani

Deputy Chief, Sultan of Oman's Land Forces Brig. Ali Rashid al-Kilbani is a darkhorse candidate to replace Watts as Chief of Defense Staff, despite reports that he will be transferred later this year to a Ministry of Foreign Affairs position. He has extensive military experience as commander of the Southern and then the Northern Omani Brigades (1983-84) and as deputy chief of the Land Forces since 1984. Moreover, Kilbani belongs to one of the largest and most powerful families in Oman. His appointment as Chief of Defense Staff would boost the Sultan's support throughout Oman, [redacted]

Like Busaidi, Kilbani's brigadier rank is an important obstacle in his path to Oman's top military post. Moreover, Kilbani's tendency to back his fellow tribesmen in military decisions would probably, in the view of Watts and Qaboos, undercut Kilbani's ability to unify the multiethnic armed forces. [redacted]

A member of the Sultan's Desert Regiment from at least 1976, he became commander of that unit in 1977. Information on his age is not available. [redacted]

senior Omani officers are being considered to succeed Watts, who is due to retire this year, but Qaboos apparently is reluctant to name an Omani as Chief of Defense Staff at this time and probably will persuade Watts to remain in the post for one more year. British personnel also conduct most of the tactical planning and logistic coordination for Oman's major military operations, probably including Peace Shield 87, the Gulf Cooperation Council military exercise that was held in Oman in mid-March. [redacted]

Many senior Omani military personnel have been poorly prepared to assume command positions in the Sultan's Land Forces, where Omanization has been most strongly promoted. Most senior Omani officers have had little command experience and have been forced to rely heavily on expatriate staff officers, [redacted]

[redacted] that newly appointed Omani officers also have to contend with growing tribal bickering among Land Forces personnel that has factionalized the command up through the senior leadership. [redacted]

Omanization probably has been hindered most by the reluctance of British expatriates to promote effective training programs that would accelerate their replacement by competent Omani military personnel. [redacted]

[redacted] the Air Force will not have a cadre of competent Omani aircraft mechanics before 1990, and Omani naval personnel recently complained that they are not being trained to perform maintenance on some of the Navy's more complex shipboard weapon systems. Budget cuts in Air Force flying time, [redacted]

[redacted] are also likely to reduce flight training opportunities for Omani pilots. Omani Land Forces officers continue to rely heavily on their British expatriate staffs to carry out operational planning and logistic and administrative support. [redacted]

Outlook

The process of Omanization will progress slowly, but a substantial reduction in the number of foreign workers is unlikely for some time. Even with gains in education and training, Oman will continue to depend heavily on foreign labor in nearly all sectors of the economy. [redacted]

Oman will probably continue to rely on the military expertise of British expatriates to operate and maintain its more technically sophisticated military equipment—particularly in the Air Force and Navy—through the mid-1990s. Oman's reliance on British expatriate manpower may even increase, particularly if Muscat purchases another advanced

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Qaboos's Old School Ties

Oman's strong reliance on British military expatriates has been reinforced by the Sultan's unabashedly pro-British views. Qaboos graduated from Britain's prestigious Sandhurst Military Academy in 1962, where he was strongly impressed by British military expertise and professionalism. Regular British forces were instrumental in helping Qaboos to crush the Dhofar insurgency in the mid-1970s. Although regular British forces subsequently were withdrawn from Oman, Qaboos continued to rely on the services of several hundred British military personnel, most of whom are retired veterans of the Dhofar campaign or active duty British personnel seconded from the British armed forces. London has maintained close military relations with Qaboos on a personal and an official level. Qaboos has visited London as an honored guest several times to attend graduation ceremonies at Sandhurst and other British military academies. Last year 5,000 British Army, Navy, and Air Force personnel deployed to Oman for Swift Sword, Britain's largest out-of-area military deployment since the 1982 Falklands campaign.

