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Intelligence

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**Near East and
South Asia Review**

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14 March 1986

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14 March 1986

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The Syrian Army Reserves: A Major Vulnerability 17
for Damascus [REDACTED]
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Problems associated with earlier large-scale reserve callups suggest that, in the event of sudden hostilities with Israel, the Syrian military might be unable to mobilize available reservists with needed skills in time to fill out and support frontline units. [REDACTED]

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Southern Lebanon: The Shia Crucible [REDACTED] 21
 [REDACTED]
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The continuing growth of Shia extremism and reinfiltration of Palestinian guerrillas are likely to worsen political instability in southern Lebanon over the next year and intensify sharply the cycle of violence between Israeli forces and their enemies across the border. [REDACTED]

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Israel: Formulating an Energy Policy [REDACTED] 25
 [REDACTED]
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Since the return of the Sinai oil and gasfields to Egypt in the early 1980s, Israel has had to satisfy almost all of its energy needs by purchasing fuels abroad, but, in recent months, Israeli leaders have outlined new energy policy guidelines to minimize energy costs and reduce dependence on imported fuel. [REDACTED]

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Libya: Impact of US Sanctions [REDACTED] 29
 [REDACTED]
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US sanctions have disrupted some Libyan oil exports by increasing marketing difficulties and have adversely affected agriculture and selected development projects, but they probably have bought Libyan leader Qadhafi a respite from antiregime activity that had spread to his security forces and inner circle of advisers by the end of last year. [REDACTED]

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Morocco: Driss Basri, the King's Man [REDACTED] 33
 [REDACTED]
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Driss Basri, in charge of the politically sensitive Information Ministry as well as the Interior Ministry, which controls the police, the security and intelligence services, and the civil guard, is the second most influential man in Morocco and appears loyal and committed to the monarchy. [REDACTED]

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[Redacted]

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Pakistani Views on the Bomb [Redacted]

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[Redacted]

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For many Pakistanis the overriding consideration in discussions about nuclear weapons is whether they will prevent a war with India. The effect of such weapons on Pakistan's relations with third countries and the damage Pakistan would suffer in a nuclear war are important only to those who doubt the effectiveness of a nuclear deterrent. [Redacted]

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Pakistan: Responding to Domestic Narcotics Problems [Redacted]

37

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[Redacted]

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Islamabad is attempting to restrict local drug abuse, but the government has yet to devise a successful drug control strategy despite severe legal penalties. Pakistan is not likely to improve its performance in the near term, but it will make at least minimal efforts to control drugs to ensure foreign aid flows. [Redacted]

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Afghanistan's Hazarajat: Calm in the Storm? [Redacted]

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[Redacted]

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The Hazarajat, the area of the high central mountains of Afghanistan, has been relatively free of the fighting that has enveloped most of Afghanistan since the Soviet invasion in 1979, but fighting between Shia groups and government forces in the area may be increasing. [Redacted]

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[Redacted]

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Sri Lanka's Tamil Insurgency: The Impact of Marxism [Redacted]

49

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[Redacted]

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Although all major Tamil insurgent groups claim allegiance to Marxism, the most active groups are motivated principally by ethnic rivalry with the majority Sinhalese. Over the longer term, however, the Marxist threat to Sri Lanka is likely to grow unless the government and nationalist insurgent groups can reach a negotiated settlement. [Redacted]

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[Redacted]

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Sri Lanka: Arming and Training the Insurgency [Redacted]

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Tamil insurgents have amassed an arsenal of small arms, ammunition, and some crew-served weapons adequate to continue the insurgency at present levels. The arms pipeline is largely immune to Colombo's efforts to cut it and to any but exceptionally large-scale Indian interdiction efforts. [Redacted]

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Articles

**The Repercussions of the
South Yemen Conflict for
Middle Eastern-Soviet
Relations**

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Middle Eastern perceptions of the Soviet role in the recent power struggle in South Yemen have damaged Moscow's relations with several states in the area and raised questions about Soviet designs in the region. Relations with North Yemen and Ethiopia may have suffered most. Syrian, Algerian, Libyan, and Iraqi leaders were disturbed by perceptions that Moscow had abandoned a loyal ally and by Soviet intervention in the struggle, but they probably will not allow events in South Yemen to significantly affect their ties to Moscow. Moderate Arab Gulf states that may have been contemplating diplomatic relations with Moscow now are likely to postpone that decision. Oman and probably the UAE will link expansion of their newly established ties to the USSR to good behavior on the part of the new regime in Aden.

Most moderates and many of the radicals believe Moscow allowed Hasani to be defeated because it disapproved of his opening to more moderate Arab states. Others point to Hasani's economic changes, perhaps referring to a possible Western role in developing South Yemeni oil deposits, a role coveted by Moscow.

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Repercussions on the Left

Ethiopia. Developments in South Yemen affected Ethiopia more profoundly than any other leftist state in the area. Chairman Mengistu and President Hasani were longtime allies and personal friends. Hasani had aided Mengistu often, both militarily and with food assistance, and he coordinated regularly with Mengistu on Middle Eastern issues. The two countries also have a mutual assistance pact.

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Although regimes from all parts of the political spectrum in the Middle East responded critically to Moscow's actions during the power struggle that began on 13 January in South Yemen, those closest to the Soviets appeared to be the most alarmed. The states relying on Moscow for extensive assistance were shaken by its unreliability as an ally. After vacillating at the outset, Moscow appeared to favor President Ali Nasir Muhammad al-Hasani, then abruptly reversed that stand to full-fledged support for the rebel side and heavyhanded discouragement of outside assistance for Hasani.

Although Mengistu's initial declaration of support for Hasani had to be withdrawn at Soviet insistence, seriously embarrassing Mengistu before senior party officials, Ethiopia's military—long distrustful of Soviet influence—has rallied to him as a result of his support for Hasani, according to the US Embassy in Addis Ababa. Some small arms found their way to Hasani, but larger shipments were later cut off, with Moscow insisting that Soviet-supplied equipment could not be transferred to a third party without Soviet approval.

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Reactions were more diverse among the moderate Arab states of the Arabian Peninsula. Those having relations with Moscow appear ready to recognize the new regime in Aden and to allow relations with the Soviets to go forward. Those having no relations with the Soviets believe their suspicions about Moscow's intentions have been confirmed. They will postpone recognition of the new government in Aden as long as possible.

Although Mengistu has been subjected to intense Soviet pressure to eject Hasani and his supporters from their refuge in Ethiopia, Embassy officials indicate that he is continuing efforts to secure a

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position for Hasani or his followers in the new government and is acting as an advocate with Moscow for the deposed leader. Mengistu's resistance to Soviet arguments has heartened Hasani's supporters throughout the region. [redacted]

The US Embassy in Addis Ababa believes that Mengistu will ultimately cave in to Soviet pressure to recognize the new Aden regime. He may attempt to win Soviet concessions in return. The Ethiopian leader is too dependent on his Soviet political and military lifeline to break with Moscow. He probably will step up surveillance of pro-Soviet ideologues in his government, however, and will be more suspicious of Moscow's intentions in Ethiopia. [redacted]

Libya, Syria, Algeria, and Iraq. Leaders from these countries initially reacted negatively to events in Aden and favored Hasani. As the rebels gained the upper hand and disseminated their version of events, blaming Hasani for initiating the violence, these Arab leaders moved closer to neutrality. Most, however, would like to see at least some of Hasani's supporters brought into the new government. None has so far recognized the Aden government:

- Libyan leader Qadhafi offered Hasani assistance several times and welcomed the South Yemeni leader's visits for consultation.
- Syrian President Assad was privately angered over Moscow's perceived role in the bloodshed, [redacted] Early in the conflict, he allowed Hasani's supporters to set up a base of operations in Damascus for disseminating appeals for help. He is willing to grant Hasani asylum in Syria.
- Algerian leaders favored Hasani initially and were not pleased with the Soviet role. The US Embassy believes Algerian relations with Moscow will be cooler as a result of events in South Yemen.
- Baghdad was not especially close to Aden, but it appreciated Hasani's relative moderation and privately deplors the Soviet role in ousting him. Its preoccupation with its war with Iran and dependence on Moscow for arms prevent Iraq from

responding more actively to North Yemeni and Saudi requests to help Hasani, [redacted] Iraq sent small quantities of military equipment and munitions to North Yemen for use by Hasani's forces. [redacted]

We believe these leaders will not allow South Yemeni events to damage their relations with the Soviets, which are based more on pragmatism than on ideology. Nevertheless, Soviet aid recipients may be even more suspicious of Soviet goals and activities in their countries than before. As in Ethiopia, these suspicions strengthen the arguments of domestic forces that oppose Soviet influence. [redacted]

Moderates' Reaction

North Yemen. President Salih, who has provided Hasani with political and military support from the outset of the fighting, has had to balance his strong desire to aid the deposed leader against Soviet demands to halt all support. So far, Salih has chosen to continue backing Hasani. Salih and Hasani had cooperated on common Yemeni problems for several years and had worked out a modus vivendi in spite of their differences. [redacted]

Moscow has used both carrot and stick to try to stop Sanaa from aiding Hasani, including offers to reschedule loans and to upgrade military assistance, along with veiled threats and pointed reminders about the importance of Soviet aid. The absence of alternatives to Soviet assistance places heavy pressure on Salih to accede to Moscow's demands. Moreover, the apparent military defeat of Hasani's forces offers no better prospect than prolonged guerrilla warfare without much hope of victory. [redacted]

Currently, Salih's strategy is to work for a political settlement. He will try to get as many concessions as possible—from both Moscow and Aden—in return for curtailing support for Hasani. He is demanding:

- The acceptance in Aden's political life of moderate Hasani followers not involved in the fighting on 13 January.

