



Directorate of
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Near East and South Asia Review



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25 September 1987

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NESA NESAR 87-022
25 September 1987
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Near East and South Asia Review [Redacted]

25X1

25 September 1987

Page

Articles

PLO: Leadership Rivalry in Fatah [Redacted]
[Redacted]

1

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Relations between PLO Chairman Arafat and his two principal deputies have deteriorated since the Palestine National Council meeting in Algiers last April. The principal issue is the longstanding demand that Arafat accept collective leadership within the PLO and its dominant Fatah component and adhere to Palestine National Council decisions. [Redacted]

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Baghdad Aid Payments: Shortfalls Hurt Recipients' Economies [Redacted]

5

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Annual Baghdad Pact payments to Syria, Jordan, and the PLO continue to fall short of the \$3.5 billion that was committed by Saudi Arabia, Kuwait, UAE, Qatar, Iraq, Algeria, and Libya when they signed the pact in 1978. The shortfalls are straining the recipients' fragile economies and damaging their efforts to finance imports and investment projects. [Redacted]

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Iraq: Changing Attitude Toward Israel [Redacted]

11

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Iraq has modified its views toward the Arab-Israeli conflict because of a need to cultivate the United States and to align itself with Egypt and Jordan and because of a decline in anti-Israeli revolutionary fervor. Nonetheless, Iraq still regards Israel as a military threat allied with Iran and has not dissociated itself from anti-Israeli terrorist groups. [Redacted]

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India-Iran: Relations Strained Over Tehran's Meddling [Redacted]

15

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Over the past few months inflammatory statements by Iran directed at inciting Indian Muslims have worsened relations with India, which were already strained by a series of differences since the Iranian revolution in 1979. New Delhi fears Iranian meddling will heighten tension between the country's divided Muslim and Hindu communities. [Redacted]

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[Redacted]

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India's Drought: Gandhi's Next Hurdle [Redacted] 19

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Prime Minister Rajiv Gandhi's political fortunes in the coming months will depend heavily on his success in managing drought relief. Gandhi will avoid asking for international assistance, but he probably would welcome commercial trade offers of edible oils on concessional terms and would accept discreet offers of aid. [Redacted]

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India-Fiji: Postcoup Developments [Redacted] 23

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Prime Minister Gandhi's efforts to elicit international condemnation of the military takeover in Fiji last spring are another attempt to assert India's global leadership role. New Delhi's future support for Indians in Fiji probably will be limited to public diplomacy, as Fiji is well outside India's military sphere of influence. [Redacted]

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Sri Lanka: Reconstruction and Rehabilitation [Redacted] 27

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25X1

Concerns about Sri Lanka's deteriorating economy were a factor prompting the government to seek Indian assistance for a settlement to the island's four-year ethnic conflict. Returning Sri Lanka to the road of high growth will require a major inflow of foreign aid and investment. [Redacted]

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[Redacted]

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Afghanistan: A Demographic Profile [Redacted] 37

25X1
25X1

Because more than one-fourth of its population has fled to Pakistan and Iran since the Soviet invasion in 1979, Afghanistan is one of only a handful of countries with a smaller population now than in 1980. Should the refugees return, the population could double in 20 years and severely strain the country's land, water, and other resources. [Redacted]

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[Redacted]

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Changing Patterns in Aden's Leadership [Redacted]

41

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[Redacted]

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A younger, less ideologically committed generation of leaders will gradually emerge in South Yemen as technical-administrative expertise and personal relationships take precedence over revolutionary background or ideological posture. [Redacted]

25X1

Egypt: Expanding RPV Capabilities [Redacted]

47

25X1

[Redacted]

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Cairo is seeking to expand and improve the capabilities of its remotely piloted vehicle fleet as part of its military modernization effort. The perception that other countries are exploiting RPVs to achieve combat successes or to enhance their technical capabilities is driving Cairo's interest. [Redacted]

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Western Sahara: Is the Berm Crumbling? [Redacted]

53

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[Redacted]

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A series of successful attacks by Polisario Front guerrillas this year has challenged Morocco's ability to defend the berm it has constructed in Western Sahara. Although Morocco must adjust its strategy as a result of these attacks, it will almost certainly continue to prevent the Polisario from seizing and holding territory behind the berm. [Redacted]

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Mauritania: Taya's Increasing Vulnerability [Redacted]

57

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Growing economic problems and popular discontent over official corruption are bringing President Taya to the most critical juncture of his nearly three years in power. He still appears to have the support of the Army and security forces, but, unless he can demonstrate stronger leadership, the military could engineer a coup against him. [Redacted]

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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.

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Near East and South Asia Review 


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Articles

PLO: Leadership Rivalry in Fatah 


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Relations between PLO Chairman Arafat and his two principal deputies—Salah Khalaf (Abu Iyad) and Khalil al-Wazir (Abu Jihad)—have deteriorated since the Palestine National Council meeting in Algiers last April. The principal issue in dispute is the longstanding demand of Arafat’s deputies that he accept collective leadership within the PLO and its dominant Fatah component and adhere to Palestine National Council decisions. The current strife among the PLO leaders was brought to a head at recent meetings of the Fatah Central Committee and Revolutionary Council when Arafat sought to tighten his control by adding additional supporters to key policymaking bodies. In addition, Arafat and his deputies have disagreed about the conduct of relations with Egypt, as the PLO Chairman has maintained a dialogue with President Mubarak despite the Palestine National Council decision calling for no contacts with Egypt unless it renounces the 1978 Camp David accord. 


The longstanding friendship between Arafat and his senior aides and their desire to maintain Fatah unity have so far proven stronger than their policy differences. We believe each recognizes that he needs the other to keep the Palestinian movement alive. Arafat’s critics, moreover, acknowledge that the PLO Chairman has become the symbol of Palestinian nationalism and that he is largely responsible for the broad popular support the PLO commands among Palestinians and for the organization’s recognition and support from Arab states. Arafat, in our view, wants to avoid a serious split in Fatah that would risk driving key hardline figures led by Khalaf into the Syrian camp. 

Background


The current tension is characteristic of the often acrimonious relationship that has prevailed for years

between Arafat and his Fatah lieutenants. Khalaf and Wazir have never seriously challenged Arafat’s leadership but have sought to limit his freedom to act independently and to determine PLO tactics and policies. 

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Khalaf, who heads the PLO’s United Security Organization, is Arafat’s most prominent critic within Fatah. He has been identified consistently with the radical left of the organization. Palestinian contacts of US Embassy officials say he opposes negotiations with Israel, rejects PLO-Jordanian cooperation, and advocates a return to international terrorism. Nonetheless, he has generally accepted Arafat’s efforts to gain a negotiated settlement of the Palestinian problem. 

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Wazir has been Arafat’s closest adviser for the past decade. He is charged with organizational and Occupied Territories affairs within Fatah, and in that capacity he has been responsible for intelligence and military activities in the West Bank and Gaza Strip. Wazir has generally supported Arafat’s diplomatic efforts and worked with Jordanian officials in these efforts before King Hussein’s decision to suspend political coordination with the PLO in February 1986. 

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Faruq Qaddumi and Khalid al-Hasan, two other founding members of Fatah, have sharply criticized Arafat over the years. Qaddumi advocates a harder line than Arafat in resolving the Palestinian problem. He has publicly warned that any peace plan not recognizing the right of Palestinians to self-determination and to an independent state or not allowing the PLO to openly participate in negotiations will fail. Hasan has long served as a senior counselor

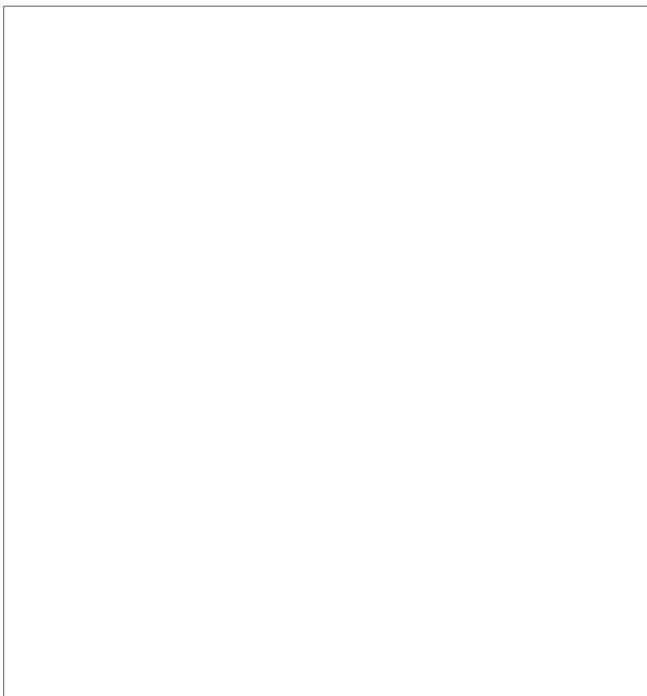
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NESA NESAR 87-022
25 September 1987

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to Arafat and, in our view, is one of the strongest proponents of a diplomatic approach to the Palestinian issue. Nonetheless, disputes with Arafat in the past led to his departure from the Executive Committee in 1973. He later mended his fences with the Fatah leader but could not overcome Arafat's opposition to his return to the PLO Executive in 1981, according to an expert on the Palestinians. [redacted]



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Relations among the Fatah leaders were particularly tense in the latter half of 1986. Arafat was vulnerable to criticism from his rivals because his attempt to coordinate peace strategy with Jordan had collapsed earlier in the year. The PLO chief continued to stress his interest in working with moderate Arab states to find a diplomatic solution to the Palestinian problem but came under pressure from Khalaf and other Fatah hardliners to seek a reconciliation with Syria and to reunite Fatah with Syrian-backed Palestinian groups. [redacted]

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At several Palestinian gatherings in late 1986—including meetings in which representatives of the Syrian-backed factions participated—Khalaf reaffirmed his hardline position. According to US Embassy reporting, Khalaf rejected UN Resolution 242, criticized Egypt because of its acceptance of the Camp David accord, and warned Arafat against forsaking armed struggle on behalf of the Palestinian cause. His joint appearances with Syrian-aligned Palestinian leaders underscored his commitment to Palestinian unity—a major theme in his public remarks. [redacted]

In June, Arafat accused Khalaf and the Hasan brothers of issuing unauthorized policy statements on behalf of the PLO. Khalid al-Hasan publicly accused Arafat of harming relations with Morocco by caving in to Algerian demands that he allow a representative of the Polisario to speak at the National Council meeting. [redacted]

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In early 1987 a more conciliatory atmosphere prevailed between Arafat and his critics as preparations began to convene the Palestine National Council and to discuss reunification with the Damascus-based groups and reconciliation with Syria. Khalaf in particular probably was willing to tone down his attacks against Arafat so as not to risk turning him against PLO reunification and reconciliation with Damascus. [redacted]

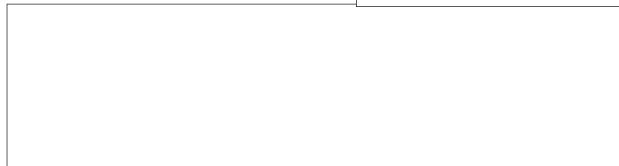
Later that same month, Khalaf publicly criticized Egyptian President Mubarak for closing down the PLO office in Cairo and for his continued support of the Camp David accord. According to Arab press reports, Arafat subsequently ordered Wafa, the PLO news agency, to publish a statement saying that Khalaf was speaking only for himself and not on behalf of the PLO. The director of Wafa, however, did not publish the statement. [redacted]

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Acrimony Returns



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The dispute within Fatah came to a head in meetings of the Fatah Revolutionary Council and Central Committee in July in Tunis where Arafat sought to tighten his control. [Redacted]

[Redacted]

Outlook

The recent tension among Fatah leaders appears to have dissipated since the group's meetings in July, but the underlying causes remain and the internal struggle will most likely resume soon. Arafat's unwillingness to curb his freewheeling leadership style and his willingness to use political as well as military and terrorist means to solve the Palestinian problem inevitably provoke opposition from his colleagues. The PLO Chairman also has tended to play his deputies against each other, and he maintains tight control over most PLO finances to keep any one from developing an independent power base. [Redacted]

For now, Arafat and his rivals have worked out a modus vivendi that allows them to work together despite their differences. We believe each recognizes that he needs the other to keep the Palestinian movement alive—a recognition honed by years of bitter and unrelenting political and military struggle. Moreover, Arafat's critics recognize that he has become the symbol of Palestinian nationalism and that he is largely responsible for the broad support the PLO commands among Palestinians and most Arab states. Thus, Khalaf and Wazir and the others will try to keep their disputes with Arafat within bounds. We believe Arafat, for his part, wants to avoid splitting Fatah—his indispensable power base—for fear of driving key figures like Khalaf and Qaddumi into the Syrian camp. He thus will be careful not to make commitments to join in a Middle East peace process that would risk splintering his movement. [Redacted]

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Baghdad Aid Payments: Shortfalls Hurt Recipients' Economies

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Annual Baghdad Pact payments to Syria, Jordan, and the PLO¹ continue to fall short of the \$3.5 billion that was committed by Saudi Arabia, Kuwait, UAE, Qatar, Iraq, Algeria, and Libya when they signed the pact in 1978. Recipients received only \$1.2 billion in 1986, with 83 percent of this coming from Saudi Arabia. The shortfalls are straining the recipients' already fragile economies and damaging their efforts to finance imports and investment projects and repay foreign debt. When the Baghdad Pact expires next year, these countries will probably continue to receive aid from Arab donors, but at even lower levels. To make up for the expected reductions in aid, recipients probably will turn to Western countries as well as increase their reliance on high-cost commercial lending.

Intent Versus Performance

The Baghdad Pact subventions, agreed to at an Arab League summit meeting in Baghdad in November 1978 after the signing of the Camp David accord by Egypt and Israel, were designed to strengthen—economically and militarily—the confrontation states still at war with Israel and to discourage other Arab states from joining Egypt. The annual payments of \$3.5 billion, payable in three equal installments, were to continue for 10 years. Although the Baghdad agreement appears to extend through 1988, some Jordanian officials fear that the November 1987 payment could be the last, according to the US Embassy in Amman.