As Omanization progresses, [redacted] that might diminish their own influence. While [redacted] acknowledging the legitimacy of US security interests in Oman, [redacted] They will also urge Qaboos to purchase British military equipment while pressing the United States to provide more economic aid in return for US pre-positioning rights in Oman. British expatriates also will encourage Oman's continued participation in bilateral exercises with the United Kingdom such as Swift Sword, even if it means Muscat must forgo participation in US or GCC military exercises such as Bright Star or Peninsula Shield. [redacted]

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weapon system such as the Tornado fighter-bomber. Further cuts in military spending may undermine Omani efforts to train a sizable nucleus of competent Omani pilots, technicians, and mechanics. [redacted]

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[redacted] remains the primary political decision maker. Although the Sultan is likely to accelerate the Omanization of his officer corps, focusing on promoting Omanis to senior positions, British expatriate officers probably will retain a vital advisory role in the Omani armed forces through 1990. Qaboos may try to placate Omani nationalists by appointing an Omani Chief of Defense Staff in the next two years, but he probably will continue to rely on a senior British military officer to provide at least behind-the-scenes guidance on major defense policy decisions. [redacted]

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Libya's Mercenaries— Which Way to the Front?

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Libya has a longstanding policy of accepting foreigners into its Armed Forces, both to fill out existing Libyan units and to build new formations. Over the years, Tripoli has spent a great deal of time, money, and effort to train and house these recruits and has used them in combat several times. The return on this investment, however, has been negligible. After 10 years, foreign mercenaries have yet to make a noticeable contribution to Libya's fighting capabilities.¹

Tripoli's first efforts to bring foreigners into the Libyan military occurred in 1975. Young Palestinians, Syrians, and Jordanians enlisted in the Libyan Army,

as part of Qadhafi's effort to increase significantly the size of his forces. The program was accelerated after the 1977 Libyan-Egyptian border war, when Tripoli issued a public call in Muslim capitals for volunteers to join the Libyan Army. By late summer of that year, enough volunteers had arrived to form separate units manned entirely by foreigners but commanded by Libyan officers.

the volunteers were generally attracted by the \$680 monthly salary and the potential for action against Egypt.

Tripoli has repeated its public call for foreign volunteers several times over the years, often refining its pitch according to the needs of the moment. In late 1980—when Libyan aircraft were active in Chad and were regularly encountering US planes in the central Mediterranean—Tripoli issued a call for Arab airmen and technicians no longer in the service of their home countries to join the Libyan Air Force.

¹ The term "mercenaries," as used in this article, refers to non-Libyan individuals recruited into military service in Libya. It does not include representatives of companies with which Tripoli has contracts or servicemen sent by their home governments for duty in Libya.

During the US-Libyan tensions in early 1986 that culminated in the US air raids, Tripoli initiated an advertising blitz in Third World countries from West Africa to South Asia. The plea this time was for seamen, airmen, and technicians with specified qualifications, "especially Muslims," to volunteer for the Libyan armed forces, while "any and all kinds of volunteers" were sought for the newly founded International People's Front to confront "imperialism, US aggression . . . and Zionism." The campaign prompted over 2,000 applications for service among Sudanese. A good many of these almost certainly ended up in military training centers in Libya, although the existence of the International People's Front has not been confirmed as a formal organization outside of Libyan propaganda.

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Complementing this overseas recruiting campaign have been the activities of press-gangs in Libya's foreign communities. since the late 1970s, Sudanese, Nigerian, Tunisian, and other foreign workers have been impressed into training camps for political indoctrination and basic military training. During the past four years, Chadians have been particularly vulnerable as Tripoli tries to fill out the ranks of the Libyan-backed Chadian rebel forces. Reports reaching the US Embassy in Nigeria just after Libya's invasion of Chad in 1983 indicated that "thousands" of young Chadian workers were trying to flee Libya to avoid being dragooned into military service.

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Integration or Segregation?

Depending on the individual's qualifications and Tripoli's priorities of the moment, a foreign recruit could find himself fully integrated into a regular

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Libyan military unit or a member of a distinctly foreign unit. Some general trends are identifiable:

- Arabs with technical military skills are likely to be assigned to Libyan units and treated more or less as Libyan for the period of service. For example, at least a handful of Palestinians fly in Libyan fighter squadrons and have taken Libyan citizenship, [redacted]

- Recruits from countries that Qadhafi has targeted for subversion are likely to be placed in camps reserved for their compatriots. Separate camps for Sudanese, Tunisians, and Chadians have been reported frequently over the years. Once trained, units from these camps can be reserved for subversive activity in their home country, or they can support operations of the regular Libyan military.