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**Communist Country Military
and Economic Technicians in Selected
Middle Eastern Countries, 1984^a**

*Number
of persons*

	Total	USSR	Eastern Europe
Algeria	11,540	6,275	5,265
Military	790	775	15
Economic	10,750	5,500	5,250
Iraq	19,000	6,700	12,300
Military	1,300	1,200	100
Economic	17,700	5,500	12,200
Libya	56,600	6,500	50,100
Military	2,800	2,000	800
Economic	53,800	4,500	49,300
Syria	9,300	6,000	3,300
Military	5,300	5,000	300
Economic	4,000	1,000	3,000
North Yemen	1,060	800	260
Military	510	500	10
Economic	550	300	250
South Yemen	3,425^b	2,500	925
Military	1,100	1,000	100
Economic	2,325	1,500	825

^a Minimum estimate of the number of persons present for a period of one month or more.

^b Many of these were withdrawn during the conflict.

- Aden's adherence to all agreements signed by Hasani with Sanaa.
- A pledge by Aden not to allow a foreign military presence in South Yemen.
- A halt to political persecution of Hasani supporters. Salih is also attempting to effect an economic blockade of South Yemen.

Oman, Kuwait, and the UAE. Kuwait, Oman, and the United Arab Emirates, which have relations with Moscow, will proceed with caution. Oman has apparently decided to accept Aden's pledge to honor the so-called Kuwait Accords of 1982, essentially a noninterference agreement with Muscat, and is willing to recognize the new regime. Because of apprehensions about Soviet intentions resulting from the South Yemeni conflict, Oman, and probably the

UAE as well, will develop relations with Moscow at a deliberate pace. Omani officials have told the Soviets that Aden's respect for the accords will affect Omani-Soviet relations.

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The Kuwaiti Government has not let events in South Yemen prevent its signing of an economic agreement with Moscow in February despite the reservations of some Kuwaiti officials. Kuwait is ready to recognize the Aden regime.

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Saudi Arabia, Qatar, and Bahrain. These states, which have no relations with Moscow, are suspicious of Moscow's role in South Yemen, strongly oppose the new regime in Aden, and see no advantage in recognizing it. The Saudis—whose lead will be followed by Qatar and Bahrain—believe that, despite the moderate-appearing front men in Aden, the hardliners will dominate South Yemen's policy and renew efforts to destabilize neighboring governments. For the time being, they will support Sanaa's assistance to the Hasani forces and will try to postpone any Gulf Cooperation Council (GCC) move to recognize the new government, although they are not sanguine about Hasani's chances.

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The Saudis are also attempting to initiate contacts with Mengistu, presumably to offer the Ethiopian leader additional maneuvering room. Moscow's role in the South Yemen fighting gives the Saudis another argument to use in the GCC against allowing the Soviets to expand their access to the Gulf region.

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Outlook

We believe that events in South Yemen will impede Moscow's efforts to improve its standing in the Middle East in the near term, primarily by deepening the existing cynicism about Soviet goals and Soviet reliability as an ally. Nevertheless, states dependent

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on Soviet aid have too much to risk by challenging Moscow on the issue, and ultimately they will rein in their resentment. The moderates harbor few illusions about Soviet intentions and have diverse reasons for cultivating relations with Moscow that will probably not be affected in the long run by events in South Yemen.

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**South Yemen:
New Regime—Old Problems** [redacted]

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The new regime in Aden has largely consolidated its position in the capital and the countryside, but it faces a variety of problems including low-level armed opposition from supporters of ousted President Ali Nasir Muhammad al-Hasani. The new leadership in Aden probably will cope no better than its predecessors with the provincial and tribal rivalries that have long dominated South Yemeni politics and finally erupted in widespread bloodletting last January. Moreover, it must deal with a deeply troubled and largely stagnant economy. [redacted]

and the powerful Yafai tribes and their associates from Lahij, particularly the important North Yemeni exiles of the National Democratic Front insurgency. Neither al-Attas nor Nu'man appear to have power bases of their own, leaving al-Bidh—a charismatic Hadhrami politician—as one of the real powers in Aden. [redacted]

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New Regime Consolidates Position . . .

South Yemen's new leadership has reconstituted the Yemeni Socialist Party and the South Yemeni Government, filling vacancies created by the deaths of several prominent leaders during January's fighting and the expulsion of Hasani and his supporters. Ali Salim al-Bidh has been named to replace Hasani as party secretary general. Salim Salih Muhammad was appointed deputy secretary general, a newly created position. Haydar Abu Bakr al-Attas, the Prime Minister under Hasani, who had been serving as temporary head of state, was named President. Yasin Sa'id Nu'man was declared Prime Minister. Appointments were also made to lower party positions and Cabinet offices. [redacted]

Salim Salih Muhammad—a Yafai—is another powerful political figure. He is politically ambitious and a potential rival of al-Bidh. His most likely supporters are the new Ministers of Defense and State Security. Both are from Lahij and are reported to be uneducated men who are prone to violence. [redacted]

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Security Problems

The imposition of harsh security measures following the fighting may split the regime. One hardliner who was noted for his cruelty while security chief several years ago has emerged as a Politburo member. The new security chief is likely to be equally repressive. Some members of the new government, notably Foreign Minister al-Dali, have opposed the brutality of previous regimes. He and the technocrats may argue that overly repressive measures will only alienate the population. [redacted]

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. . . But Has Internal Rivalries

Aden does not have a dominant leader who can impose his will, and the new government does not possess the kind of tribal balance that moderated provincial frictions in the past. As a result, competing ambitions among the newly minted leaders may create political divisions over the next few months. The favored position of Lahij and Hadhramaut Provinces in the top leadership almost certainly will be a factor in the reemergence of regional and tribal rivalries. [redacted]

Some claim that the regime has taken especially harsh measures against potential dissidents, including gory dismemberments and wholesale executions. [redacted]

A Staggering Economy

Aden's economy was in dire straits even before January's fighting, and rebuilding damaged buildings, roads, and other infrastructure will severely tax the regime. Shipments of crude oil to the refinery at Little Aden were suspended during the brief civil war, and

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Aden's political leadership was hastily thrown together during the fighting and almost certainly represents an uneasy compromise between Hadhramis

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South Yemen has gone without the crucially important foreign exchange generated by the oil refinery. [redacted]

There is evidence that shortages of hard currency are beginning to vex South Yemen. [redacted]

[redacted] Aden's military is being paid in scrip.

Although backed by the new government, the scrip is accepted by merchants at only a fraction of its face value. We do not know how widespread the use of scrip is, but we suspect that this form of payment may soon extend to all government workers if it does not already. [redacted]

Guerrillas in the Countryside

Many of former President Hasani's supporters have withdrawn into North Yemen, although bands continue to operate in the hills of northern Abyan Province, just across the border from North Yemen. If Hasani's forces can maintain a foothold in the province, they may be able to launch small raids and ambushes, cut some roads, and strengthen their ties to the tribes. Hasani's forces, however, are not well organized and will require more decisive military leadership before they can mount a sustained guerrilla campaign. [redacted]

The regime appears able to cope with the current low level of insurgent operations. Aden's ability to counter a more intense guerrilla campaign is greatly reduced, however, as at least four of the Army's 12 brigades suffered heavy losses during the fighting in January. [redacted]

The chances are slim that a guerrilla campaign could return Hasani to power. It seems likely, however, that, given the current weakness of the South Yemeni military, the insurgents will continue to be a thorn in Aden's side. [redacted]

Troubled Relations With North Yemen

North Yemen's President Salih has been supporting Hasani's guerrillas, and Aden will try to seal the border against this aid. It may threaten to renew subversive efforts against North Yemen and move troops to the border area near North Yemen's oilfields. Should these threats fail and Hasani's supporters launch a more effective guerrilla

campaign, the regime could send raiding parties into North Yemen or launch sporadic air attacks. In late January there were reports that South Yemeni aircraft attacked supply convoys inside North Yemen that were headed for Hasani's guerrillas. [redacted]

Outlook

The new regime, despite its cohesion, undoubtedly will face the political and tribal divisions that plagued its predecessors. Most important in the near term will be the rivalries between party members from Lahij and Hadrahmaut Provinces. In addition, the appointment of party members of North Yemeni origin may further divide the party. Differences over how to deal with South Yemen's economic problems also are likely to cause political schisms. [redacted]

In our view, Salim Salih Muhammad and Ali Salim al-Bidh, the two most powerful politicians in South Yemen, will soon begin efforts to strengthen their positions by eliminating potential rivals. Since neither al-Attas nor Nu'man appears to have a substantial power base of his own, they could be the first casualties of renewed infighting. Since al-Attas and al-Bidh are Hadhramis—and Salim Salih Muhammad is from Lahij—the political fate of al-Attas could provide a good indication of the relative political strengths of these two factions. [redacted]

Should Hasani's supporters hang on to their enclave in northern Abyan Province and retain North Yemeni support, they should be able to conduct a limited guerrilla struggle. Since the new government has few capable political leaders of national stature, assassinations of key figures in the new regime could hinder Aden's ability to cope with its many problems. Under such conditions, we believe that the stability of the new government, questionable under any circumstances, would be jeopardized. [redacted]

[redacted]

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Iran-Iraq: Growing Economic Ties to Turkey

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Damage to Persian Gulf ports in Iran and Iraq and shortages of funds since the beginning of the Iran-Iraq war have resulted in expanded economic relations between the two combatants and Turkey. Since 1980, Turkey has become a vital outlet for Iraqi oil exports and a major source of Iranian imports. Recent agreements, including a \$3 billion oil barter deal with Iran and construction of a second Iraqi pipeline across Turkish territory, indicate that Turkey is likely to remain a key economic partner for both countries as long as the war continues. Once the war ends, we believe Baghdad will maintain close economic ties to Ankara, but Iran's economic relations with Turkey will depend on the political climate between the two states as well as the status of the world oil market.