Only during the early years of the agreement—before the Iran-Iraq war and when oil prices were still strong—did donor countries come close to fulfilling their commitments. After 1980—when recipients received 85 percent of total obligations—the amount of aid has steadily fallen. Iraq discontinued payments to Syria, Jordan, and the PLO after 1981 because of domestic economic hardships caused by the war with

¹ The term PLO—except where indicated—refers both to the Palestine Liberation Organization and to the Jordan-PLO Joint Fund for the Occupied Territories.

Annual Baghdad Pact Commitments *Million US \$*

Donor	Donor's Annual Commitment	Recipient		
		Jordan	Syria	PLO ^a
Saudi Arabia	1,000	357.14	528.60	114.26
Kuwait	550	196.43	290.70	62.87
United Arab Emirates	400	142.86	211.40	45.74
Qatar	230	82.14	121.60	26.26
Iraq	520	185.71	274.90	59.39
Algeria	250	89.29	132.10	28.61
Libya	550	196.43	290.70	62.87
Total	3,500	1,250.00	1,850.00	400.00

^a Includes commitments to the PLO and the PLO/Jordan Joint Fund. Officially, the PLO is to receive \$250 million annually and the Joint Fund \$150 million.

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Iran.² From 1981 to 1986 disbursements fell by over 55 percent. Jordan, for instance, experienced a 62-percent decrease in Baghdad aid. No donor other than Saudi Arabia has made payments this year. The Saudis have paid two installments. The remaining 1987 payment is expected in November.

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The recession in the Persian Gulf has contributed to aid cutbacks. Arab donors—faced with reduced oil revenues—chose to slash aid disbursements rather than impose unpopular domestic spending cuts. In addition, we believe the smaller Gulf states—particularly the UAE and Kuwait—relied on continued Saudi aid to soften the impact of their reductions.

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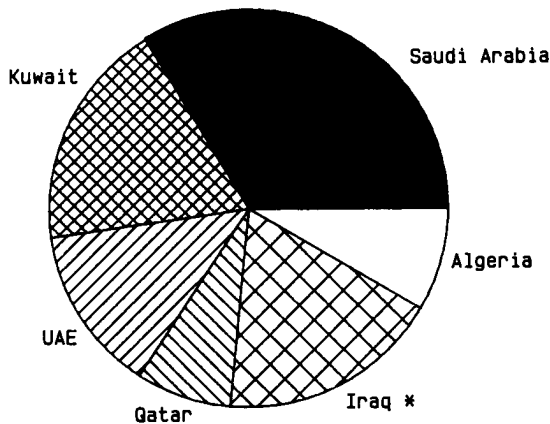
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NESA NESAR 87-022
25 September 1987

BAGHDAD PACT PAYMENTS TO SYRIA, JORDAN & THE PLO

1980 Total = \$2964.3 Million



1986 Total = \$1209 Million



* Includes additional contribution to cover Libya's nonpayment in 1979

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Political differences between the donors and recipients also hindered Baghdad aid payments:

- Libya reneged on its payments from the start, primarily because Qadhafi was displeased with the weak indictment of Egyptian President Sadat at the Baghdad meeting. Qadhafi also was cool to the idea of contributing to such a fund because of its lack of direct political benefit to Libya.
- Qatar ceased all Baghdad payments following the Gulf Cooperation Council summit meeting in Manama in November 1982, probably to punish Syria for its ties to Iran. Qatar continued making partial payments to Jordan and the PLO, but these payments ended in 1985.
- Kuwait's National Assembly deleted the Baghdad Pact subsidies from its 1985-86 budget because of concern that the money was being used by Syria to fund assassination operations against dissident

Palestinians and even citizens from donor countries, according to the US Embassy in Kuwait. The Assembly simultaneously increased its foreign aid budget—enabling Kuwait to maintain, at its own discretion, aid levels equivalent to its Baghdad aid commitments.³ Kuwait's 1986 contributions, however, fell by 16 percent from 1985 levels. No payments have been made in 1987.

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Coping With the Shortfall

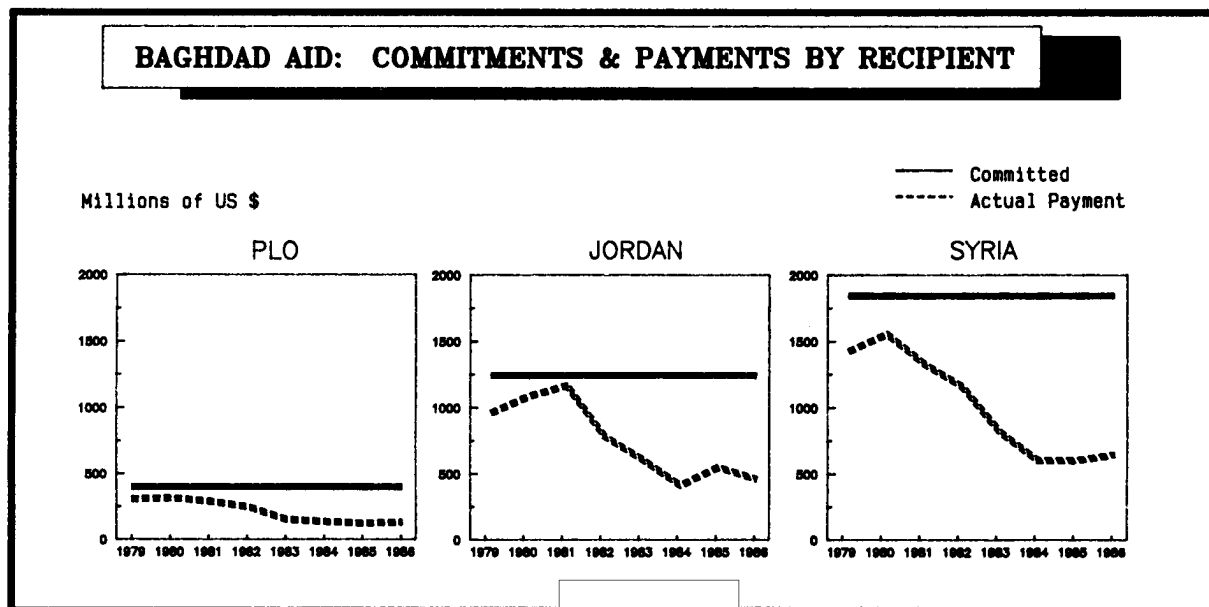
Jordan, Syria, and the PLO rely on Baghdad Pact payments as a prime source of revenue and foreign exchange. Without other revenue, the recipients must reallocate—or reduce—expenditures, principal and interest payments, and import financing to avoid large budget and current account deficits.

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³ For the purposes of this study, 1986 bilateral aid payments to Syria, Jordan, and the PLO from Kuwait are treated as the equivalent of Baghdad aid payments.

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Jordan. The Jordanian Government's deficits, created in part by declining Arab aid, have increased from 13 percent of GDP in 1980 to 19 percent in 1986. After two years of expansionary government spending, the 1987 budget allows for only modest growth. To finance the deficit—and avoid substantial cuts in imports—Amman has:

- Drawn down foreign exchange reserves. Reserves fell to \$199 million by June 1987—compared to about \$1.1 billion in 1980.
- Increased domestic revenue collection from 23 percent of GDP in 1980 to 32 percent of GDP in 1986, according to the US Embassy in Amman.
- Almost doubled the level of foreign debt since 1982 to \$3.2 billion in 1986, testing Jordan's ability to service its foreign debt. In 1986 the debt service ratio was 27 percent—up from about 15 percent in 1983.
- Increased reliance on commercial lending. Jordan's share of outstanding total debt owed to commercial lenders rose from 17 percent in 1982 to 34 percent in 1986—often at higher interest rates. Jordan

recently signed a seven-year \$150 million syndicated loan agreement to finance the deficit in government funds for development projects.

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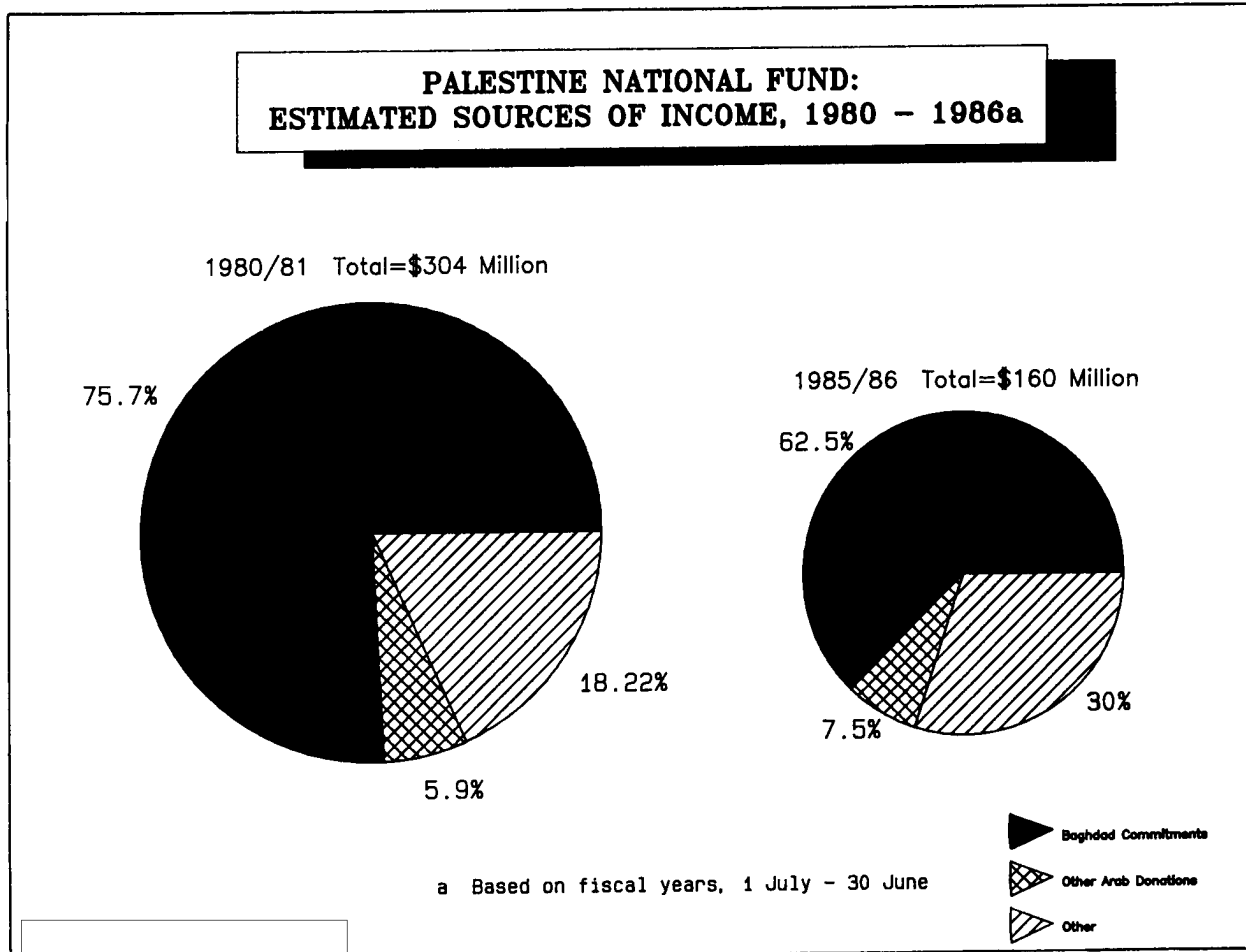
Syria. The most serious consequence of reduced Baghdad aid payments to Syria is the depletion of foreign exchange reserves. We estimate that average hard currency holdings are below \$50 million—equal to about one week of civilian imports. Because of the shortage of foreign exchange, third parties outside the Syrian banking system finance most private-sector imports. It, however, is becoming increasingly difficult to finance imports of primary metals and basic commodities. Some factories have closed because of the lack of needed inputs.

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The shortage of hard currency prevents the government from making debt payments—except for token amounts—and makes Damascus increasingly reliant on grant aid as lenders grow reluctant to provide more loans. Past budget deficits were covered by Arab aid. Current deficits are financed through

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increased domestic and external borrowing at higher rates. We believe that net bank financing of the 1986 budget was \$900 million, at the tourist exchange rate.

[Redacted]

The extent of Syria's debt burden is hidden by the wide range of barter deals and credit arrangements with Iran, USSR, and Eastern Europe. Syria's debt to non-Communist countries stood at about \$4 billion in 1985 with debt service equivalent to 19 percent of goods and services exports. Syria is having trouble paying its World Bank loans, causing the World Bank to stop disbursing loans in mid-1986 and to place

Syria on nonaccrual status in February 1987.