- Recruits from Western nations probably are treated individually. Valued for advanced technical skills, a handful of Westerners almost certainly is well paid to perform maintenance on advanced Western systems, fly transport aircraft, or serve as instructors.

- Third World recruits that fall into none of these categories probably are posted to catchall units, manned by foreigners but led by Libyans. These are available as intervention units in Qadhafi's regional adventures and for contingency use in the event of another Arab-Israeli war. [redacted]

[redacted] such amalgamated units include Malians, Mauritians, Togolese, Senegalese, and many others. We speculate that these units are generally lightly equipped, perhaps supported by a few armored vehicles and rocket launchers. [redacted]

Reporters generally tend to label any foreign-manned military unit in Libya as being part of the "Islamic Legion." The Libyans themselves are not known to use the term except in recruiting posters. Rather, we believe recruits are assigned to foreign-manned units of varying size that have individual designations, are probably subordinate to the local Libyan military district, and have no formal relationship to any larger

body of foreigners known as the Islamic Legion. In this respect, Qadhafi—who has never denied Libya's recruitment of foreign Islamic troops—was probably sincere when he denied to French journalists the existence of an "Islamic Legion." [redacted]

Libya's Mercenary Units in Combat

Libya's mercenary units in Chad have performed poorly in combat. In 1983 a large Sudanese unit was sent into Chad to support the faltering insurgency of the pro-Libyan Chadians. The Sudanese unit engaged in combat before the Libyans themselves intervened in force and was easy prey for the forces of Chadian President Habre. [redacted]

[redacted] at least 130 of these Sudanese were captured by Habre's troops. [redacted]

[redacted] most of them had been forcibly conscripted by Libyan press-gangs, minimally trained, and kept from deserting by threat of execution. [redacted]

[redacted] pulled its Sudanese out of Chad in late 1983, probably because of desertion. It had been easy for them to abandon their garrison in Chad and make their way back to Sudan. [redacted]

After three years of stagnation, the war in Chad has again grown hot, and again Tripoli has shown its readiness to put its foreign units in harm's way. Last January the Libyan People's Bureau in Benin began processing young Cameroonians, Nigeriens, Central Africans, and Congolese for military training in Libya and eventual combat in Chad. [redacted]

[redacted] Government forces captured 18 Mauritians and Malians in a battle in northern Chad in February. [redacted]

These most recent examples indicate that Tripoli continues to find its mercenaries useful despite their generally low-combat capabilities. [redacted]

[redacted] Tripoli is sensitive to the potential for a popular Libyan backlash over the heavy Libyan casualty toll in Chad. At best, from Tripoli's point of view, sending the mercenaries to the front could ease

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the combat burden on Libyan troops. At least, the mercenaries would draw fire and smoke out Chadian Government positions, facilitating engagement by the Libyans. [redacted]

Arab Integrees. If 5 percent of Libya's military ranks are filled by other Arabs—and this seems high, judging from the infrequent reporting on their activities—their number would not be enough to offer Qadhafi military options he would not otherwise have. Numbering less than 100,000, Libya's Armed Forces have few offensive options against Libya's strongest neighbors—Algeria and Egypt. In contests against other neighbors, such as Tunisia, the balance favors Libya by a margin much greater than the 5 percent postulated here. Meanwhile, in limited applications of force by Libya, such as the mining of the Red Sea and the bombing of Sudan in 1984, adequate numbers of trained Libyan nationals have always been available.