War-related events have caused both Iraq and Iran to broaden economic ties to Turkey. The destruction of Iraq's two oil export terminals on the Gulf early in the war and the shutdown of its pipeline through Syria in 1982 limited Baghdad's oil exports to the 600,000 b/d pipeline crossing Turkey. That pipeline was expanded to about 1 million b/d in 1984 and remained Iraq's only export outlet—other than about 100,000 b/d in truck exports—until September 1985, when the pipeline to Saudi Arabia began operation. Iran's major port at Bandar Khomeini was closed shortly after the war started, halting most Iranian imports through the Persian Gulf. This led Tehran to look to Turkey as a source of, and a transshipment point for, imports. Turkey now provides Iran's main overland transportation link to the West.

Turkey has used its strategic location and its willingness to accommodate the warring countries to increase its exports. In response to Iran's desire for barter deals, Ankara has entered into annual oil barter agreements with Tehran. Ankara's exports to Iran increased from \$45 million in 1978 to nearly \$1.1 billion in 1983, dropping to \$751 million in 1984. Even though it had large debts of its own, Ankara in 1983 began extending credit to Iraq after Baghdad

Table 1
Iran, Leading Suppliers, 1984

Million US \$

West Germany	2,280
Japan	1,692
United Kingdom	889
Turkey	750
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asked for deferred payment on imports. Turkish exports to Iraq have risen sharply, from an average of about \$50 million a year in the late 1970s to \$934 million in 1984, when Turkey became Iraq's largest supplier.

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The increase in oil prices in 1979 and 1980 prompted Ankara to seek ways of expanding exports to major oil suppliers to offset costlier oil imports. Higher exports to Iran and Iraq since 1980 have reduced Ankara's trade deficit with those countries, Turkey's largest oil suppliers, and have earned it much-needed foreign exchange. According to the US Embassy in Ankara, Turkey believes that better economic and political relations with Iran and Iraq will ensure oil supplies and make its southern and eastern borders more secure. Over the longer term, Ankara hopes to expand economic ties to other Islamic countries in the region by acting as a bridge between East and West.

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Iranian-Turkish Trade Talks

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During Turkish Prime Minister Ozal's trip to Tehran last month, bilateral trade for 1986 was targeted at \$3 billion. The centerpiece of the talks was an oil barter deal in which Ankara agreed to import about 120,000 b/d of Iranian oil during 1986 in exchange for Turkish goods—mostly foodstuffs, textiles, iron, and steel. The arrangement provides a market for Iran's

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Table 2
Iraq, Leading Suppliers, 1984

Million US \$

Turkey	934
West Germany	861
Japan	806
France	685

Table 3
Turkish Oil Suppliers, 1984

Barrels per day

Iran	147,000
Iraq	80,000
Libya	54,000
Saudi Arabia	20,000

oil and minimizes foreign exchange expenditures for imports. The agreement also allows Iran to obtain—through Turkish trading firms—goods from West European companies that do not want to deal directly with Tehran. Ozal also discussed Turkish participation in Iranian development projects and the possibility of an Iranian oil or gas pipeline across Turkish territory. [redacted]

Nonetheless, Ankara and Tehran failed to reach any long-term agreements. No joint construction projects were agreed upon, and, according to the US Embassy in Ankara, Iranian contractors in the private sector were unreceptive to their Turkish counterparts.

Market and feasibility studies are planned for the proposed Iranian gas and oil pipelines into Turkey, but we doubt that they will be built in the next few years because of weak energy prices and the cost of the projects. [redacted]

Iraqi-Turkish Oil and Financial Ties

Nearly 1 million b/d of Iraq's oil exports of about 1.45 million b/d flow through the Turkish-Iraqi pipeline. In addition, about 50,000 b/d is exported

Fortunes of Turkish Traders in Tehran Decline

Since the end of 1984, Turkish traders have used the Iran-Turkey countertrade agreement to act as middlemen for other exporters to Iran. The Turks received high commissions in exchange for circumventing restrictions Tehran had placed on import letters of credit. Until mid-1985 this system worked well as hundreds of European firms beat a path to the doors of Turkish trading companies in Tehran. Last fall, however, when frequent Iraqi attacks on Khark Island interrupted Iranian oil exports, Bank Markazi, Iran's central bank, put an end to the Turkish bonanza by extending restrictions on letters of credit to barter trade. Press reports indicate that many Iranian officials had become upset with the large profits—as high as 25 percent—earned by Turkish firms when they reexport European goods to Iran. When irate Turkish traders in Tehran went to the central bank office to complain about the new policy, they found the guards had orders to keep them out. Those who tried going up the back staircase or through adjoining buildings fared no better. Iranian central bank officers later claimed that the expanded restrictions were needed to maintain closer control of spending and that the Turks as a whole have not been frozen out—only those who supply low-priority goods. The good life for many Turkish merchants in Tehran, however, may be coming to an end. [redacted]

through Turkey by truck. Construction of the second phase of the Iraqi-Turkish pipeline started this month and will consist of a parallel line with a capacity of 500,000 b/d. The 640-km pipeline is scheduled for completion in May 1987 at an estimated cost of \$500 million. [redacted]

Turkey has also become an important oil customer of Iraq and uses its leverage as an outlet for Iraqi oil to obtain favorable terms from Baghdad. Imports of Iraqi oil in 1985 averaged about 100,000 b/d. The US Embassy reports that Turkey has the right to take considerably more or less Iraqi oil than the contracted

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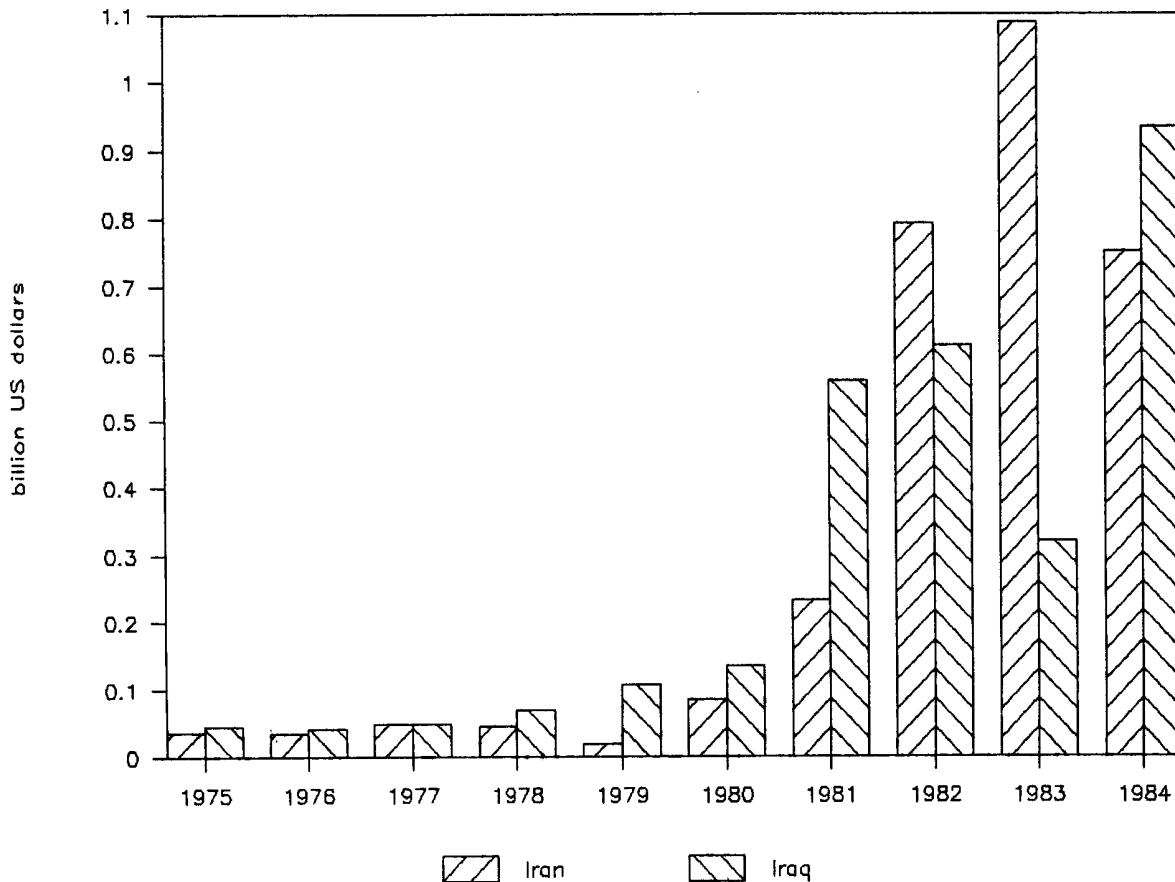
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Turkish Exports to Iran and Iraq



amounts. This has enabled Turkey to use Iraq as a "swing" supplier to balance Turkish demand with oil deliveries from other suppliers. [redacted]

Press reports indicate that Turkey has renewed a financial protocol for 1986 in which the Turkish central bank will provide 12-month credits to Turkish companies. This will cover about 70 percent of the value of goods exported to Iraq. Turkey already has about \$1 billion in trade credits outstanding to Baghdad. [redacted]