[Redacted] arrearages will reach \$90 million by the end of 1987 if no money is paid. [Redacted]

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PLO. Since Israel's invasion of Lebanon in June 1982, the Palestine National Fund—the financial arm of the PLO—has reported sizable budget deficits.⁴ Baghdad aid payments from 1982 to 1986 fell by 47 percent—to \$132 million. In addition to the recession, aid to the PLO fell due to internecine fighting within the PLO, which rankled traditional supporters and caused some donors—including Kuwait—to withhold

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payments, according to the US Embassy in Kuwait. Aid fell at a time when military and administrative expenses were rising due to the dispersal of PLO fighters from Lebanon to other Arab states. The PLO has been forced to reduce its financial reserves and to reduce funding for some projects. We believe that PLO financial reserves ranged from \$150 million to \$200 million in early 1986—about one-half to two-thirds the level we estimate the PLO held before 1982. [redacted]

Outlook

The participating donors probably will not renew the Baghdad Pact commitments in 1988 because of their own financial constraints. Saudi Arabia and Kuwait are the only countries likely to continue giving significant amounts of direct aid to Syria, Jordan, and the PLO. They probably will continue subsidies to preserve their pan-Arab credentials and to buy protection—especially from Syria. [redacted]

Arab aid donors also will use economic assistance to try to persuade recipients to take more moderate positions on issues of concern to the contributors. Saudi Arabia, for instance, is likely to continue to provide aid to Syria in an attempt to draw Syria into a broader Arab consensus, to put distance between it and Iran, and to limit the spread of Soviet influence in the region, according to the US Embassy in Riyadh. [redacted]

Concern is growing in Jordan, Syria, and the PLO as the expiration date of the Baghdad Pact draws near. Faced with the prospect of reduced aid, we believe the

[redacted]

recipients will seek more Western aid to maintain budget revenues and provide foreign exchange. The Soviet Union—despite increased economic overtures in the region, including settlement of Egypt's approximately \$2.5 billion military debt in March 1987—probably will not increase aid and/or loans to Syria, Jordan, or the PLO to replace the current Baghdad payments. Syrian-Soviet relations, in particular, are strained because of Syria's inability to service its massive debt:

- As Jordan's foreign exchange reserves fall, Amman will continue to increase foreign borrowing to avoid substantial cuts in imports. Jordan probably will resort to international capital markets to fund modernization programs, increasing its international liquidity and external indebtedness over the medium term.
- Syria cannot afford an aid cutoff and may consider adjusting its foreign policies—including attending an Arab League summit meeting—to obtain Arab and Western economic assistance after the pact expires in 1988.
- The PLO's financial situation will remain poor, but reserves are probably sufficient—in the near term—to cover important needs as annual income flows prove inadequate. In addition, many PLO leaders—including Arafat—probably have enough money in private personal accounts to draw upon if needed. Over the longer term, however, the PLO may be swayed to modify its tactics—especially on terrorism—to attract aid from moderate Arab countries and other nontraditional supporters—possibly even the Soviet Union. [redacted]

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**Iraq: Changing Attitude
Toward Israel** [redacted]

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Iraq has modified its views toward the Arab-Israeli conflict because of a need to cultivate the United States and to align itself with Egypt and Jordan and because of a decline in anti-Israeli revolutionary fervor. Nonetheless, Iraq still regards Israel as a military threat allied with Iran, and Baghdad has not dissociated itself entirely from anti-Israeli terrorist groups. When the Iran-Iraq war ends, Iraq probably will maintain its less strident outlook, but it will still defend the Palestinian cause forcefully because of continuing antagonism toward Israel. [redacted]

[redacted] Hamdoon also made a major effort to explain Iraq's new views to Israel's supporters in the United States during his tour of duty. We believe that Hamdoon's recent promotion in the Foreign Ministry to deputy minister for the industrialized countries indicates that Baghdad fully supported his efforts. [redacted]

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Iraq has shown other signs of greater flexibility toward Israel:

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[redacted]

Signs of Change

In recent years Iraq has modified its views of the role of negotiations in resolving the Arab-Israeli conflict. In 1982, President Saddam Husayn told a US Congressman that Iraq no longer supported a military solution to the conflict and instead favored a negotiated settlement. Baghdad supported Jordanian King Hussein's attempts to establish a common position with PLO Chairman Yasir Arafat in 1985 as a first step toward negotiations with Israel. During the King's initiative, Iraq's Foreign Minister Tariq Aziz told US Embassy officials that Baghdad supported whatever position was acceptable to the majority of Palestinians and favored the expulsion of the PLO's most extreme elements. In 1986, Iraq limited its criticism of Moroccan King Hassan's meeting with Israeli Prime Minister Peres to statements by the Ba'th Party. The government itself ignored the visit. Iraq, like Egypt and Jordan, currently favors an international conference to resolve the conflict. [redacted]

- The First Secretary of the Iraqi Embassy attended a conference on water sharing in the Middle East in Washington along with Israeli Embassy officials in 1986.
- The Iraqi Deputy Foreign Minister agreed to the presence of Israeli journalists at a press conference in Washington in 1984. [redacted]

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Motivations

We believe that Iraq's new attitude is motivated primarily by a need to marshal US support against Iran. Most of Iraq's statements concerning a more flexible policy have been made in the United States or to US officials abroad. Baghdad's expulsions of the Abu Nidal Organization in 1983 and of Colonel Hawari, a PLO official involved in anti-US activity, in June 1987 reflect Baghdad's effort to induce greater US cooperation in ending the Iran-Iraq war. Since the resumption of formal ties to the United States in 1984, Baghdad also has shown greater hospitality toward US academics visiting Iraq. [redacted]

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Iraq's Ambassador to Washington has conveyed Iraq's new views to a wide audience in the United States since relations were reestablished in 1984. [redacted] Ambassador Nazir Hamdoon in November 1986 met with two Israeli generals and an Israeli academic at a small dinner party held by a Harvard University professor and outlined Baghdad's support for a negotiated solution,

Baghdad's Policies Toward Israel Before the Iran-Iraq War

Of the Arab states not bordering Israel, Iraq has played the most important military role in past Arab-Israeli wars. During the 1948 conflict, Iraq sent between 1,000 and 2,000 troops and a small number of aircraft to join the other Arab armies arrayed against Israel. Iraq's forces came within 10 kilometers of the Mediterranean in an attempt to cut Israel in half. In 1967, Baghdad reinforced its infantry brigade stationed in Jordan with two more infantry brigades and an armor brigade, but it did not intervene in the fighting. In December 1968, Iraqi artillery based in Jordan bombarded Israel before being destroyed by an Israeli air attack. During the 1973 war the Iraqi Army sent two armored divisions, comprising 12,000 troops, to fight in the Golan Heights. Israeli aircraft and sappers destroyed one division before it reached the main battle front. Israeli tanks destroyed the other division in several days of intense combat. [redacted]

Before the Iran-Iraq war, Iraq's diplomatic stance toward Israel was among the most militant in the Arab world. Baghdad voted against UN Security Council Resolution 242 in 1967, which asserted the right of all Middle Eastern states to live in peace in return for an Israeli evacuation of the occupied territories. Following the signing of the Camp David accord by Egypt and Israel in 1978, Iraq organized a conference in Baghdad of Arab heads of state that denounced the agreement, suspended Egypt from the Arab League, and pledged financial aid to Syria, Jordan, and the PLO. [redacted]

The modification of Iraq's position reflects as well an effort to align itself more closely with Egypt and Jordan, two of its main supporters in the Arab world. Egypt has sold large amounts of arms and ammunition to Iraq since early in the war. Jordan has provided a key overland supply route to Iraq from the Gulf of Aqaba. Because of this crucial assistance, Baghdad has wanted to support both countries' efforts to negotiate a favorable settlement with Israel. [redacted]

Iraq's greater flexibility also results, albeit to a lesser degree, from a long-term evolution in its political outlook that is not based solely on tactical considerations. According to several Western diplomats and academics, the current Iraqi leaders have matured since taking power in 1968 and have come to accept Israel as a permanent fixture in the Middle East. These Western observers believe that younger, middle-level Iraqi officials who were not involved in the 1968 coup are less steeped in militant anti-Israeli Ba'thist beliefs than older Iraqi leaders. [redacted]

Continuing Antagonism

Despite its less hostile views, Iraq still considers Israel to be a threat. Baghdad officials deeply resent the Israeli attack against the Iraqi nuclear reactor in 1981 and have taken the lead since then in trying to punish and embarrass the Israelis in the International Atomic Energy Agency. Iraq decided not to build an oil pipeline through Jordan in 1984, in part because it would have been vulnerable to Israeli airstrikes. Baghdad has concerns about additional Israeli attacks, particularly after Baghdad began using chemical weapons in 1983, according to US officials. [redacted]

Iraq also resents Israel's cooperation with Iran. Iraqi Foreign Ministry officials have told the US Embassy in recent months that Israel is still selling arms to Iran. Moreover, Iraqi officials probably are aware that most Israelis still believe Iraq to be a greater threat than Iran and that Israeli-Iranian ties probably will improve after Khomeini's death. We believe that Israeli arms sales to Iran reinforce Iraq's view that Israel is a political and cultural interloper in the Middle East and allies itself only with non-Arab countries. [redacted]

We believe Iraq has not dissociated itself entirely from terrorist groups operating against Israel, despite its expulsion of the Abu Nidal Organization in 1983. Since the Israeli bombing of the PLO headquarters in Tunis in October 1985, Baghdad has become a major center of PLO political and operational activity.

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Although Baghdad probably uses these groups primarily to attack Syria, [redacted]

because of the need to defend the Iranian front, widespread war weariness as a result of the long war with Iran, and poor relations with Damascus. [redacted]

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Outlook

We believe that Iraq will continue to adhere to its less strident position on the Arab-Israeli conflict. Even if hostilities with Iran decline or end, Iraq will still consider its primary threat to be Iran and is likely to continue to seek diplomatic, economic, and military support from the United States, Egypt, and Jordan. Moreover, we believe that Iraq will be highly reluctant to participate in a future Syrian-Israeli war

Iraq will continue to defend the Palestinian cause forcefully in Arab forums. Its resentment over Israel's bombing of the Iraqi nuclear reactor and its view of Israel as a cultural outsider in alliance with Iran will limit future development of Baghdad's policies toward the Israelis. [redacted]

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[redacted]

**India-Iran: Relations Strained
Over Tehran's Meddling** [redacted]

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Over the past few months inflammatory statements by Iran directed at inciting Indian Muslims have worsened relations with India, which were already strained by a series of differences since the Iranian revolution in 1979. Tehran has criticized New Delhi's alleged mistreatment of India's 90 million Muslims and encouraged Indian Muslims to protest the deaths of Iranian pilgrims in the Mecca riots. New Delhi fears Iranian meddling will spark more Muslim militancy in India and result in heightened tension between the historically divided Muslim and Hindu communities, which have suffered some of the worst communal rioting in recent years. Government officials monitor Iranian activities in India, but they are unlikely to intervene so long as such activities do not threaten India's internal stability or foreign facilities in India. We believe New Delhi would cooperate quietly with the United States to curb Iranian terrorism in India directed against US personnel. India, however, would maintain a low profile to avoid retaliatory attacks by Tehran and to protect trade ties. [redacted]

New Delhi's Concerns

New Delhi suspects Indian Muslims are highly susceptible to Iranian meddling. India has a centuries-long history of Hindu-Muslim violence, and India's Muslims have in the past shown some receptivity to Iran's revolutionary ideology. Although Shia Muslims make up less than 10 percent of India's approximately 90 million Muslims, Muslim militancy is rising in India, along with incidents of Hindu-Muslim rioting. [redacted]

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Iranians in India have found some Shia sympathizers among the Muslim community. Pro- and anti-Khomeini Indians and Iranians sometimes demonstrate in India, and Indian police arrested 85 pro-Khomeini Iranians in 1982 for murdering an anti-Khomeini student. Some pro-Iranian Shia students from other Islamic countries, such as Bahrain, also are active in India. [redacted]

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State of Relations

India and Iran maintained close diplomatic relations during the 1970s, but since the Iranian revolution in 1979 ties have deteriorated. Diplomatic exchanges between New Delhi and Tehran are now often openly fractious. New Delhi worries about Iranian meddling in India's Muslim community, is concerned about growing Iranian ties to Pakistan, and differs with Tehran on an Afghan solution. [redacted]

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Statements released after recent visits between government officials suggest the rift between the two is widening. A joint economic commission meets annually but has recently served mostly to highlight trade differences. Diplomatic differences have also resulted in Tehran's apparent decision to delay indefinitely recognition of India's ambassador-designate to Iran. Indian military sales to Iran are minimal, and fewer than a dozen Iranians receive training at Indian military schools. [redacted]

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Bilateral Trade Problems

India and Iran forged strong economic ties during the Shah's reign. During the mid-1970s Tehran ranked first among India's Middle Eastern aid donors, supplying \$400 million in assistance. India also imported 30 percent of its oil from Iran during the same period. India has a large trading population in Iran, where between 300 and 400 Indian merchant families have lived for generations. [redacted]

India sought to strengthen bilateral ties after the Iranian revolution. New Delhi circumvented Western trade embargoes with a view to boosting ties and securing Iran as a major source of oil. During the early 1980s India's imports of Iranian goods doubled. Indian exports to Iran languished, however, and the growing trade deficit prompted New Delhi to insist that future trade be contingent on increased Iranian imports of Indian goods. [redacted]

Despite annual meetings to identify new areas for expanded trade and economic cooperation, there is little likelihood of a major breakthrough. Bilateral exchanges consist mostly of crude oil from Iran for light industrial products, chemicals, and foodstuffs from India. Lower oil prices and escalating war costs have prompted Iran to clamp down on nonessential imports, including many of the goods that India can supply. [redacted]

Trade continues at a reduced level, but relations are marred by bickering and allegations that the other country has not adhered to negotiated trade agreements. After the Indo-Iranian joint economic commission held its fourth annual meeting in New Delhi last February, an Iranian official stated that the "trend of cooperation" in 1986 had not continued in the 1987 meetings. He charged the Indians with refusing to purchase more Iranian oil. In August 1987 a senior Indian Foreign Ministry official said economic relations had deteriorated since 1980 because India would only buy more Iranian oil if Tehran bought more Indian goods. [redacted]

[redacted]

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Iran's Covert Activities in India

[redacted]

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Tehran has repeatedly issued public statements about Indian Muslims that New Delhi regards as inflammatory. New Delhi strongly protested comments by the Iranian Ambassador when he called on Indian Muslims returning from Mecca to demonstrate against the deaths of Iranian pilgrims at this year's Haj, according to the US Embassy in New Delhi. Iranians demonstrated outside the Indian Embassy in Tehran after the Indian protests, according to press reports. Iran also criticized India's handling of Hindu-Muslim riots in Meerut last spring when over 130 Indians died. Iranian Majlis Speaker Rafsanjani charged Gandhi with "suppressing" Islam in India following an Indian court decision last year to award to Hindus a shrine claimed by Muslims. [redacted]

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Iran has worked to organize Indian Muslims through several official facilities in India, including the Iranian Embassy and Iranian cultural centers in New Delhi and Bombay. [redacted] both the Embassy and the cultural centers distribute propaganda charging the United States with responsibility for global repression of Muslims.

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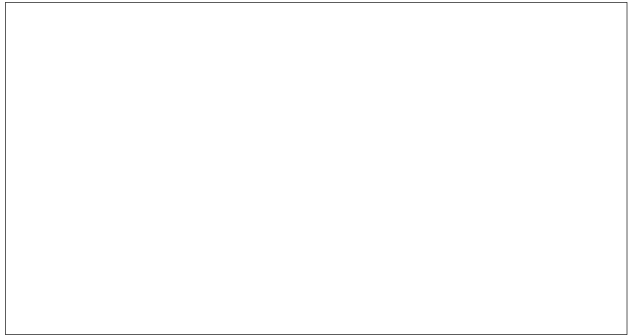
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[redacted]

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We believe Tehran was involved last year in organizing the Adam Sena, India's largest Muslim militant group. [redacted]



security reduces opportunities in Western Europe. Iran probably would view India as more attractive than Pakistan because Tehran's relations with New Delhi already are strained. [redacted]

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Iranian support for radical Indian Muslims will heighten Hindu-Muslim tensions and increase Muslim militancy in India. Indian Shias and Sunnis sects probably will respond to growing tensions between Shia- and Sunni-led states with violent confrontations in India. New Delhi already is trying to curb such violence by restricting demonstration permits for religious groups. [redacted]

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New Delhi nonetheless will try to keep relations with Tehran on an even keel:

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- It wants to maintain an influential role in the Nonaligned Movement, of which both Iran and Iraq are members.