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The mercenaries also occasionally are a means by which Tripoli can exert military pressure while retaining a degree of deniability regarding its own involvement or convey the appearance of international support for Libyan causes. Qadhafi continues to deny publicly the presence of Libyan forces in Chad and tries to support this fantasy by using surrogates. For example, Tripoli has sent its Chadian clients but not its own units south of the 16th parallel, the demarcation in Chad that Paris has labeled a tripwire for French combat intervention in the event of a significant Libyan crossing. In addition, [redacted]

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[redacted] a Libyan military convoy that has been in western Sudan, possibly intending to cross the border to the rear of Chadian Government troops, is largely manned by so-called Islamic Legionnaires. [redacted]

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Impact of Libya's Mercenaries

None of the three basic types of mercenaries identified in this article have had a significant impact on Libya's military capabilities. The dispatch of foreign-manned units into combat has never noticeably contributed to Libyan success in the field. The employment of the other two types of mercenaries—Arabs incorporated into Libya's regular Armed Forces and Westerners with advanced technical skills—has been more difficult to detect.

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Western Experts. The fact that the presence of Western experts is detected only infrequently suggests that their number is small and their impact probably limited. Libya's difficulty in obtaining sophisticated Western weaponry has increased over the past five years, obviating the need for some of the Western instructors and technicians. For those systems it has obtained, it has also generally managed to get after-delivery support by the selling company. In addition, as Libya has gained experience over the years in most warfare specialties, the increasing competence of its brighter servicemen probably makes most Western mercenaries dispensable. [redacted]

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Algeria: Outcome of Legislative Election [redacted]

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Results of the election on 26 February for Algeria's National People's Assembly (APN) indicate that President Chadli Bendjedid faces further struggles in trying to bring about economic reform through expansion of the country's small private sector. Although the vote gave the President an opportunity to put into office more youthful and technically trained legislators who probably will be more amenable to his plans for economic reform, reelected party cadres will resist change. The election also revealed widespread public disgruntlement over economic problems, particularly shortages due to new austerity measures. Bendjedid probably will need to show improvement in the economy if he hopes to deflect this criticism as well as the pressure from opponents within the government and party to continue the country's socialist policies. [redacted]

incumbents were up for reelection. [redacted] Bendjedid was increasingly frustrated by his inability to push economic liberalization through the Algerian bureaucracy, and he saw the election as a chance to change the economic life of the country. [redacted]

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There were indications before the election, however, that Bendjedid was experiencing difficulties in bringing forward new personnel. [redacted]

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Bendjedid's efforts were foundering because of strong resistance from FLN leftists. [redacted] it was likely that the new APN would have the same balance between ideologues and technocrats as the outgoing Assembly. The US Embassy also reported delays in the publication of candidates' names—which probably reflected intense competition during the nomination process—and questioning of the FLN's control of the nomination process by a magazine supportive of the President's political views. [redacted]

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The Role of the National Assembly

The APN traditionally has had little importance in Algerian politics. According to the US Embassy in Algiers, the Assembly's essentially passive role is reflected in the fact that the previous legislature proposed only five laws in its five-year existence. All of the 885 candidates who competed for the 295 seats in the APN were chosen by the only legal party, the National Liberation Front (FLN). Election campaigns, therefore, produce little enthusiasm because they are devoid of political debate. Real power is wielded at the senior levels of the FLN and the Army. The ruling political and military elite of Algeria view the legislature as a vehicle for rewarding persons who have given their country faithful service. [redacted]

Election Results Mixed

The balloting produced many positive results for Bendjedid and his supporters. Claimed voter participation was larger than in the previous elections. Eighty-seven percent of eligible voters voted in the latest ballot, as compared with 72 percent in both 1982 and 1977. The Embassy reports a shift in the composition of deputies. Over 50 percent of those elected are under 40; over 70 percent attended universities; and the number of bureaucrats and party cadres in the APN has been reduced. [redacted]

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Nevertheless, Bendjedid probably hoped to use the election as a step toward shaping a government more supportive of his policies. The only significant role the previous APN played was its rejection last year of a government proposal to allow greater foreign investment in Algeria, and the President almost certainly wanted to prevent similar occurrences in the future, especially since less than half of the

On the other hand, the vote represented a strong protest against severe economic conditions, which stem from the government's attempts to reduce consumption in the aftermath of falling revenues due to the drop in international petroleum prices. The US

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**Occupational Background of
Past Members of Algeria's
National People's Assembly (APN)**