Outlook

The Turkish economic connection probably will remain important to Iran and Iraq as long as the war and financial pressures continue. Iraq will rely heavily

on Ankara as an oil export outlet until the second Saudi-Iraqi oil pipeline is completed sometime in early 1988. At the same time, Iraq will look to Ankara for continued trade credits and imports. On the basis of data through the third quarter of 1985, we believe Turkish exports to Iraq in 1985 will top \$1 billion. [redacted]

The weak oil market and Iran's need to minimize foreign exchange expenditures will push Tehran to maintain its barter relationship with Turkey, despite recent difficulties in the arrangement. Data through the third quarter of 1985 indicate that total trade

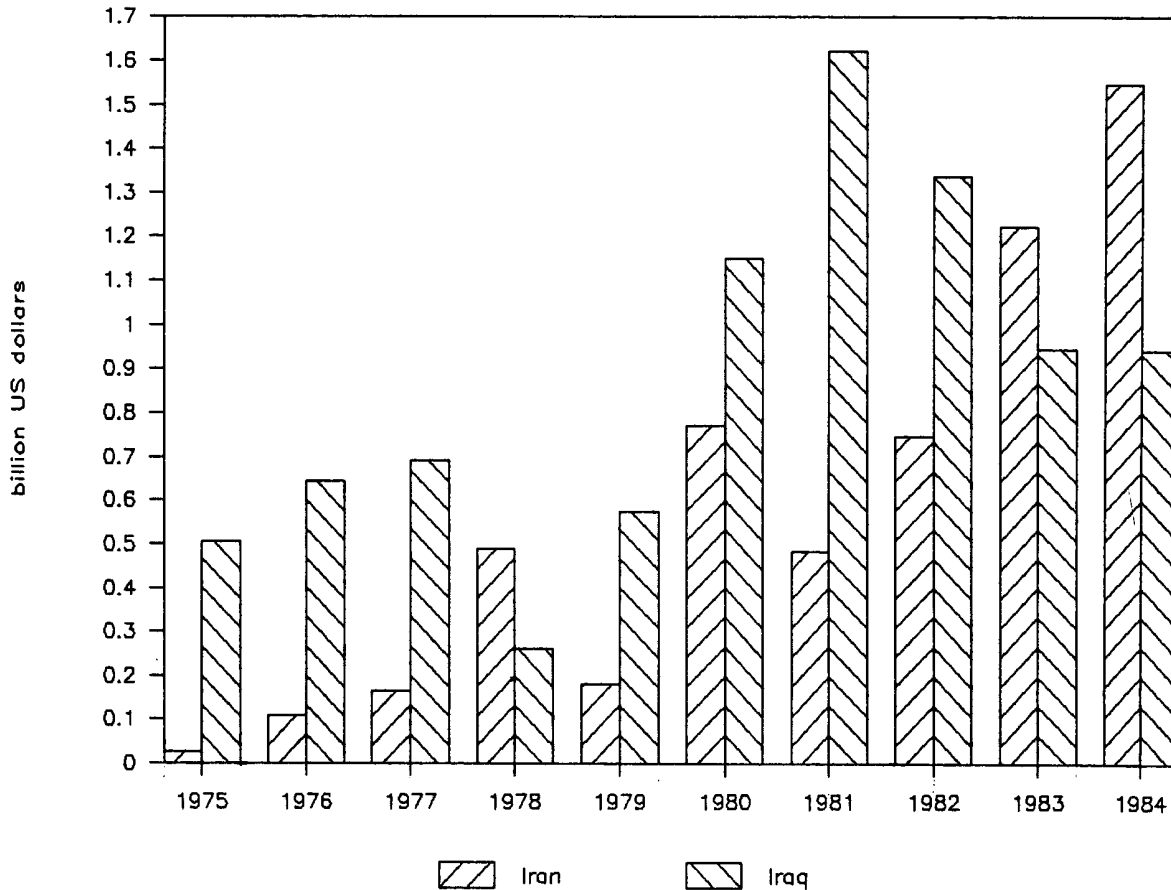
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Turkish Imports from Iran and Iraq



between Iran and Turkey will fall below the target of about \$2.5 billion because of Iranian import allocation and letter of credit delays, transportation problems, and Iraqi attacks on Khark Island this past fall that delayed Iranian loadings of Turkish oil tankers. These difficulties have not been fully solved and may hinder Iranian imports from Turkey in 1986. In addition, the recent sharp decline in oil prices has caused Turkey to press Iran for a price reduction, but Tehran has resisted, stating that a price cut could lead to lower imports of Turkish goods.

Turkey so far has successfully balanced its profitable relations with Tehran and Baghdad, although Ankara will continue to run the risk of being caught between the two combatants:

- In 1984 Iraqi warplanes attacked two Turkish oil tankers that were loading oil at Iran's Khark Island.
- Iraqi fighters intercepted a Turkish jet on its way to pick up the Turkish economic delegation that visited Tehran in early January, forcing the delegation to use Soviet airspace on its return trip.

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- Iranian helicopters attacked a Turkish oil tanker on its way to a Saudi port earlier this month. [redacted]

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After the war ends, Iraq and Turkey probably will maintain their mutually beneficial economic relationship, but the outlook for long-term economic links between Tehran and Ankara is less certain. The scope of Turkish-Iranian ties will depend on the oil market and the political climate between the two countries. If the oil market improves after the war, barter trade between Tehran and Ankara is likely to fall as Iran tries to sell more of its oil for cash. Tehran's political differences with Ankara are less likely to be minimized and could lead to cooler economic relations. [redacted]

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[redacted] some Iranian leaders favor spreading the Islamic revolution to Shia Muslims in eastern Turkey and supporting Kurdish and Armenian groups opposed to the Turkish Government. [redacted]

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[redacted]

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The Syrian Army Reserves: A Major Vulnerability for Damascus [redacted]

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When we raised the slogan of strategic balance (with Israel) several years ago, we realized that this does not only mean balancing a tank with a tank and a gun with a gun, but also all aspects of life—the political, manpower, social, cultural, economic, and military. Neglecting any of these aspects will inevitably create weakness. [redacted]

require additional reservists to replace combat losses. Currently, most of the Army's mechanized infantry divisions and independent brigades are at least 40 percent under strength. [redacted]

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*Syrian President Hafiz Assad
8 March 1986*

Although the Syrian Army is the largest standing peacetime army in the Middle East, most of its units are undermanned and will immediately require reservists in the event of war. [redacted]

Even divisions assigned to the Golan Heights apparently are relying upon reserve mobilization to fill their maneuver battalions, according to the US defense attache. Syrian artillery units regularly deploy with only two-thirds of their guns, the balance remaining in garrison evidently because of insufficient manning. Armor units receive first priority for trained personnel and have complete crews during training exercises, but mechanized infantry units are almost always under strength. Although the reserve manpower pool probably would have little difficulty meeting mechanized infantry unit requirements for infantrymen with only basic military training, these and other units have a growing need for more specialized personnel, such as antiaircraft artillery troops, surface-to-surface missile technicians, mechanics, and drivers of military vehicles. [redacted]

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[redacted] the Army's reserve system did not work well during the 1982 war in Lebanon and has improved only marginally since then. The Syrian Army reserve system's persistent organizational weaknesses and the small size of Syria's educated manpower pool increasingly threaten to undermine President Assad's goal of achieving strategic balance with Israel. [redacted]

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The Syrian Army has expanded considerably since 1982, adding three new divisions and creating a two-corps structure to improve its defensive posture on the Golan Heights and in Lebanon. This growth has not been matched by improvements in the callup system. The influx of technically advanced Soviet military equipment into Syria since the 1982 war in Lebanon, moreover, is taxing the Syrian military's ability to provide sufficient training on newer systems to its active-duty personnel, let alone to reservists. In addition, the military's requirement for more highly trained reservists will grow as it continues to absorb sophisticated Soviet weaponry. [redacted]

Mobilization, 1982

The confusion that resulted during extensive Syrian reserve callups in the early days of the war in Lebanon in 1982 underscored problems in the reserve system that, despite efforts at improvement, persist today. In early June 1982, for example, the Syrian armed forces command called up a large number of reservists through radiobroadcasts, but it failed to tell receiving stations what to do with arriving personnel, [redacted] One unprepared receiving station told reservists reporting for duty to find accommodations in Damascus—80 kilometers away—and to return the following morning. Many of the reservists, frustrated by the disorganization, left and never reported for duty. [redacted] [redacted] in mid-July about 150,000 reservists without weapons or uniforms were

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Army Reserve Requirements

[redacted] the Army would have to mobilize between 70,000 and 100,000 reservists to bring its units up to authorized wartime strength. Within the first several days of war, the Army would

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quartered in military camps. [redacted]
[redacted]

active duty are sometimes the first to be called up, regardless of their specialties, simply because they are easier for the Army to locate. Other reservists may not be called up for years at a time and probably forget most of what they learned on active duty. Since reservists need not report if they do not see the callup order, many bribe the police to destroy the notice, while others hide or temporarily leave the country.

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In the days before the war, the military's demand for reservists depleted the civilian sector of many of its already inadequate numbers of educated personnel. In early May 1982—several months before new Soviet military equipment began to arrive—the Syrian armed forces mobilized nearly 15,000 reservists who were professors or schoolteachers in civilian life or who had advanced degrees. [redacted]

High-Tech Military in a Low-Tech Society

The Syrian military as a whole is having serious difficulty locating educated young people and, consequently, has been unable to effectively absorb newer weapon systems. Problems in the air defense forces illustrate the scope of the manpower dilemma.