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- It would like to match Pakistan's influence with Middle Eastern countries. [redacted]

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- It wants to maintain access to Iranian oil and markets for Indian exports.

- It is concerned about not offending Indian Muslims. [redacted]

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Prospects and Implications for the United States

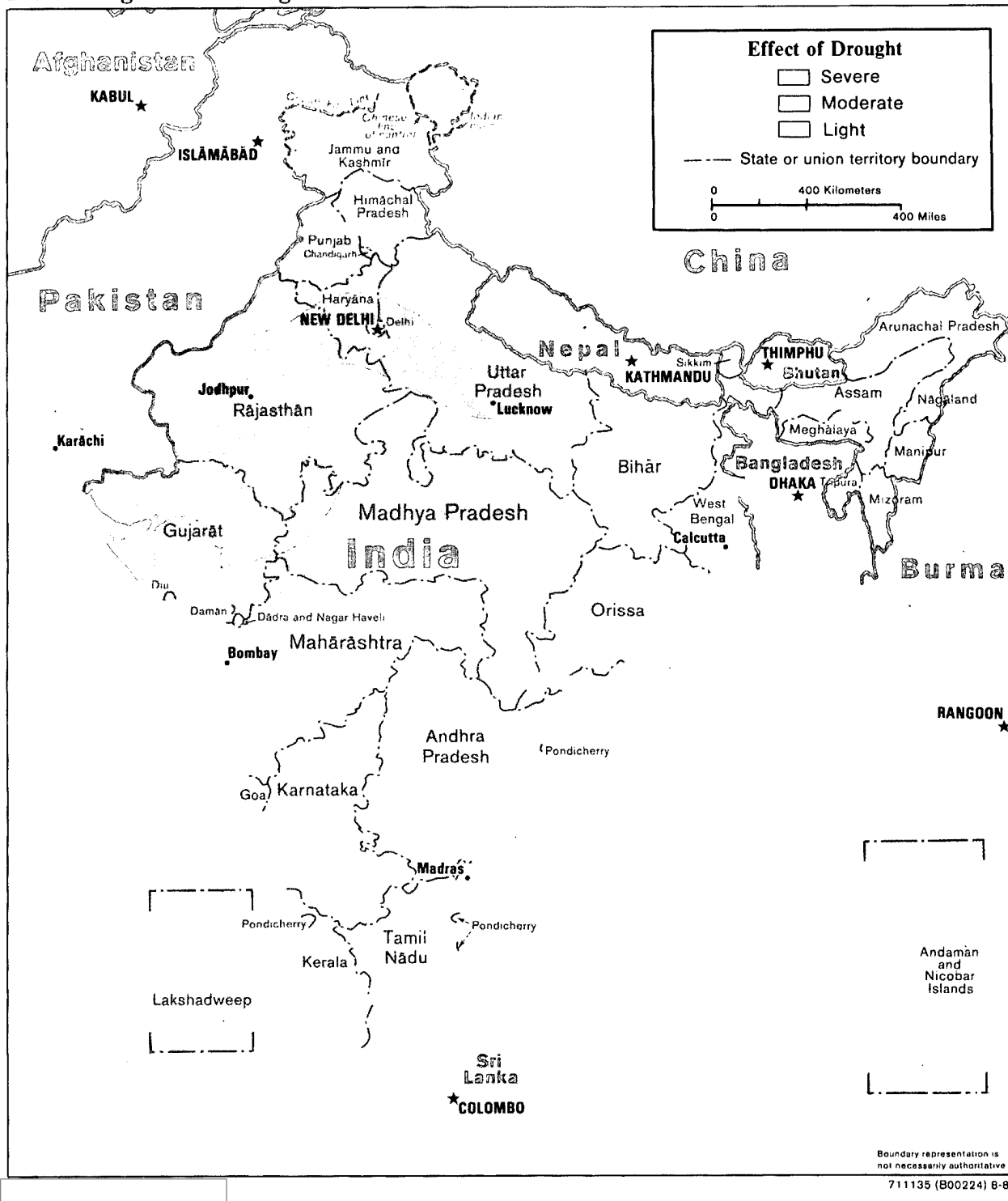
New Delhi will cooperate in squelching Iranian-backed moves against US targets in India. Nevertheless, India's concerns about Iranian retaliation probably will preclude New Delhi from openly suggesting Iranian involvement in international terrorism. New Delhi has not moved to halt operations of Iranian-backed groups that have offices and recruit in India but do not target facilities within India. [redacted]

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Iran may look increasingly to India as a location to stage terrorist attacks against US targets if tightened

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Indian Regions of Drought



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India's Drought: Gandhi's Next Hurdle

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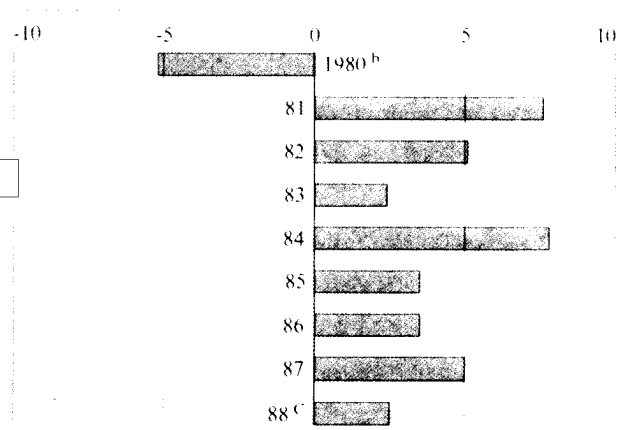
Prime Minister Rajiv Gandhi's political fortunes in the coming months will depend heavily on his success in managing drought relief. Gandhi has taken charge of the national relief drive to help revive his political fortunes following a year of setbacks, including election defeats, corruption charges, and the departure from government of many personal friends. By mid-September he had reallocated \$600 million in the budget for drought relief, toured drought-afflicted areas, and undertaken public works projects to distribute food and wages to affected families.

India faces severe water shortages following the third year of below normal rainfall. New Delhi has sufficient domestic grain stocks and foreign exchange reserves to avoid a famine, but Gandhi's political opponents are poised to fan popular discontent with his administration wherever rising food prices and distribution problems cause suffering. Gandhi will avoid the domestic political embarrassment of asking for international assistance, but he probably would welcome commercial trade offers of edible oils on concessional terms and accept discreet offers of assistance.

The Economic Impact of the Drought

India depends on the summer monsoon—seasonal winds that bring rains to the subcontinent from June through September—for three-quarters of its annual rainfall. Following two years of inadequate rainfall, India's summer monsoon did not materialize this year, creating a severe shortage of water throughout most of the country. According to Indian Government statistics, over two-thirds of the country is experiencing rainfall at least 20 percent below normal. The hardest hit regions are mainly in the north, including the agriculturally and politically vital states of Punjab, Haryana, and Uttar Pradesh. Madhya Pradesh, Kerala, southern Karnataka, Tamil Nadu, and Orissa have also been seriously affected.

India: GNP Growth, 1980-88^a Percent



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^a Data for fiscal period ending 31 March of the stated year.
^b Negative growth due in large part to drought conditions.
^c Estimated.

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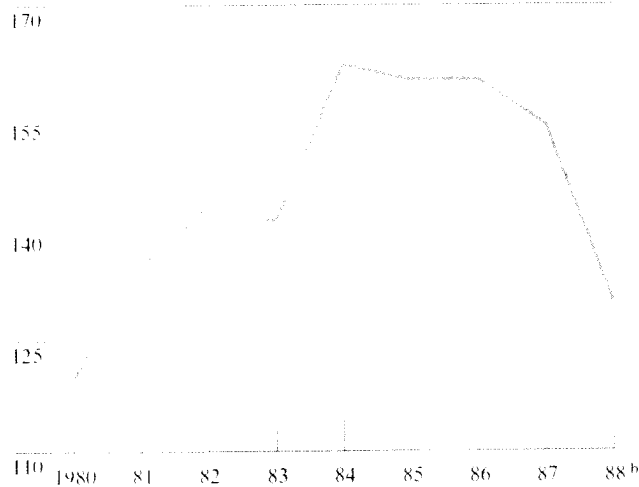
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The dry spell will have a widespread impact on economic growth. Preliminary data suggest that the economy will continue to grow this fiscal year, but at a much slower pace. Significant reductions in output in the agricultural sector, which accounts for 34 percent of GDP and employs 70 percent of the labor force, will be the leading factor in declining growth.

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India's summer crops, which provide 60 percent of the nation's food grain production, have been severely damaged. The groundnut crop—an important source of cooking oil central to the Indian diet—is expected

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Secret**India: Agricultural Production, 1980-88^a** *Million metric tons*^a Data for fiscal period ending 31 March of the stated year.^b Estimated.

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to meet only 30 to 35 percent of its production targets. The shortfall will aggravate edible oil shortages already present in the country. Although the prospects for coarse grains and pulses—soybeans, peanuts, and sorghum—have improved slightly with the onset of some late rains, production probably will meet only 60 percent of its target. Scarce fodder and water for livestock are expected to result in about a 50-percent drop in dairy production and extensive loss of livestock. [redacted]

Industrial output also will suffer as power and water are redirected from manufacturing to agricultural uses. Hydroelectric power provides 15 percent of India's commercial energy. The energy shortages will probably become more acute as water held in reservoirs for power generation is released for irrigation purposes. The energy shortfall is expected to increase from 10 percent to about 13 percent as a result of the drought. [redacted]

State requests for disaster relief and additional welfare measures will increase the government budget deficit and force a scaling back of development plans. US Embassy reporting indicates that relief assistance will probably require at least \$1.5 billion in government funds. Press reports in mid-September indicate New Delhi has reallocated \$600 million earmarked for defense, railroads, and telecommunications to pay for immediate drought relief. The states of Gujarat and Madhya Pradesh had asked for \$500 million in central government assistance as of early August. [redacted]

The Political Challenge for Gandhi

Periods of drought are often costly for Indian politicians, and this year's drought probably will be difficult for Gandhi. The effects of the drought are most severe in the north Indian states held by the Congress Party and in opposition-controlled Punjab and Haryana—all areas critical to Gandhi's political future. Gandhi faces urgent domestic security problems with the Sikhs in Punjab and unresolved Hindu-Sikh competition for water and other agricultural development resources in Punjab and Haryana states. His most serious political challengers, V.P. Singh and Arun Nehru, both have their base of support in India's most populous drought-affected state, Uttar Pradesh. [redacted]

Gandhi has taken charge of the nation's drought relief effort to preempt those who were ready to attack him for being insensitive to the suffering of the people. He postponed an August trip to Europe and made a whistlestop tour of drought-afflicted areas in early September. The government is urging farmers to shift to different crop varieties that require less water and have a shorter growing time to generate production. Food-for-work programs also are being extended throughout the country, and concessional loans are being offered. Restrictions on various imports are being temporarily lifted to reduce the shortages of some items such as cotton and edible oils. [redacted]

India probably can avoid severe shortages of basic food items if Gandhi can effectively organize and

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implement an internal distribution plan. Foreign exchange reserves of \$5.9 billion at the end of the first quarter, a near record level, give New Delhi a short-term capability to import scarce items. According to government estimates in July, stocks of foodgrains accumulated from several years of good harvests will be sufficient to meet expected shortfalls through at least the next year. Although India estimates it has 23 million metric tons of grain, we believe the actual amount of grain available for distribution is significantly less. Taking into account grain for seed and feed as well as assuming some spoilage, we estimate the amount of grain available for distribution is in the neighborhood of 18-20 million metric tons. Inadequate transportation and infrastructure, however, will hamper the distribution of food stocks.

[redacted]

Gandhi is constrained by economic and political factors in his ability to funnel relief to his political advantage. His political opponents will be quick to charge him with political favoritism and neglect of his responsibilities as a national leader if he obviously favors Congress Party-controlled states. Despite an adequate supply of domestic foodstocks for short-term drought relief, their uneven distribution among different states and bureaucratic restrictions could prevent the timely and smooth implementation of assistance efforts. A significant portion of the foodstocks is held by individual states, and government regulations restrict the movement of foodgrain across state lines. Moreover, some states, particularly Punjab, may hedge by keeping their foodgrain stocks intact and refusing for political reasons to sell their surplus grain to more needy states.

The drought will compound Gandhi's problems in Punjab. Water sharing is already a sensitive issue that

contributes to interstate and ethnic tensions between the majority Sikh state of Punjab and the predominantly Hindu state of Haryana. If New Delhi is viewed by Punjabis as favoring Haryana with a larger share of water and relief assistance, many disgruntled Sikh farmers may join with Sikh extremists who employ terrorist methods to underscore their anger over New Delhi's lack of support for Punjabi concerns.

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A Limited Role for the United States

Gandhi almost certainly will shy away from direct requests for US drought assistance but may welcome offers of edible oils through commercial channels on concessional terms and accept discreet offers of other assistance. So far, the most pressing need is edible oils. In addition to direct assistance, New Delhi might be receptive to increased cooperation in agriculture, water management, and water conservation.

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Gandhi will want to avoid the political embarrassment of seeming to beg for food and will try to minimize the setback to India's efforts to achieve agricultural self-sufficiency. He may minimize US offers of assistance to avoid criticism from his left-leaning political opponents. These critics oppose his efforts to improve Indo-US relations and are likely to charge that the United States will take advantage of India's misfortune to interfere in domestic affairs. They would probably point to India's experience during the 1965 drought when New Delhi secured US assistance only after the government agreed to implement economic reforms.