	First APN 1977	Second APN 1982
Total	261	282
Government employees		
Teachers	71	75
Bureaucrats	64	63
Party workers	69	52
Salaried workers		
Professionals	13	14
Lawyers	1	13
Wage laborers		
Industrial workers	29	37
Farmers	10	15
Pensioners	1	10
Others	3	3

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These initiatives may prove to be only stopgap measures designed to provide goods for the Ramadan holy month. Longer term economic problems such as inefficiency, bureaucratic lethargy and inertia, and lack of incentives will almost certainly continue to stymie economic growth and plague the government. The election probably presages further attempts by Bendjedid to bring in new officials more favorably disposed to his policies. It also could lead to more infighting within the government over the course of economic reform.

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Embassy reports that 13 to 30 percent of the ballots were spoiled. Voters defaced ballots by listing grievances and demanding goods such as butter that are in short supply or not available. Embassy sources claim the protest was as high as 40 percent in some districts. We believe the continuation in office of incumbent APN leaders may also make it difficult for the President to push his desired changes through the legislature.

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Implications

In our view, the election, despite its secondary importance in Algerian politics, will have a pronounced effect on government policy. The US Embassy reports that, within a few days of the vote, the Cabinet met to discuss the distribution of consumer goods. Commerce Minister Benamar announced afterward that the government would allocate additional resources for imports and that small- and medium-size industries, essentially in the private sector, would face fewer import restrictions. In addition, a government announcement of a price increase for coffee made that commodity available for the first time in months.

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**Mauritania-Western Sahara:
The War Moves Closer**

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Mauritania faces new threats to its national security because of recent trends in the Western Sahara conflict. Morocco is constructing a new earthen berm that will bring its military forces to the southern frontier of Western Sahara, adjacent to Mauritania. This activity will further restrict military operations in the territory by Morocco's adversary, the Algerian-based Polisario Front guerrillas, whose obvious alternative is expanded use of Mauritania for staging attacks on Moroccan troops. Morocco's strategy and the likelihood of intensified fighting will make it more difficult for the fragile military regime of President Taya to remain aloof from the war. Indeed, these developments could eventually bring down the government.

behind the bloodless coup in late 1984 by Taya, who Algiers suspects was backed in his bid by Rabat.

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Taya Casts His Lot With Hassan

We believe the Taya regime is more favorably disposed toward Rabat, despite its continuation of the previous government's neutrality toward the belligerents. Although Nouakchott retains its membership in its pact with Algiers and Tunis and technically recognizes the SDAR, the regime has largely ignored the spirit of these accords. Nouakchott refuses to accredit SDAR diplomats, and Mauritania's contacts with Algeria and Tunisia are limited.

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Nouakchott's Saharan Diplomacy: Falling Off the Fence

Mauritania's principal foreign policy challenge during the past decade has been balancing its relations with its two more powerful northern neighbors, Morocco and Algeria, especially with regard to the Western Sahara war. Both countries have endeavored to win Mauritania's support. Nouakchott has periodically succumbed to this pressure, and the results have proved disastrous.

There are indications, moreover, that Taya is shifting decisively toward Morocco. Contacts between the two countries have increased.

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After Spain abandoned Western Sahara in 1976, Mauritania agreed with Morocco to divide the colony, and it fought with Moroccan forces against Polisario insurgents for control of the territory. Successful Polisario attacks on Mauritania, however, precipitated a military coup in 1978, ending 18 years of civilian rule since independence. The succeeding regime of President Haidallah gradually sought to put distance between itself and Rabat in order to placate Algiers and the guerrillas, but it went too far. Mauritania joined Algeria and Tunisia in a treaty of cooperation in 1983, recognized the Polisario's Saharan Democratic Arab Republic (SDAR) in 1984, and largely ignored Polisario military transits through its territory. This shift, in our view, was a factor

We believe Morocco's construction of the new berm in February compelled Taya to move closer to Rabat.