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[redacted] These reservists apparently were summoned regardless of when they had last received military training and were not released from service until mid-October. Their absence from the civilian sector strained the Syrian educational system.

[redacted]

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Callup Procedures

The Syrian military attempted to revise the mobilization system as a result of the problems that occurred during callups at the outset of the 1982 war. The system currently is intended to call up 100,000 or more reservists with needed military occupational specialties to fill out existing units, [redacted]

[redacted] Given that car ownership is a luxury in Syrian society, the Army probably is having difficulty training enough drivers to operate the hundreds of tanks, armored personnel carriers, and other tracked vehicles delivered since 1982. [redacted]

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[redacted] All reservists have fulfilled two and a half years of mandatory active duty and generally are between 22 and 40 years old. Theoretically, those reservists who most recently have been discharged from active duty are not called up for training. During peacetime, the callup order usually is issued to reservists at their homes or workplaces by the police or local village chiefs. Reserve duty usually is for a period of about three months. In the event of a crisis, the callup is made by radio and television broadcasts, using codewords to denote units and regions affected.

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The proliferation of new weapon systems has further complicated the tasks of Syrian division and brigade commanders who have not yet mastered combined-arms operations with their older military equipment—suggesting that their proficiency may be slipping.

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The reserve system's disorganized and frequently corrupt callup procedures and its apparent inability to keep accurate personnel files undermine the Army's capability to rapidly and effectively mobilize reservists during a crisis. Morale among reservists is predictably low, at least during peacetime callups, in part because of the inequities in callup practices. Reservists who have recently been discharged from

Implications

Problems associated with earlier large-scale reserve callups suggest that, in the event of sudden hostilities with Israel, the Syrian military might be unable to mobilize available reservists with needed skills in time to fill out and support frontline units. The limited

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geographical arena of likely future battlefields, combined with superior Israeli combat power, could limit the conflict to a few days. To be effective under such circumstances, a Syrian reserve callup would have to mobilize reservists to support frontline units before or within the first day of any fighting, and reservists assigned to secondary echelons probably would have little more time to report. The confusion that occurred as a result of callups before and during the 1982 war in Lebanon and the infrequency of subsequent callups indicate that a wartime mobilization effort could fail to rapidly place reservists in units where their skills are most needed.

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**Southern Lebanon:
The Shia Crucible** [redacted]

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The continuing growth of Shia extremism and reinfiltration of Palestinian guerrillas are likely to worsen political instability in southern Lebanon over the next year and intensify sharply the cycle of violence between Israeli forces and their enemies across the border. Israel's sweep operation last month increased the strength of the radical Shia Hizballah and helped erode the power of more moderate Amal militia leaders, who are feeling rising pressure from fundamentalist opponents throughout Lebanon. Shia radicals have demonstrated that they are determined and able to provoke the Israelis to mount retaliatory actions that radicalize the population and attract new recruits into the Hizballah. Cross-border attacks into northern Israel almost certainly will multiply as order deteriorates in the south. [redacted]

The Hizballah has been gaining ground in southern Lebanon for the past year at the expense of Amal. Fundamentalist leaders are pursuing an aggressive campaign of political, military, economic, and religious activities aimed at winning the support of the Shia population. Local clerics, who wield substantial influence in their villages, use Friday sermons to preach the political propaganda of the fundamentalists, including activism against Israel and for an Islamic revolution in Lebanon. [redacted]

Hizballah leaders are spending considerable amounts of Iranian-supplied money to win popular support in the south. Projects funded by the radical organization include rebuilding homes destroyed by the Israelis, constructing schools and mosques, paving roads, delivering food and medicine from Iran, providing scholarships for Shia students, and establishing a welfare system for the poor. UN officials in the south report that the Hizballah pays its soldiers and officials significantly more than the amount customary in Amal and other Lebanese organizations. [redacted]

Hizballah paramilitary leaders continue to expand their network of garrisons, training centers, and arms caches in the south. The guerrilla organization

contains both overt militia elements and underground cells that conduct specific operations. [redacted]

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[redacted] Hizballah is steadily achieving dominance on a village-by-village basis of areas in southern Lebanon formerly under Amal control. The Israelis recognize that Amal has proved unable to stem the growth of the highly compartmented organization and that key Amal leaders have become Hizballah sympathizers. [redacted]

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Israel's Latest Sweep: A Boost for Radicals

The Israeli sweep operation last month strengthened the Hizballah at the expense of Amal. Although the Israelis claim that they sought to avoid clashes with Amal during the operation, a wide range of guerrilla organizations—including many Amal cells—became involved in the fighting. Amal even claims to have lost an important militia commander. Leaders of the group told a UN official that the operation was “killing” them, and an Amal commander in the south said that the sweep had negated Amal's efforts to stabilize the area. [redacted]

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Moreover, the Israeli action prompted a mobilization of the Hizballah network in the south and an increase in Hizballah recruitment. [redacted]

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[redacted] the Hizballah sent large numbers of guerrillas and substantial quantities of arms and ammunition from the Bekaa Valley and Beirut to southern Lebanon during the sweep. The press reports that radical Shia leaders have set up an office in Tyre to recruit suicide squads. [redacted]

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The Israeli Dilemma: How To Avoid Overreaction

The Israelis face difficult dilemmas in the south. Israeli officials admit that strong military reactions to Shia attacks radicalize the Shia population and strengthen the Hizballah's hand. But domestic political demands to ensure the security of Israel's northern border dictate that the attacks cannot be ignored. Israel has tried to minimize the long-term

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Israeli armored vehicle seals off southern Lebanese village during recent sweep. an-Nahar

risk an escalation in attacks on Israel's northern settlements—a move certain to increase domestic criticism. [redacted]

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Palestinian Activities

Palestinian guerrilla organizations are rebuilding their networks in southern Lebanon. [redacted] both [redacted] pro-Arafat and pro-Syrian Palestinian groups are reinfiltrating men and equipment into the Sidon area. Most estimates for the number of Palestinian fighters throughout southern Lebanon range from 1,000 to 2,000. Palestinian leaders are confident that their organizations can thrive in the anarchic environment of Lebanon and view the south as their only viable base of operations against Israel. [redacted]

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negative impact of its operations in the south by limiting the length of the operations and by disciplining those forces that overreact. [redacted]

Amal leaders are trying to curtail Palestinian activities in the south, but cooperation between Palestinian fighters and Hizballah members is thwarting Amal's efforts. [redacted]

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Despite the negative impact of these operations, Israeli leaders believe that periodic punitive actions are necessary to drive home to the Lebanese the fact that Israel will not tolerate an escalation of violence in the south. Furthermore, they believe that Israel must underscore that continued Hizballah attacks on Israel will result in Israeli reprisals—with the southern Lebanese the inevitable losers. [redacted]

[redacted] Palestinian organizations provide money and training to the Hizballah in return for tactical cooperation and free passage through areas under the control of the radical Shias. [redacted]

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Israel's surrogate Lebanese militia—the Army of South Lebanon (ASL)—is much more ruthless and insensitive to Shia concerns than Israeli troops. In the recent sweep operation, ASL troops were responsible for most if not all of the brutality against Shia civilians. Despite efforts to attract Shia recruits, the ASL is largely a Christian force. Because Israeli advisers work closely with the 1,000 to 1,500 ASL troops, local residents often implicate Israel in atrocities committed by the ASL, which further incites anti-Israeli sentiment. [redacted]

Many of the hardline Palestinian guerrilla groups are committed to mounting cross-border operations against northern Israel. Paramilitary teams from the DFLP and the PFLP-GC, among others, have been caught crossing the border in recent months. Israeli officials believe Palestinians may have played a role in the Hizballah ambush last month in which two Israeli soldiers were captured, according to the US Embassy in Tel Aviv. [redacted]

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Syria: Working Behind the Scenes

Syria, which backs Amal, is not eager to see Hizballah influence grow in the south, but it nonetheless favors more anti-Israeli activity by Shias. Damascus is determined to eliminate the ASL and force the Israelis to withdraw completely from their security zone. [redacted]

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Israel, however, sees no alternative to relying on the ASL to police the zone. Israeli leaders are unwilling to commit increasing numbers of their own troops to the area, thereby risking increased Israeli casualties. They are equally unwilling to abandon the zone and

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Photo published by Hizballah newspaper allegedly showing two captured Israeli soldiers. al-Ahid



Damascus is trying to bolster the Amal militia with arms and training but does not have sufficient assets in southern Lebanon to assure an eventual Amal victory over the fundamentalists there. Syria maintains no military units in the south, and its influence is limited to proxies such as Amal and leftist and Palestinian militias, many of which cooperate with the Hizballah against Syrian wishes. The Syrian supply of heavy equipment, such as tanks to Amal, has had little impact on the struggle for Shia "hearts and minds."

Damascus could do more to control the flow of men and materiel from the Bekaa Valley to the Hizballah in the south, but it has been reluctant to do so for fear of damaging its relationship with Tehran. Shia extremists in the south have little trouble resupplying their units through other routes.