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India-Fiji: Postcoup Developments

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Prime Minister Gandhi's efforts to elicit international condemnation of the military takeover in Fiji last spring are another attempt to assert India's global leadership role. Gandhi's calls to the Commonwealth to back the reinstatement of the democratically elected government dominated by ethnic Indians have not received the support he had hoped. New Delhi's future support for Indians in Fiji probably will be limited to public diplomacy, as Fiji is well outside India's military sphere of influence.

In last April's parliamentary election, a coalition of the National Federation Party and Timoci Bavadra's Fiji Labor Party defeated the native Fijian-dominated Alliance Party—which had ruled since the country's independence in 1970. Ethnic Indians dominated the new coalition government, but Bavadra, a native Fijian, was named Prime Minister. His appointment of eight Indians to the Cabinet intensified Fijian fear of Indian domination and spurred demonstrations and protest marches by the native Fijian population.

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Ethnic Indians in Fiji

Ethnic Indians comprise about 49 percent of the country's population of 700,000, compared to 47 percent native Fijians. Although almost all the Indians were born in Fiji, they are a separate ethnic entity and have never been assimilated into Fijian society. The Indian population dominates Fiji's economy and finance and includes probably the most skilled and entrepreneurial people in the country. They are leaders in the sugarcane industry—the mainstay of the Fijian economy for more than a century—and account for about half of Fiji's professionals, technicians, managers, and industrialists.

Fijian military officers—led by Lt. Col. Sitiveni Rabuka—seized control of parliament and announced dissolution of the month-old government on 14 May. Rabuka then appointed himself head of an interim Council of Ministers dominated by ethnic Fijians and set out to draft a new constitution to ensure parliamentary dominance by native Fijians. The coup leader received widespread support from the Alliance Party, the Fijian-dominated military, and the native Fijian population.

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Fiji's Governor General Ganilau, as representative of the Crown, immediately claimed executive power under the Constitution and succeeded in taking control from Rabuka. Within weeks he set up an interim government under his authority to restore democracy in Fiji. He also appointed a 16-member committee to review the Constitution.

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The rapid immigration of Indians into Fiji began in 1879, when the British brought them as indentured laborers for the sugarcane plantations. There were more than 50,000 Indians in Fiji by 1916 when the official immigration ended. After the indenture system was terminated in 1920, most of the Indians remained in Fiji and became tenant farmers on lands primarily owned by the Fijian communities.

Ganilau has recently proposed that he lead a caretaker government, consisting of coalition and Alliance leaders, to serve until constitutional issues are decided and a new parliamentary election is held, possibly within the next two years. The two opposing groups met to consider Ganilau's proposal, but Bavadra is threatening to boycott further talks unless authorities assure his personal safety and that of other ousted officials.

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Background of Coup

The Indians were excluded from Fiji's colonial government until 1929 when the first Indian representatives to the governor's Legislative Council were elected. The Indian-dominated National Federation Party emerged in the early 1960s, but a lack of political cohesion and the complex Fijian voting system kept the ethnic Indians out of power.

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Meanwhile, the high level of racial tension is having an adverse effect on the Indian community. Militant Fijians have attacked ethnic Indians and their businesses and property. Fearing for their safety, financially established ethnic Indians have begun to emigrate in significant numbers. [redacted]

Indian Community Turns to New Delhi

Fiji's Indian community is looking to New Delhi to help resolve the ethnic strife. [redacted]

[redacted]

[redacted] In several instances, Indian support to Tamil separatists in Sri Lanka was cited as justification for Indian involvement in Fiji. According to the US Embassy in Suva, Fiji's Indian leaders have also looked to the High Commissioner to exert pressure on the United States, Canada, Australia, and New Zealand to relax immigration rules for Fiji Indians.

[redacted]

Members of Bavadra's ousted coalition government have also sought New Delhi's assistance in their attempts to mobilize international opinion. The coalition has decided to send a delegation of former Cabinet ministers to African and Asian capitals to explain its stand and has requested that India provide support for the trip. New Delhi is likely to agree to the request. [redacted]

New Delhi's Diplomatic Initiatives

Less than a week after the coup, Prime Minister Gandhi sent letters to the Prime Ministers of Australia, New Zealand, Britain, and the Commonwealth Secretary General calling for urgent steps to restore the democratically elected government in Fiji and preserve the Constitution of 1970, according to the press. According to the US Embassy in New Delhi, the Indian Foreign Minister requested similar support from the United States. Gandhi also sent two special envoys to Canberra, Wellington, and London to coordinate Commonwealth efforts "to bring normalcy back" to the South Pacific country. While in New Zealand, press sources report, the Indian special envoy asked Prime Minister David Lange to consider economic sanctions against Fiji's interim government. [redacted]

New Delhi's diplomatic soundings have not been productive. Australia, New Zealand, and Britain immediately denounced the military takeover but have chosen to back the Governor General as the constitutional power in Fiji rather than move to reinstate the deposed government. Trade unions in New Zealand and Australia imposed boycotts against Fiji, but these recently have been lifted. The US Embassy in Suva reports that the governments of Australia and New Zealand are considering easing their stance toward Fiji's present administration and wish to gradually reestablish contact with the interim government. [redacted]

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Fijian resentment of India's initiatives became evident in early August, when the Taukei Movement—a hardline Fijian group—accused Gandhi of taking the lead in organizing foreign intervention in Fiji. In a petition to India's High Commission in Suva, the Movement warned that, if New Delhi intervened, there would be a massive tragedy in Fiji, according to the press. [redacted]

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Prospects

India's primary concern will be to deter constitutional changes that put the Indian community in Fiji at a severe disadvantage. We believe that New Delhi is reconciled to some form of weighted parliamentary representation favoring the ethnic Fijians. If the Indian community accepts such a solution, India probably will not oppose it. New Delhi will oppose a constitutional amendment that reduces ethnic Indians to second-class citizens but would have to rely on diplomatic leverage—of which it seems to have little—to reverse the situation. Fiji, which is thousands of kilometers away, is beyond India's military reach. [redacted]

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Restoration of the deposed coalition is a moot point, but India will continue to support the restoration of democracy in Fiji to show the ethnic Indians that New Delhi has not abandoned them. Gandhi will probably raise the matter of Fiji at the Commonwealth meeting in Vancouver in October and in other international forums. Gandhi is also likely to

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maintain pressure on the issue to gain favorable domestic publicity by asserting India's role as protector of Indian communities abroad. [redacted]

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Fiji's Indian population almost certainly will continue to count on New Delhi for help in protecting its rights. Constitutional changes depriving ethnic Indians of their rights would further erode confidence within the Indian community and trigger even more emigration. The departure of prosperous Indians from Fiji would eventually leave a poor Indian minority without political or economic clout. [redacted]

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[redacted]

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Sri Lanka: Reconstruction and Rehabilitation

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Last month New Delhi and Colombo signed an agreement aimed at ending the four-year ethnic conflict between Sinhalese and Tamils in Sri Lanka.

concerns about the country's deteriorating economy were a factor in prompting Sri Lanka's decision to seek Indian assistance for a settlement. Although the conflict has had a significant negative impact on the economy, some of the strains were evident before the outbreak of hostilities. Returning Sri Lanka to the road of high growth will require a major inflow of foreign aid and investment.

Recent Economic Performance

Sri Lanka's economic performance in fiscal year 1986 was the poorest since 1977. Growth fell from 5 percent or more annually to 4 percent, with agriculture leading the slowdown. Rice output fell because of poor weather conditions and insurgent activity in production areas. Rising defense expenditures have required cuts in other sectors and have led to serious and recurring budget deficits.

Sri Lanka also is facing severe foreign payments problems. Despite over \$500 million in foreign assistance, overall payments remained negative and official foreign exchange reserves dropped to about two months' worth of imports. Foreign earnings declined as international prices for most of Sri Lanka's major export commodities—tea, rubber, and coconuts—remained depressed. At the same time, tourism and direct foreign investment—other important sources of foreign exchange—declined. Sri Lanka has fallen deeper into debt, and principal and interest payments of \$ 540 million equaled nearly 30 percent of export and service receipts.

Assessing the Damages

Foreign investment and assistance are vital to the growth of the Sri Lankan economy, and the greatest economic effect of the ethnic conflict has been the decline in international confidence. The number of foreign investments approved by the Foreign

Investment Advisory Committee dropped from 56 in 1983, when the insurgency became increasingly active, to 18 in 1986. Their value dropped from \$11 million to \$7 million in the same period. Tourism, viewed by Colombo as a growing source of foreign exchange, has declined by 50 percent during the same three years, earning only \$71 million in 1986. Although foreign assistance steadily increased, threats by donors to reduce aid intensified last year following allegations of human rights violations by Sri Lankan soldiers. In 1986 Sri Lanka received about \$534 million in foreign assistance, Comparable figures for 1984 and 1985 were \$536 million and \$474 million.

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The most severe physical damage occurred in the economically backward Northern and Eastern Provinces, especially the area around Jaffna. Insurgent attacks on port facilities, repeated robberies of banks and businesses by Tamil militants, and the general collapse of civil order crippled economic life in Jaffna. Roads, bridges, and telecommunication facilities have been destroyed along with schools, hospitals, and other public buildings. Shortages of products supplied from the north—cement, fish, and salt—have been reported throughout the island.

The greatest destruction to the transportation network has been reported in the northernmost part of the peninsula between Kankasanturai and Point Pedro. Other vital roadways in poor condition include the national highway between Elephant Pass and Vavuniya. Rail service in the north only goes as far as Paranthan because the insurgents tore up the railroad to use the ties and rails for roadblocks and fortifications.

The insurgency along with two consecutive years of drought contributed to the drop in food production. Blocked transport links to Colombo and periodic

militant attacks on rice farmers have disrupted production, milling, and marketing in the north and east. The drought has also affected food production and will probably force the government to seek more food assistance and imports over the next few years.

Fishing, a major part of the economy in the north, has been hard hit as well. A government ban on coastal fishing in the northern and eastern regions in addition to increased Sri Lankan naval surveillance, Army attacks on fishing villages, fuel shortages, and the flight of Tamil fishermen to India have led to a 50-percent decline in the fish catch.

Although the full magnitude of the refugee situation is unclear, information suggests that the insurgency has displaced over 200,000 people. More than 125,000 Tamils fled Sri Lanka to southern India. Another 11,000 people have been displaced around the Batticaloa area alone. In addition, about 70 refugee camps were reported in the north during the height of Sri Lanka's counterinsurgency operations earlier this year.

Prospects for Economic Recovery

Even if the peace settlement holds, overall economic performance is not likely to improve significantly any time soon. Much of the government's success in improving the island's economic situation depends on securing substantial inflows of foreign investment and assistance along with increased earnings from tourism and a reallocation of government spending from defense to economic development. Reviving foreign investment and the tourist industry will require the restoration of international confidence in Sri Lanka, an effort likely to take time given the continuing unrest in the north and east. In the meantime, defense expenditures are likely to command a significant portion of government spending until the settlement is completed.

The economy also remains plagued by structural problems that existed before the insurgency erupted. The economy depends heavily on world prices of agricultural commodities, which show no sign of a dramatic increase. Government protectionism and inefficiently run public-sector industries continue to

hold back economic growth. Repaying the large debt incurred to finance development programs and the counterinsurgency will be a burden at least until the early 1990s.

Sri Lanka, however, has taken some steps to restore the war-damaged economy in the north and east. Colombo has received financial assistance for rebuilding the economy from several countries. The United States, Japan, Canada, United Kingdom, the Nordic countries, and India have offered to provide assistance. The assessment of a World Bank team sent to Sri Lanka will be used to determine whether Sri Lanka should be given additional assistance. Sri Lankan Finance Minister De Mel has estimated that economic recovery will require at least \$200 million above previous levels of foreign aid.

A large portion of the money already promised will be used to resettle refugees and repair damaged infrastructure. According to US Embassy reporting, Colombo estimates that the resettlement effort will include the rebuilding of 75,000 houses and the distribution of food to many affected areas. US Embassy reporting indicates that the procurement of over 65,000 rail ties, 320 buses, 300 trucks, 100 four-wheel drive tractors, and 100 jeeps will be required to bring transportation back to normal. In addition, Colombo estimates some \$ 18 million will be needed to replace damaged boats, nets, and fish processing and marketing facilities to rehabilitate the fishing industry in the north.

The fishing and agricultural sectors in the north and east could rebound quickly once the refugee resettlement is completed. The lifting of the fishing ban will have an immediate positive effect. Production, however, will remain lower than before 1983 until boats and other equipment can be replaced. Although dry weather conditions in the east may hamper rice production, output should surpass 1986 levels once the farmers have uninterrupted access to their fields.

Political Obstacles Facing Colombo

Colombo must rapidly mobilize the financial resources and equipment coming into Sri Lanka to improve the prospects for a successful peace. The ethnic violence was originally fueled in part by Tamil perceptions of economic discrimination by the dominant Sinhalese. The government can dispel some of these notions by quickly pressing ahead with economic rehabilitation projects in Tamil areas. The implementation of reconstruction projects along with the resumption of work on unfinished development projects could also provide needed employment opportunities.

Sri Lanka, however, will need to balance the rehabilitation efforts in the north and east with development programs in the south. If Colombo is perceived as giving favorable treatment to the predominantly Tamil areas, it will more than likely

erode Sinhalese support for the Jayewardene government in the south. The south is also plagued with unemployment problems. According to US Embassy reporting, village unemployment rates for men are between 30 to 60 percent, while the unemployment rate for women averages 50 percent. An equitable distribution of development resources will deny Colombo's political opposition another issue that it could exploit to gain additional support.



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Afghanistan: A Demographic Profile

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Because more than one-fourth of its population has fled to Pakistan and Iran since the Soviet invasion in 1979, Afghanistan is one of only a handful of countries with a smaller population now than in 1980.¹ Even so, agricultural output probably will be unable to keep pace with the rapid expansion of the remaining population, thereby increasing the likelihood that the country will rely more heavily on food imports. Accelerated urbanization also is likely to increase demands on the government to provide adequate jobs, housing, and social services. Should the majority of refugees return to Afghanistan as a result of a political settlement to the war, the population could double within 20 years and severely strain the country's land, water, and other resources.

at fertility reduction implies the country will have a relatively high fertility rate in the future. It is estimated that the average Afghan woman will give birth to about seven children—one of the 10 highest crude birth rates in the world.