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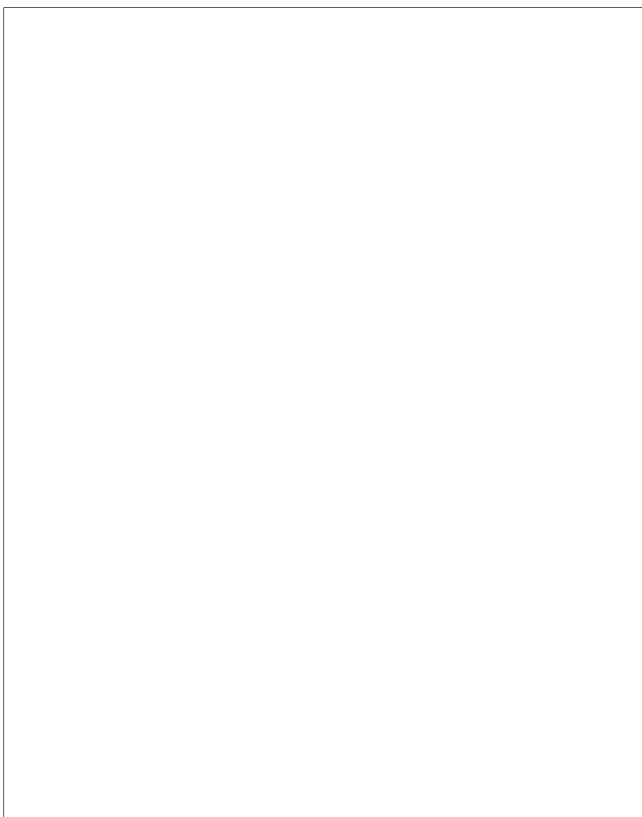
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These concerns give reason for continued Mauritanian political and economic dealings with Algeria. In early March, Mauritania and Algeria agreed to cooperate in the areas of energy, fisheries, and road construction. Algiers, unlike Rabat, has been a source of economic aid for the hard-pressed Mauritians. Algeria, for example, provides assistance in the running of the country's only petroleum refinery. Taya probably hopes his efforts to stay on good terms with Algiers will avert Algerian attempts to use espionage, financial pressure, or military blackmail to force a change in Mauritanian policy. Nouakchott might also calculate that good ties to Algeria represent a hedge against meddling by Libya. [redacted]

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Outlook: High Risks of New Entanglement

The new phase of the Western Sahara conflict represents the gravest threat yet to the Taya regime. There are increasing signs of expanded hostilities and a likelihood that fighting will shift southward in the region, potentially drawing Mauritania into the fray. The construction of a new berm prompted the Polisario in late February to launch its largest offensive in several years. We believe the outlook is poor for a political settlement of the dispute in the near term, and that the Taya regime will face continuing political, economic, and military pressures from the north. [redacted]

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With an Eye Toward Algiers

We believe Taya will continue to move cautiously and discreetly in his dealings with Morocco. His government probably would not allow a sizable Moroccan military presence unless the Polisario and Algeria resumed military operations against Mauritanian troops. Mauritanian leaders probably fear Morocco covets their territory, given longstanding irredentist sentiment in Morocco that Western Sahara, Mauritania, and parts of southwest Algeria belong to the kingdom. Taya almost certainly is aware of the potential for Moroccan subversion that will follow expanding military cooperation. Reporting from the US Embassy in Nouakchott also indicates some Mauritanian exasperation with Morocco's military strategy. According to the Embassy, one senior military official views the Moroccan berm extension as a mistake because it is an impediment to the peaceful resolution of the conflict. [redacted]

Moroccan and Algerian moves in the war could ultimately bring down the regime. Although Taya's tilt toward Rabat is a pragmatic choice, given Morocco's military gains in the dispute, the President runs the same risks as his predecessors. Any misstep by Taya or foreign interference could seriously undermine the government and prompt another coup attempt. [redacted]

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The timing of these developments could not be worse for the Taya regime, given its domestic political and economic agenda. The US Embassy in Nouakchott reports that trends in the war will complicate Taya's

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struggle to cope with serious economic problems due both to food shortages and drought and to social tensions attributable to animosity between the ruling white Maurs and the numerically superior and disfranchised blacks.

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