Damascus, in the final analysis, could crack down on the Hizballah throughout Lebanon and close its supply line to Iran via Damascus. Such a move, however, would probably precipitate a full-scale crisis with Iran that Syria will seek to avoid unless absolutely necessary. 25X1

Outlook

Amal appears numerically stronger than the Hizballah in the south, but the trend clearly favors the fundamentalists. Although many southern Shias disapprove of religious fanaticism and seek only to live in peace, the continuing Israeli occupation of the security zone and frequent shelling of Shia villages by the ASL are radicalizing the population. The Hizballah is cultivating an image of aggressiveness and activism, which contrasts with the widespread perception of Amal as lethargic and corrupt. 25X1

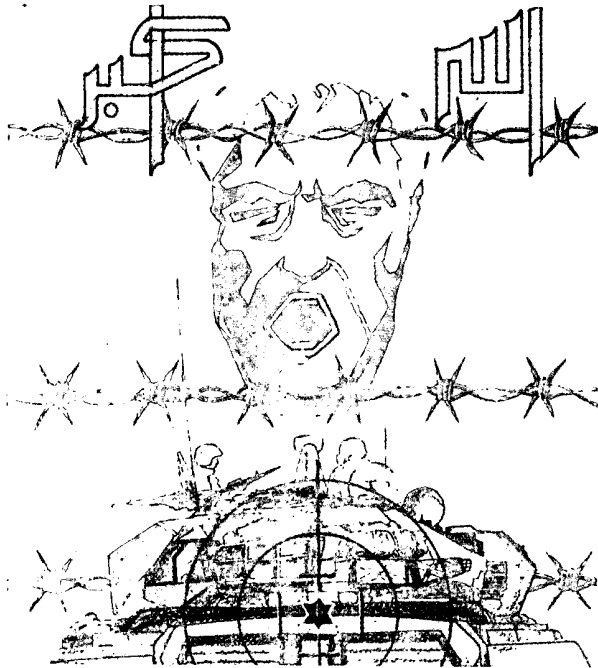
The Hizballah has a vested interest in keeping the pot boiling in southern Lebanon and is likely to step up its violence against Israeli and ASL forces. Last month's events demonstrated to radical Shias that they can manipulate Tel Aviv to their advantage through aggressive guerrilla actions such as ambushes in the security zone. Israel's seizures during the sweep—which included 60 to 80 Hizballah prisoners and large quantities of military materiel—will be only a temporary setback for the radicals. Moreover, the prolonged detention of Shia prisoners, either in the security zone or in Israel, is likely to boost the Hizballah's image. 25X1

Cooperation between the Hizballah and Palestinian groups almost certainly will enable them to intensify cross-border operations—especially rocket attacks—into northern Israel in the coming months. Both groups seek to "carry the struggle to Jerusalem" and view a tactical alliance as mutually beneficial. This coalition poses a direct challenge to Amal's authority in the south and will make it even more difficult for Amal to regain the ground it has lost. 25X1

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Anti-Israeli cartoon in Hizballah newspaper. al-Ahid

In our judgment, the daily presence of the ASL and some 1,000 Israeli troops in the security zone provides the Hizballah and its Palestinian allies their most useful rallying point against Amal's moderation. Syrian Vice President Khaddam recently told the US Embassy in Damascus that Amal, with Syrian assistance, could prevent the cross-border war from intensifying if the Israelis abandoned their security zone in the south. Although Amal probably could not prevent every cross-border attempt by radical elements, it would be in a considerably stronger position to do so if the Israelis withdrew.

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Amal, however, refuses to talk directly with the Israelis or publicly guarantee border security. Even if Amal were willing to do so, Israel would be unlikely to give up the ASL and the security zone in favor of relying on the vagaries of Lebanese politics and Amal's good intentions.

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Amal moderates will increasingly be forced to embrace radical positions to survive in the changing political climate of the south.

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many Amal members are becoming more sympathetic to cross-border operations against Israel. Usually moderate Amal leaders, including Nabih Barri and Da'ud Da'ud, have begun to incorporate hardline rhetoric into their speeches. We believe most Amal leaders will adjust their attitudes to reflect the militancy of the southern Shia population.

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The UN peacekeeping force, UNIFIL, cannot halt the deterioration in local order, and the violence in southern Lebanon is likely to gain momentum regardless of whether UNIFIL withdraws when its mandate expires in April. None of the guerrilla groups views UNIFIL as a military obstacle. Its departure may provide a psychological boost to militia leaders intent on pressing their campaign against Israel and its surrogates. It could also set off a power struggle between the Shias and ASL as they seek to occupy UNIFIL positions.

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Israel: Formulating an Energy Policy [redacted]

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Since the return of the Sinai oil and gas fields to Egypt in the early 1980s, Israel has had to satisfy almost all its energy needs by purchasing fuels abroad. But, in recent months, Israeli leaders have outlined new energy policy guidelines in hopes of lessening the country's economic and strategic vulnerabilities by minimizing energy costs and reducing dependence on imported fuel. To accomplish these goals, the Israelis aim to substitute coal for oil in electricity production, to revamp oil exploration policy, and to step up research and development of alternative energy resources. The switch to alternative energy sources, however, will take time, and, in the short run, the Israeli economy will remain heavily dependent on imported oil. The recent declines in world oil prices—although beneficial to the economy—will undercut efforts by the government to encourage the private sector to develop alternative energy sources. [redacted]

Oil

During the past decade, the government has been the primary force behind oil exploration, helping to finance every drilling operation initiated during this period. Between 1975 and 1984 the government provided about \$95 million of the \$250 million invested in oil exploration. To date, however, no deposits worthy of commercial development have been discovered. [redacted]

This lack of success and the accumulation of inadequately analyzed geological data recently prompted Energy Minister Shahal to change the government's oil exploration policy. According to his new directive, the Ministry will not give new grants or loans for oil exploration but will focus on analyzing existing geological data and encourage oil companies to do likewise. Furthermore, government-sponsored oil and gas drilling activity will be suspended until 1987. [redacted]

Several private projects are continuing. For example, the "Negev Venture in Oil Exploration"—sponsored by a group of US investors—is searching for oil in the central Negev, while the Jordan Rift Valley Exploration Project is searching the Dead Sea area. Further private efforts to explore promising areas—such as the continental shelf and the area around Tel Aviv—hinge on the government's willingness to provide oil companies with analyzed geological data and to assure adequate returns on investments, possibly by subsidizing production. [redacted]

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The government may be hard pressed to guarantee adequate returns, however, in the light of declining world oil prices. Although low oil prices benefit the Israeli economy, they do not encourage new oil exploration. In addition, Israeli success in diversifying oil supplies by securing long-term contracts with Mexico, Egypt, and Norway has reduced the near-term threat of supply interruptions. [redacted]

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25X1**Coal**

Israel had no coal-fired operations in 1980, but it now produces about half of its electricity from coal. Annual coal imports have grown to an estimated 3.2 million tons in 1985 and have helped cut oil imports by an estimated 25 percent from peak 1982 consumption levels. Additional coal-fired, coastal-based electrical plants are planned to be in operation by the late 1990s. Furthermore, the government plans to convert the cement and other public-sector industries to coal, hoping to set an example for the private sector. [redacted]

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Israel over the years has established relationships with several coal-supplying nations. Sixty-five percent of Israel's coal comes from South Africa, 15 percent from Australia, 10 percent from the United States, and the rest mostly from the United Kingdom. [redacted]

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A recent agreement between Israel and Poland calls for Israel to import 50,000 tons of coal—through an Austrian third party—during the first half of 1986. The coal will be used experimentally at the Hadera power plant, and, if the Israeli Electric Company finds the quality acceptable, it will continue to purchase coal from Poland. Poland is to be paid with Israeli goods for half of the consignment. [redacted]

sulfur, and ammonia, that could lower the estimated \$31 per barrel production cost to \$25 to 30 per barrel. Such a plant would save the economy an estimated \$100-200 million annually in foreign currency. [redacted]

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The decision whether to build a full-scale plant will depend on world oil prices. With prices currently below \$20 per barrel, the synthetic oil from shale is too costly to produce. [redacted]

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A planned agreement between Israel and Colombia—which would have allowed Israel to import 5 million tons of coal over a five-year period commencing in 1985—fell through last year. The deal was worth about \$200 million but failed to materialize because the Israeli Electric Company sampled the coal from Carbocol—Colombia's state coal concern—found it to be of poor quality, and rejected it. According to the US Embassy in Bogota, the negotiations were further complicated by Carbocol's rejection of a bilateral trade agreement as a means of payment. [redacted]

Further development efforts, including the offer by a US company to build a direct-burning oil shale plant for electricity generation, point to other long-run options. The proposed plant would sell electricity to Israel at a guaranteed rate and, after 12 years, would be turned over to Israel. According to the US Embassy in Tel Aviv, negotiations are still under way to determine the price of electricity from the plant. [redacted]

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Oil Shale

Israel is looking to oil shale as a possible energy resource. Shale reserves are estimated at 10-11 billion tons, the equivalent of 4-5 billion barrels of oil. In 1981 the Ministry of Energy formed PAMA, a semigovernment corporation linking six major Israeli energy firms, to exploit the shale resources. PAMA's feasibility studies show that, despite the expensive extraction process involved, synthetic oil from shale could compete with imported oil, but only at prices above \$30 per barrel. Furthermore, the direct combustion of oil shale—burning it to produce steam—appears to be more cost effective than burning imported coal. [redacted]

The Nuclear Option

The Israelis also are increasing research on the feasibility of nuclear power. On the development side, the Israeli Electric Company has chosen a 6-square-kilometer site in the Negev for a future nuclear plant. The company chose the isolated site after reviewing geological data from various government ministries and spending approximately \$8 million on a detailed site survey. [redacted]

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To demonstrate the competitiveness of oil shale, PAMA is building an experimental plant in the Negev to produce synthetic oil. The plant is expected to cost \$17 million and may be followed by another demonstration plant. [redacted]