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Counteracting the high fertility rate are the poor mortality conditions in the country. Afghanistan has one of the lowest life expectancies at birth in the world and also one of the highest infant mortality rates. On average, a baby born in Afghanistan today can expect to live about 42 years. Afghanistan, like several other countries in South Asia, is characterized by a higher life expectancy at birth for males than for females.

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General Demographic Trends

Afghanistan, with a population of 14.2 million, ranks 50th among the countries of the world in terms of population. During the period between the end of World War II and the mid-1970s, Afghanistan's population doubled. This growth was typical of many developing countries, where high fertility combined with declining mortality to produce increasing population growth rates.

Although general improvement in mortality is the norm, the Afghanistan war has had a negative effect on mortality conditions in the country. Given a settlement to the conflict, we expect to see some improvement in mortality conditions in the future. Nevertheless, mortality probably will not decline so rapidly as to raise the already high rate of population growth.

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Afghanistan's population declined between 1980 and 1987, however, because of the extremely large number of refugees fleeing the country to Pakistan and Iran. Afghanistan's population is not expected to reach the preinvasion level again until 1990.

Impact of the War

Internal migration in Afghanistan has traditionally been slight. In 1972, 12 of every 13 native-born Afghans were living in their province of birth. Since the Soviet invasion this situation has changed dramatically, and large numbers of persons have been displaced within the country.

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Fertility information on Afghanistan is limited, making it difficult to assess past trends or to project the future course of fertility in the country with great precision. Nevertheless, we know that fertility in 1979 was high and that the inadequacy of programs aimed

The war has also caused a substantial increase in the rate of external migration, dominated by the movement of more than 5 million refugees to Pakistan and Iran. If the present population of Afghanistan plus the refugee population is taken as the total Afghan population, then approximately one of every four persons is living outside the country. The movement of refugees, while continuing, has slowed considerably since 1982.

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Unenviable Record

Demographically, Afghanistan has the unenviable distinction of ranking among the top—or bottom—10 countries of the world in several areas. For example, Afghanistan has one of the 10:

- Highest crude death rates.
- Highest crude birth rates.
- Lowest life expectancies at birth.
- Highest infant mortality rates.
- Highest net emigration rates.
- Lowest percentages of the population aged 65 or over. [redacted]

Social Progress?

Social conditions in Afghanistan have historically been poor. In 1979 only slightly more than 20 percent of the Afghan population over age 10 could read and write. Even this low literacy level, however, showed improvement over levels attained in 1972. [redacted]

Gender is an important influence on literacy in Afghanistan, with the percentage of males who are literate greatly exceeding the percentage of females. An urban/rural differential in literacy is also present in Afghanistan, but it is less than the observed sex differential. According to the Afghan Government census in 1979, approximately 42 percent of the urban population over age 10 was literate, but only 18 percent of the rural population in the same age group was literate. In addition, the percentage of the literate population generally decreases with increasing age. Three-fourths of urban males ages 10 to 14 were literate in 1979, but less than half of those ages 35 to 44 and less than one-third of urban males ages 55 to 64 could read and write. [redacted]

The Afghan Government claims it has made substantial progress in increasing literacy in the country since 1979. The regime has instituted a large adult literacy campaign, and programs exist to send Afghan students to the Soviet Union and some East European countries. Nevertheless, [redacted]

[redacted]
[redacted] Kabul's success in this area has been limited.
[redacted]

The Afghan regime also claims to be making great strides in providing adequate health facilities for the population. Official Afghan Government statistics show that during 1979-82 the number of hospital beds increased by 11 to 12 percent per year. The number of persons per hospital bed over this period declined even when population loss due to refugee movement is taken into account. These trends suggest improvement in the availability of health facilities to the population. Still, comparing the number of persons per hospital bed in 1981-82 with the 1976 data of another developing country of similar size and population density—Iraq—shows that Afghanistan has greatly deficient health care coverage. In 1976, Iraq had 492 persons per hospital bed compared with 2,016 persons per bed in Afghanistan in 1981-82. This disparity can probably be explained by the great difference in the two countries' relative wealth. [redacted]

[redacted]
[redacted] the war has substantially disrupted the country's health system. For example, [redacted] there has been an increase in the incidence of disease and [redacted] most doctors have fled the country.
[redacted]

Increasing Urbanization

The population of Afghanistan is predominantly rural. According to the census of 1979, only 15.1 percent of Afghanistan's settled population was reported to be living in urban areas. (Inclusion of nomads among the rural populace reduces the percentage of urban dwellers to 12.7.) Provincial variations in the percent urban for the settled population were large in 1979, ranging from a low of 0.6 percent in Paktika Province to a high of 49.3 percent in Kabul Province. [redacted]

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Sixty-three urban areas were identified in the 1979 census. Of these, Kabul was by far the largest with nearly half of the country's urban population living there in 1979. [redacted]

Afghanistan is likely to fall, forcing the country to rely more heavily on imported food. Moreover, the shortage of arable land—only about 20 percent of the total—will worsen and probably prompt increased migration from the countryside to the cities. [redacted]

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[redacted]

[redacted] an increasing portion of Afghanistan's population is relocating to urban areas to escape the fighting in the countryside. Sources of the US Embassy in Kabul, for example, estimate that the population in the capital now totals well over 2 million, up from an estimated 913,000 in 1979. [redacted]

Increased urbanization will challenge the current regime or any future Afghan government to provide adequate jobs, housing, and social services to maintain stability in urban areas under its control. In our view, there will be little social and economic progress as long as poor security conditions persist and large segments of the urban population are destitute. [redacted]

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Increasing urbanization will probably affect the demographic profile of the country. Data from the 1979 census indicate that there are urban and rural differences in the level of fertility. Urban women exhibit lower fertility rates than rural women in each age group, with an urban woman bearing an average of 5.8 children versus an average of 7.3 children born to rural women. This suggests that, as Afghanistan's population becomes increasingly urban, a corresponding decline in the country's fertility rate will be observed. There probably will also be a rise in the literacy level. Official data indicate a higher literacy level among urban dwellers, probably because they place a higher value on education as a means of economic advancement and also have greater access to educational programs. [redacted]

Future demographic developments in Afghanistan depend to a large extent on the fate of the Afghan refugees. Should a negotiated settlement provide for the return of Afghans who have taken refuge in Pakistan and Iran, the Afghan Government probably would be hard pressed to cope with a rapid influx. For instance, in the event of a settlement in which the refugees began going back to Afghanistan in 1990, with 15 percent of the Afghans outside the country returning per year, the projected total population in 1994 would be 19.7 million, some 18 percent more than if none had returned. By 1998, Afghanistan's population would swell to 23 million, over 25 percent higher than if the refugees had stayed in Iran and Pakistan. [redacted]

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Outlook

Afghanistan's high fertility rate poses several serious problems for the future social and economic development of the country. Although the population decreased between 1979 and 1986 because of the exodus of refugees, it is now increasing at a faster rate than grain production. Unless substantial investment is made in agrotechnology—unlikely as long as the war continues—per capita agricultural output in

[redacted]

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Changing Patterns in Aden's Leadership

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A younger, less ideologically committed generation of leaders will gradually emerge in South Yemen as technical-administrative expertise and personal relationships increasingly take precedence over revolutionary background or ideological posture. Many of the country's more renowned revolutionary leaders have recently died, been exiled, or imprisoned. Although young when they took power, the remaining leaders of the old guard are aging and generational transitions are not far off.

identified with preindependence British institutions, the old bourgeoisie, or gravitated to eventually discredited revolutionary groups, such as the South Arabian League. Many politically active Adenis went into exile at the time of independence, leaving the field of party and government leadership open to people from the hinterland.

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Several long-term trends in South Yemeni politics are likely to alter the character of the country's political elite. Institutionalization, with its unique requirements for management, is gradually increasing. In addition, the bases of elite recruitment are slowly changing as the members of the preindependence elite diminish in number and the impact of development grows.

Those not from Aden have had other advantages to facilitate their move into politics, including a large and strong power base within the tribe or region and opportunities to lead highly visible guerrilla activities against easy targets. The career of the late Brig. Gen. Ali Antar Ahmad Nasir al-Bishi provides a prime illustration of how the hinterland served as a springboard for a career in postindependence politics. He gained a fierce reputation early on as a patriot and warrior by his leadership of the Radfan rebellion in 1963,² and he later rose to top positions within the national leadership with support from his fellow Dali tribesmen.

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Personality and personal relationships also play an essential role in the country's politics.

The specific characteristics of a tribe or region are also key factors in achieving political power and penetrating key institutions, such as national party organs, armed forces, militia, or the intelligence and security apparatus. The uncertain course of South Yemeni politics has meant that true loyalty can come only from family, tribe, and region. These form the foundation of any drive for power. Conversely, entire families, tribes, and regions suffer when a prominent member falls from grace. At the family level, the apolitical brothers of former Prime Minister Muhammad Ali Haytham were imprisoned for several years after Muhammad's downfall and exile to North Yemen in 1971. They were rearrested after the

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Geographic and Social Origins

South Yemeni leaders generally have come from three geographic regions: North Yemen, Aden, and the outlying provinces. Surprisingly, an Adeni background has not increased prospects for postindependence leadership. Most key figures in South Yemen after independence were from the hinterland or even North Yemen. Adenis tended to be

² This rebellion led to the creation of the National Liberation Front and marks the beginning of the four-year armed struggle against British domination in South Yemen.

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Key Political and Tribal Factions**Faction****The Lahijis**

Led by the powerful *Armed Forces Chief of Staff* and his uncle, the *Minister of State Security*, Lahijis control key positions within the military and security services, including elite Army units garrisoned near the capital. The faction resents its exclusion from top party positions and is trying to increase its representation in the *Politburo* and *Central Committee*. Because of uncertain Soviet support for their political agenda and a need to expand their power base, the Lahijis have papered over personal and tribal rivalries to forge an alliance with the Yafa'is.

The Yafa'is

The Yafa'i tribe—one of the most numerous of the South Yemeni tribes—is represented in the Aden regime by pro-Soviet hardliner *Salim Salih Muhammad*, deputy secretary general of the *Yemeni Socialist Party*. A contentious figure, he is regarded as a maverick by many within the Aden leadership. *Salim Salih* has been the target of a concerted campaign by the northerners to abolish his position, forcing him to overcome his enmity with the Lahijis to shore up his flagging political fortunes. *Salim Salih's* supporters are primarily junior Yafa'i Army and police force members.

Government and Party Positions Held

Armed Forces Chief of Staff and Deputy Defense Minister Haythem Qasim Tahir
Armed Forces Deputy Chief of Staff Muhammad Haythem Qasim
Minister of Defense and Politburo member Salih Ubayd Ahmad
Deputy Minister of Defense Muhammad Ali Haythem
Minister of State Security Sa'id Salih Salim
Minister of Transport Salih Abdallah Muthana
Secretary of the Presidency Ali Ahmad Nasir al-Salami

Yemeni Socialist Party Deputy Secretary General Salim Salih Muhammad
Minister of Housing Muhammad Ahmad Salman



events of January 1986 solely because of their family connection. On a broader scale, deposed President Ali Nasir Muhammad al-Hasani's fellow tribesmen who did not flee with him after his overthrow have been barred from civil and military service by the new Aden leadership, who are from rival tribes. Furthermore, the region of Ali Nasir's birth has been the object of economic discrimination by the central government.

Nearly all the country's regions have been prominently represented in the leadership since independence, but the attenuation of Aulaqi,

Dathinah, and Abyan tribal power in the recent civil war has left the new regime with a tribal imbalance. The political leadership has narrowed to a struggle between the northerners and the tribes of the Lahij, backed by the Yafa'i tribe. Hadhramis also have gained more exposure recently. They tend to be technocrats or relatively minor political figures—with the exception of the ruling party secretary general and

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The Northerners/National Democratic Front

Although primarily an insurgent movement, the Front has played a major role in South Yemen politics and controls three seats on the Politburo. In the last three months, however, the Front has been losing ground within the party and government as a result of the combined Lahiji/Yafa'i effort to reduce its influence. Support from the Soviet Ambassador in Aden has only somewhat buttressed the Front's position. The Front is no match for the military strength of the Lahijis, but it has its own paramilitary units and will not relinquish its political position without a fight.

*Politburo member Muhammad Sa'id Abdallah
Muhsin al-Sharjabi
Politburo member Fadhl Muhsin Abdallah
Politburo member Jarulla Umar
Minister of Foreign Affairs Abd al-Aziz al-Dali
Minister of Industry Abdallah Muhammad Uthman
Minister of Agriculture and Agrarian Reform Ahmad
Ali Muqbil
Minister of Health Sa'id Sharaf*

The Hadhramis

Many of the government's bureaucrats hail from the outlying province of Hadhramaut. Not known for a warrior tradition, Hadhramis generally serve as mediators between the various tribes. They are the least united faction, lacking a strong tribal or political base which limits their influence. Attas was installed as president by the Soviets as a compromise candidate. Party Secretary General al-Bayd has found it necessary to align himself with influential Lahiji leaders to protect his position. Hardliners within the government appear hesitant to move against the Hadhramis because of their Soviet backing. They lend a moderate image to the regime that Moscow hopes to exploit to further its own policy goals in the Gulf.

*Yemeni Socialist Party Secretary General Ali Salim
al-Bayd
Head of State Haydar Abu Bakr al-Attas
Minister of Interior Salih Munassir al-Siyayli*

the head of state. Hadhramis do not have large power bases, however, and do not necessarily cooperate among themselves.

Although still a force to be reckoned with, the North Yemenis appear to have lost some influence because of their geographic origins. They have virtually no kin or regional identification in South Yemen to support them and are represented in Aden politics by the National Democratic Front—a South Yemen-backed insurgent movement made up of North Yemeni

dissidents targeted against the Sanaa regime. Many South Yemenis regard northerners as opportunists and outsiders and have resisted their full integration into domestic politics. The Lahijis are leading a concerted campaign to reduce the Front's influence in South Yemen. The presence of North Yemenis in Aden politics is a historical accident, and there probably will not be a fresh infusion of North Yemeni

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blood. Their past participation was due mainly to Aden's role as a magnet for work and dissident activities during the days of the North Yemeni imamate and later as a haven for leftists purged from the newly independent and conservative military government in Sanaa in the late 1960s and early 1970s. [redacted]

Revolutionary Background

Since independence, a revolutionary background has been the single most important factor in gaining positions of leadership and power, but the revolutionary ranks are being thinned continually by internal party struggles and deaths. The deaths during the fighting in January 1986 of the last prominent revolutionary figures still active in Aden may have marked the turning point. [redacted]

This change can be seen in two ways. Guerrilla leaders currently moving into top positions had lesser roles in the war for independence. In addition, younger, better-educated technocrats are beginning to penetrate the higher ranks of government. Most of these men were too young to participate in the independence struggle and have risen to official positions through other means, such as tribal affiliation, personal relationships, political performance within the party, or unique educational qualifications. [redacted]

Career Background

Leadership in the armed forces combined with strong tribal or regional power within the military can result in considerable political influence. A good case in point is the career of Ali Antar, who at the time of his assassination in January 1986 was a member of the Politburo, First Deputy Chairman of the Council of Ministers, and Deputy Chairman of the Presidium of the Supreme People's Council. Ali Antar's political strength was based on the loyalty of the armed forces. Most of the Army's middle-level and junior officers were fellow tribesmen. Even after Ali Nasir maneuvered him out of his positions as Defense Minister and commander of the Army, Ali Antar retained substantial support within the military and was often allied with his successor and fellow

tribesman, Salih Muslih Qasim. Ali Antar's opposition to the late ex-President Abd al-Fattah Isma'il in 1980 was instrumental in the latter's ouster and exile to Moscow. A significant factor in Ali Nasir's defeat in 1986 was the opposition of key units in the armed forces seeking revenge for Ali Antar's murder. [redacted]

The intelligence and security organization has been an increasingly less reliable route to political power. The fortunes of leaders of this apparatus have tended to rise and fall with the fortunes of those they served. By virtue of their positions alone, and in light of the brutality with which some have carried out their duties, security chiefs have not inspired loyalty among their peers. Muhammad Sa'id Abdallah (party name Muhsin al-Sharjabi) may be the exception that proves the rule. He is completely mistrusted, as much for his sponsorship of torture and killings when he was security chief in the 1970s as for his opportunities in making and breaking political alliances. Muhsin's present inclusion in Aden's leadership is most likely due to Soviet sponsorship. CIA analysts believe Moscow uses him as a reliable spokesman for its interests within the Aden leadership, as suggested by his frequent meetings with the Soviet Ambassador and his continued support for the Soviet line in Politburo and Central Committee meetings. [redacted]

Technocrats on the other hand, have been penetrating the middle and even upper reaches of the government since the late 1970s, particularly in positions involving economics, finance, trade, and development planning. Senior technocrats carry far less political weight than party leaders, however, implying technocrats are not an equal or countervailing force to the politicians. Moreover, as apolitical figures, technocrats are vulnerable because of their dependence on the whims of those in power. [redacted]

Ideology

Most of South Yemen's leaders, including nonparty members of the Supreme People's Council, have espoused their commitment to "scientific socialism."

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But their precise interpretation of South Yemen's guiding ideology has varied as has their commitment to ideological purity. The ideological spectrum of leaders since independence has ranged from rightwing to center to socialist and Marxist. []

These ideological categories have been divided by narrower ideological variations, differences between strict ideologues and pragmatists, and personal rivalries. Alliances have often centered far less on ideological affinity than other factors. Coalitions of seemingly like-minded ideologues have dissolved in treachery and violence. []

Until this decade, the path of South Yemeni politics could be said to have veered generally leftward, but, as dismal economic conditions persist that require a renewed emphasis on development priorities over ideological purity, a more collegial leadership is likely to emerge with an emphasis on pragmatism. Radicals have schemed against each other, and their popular support has been lessened by their extreme dependence on the USSR and its allies, their repressive tactics, and the country's dire economic straits. Ironically, the Soviets have encouraged moderation within the leftist Yemeni Socialist Party ranks rather than promote even more radical leaders. Presumably the Soviets wish to avoid another confrontation along the lines of 1986, which could jeopardize its growing relations with the Gulf states and undermine regional cooperation between Ethiopia, North Yemen, and South Yemen. []

Perhaps a fatal blow to the tide of radicalism was the death of four leading radicals—Ali Antar, Defense Minister Salih Muslih Qasim, Isma'il, and Central Committee official Ali Shayi Hadi—in January 1986. Even though the hardliners prevailed in subsequent fighting, the resultant leadership is no more leftist than that of the ousted Ali Nasir. It has found itself limited to denouncing Ali Nasir in personal terms while virtually embracing his policies. []

Outlook

During the 1980s, the course of Aden's politics has taken a markedly different path from that of the first

13 years of independence. Through the end of this decade and probably well into the 1990s, certain trends are likely to become evident:

- Tribal and regional divisions will continue to play an important, if sub rosa, role in South Yemeni politics. Although education, mobility, and nationalism will help to weaken tribal ties, the legacy of tribal hostilities will be the most difficult to overcome and will continue to generate underlying antagonisms. Politicians of North Yemeni origin will become rarer and eventually disappear, barring another political upheaval in North Yemen that sends political dissidents southward. 25X1

- A revolutionary background, heretofore essential to political legitimacy, will become less important as the cadre of former guerrillas is thinned and eventually disappears. 25X1

- Technical or administrative qualifications will become increasingly important to achieve senior government positions, especially as Aden switches to an oil-based economy. It will be some time, however, before technocrats will be in a position to exercise real power in Aden.

- The adoption and maintenance of an extremist ideological posture, key to survival through various crises in the 1960s and 1970s, is becoming increasingly irrelevant and even a liability. 25X1

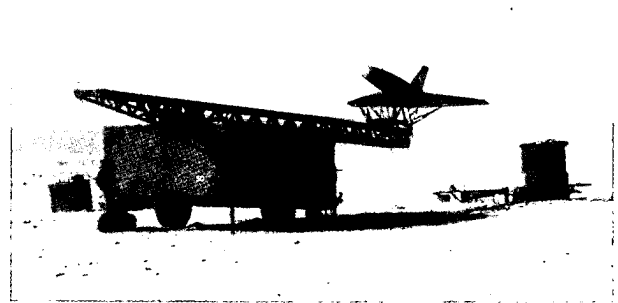
- The advantages of a client-patron relationship with a single outside state or force is diminishing steadily as working relationships with both the Soviets and leaders of conservative Gulf states become essential for Aden's politicians. Consequently, Aden will remain dependent on the Soviet Union, but it will keep channels open to the Gulf states and North Yemen. [] 25X1

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Egypt: Expanding RPV Capabilities [redacted]

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Cairo is seeking to expand and improve the capabilities of its remotely piloted vehicle (RPV) fleet as part of its military modernization effort.¹ The perception that other countries are exploiting RPVs to achieve combat successes or to enhance their technical capabilities and a desire to maintain the military's prestige by acquiring new systems are driving Cairo's interest. A multimillion dollar program calls for new purchases and includes plans to develop and produce a new RPV for the military's use and for export. Despite problems, we believe the Egyptians are making modest progress. With continued access to Western technology and financing, they may, in particular, be able to enhance their reconnaissance capabilities. [redacted]



Banshee target on catapult launcher preparing to launch [redacted]

Target Technology ©

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The Egyptians are convinced that RPVs are essential for any modern military force, and they do not want to lag behind other regional forces in acquiring the technology. Unmanned and usually small, RPVs are less expensive and easier to operate than manned aircraft and can be modified for a variety of missions. Moreover, improved technical capabilities and combat successes have made modern RPVs much more attractive than were earlier versions. [redacted]

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[redacted] We believe the Egyptians also are impressed with the Israelis' success with mini-RPVs. The Mastiff and the Scout, in particular, were used to help target surface-to-air missile sites in the Bekaa Valley at the beginning of the Israeli invasion of Lebanon in 1982. [redacted]

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Capabilities and Plans

Cairo has made a modest start in building Egypt's RPV capabilities. [redacted]

To build the military's reputation as a modern force and to keep up with the perceived capabilities of Western and neighboring military powers, Egypt is undertaking a multimillion dollar program to improve its RPV fleet. The Defense Ministry's plans have [redacted]

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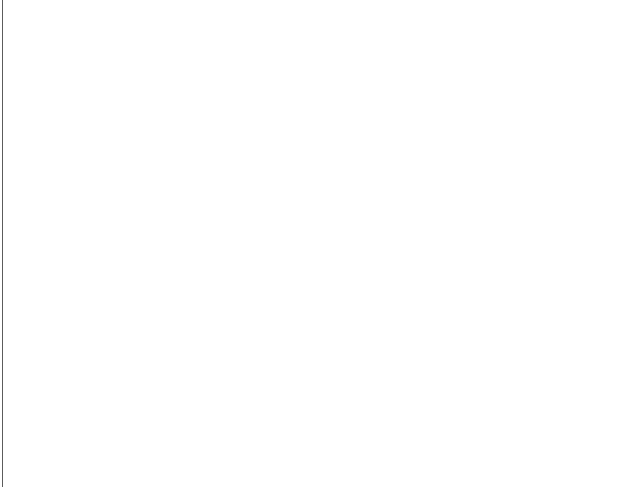
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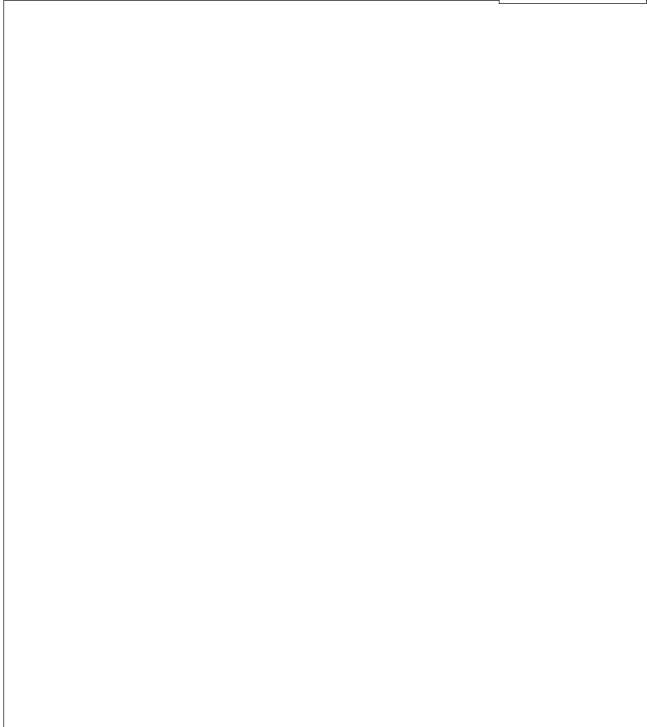
¹ The term RPV was introduced during the Vietnam conflict to replace the word drone, apparently to lend the aircraft more prestige and indicate a wider range of missions and changing roles—from targets to reconnaissance to multipurpose vehicles. We use the terms RPV and drone interchangeably in this article. [redacted]

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focused on acquiring more sophisticated multirole systems, and it is studying options to enhance the reconnaissance and electronic countermeasure capabilities of drones already in its inventory.



In addition to purchases, Cairo is involved in several coproduction projects, and it is likely to seek expanded coproduction programs in future negotiations with US and other firms. The Egyptians hope to develop and manufacture a sophisticated multipurpose RPV to supply the military's needs and to export. [redacted]



R4E Skyeeye launching. This version is carrying a FLIR camera. [redacted]

Aviation Weekly and Space Technology ©

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The Egyptians most likely would use their Arab Organization for Industrialization aircraft factory for the coproduction work. In our view, they could manufacture comparatively simple parts for RPVs and assemble the airframe, especially if they get foreign assistance. Their expertise is limited, however, and we doubt that the Egyptians in the near term will be able to provide the avionics or sophisticated reconnaissance or ECM payloads. [redacted]

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Integrating RPVs Into the Military

The Egyptian RPV program contributes to broader efforts to enhance the Air Force's reconnaissance, early warning, and electronic countermeasure capabilities. The Air Force has one aging MIG-21 (Fishbed H) squadron and one Mirage 5R squadron for tactical reconnaissance and operates one IL-28 flight for maritime surveillance. It recently received EC-130H and E-2C aircraft that will increase Egypt's ELINT and early warning capabilities. Besides additional E-2Cs, [redacted]

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[redacted] expect to receive three more reconnaissance-adapted C-130s in 1988 and have requested data on reconnaissance variants of the F-4. [redacted]

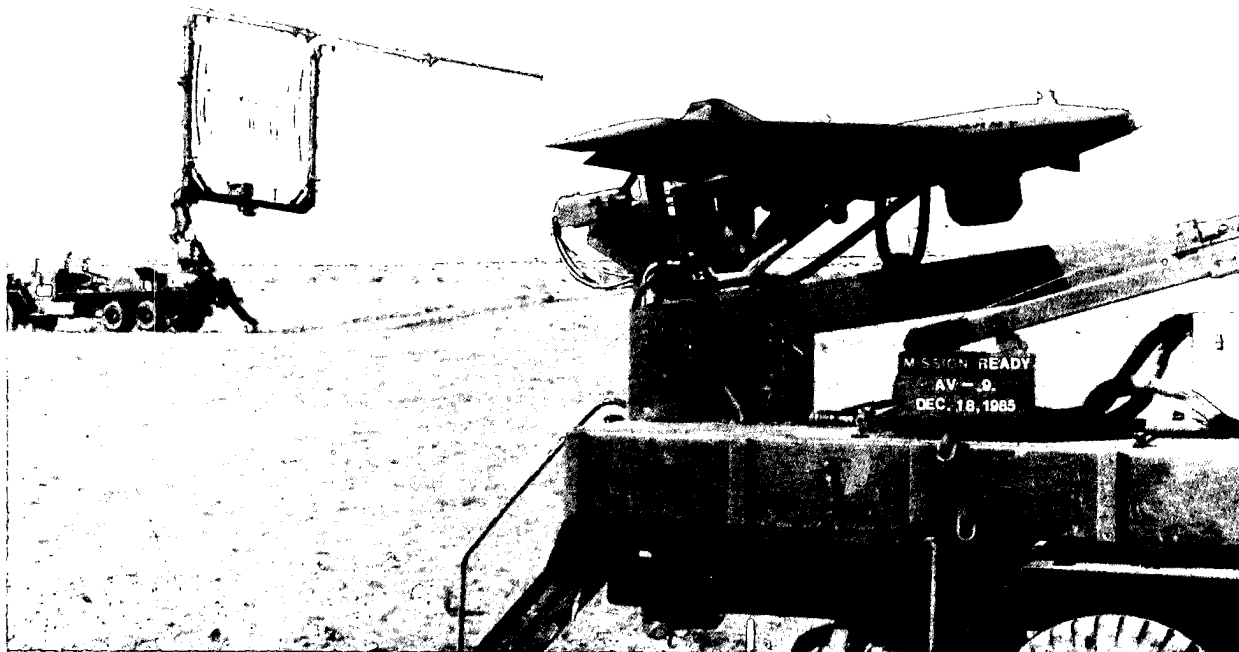
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Even though the Defense Ministry's primary goal for its RPV fleet is likely to be reconnaissance, Cairo

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Small RPVs often are caught in nets to prevent damage to delicate systems that might occur with hard landings.