With neither the financial resources to build nor the fuel to run a nuclear power plant, Israel must rely on acquiring the technology from a small group of countries that have succeeded in building nuclear power plants and are willing to supply fuel. Israel would like to buy two 900-MW nuclear units from a US supplier, but sales are blocked by Israel's opposition to signing the Nuclear Non-Proliferation Treaty—a condition imposed on recipients of US nuclear technology—and putting all its nuclear installations under international safeguards. Israel has approached several other countries—including Canada, France, Spain, the United Kingdom, and West Germany—regarding the sale of a nuclear reactor, but serious discussions have developed only with France. [redacted]

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A full-scale oil shale plant—which PAMA plans to begin building by 1990—would cost at least \$1.2 billion by company estimates, on the basis of currently available technology. The plant could process 84,000 tons of shale into 18,000 barrels of oil per day and would produce various byproducts, such as electricity,

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A deal between Israel and the French atomic energy firm Framatome was apparently reached in early 1985, only to be shelved by the French Government several months later. The deal called for Framatome to provide Israel with two 950-MW nuclear units at a cost of \$3.5 billion along with the necessary nuclear fuel. Saudi Arabia's linkage of purchases of French-made fighter aircraft to the termination of nuclear talks with Israel may have forced France to cancel the deal. [redacted]

These gains may be short lived, however, if world oil markets rebound. To capitalize on the current world oil situation, the government should press ahead with greater efforts toward energy conservation—which has been lagging in Israel—and reduce, where possible, remaining subsidies on energy consumption. By removing subsidies on energy products, the economy would have a greater incentive to allocate resources more efficiently in response to new, more realistic energy prices. Given the fiscal restraints on government spending, the private sector also must move ahead aggressively on energy substitution and developing commercial-scale alternative energy plants. [redacted]

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Wind and Solar Energy: Natural Alternatives?

Wind could provide a significant new energy source for Israel. Two wind turbines are already in operation, and a third demonstration unit is planned. Current government studies are searching for the best sites for additional turbines that would sell electricity to the Israeli Electric Company at commercially viable rates. [redacted]

[redacted]

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[redacted] the prospects for wind energy are favorable, with a possibility that wind could be used to generate 5 percent of Israel's electricity by the year 2000. [redacted]

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Funding appears to be the major stumblingblock to wider use of wind energy. The Energy Ministry is continuing to court potential private investors and also is working with local companies and organizations that could build and maintain wind farms. [redacted]

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Contrary to the slow development of wind energy sources, solar energy is already used for domestic water heating by over 70 percent of Israeli households. By implementing other advances in solar technology—such as solar-powered industrial hot water and steam and large-scale solar farms and solar ponds capable of providing energy to whole communities—Israel could move further ahead in its quest for energy self-sufficiency. [redacted]

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Outlook

For the near term, the Israeli economy will remain deeply dependent on imported oil. This dependence saddled the economy with an estimated \$1.2 billion oil bill in 1985. For 1986, however, the oil bill will drop, with further coal substitution and world oil prices, below \$20 per barrel. This would translate into a potential saving of as much as \$600 million. [redacted]

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Libya: Impact of US Sanctions [redacted]

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US sanctions have disrupted some Libyan oil exports by increasing marketing difficulties and have adversely affected agriculture and selected development projects. Nonetheless, US actions probably have bought Libyan leader Qadhafi a respite from antiregime activity that had spread to his security forces and his inner circle of advisers by the end of last year. Qadhafi can be expected to be aggressive in looking for ways to circumvent US economic measures and strike out at US or Western interests, including possible terrorist operations targeting Saudi Arabian oil facilities. The current drop in oil prices, however, will limit the Libyan leader's ability to redress domestic grievances and will provide a focal point for his opponents to gain popular support. [redacted]

- *France* apparently has stopped shipments of spare parts for civilian aircraft because of recent Libyan military activity in Chad.
- *Other West European states and Japan* have only advised domestic firms not to fill in for US companies or have taken no action. In many cases, this advice is having little impact. In the United Kingdom, for example, the Confederation of British Industries last month reaffirmed its longstanding policy that trade should be carried out on the basis of commercial considerations. [redacted]

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Filling the Gap

Qadhafi may be going on the economic offensive to circumvent US sanctions. [redacted]

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Allied Response to US Sanctions

US allies in Western Europe and Asia have expressed sympathy for US sanctions against Libya and have agreed to stop exports of arms to Libya. Moreover, most have publicly discouraged their domestic firms from filling in for US businesses. But only Canada, Italy, France, and West Germany have limited nonmilitary economic relations with Libya. None of our allies have implemented broad sanctions similar to those imposed by the United States. Many countries have publicly refused to do so. In addition, no foreign countries have instituted legal measures to prohibit private firms from filling in for US companies:

- *Italy* has prohibited public firms from filling in and is pressing private firms to go along. All military trade with Tripoli is suspended until further notice. Rome admits, however, that it has little control over smaller Italian firms who may be eager to do business with Libya.
- *Canada and West Germany* also are taking some meaningful steps. Ottawa canceled export insurance for firms doing business with Libya and is banning the sale of some petroleum-related equipment. Bonn will not provide export credit guarantees to firms that are filling in for US firms.

[redacted]

[redacted] Tripoli may put additional pressure on wealthy Arab states for financial assistance if cash flow difficulties become acute. So far, Qadhafi's requests for Arab support have fallen on deaf ears. [redacted]

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[redacted] some foreign firms are filling in for US companies, but details are sketchy, making it difficult to determine whether a specific company's activity is an effort to undercut US sanctions or part of a continuing business relationship.

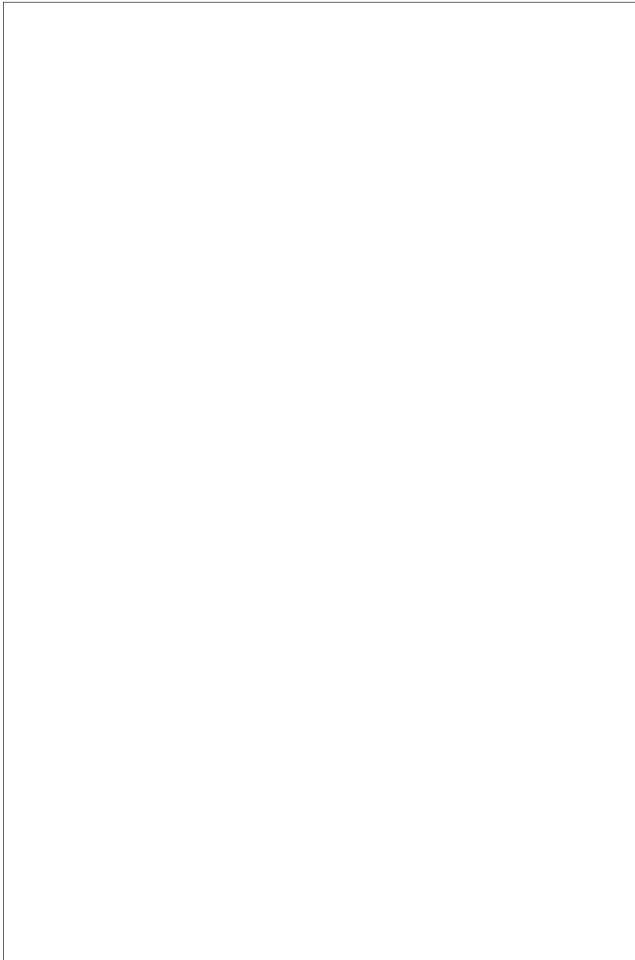
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[redacted] US service companies and most US technicians are being replaced by firms and personnel from the United Kingdom, France, and West Germany. [redacted]

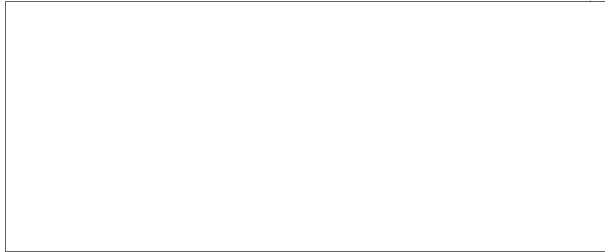
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Impact on the Oil Industry



Libya, however, is experiencing some difficulty marketing its oil because of the soft oil market.

[redacted] Libyan oil production may have fallen by as much as 200,000 barrels per day in the last month, to about 1 million b/d. Tripoli is attempting to negotiate netback pricing deals, primarily with Mediterranean refiners, to sell oil previously lifted by US companies. A further drop in exports is possible in the current glutted oil market, however, because sales will be difficult without sharp price discounts. By midyear, Tripoli may be able to make up most of the sales lost because of US sanctions by increasing crude product exports from the Ra's al Unuf refinery and by distributing more products in Italy from Libya's recently purchased TAMOIL refinery. [redacted]

[redacted] US companies in Libya are complying with the law and have stopped all liftings. [redacted] US restrictions have delayed some petroleum-related projects but caused no serious disruption in oilfield operations. We believe most US citizens have left Libya; an estimated 200 US citizens remain because of family ties. Moreover, the freeze on Libyan financial assets has prevented Tripoli from collecting some \$150 million for oil sold in December. [redacted]

We believe that declining business opportunities worldwide, especially for oil service companies, will cause more foreign firms to pursue openings left by US companies. Foreign firms, including several from South Korea, Spain, and Japan, have expressed interest in—or have actually replaced—previous US contracts for civil engineering and construction projects in Libya, such as the Great Manmade River project. [redacted]

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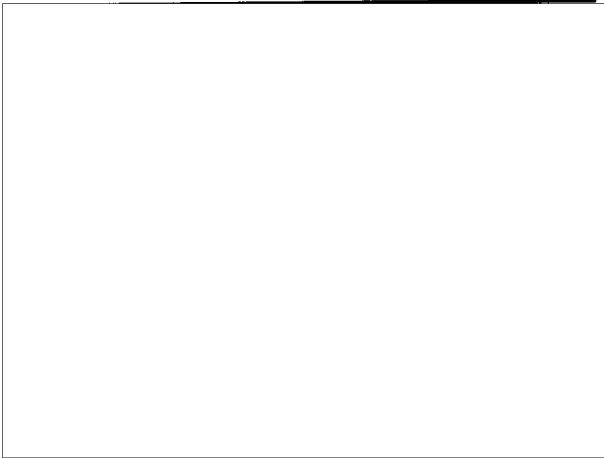
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worsen the nationwide food shortage. Moreover, [redacted] 25X1
[redacted] poor rations during the 25X1
prolonged military alert in response to US naval
operations reduced morale in some military units,
causing some soldiers to solicit food from relatives.