Aviation Weekly and Space Technology ©

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probably will eventually try to use drones to supplement or replace manned aircraft for a variety of tasks:

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[Redacted]

We have little information on Egyptian intentions to subordinate RPVs to specific units, and we suspect that the Defense Ministry has made no detailed plans for using the drones tactically. The Egyptians' slow absorption of other systems suggests that they will need substantial time to fully integrate new RPVs into their inventory and to broaden their use of the craft.⁵ Maintenance and logistic difficulties also are likely to increase as payloads on new systems become more sophisticated. In the short term, Cairo is most likely to benefit from the reconnaissance capabilities of the RPVs it is scheduled to receive or seeking to acquire. These systems can provide a low-cost and relatively low-risk means of surveillance not only for Egypt's borders but also for areas well into neighboring countries. [Redacted]

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Outlook

Funds for the military are tight, but Cairo is likely to continue the RPV program. The Egyptians used US military aid to pay for most of its RPV fleet, and the Air Force has another \$40 million of US military aid earmarked for new purchases, [Redacted]

[Redacted]

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Cairo may request financial assistance from the Arab Gulf states in exchange for Egyptian-produced RPVs. It probably sees Iraq as a prime market for the drones. [Redacted]

⁵ According to defense attache reports, the Egyptians still cannot effectively operate the identification friend/foe systems or the electronic countermeasure equipment on US aircraft. [Redacted]

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Western Sahara: Is the Berm Crumbling?

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A series of successful attacks by Polisario Front guerrillas between late February and August has challenged Morocco's ability to defend the berm that it has constructed in Western Sahara. The attacks reveal increased Polisario armor capabilities as well as Moroccan tactical vulnerabilities. The guerrillas have inflicted heavy casualties on the Moroccans and destroyed significant amounts of materiel. We believe that the success of the Polisario attacks will force Rabat to make tactical adjustments in its defensive strategy for the desert war, including closer air support to Moroccan positions under attack. Morocco, by virtue of its overwhelming manpower advantage, however, will almost certainly continue to control the berm and prevent the Polisario from seizing and holding any territory behind it.

Western Sahara. The most recent extension was completed in late April. Although the guerrillas cannot seize and hold territory behind the berm, they have not been deterred from attacking Moroccan positions along it.

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Evolving Strategies

The Polisario began its armed struggle for Western Saharan independence against Morocco and Mauritania in late 1975 as Spain began a phased withdrawal from the territory. Rabat and Nouakchott agreed to partition the former Spanish colony early in 1976. In 1979, Mauritania signed a peace treaty with the Polisario and withdrew from Western Sahara, allowing the guerrillas to concentrate their efforts against the Moroccans. During the initial years of the conflict, the Polisario had operated freely in the sparsely populated territory. Seizing the initiative, the guerrillas attacked isolated Moroccan garrisons and ambushed patrols. Mounting Polisario successes forced Rabat to reassess its strategy.

We believe that the Polisario's strategy in response to the berm has been to wage a war of attrition to raise the human and material cost of the war for Rabat in hopes that King Hassan will become more amenable to a compromise settlement. The guerrillas are aware that an outright military victory is unrealistic, but they believe that they can undermine the Moroccans' morale by harassing their positions and occasionally launching large-scale attacks that inflict major casualties and destroy equipment. For several years this strategy was ineffective because the guerrillas could conduct only a few major attacks a year.

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Since late February, however, the guerrillas have launched at least five successful attacks in six months that have resulted in a Moroccan casualty rate of more than 100 per month. If the guerrillas can sustain this pace while limiting their own casualties, Moroccan morale could erode to the point where King Hassan once again would be forced to reassess his strategy and possibly negotiate.

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Can the Moroccans Hold the Berm?

In August 1980, Rabat abandoned its strategy of defending garrisoned towns and began constructing the berm—a series of defensive positions connected by an earthen wall reinforced by rear area ground and air units. The objective of this new strategy was to protect the key population and economic centers and to deny the Polisario the ability to operate freely or to hold territory behind the berm. Since construction of the original berm, the Moroccans have built several extensions that enclose more than 75 per cent of

We believe that Morocco's success in Western Sahara is a result of its manpower advantage manpower over the Polisario—about 100,000 Moroccan troops versus 3,000 to 5,000 guerillas. A Moroccan population of almost 24 million—compared to Western Sahara's population of 94,000—guarantees Rabat a manpower pool large enough to draw on to man the berm for the foreseeable future.

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Economic considerations—primarily pay incentives to serve in Western Sahara and poor employment

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prospects in the Moroccan private sector—almost certainly ensure sufficient volunteers to maintain this advantage.

volunteers fill most of the country's military manpower requirements. The vast majority of the Moroccan Army supports the war and prefers to serve in Western Sahara because soldiers believe it provides more opportunities for promotion,

We believe that the one factor that threatens Morocco's long-term control over Western Sahara is poor troop morale. There are inherent problems in fighting a static, defensive war in a harsh environment with no end in sight. Basic supply problems—particularly in the far south—maintaining a high state of alert, and war weariness have contributed to a general malaise among Moroccan troops in Western Sahara,

Rabat has taken steps to maintain morale. The most effective measure has been to conduct offensive operations that provide a sense of progress in the war. The Moroccans have not had a clear-cut battlefield victory over the Polisario since 1984, but the military has viewed the berm expansion as a military victory that has driven the Polisario out of Western Sahara, Although offensive operations in front of the berm have been infrequent and usually ineffective, they have contributed to the perception of movement in the war.

Can the Polisario Sustain the Offensive?

Although the Polisario has held the advantage of choosing the time and place of attack, the guerrillas have never been able to launch more than sporadic attacks. This year's attacks, however, suggest that the guerrillas have adopted new tactics to exploit tactical weaknesses in the Moroccan defenses,

In addition, the attacks have demonstrated an impressive logistic capability to support long-range armored attacks against the southern—and most lightly defended—segment of the berm, The guerrillas apparently have overcome logistic constraints that had forced them to limit their armored attacks to the

northern third of the berm.

the Moroccans are implementing measures to correct some of the problems. We believe that a preemptive, low-level airstrike using Maverick air-to-surface missiles in July signals a determination in Rabat to confront the Polisario threat more aggressively.

The guerrillas are faced with constraints that could prevent them from sustaining the current offensive. These include continual logistic challenges, the same open-ended war under the same harsh conditions that the Moroccans are facing, and limited human and material resources. Even minimal casualties over an extended period could severely hinder Polisario capabilities. The guerrillas' dependence on Algeria for support and sanctuary could also become a potential problem. Even if they are prepared to wage a war of attrition indefinitely, they could not do so if Algiers withdrew its support.

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Outlook

Although the problems Morocco faces in trying to defending the berm will persist, we do not believe that its control over Western Sahara is in serious jeopardy. We believe that Rabat possesses and will use both the human and material resources necessary to defend the berm and reduce casualties to a tolerable level. An intensified effort in Western Sahara probably would lead to requests to the United States, France, and other arms suppliers for more equipment.

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The Polisario probably can continue its strategy of harassment and occasional large-scale attacks into the foreseeable future. The guerrillas' ability to sustain the current level of fighting, however, probably will diminish if Rabat makes tactical adjustments and applies the necessary resources.

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Mauritania: Taya's Increasing Vulnerability

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Growing economic problems and popular discontent over official corruption are bringing President Taya to the most critical juncture of his nearly three years in power. He still appears to have the support of key players in the Army and security forces. Nevertheless, unless he can demonstrate stronger leadership in dealing with the country's economic problems, we believe that the military, fearful of losing their hold on power, could engineer a coup against him.

Initial Popularity of the Taya Regime

President Maaouiya Ould Sid Ahmed Taya made several highly popular policy decisions when he came to power in December 1984. He adopted neutrality toward the war in Western Sahara, a policy most Mauritians welcomed, since they had little sympathy for the efforts of the Polisario and their Algerian sponsors to undo Morocco's control of the territory. He also introduced limited democratic reforms. In December 1986, for example, the government held free elections for municipal councils in Nouakchott and 12 regional capitals—the first contested elections in over 20 years. Taya also became the first president to appoint to office women and members of Mauritania's large population of former black slaves, the Haratin. These steps helped to bolster Taya's public support during his first two years in office.

The Turning Tide

In recent months there has been a significant deterioration in Taya's popularity. The government's crackdown last fall against dissidents of the Toucouleur tribe, one of the principal politically active black ethnic groups, alienated a large number of Mauritanian blacks. In addition, Taya began to implement a land reform that is enabling more white Maurs to acquire land in areas the blacks believe is traditionally theirs.¹

¹ The Maurs, the traditional Arab elite in Mauritania, account for 30 to 45 percent of the population of this almost entirely Islamic country and have a tight grip on both the government and economy. Fundamentally different from the Maurs in psychology, culture,

Many Mauritians are also increasingly critical of what they perceive as widespread corruption in the military. According to the US Embassy in Nouakchott, most people continue to regard Taya as honest, but there is a growing perception that many key officials are guilty of large-scale corruption. Rumors regularly circulate in Nouakchott that various ministers have stolen large sums of public funds. In addition, reliable US Embassy sources report that many of Taya's fellow tribesmen, the Smassid, are flouting business, customs, and tax laws on a massive scale, knowing that officials are loath to interfere with persons who may be close to the President.

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In addition, economic conditions are deteriorating, and much of the population is having difficulty surviving. The government's foreign debt was about \$1.6 billion in 1986—3.5 times the value of exports of goods and services. To reduce this debt, the regime has instituted a strict austerity program that has generated increases in already high unemployment and inflation. Since last September the black market value of the ouguiya, the national currency, has depreciated by close to 50 percent against the currencies of Mauritania's largest trading partners, France and Spain.

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In a particularly unpopular move undertaken on the advice of the World Bank, Taya cut the bloated staff of Mauritania's state-owned enterprises, leaving more than 1,000 people without jobs. Meanwhile, another World Bank-inspired reform, a freeze on civil service

and background are Mauritania's three principal black tribes, which include up to 39 percent of the population and make up the majority of the military's enlisted personnel, the lower grades of the civil service, and the unskilled labor force. Caught between these two groups are the Haratin, a largely Arabized black sector of society that includes an estimated 25 to 40 percent of the population and occupies servile positions.

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hiring, has meant that hundreds of students who graduated this summer cannot turn to Mauritania's traditional supplier of white collar jobs. Most of them will join the thousands of earlier graduates who are still looking for work. [redacted]

These and other unpopular moves are generating widespread discontent with the regime. Seeking to take advantage of this discontent are a profusion of semiclandestine civilian opposition groups, including pro-Iraqi and pro-Syrian Ba'athists, Marxists, liberals, fundamentalists, and pro-Libyan Nasirists. These groups, however, lack the unity and leadership needed to pose a major threat to the regime. [redacted]

Potential for a Military Coup

We concur with the US Embassy that any serious challenge to the government probably will come from the military. Indeed, the President runs a dual risk from that quarter. A particularly plausible scenario is that officers in the Military Council for National Salvation (CMSN)—the ruling military junta—might stage a palace coup and replace Taya with another president chosen from their ranks. According to the rules of the committee, the CMSN elects a committee president who also serves as chief of state. In theory, the CMSN can remove the president from office at any time by a vote of two-thirds of its members. In practice, however, all previous CMSN presidents have been overthrown by a cabal of CMSN members, who have then had the other members approve their move *ex post facto*. According to the US Embassy, some CMSN members have grown dissatisfied with Taya's policies and worry that his declining popularity could jeopardize the military's grip on power. These officers may conclude that the time is ripe for another palace coup. [redacted]

Another, somewhat less likely scenario is that military personnel who are not on the CMSN may stage a coup. The most likely to do so would be the radical younger officers close to the Nasirist movement. They could act in conjunction with some senior officers whom Taya removed from power. The US Embassy reports that several of these young officers are increasingly angry at what they perceive as the corruption of the regime and the deteriorating economic situation. Unlike the more senior officers

and CMSN members, their propensity for political violence is not softened by comfortable salaries and opportunities for large-scale graft. [redacted]

Recent Coup Plotting

The US Embassy believes that the government arrested Col. Boukhreiss and several of his followers in August for attempting to lay the groundwork for a coup. Boukhreiss had been one of the architects of the 1978 coup that toppled the civilian regime of Ould Daddah. He was widely regarded as a highly talented leader, and, according to the US Embassy, many observers consider him the most brilliant officer in the armed forces. More significantly, [redacted] he opposed the government's economic reforms. In addition, over the years he has advocated a pro-Libyan, pro-Polisario foreign policy. Boukhreiss probably was only beginning to consider a move against the government, and the regime decided to preempt that challenge by neutralizing the colonel. [redacted]

Prospects

Taya retains some key assets despite increased popular and military restiveness. Most important, key government members such as Interior Minister Abdellahi and Chief of the Secret Police Vall are still loyal. This ensures the support of much of the military and security apparatus. In addition, Taya is a skillful infighter and a veteran survivor. Since becoming President in 1984, he has deftly eliminated his chief rivals on the CMSN, sending some out of country as ambassadors and stripping others, such as Boukhreiss, of power. Although his crackdown last fall against Toucouleur dissidents heightened ethnic discontent, it also effectively broke the back of the principal subversive black group challenging his regime. The current crackdown against Boukhreiss and others probably will cow his opponents in the military and buy him a little time. [redacted]

Taya, however, must quickly come to grips with some of his domestic problems if he is to survive. If Mauritania's economic difficulties continue for long

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and more citizens find it impossible to make ends meet, the incentives to oust Taya will grow within both the CMSN and the military rank and file. We concur with the US Embassy that the next few months are crucial for the regime.

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