[redacted] 25X1

The confrontation with the United States has also
provided Libyan leader Qadhafi with a brief respite
from the deterioration of his internal position.

[redacted] Qadhafi's senior 25X1
advisers have suspended their factional infighting.

Potential coup plotters probably will lie low to avoid
being identified as US puppets. At the same time,
Qadhafi has been unable to use the current tensions
with Washington to expand his dwindling domestic
support, and basic popular grievances against the
regime remain. [redacted] 25X1

Libya's increasingly tough posture toward the US
producing companies probably is an indication that
Tripoli realizes they must be replaced. [redacted]

[redacted] Libyan oil officials, for example, have
stopped communicating with US oil producers except
through telex messages—suggesting that Libya wants
documentation for legal proceedings against the US
producers. Firms from several countries, including
Argentina, Austria, Italy, and Hungary, are
interested in taking over US oil concessions in Libya.
With US producing companies unable to sell their
assets to foreign firms or subsidiaries, Libya will try
to buy out the US concessions on attractive terms.
Seizure would be a last resort because it would
damage Tripoli's reputation with foreign companies
and limit chances for a profitable resale of US
concessions to foreign interests. [redacted]

Outlook 25X1

In a recent speech to the Libyan General People's
Congress, Qadhafi declared that Libya had "won" its
confrontation with the United States and reiterated
his determination to defend the Gulf of Sidra. The
General People's Congress also issued resolutions
calling for economic sanctions against the United
States and continued support for "liberation
movements." Although many of Qadhafi's comments
seem defensive, the lack of US military action against
Libya almost certainly has bolstered Qadhafi's
conviction that he has once again weathered the crisis
with Washington. Qadhafi may well choose to pursue
a more aggressive policy—including terrorist
activities—against US and Western interests,
especially if he can conceal his hand by operating
through anti-Arafat Palestinians or other radical
regimes. At the same time, once Qadhafi's opponents
perceive that the US military threat to Libya has
receded, serious antiregime sentiment—fueled by
declining revenues—is likely to reemerge. [redacted] 25X1

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The Domestic Impact of US Sanctions ¹

US sanctions have contributed to growing popular
grievances by reducing Qadhafi's room to maneuver.
The assets freeze caught the regime offguard, denying
it access to at least \$750 million in deposits and
blocked oil receipts—13 percent of yearend financial
reserves. [redacted] US
sanctions have precluded Libya from purchasing 800
metric tons of US seed, which could reduce vegetable
and grain production by 15 percent this year and

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[redacted] 25X1

Soft oil market conditions pose the greatest threat to
the Libyan economy and probably to the regime.
While a \$20 per barrel oil price this year probably
would have little impact on the economy if current

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export levels can be maintained, an average price of \$15 per barrel would confront Tripoli with difficult and politically risky choices. The oil glut will make it even harder for Tripoli to maintain oil barter arrangements with the Soviets, the Italians, and others who are owed some \$4 billion. Mandatory import reductions at the \$15 per barrel price almost certainly would cause domestic discontent to reach threatening levels and force Qadhafi to rely even more heavily on the use of repression and security forces to remain in power.

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**Morocco: Driss Basri,
the King's Man** [redacted]

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Driss Basri, 47, is the second most influential man in Morocco. He is in charge of the politically sensitive Information Ministry as well as the Interior Ministry, which controls the police, the security and intelligence services, and the civil guard. Although he is ambitious and ruthless, he lacks a power base of his own and appears loyal and committed to the monarchy. [redacted]



Driss Basri [redacted]

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The Outsider on the Inside

Basri did not come out of the military and has no personal base of family, ethnic, or tribal power, [redacted] Yet he has risen rapidly to power. In 1966 he came in contact with Gen. Ahmed Dlimi—King Hassan's key military and intelligence adviser—and established a solid friendship with him. The two men, Arabs in an environment traditionally dominated by Berbers, helped advance each other's careers. Nevertheless, both men—ruthless and intelligent—competed for power. Hassan did little to discourage their rivalry, probably because he did not fully trust Dlimi. [redacted]

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[redacted] In 1983 Dlimi died in a suspicious car accident that, according to a [redacted] may have been at Basri's instigation. Basri has gradually assumed Dlimi's position as adviser to the King. [redacted]

The King is an astute judge of those who work for him, and he almost certainly recognizes that Basri is ambitious and power hungry. Hassan has probably advanced Basri's career because he recognizes that Basri has no independent base of support and depends on the crown's backing. We believe that the King is generally correct in his assessment. Basri clearly enjoys his role as number-two man and has little incentive to challenge Hassan. We believe, however, that Basri might try to defend himself if he sensed that he was slipping out of Hassan's favor. Basri has used the ample royal patronage at his disposal to increase his influence with other Moroccan officials, and we believe he might intrigue against Hassan if he believed he was on the way out. For now, however, Hassan and Basri appear to have a good working relationship, and we anticipate that Basri will continue as a loyal and efficient royal administrator for the foreseeable future. [redacted]

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Basri: Number-Two Man

As Minister of the Interior, Basri is responsible for internal security and has direct authority over the provincial governors, the national police, and the internal intelligence service. His position provides him with ex officio membership on the national security directorate composed of the senior commanders of all Moroccan intelligence, police, and military organizations. Moreover, he has an important say over the gendarmerie and the paramilitary forces used to quell internal disturbances. In November he received another sign of royal favor and a further extension of his influence when Hassan named him to be Information Minister. [redacted]

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Pakistani Views on the Bomb []

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A rare public discussion of Pakistan's nuclear weapons policy suggests that for many Pakistanis the overriding consideration in decisions about nuclear weapons is whether they will prevent a war with India. []

destruction of Pakistan, concluded that Pakistan should not build a weapon. The only panelist who saw India and Pakistan eventually living in friendship said there would be "no harm in building a nuclear bomb or two." []

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A panel discussion arranged by the Pakistani newspaper *Nawa-i-Waqt*,¹ which in the past has advocated development of a nuclear weapons capability, also calls into question certain assumptions—[]

- [] by suggesting that:
- Not all Pakistanis who believe in hostile Indian intentions necessarily favor a nuclear deterrent.
 - Some in Pakistan are opposed to nuclear weapons.
 - A concern for ensuring access to foreign conventional weapons is not necessarily of major importance in determining Pakistani nuclear policy.
 - Some Pakistanis are not convinced that a nuclear test would be counterproductive. []

A Nuclear Deterrent

The central issue for the panel was whether Pakistan's possession of nuclear weapons would prevent an Indian attack. No panelist said anything to suggest that Pakistan could win a nuclear war with India, and panelists on both sides of the deterrent issue believed that India would have a larger nuclear arsenal than Pakistan. The major general, an advocate of nuclear weapons, stated that Pakistan needed an inventory only one-tenth as large as India's to achieve deterrence. []

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There is no way to judge from this panel discussion whether such views have significant support in government circles, among the military, and with the public at large, but the discussion indicates that both the deterrent and the testing issues may be less settled than many had assumed. []

Three panelists argued that nuclear weapons have prevented war between the United States and the USSR and would have the same effect in South Asia. One of them saw nuclear arms as the only way to prevent Indian aggression. They did not explain how deterrence would work and seemed to argue that Pakistani possession of nuclear arms, without much regard to the nuclear balance or to delivery systems, would be enough to deter India. Presumably, they believe that, even though India could win a nuclear war, New Delhi would regard the cost of even a few nuclear detonations in India as too high. []

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Indian Intentions

The panelists' assessments of Indian intentions did not determine their views on nuclear policy. Six of the seven panelists either said or implied that India would continue to be hostile. The two panelists who were most adamant about hostile Indian intentions—an opposition politician and a retired major general—were also the most convinced that nuclear weapons would be a deterrent. Another panelist, however, after implying that India's long-range goal is the

Three other panelists argued that nuclear arms would not save Pakistan. One of them, nevertheless, wanted to keep the nuclear weapons option open. []
[] Pakistani nuclear weapons would not prevent India from trying to defeat Pakistan with conventional arms, because Pakistan would suffer far more than India in any nuclear exchange. Another panelist questioned whether the country should waste money on arms—conventional or nuclear—that would not prevent an

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¹ Three of the seven panelists—Air Marshal Zafar Chaudhary, Pakistan Musawat Party leader Hanif Ramay, and S. M. Zafar of the Pakistan Muslim League—are well-known figures. Little or no information is available on most of the others. The discussion was held late last year. []

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Indian victory. The third panelist maintained that a nuclear weapons program would give India the excuse it is looking for to attack Pakistan. [redacted]

arms program are likely to be made largely on the basis of whether nuclear weapons will prevent war with India. The effect of possession of weapons on Pakistan's relations with third countries and the damage Pakistan would suffer in a nuclear war appear to be important considerations only for those who doubt the effectiveness of the nuclear deterrent.

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These panelists also questioned the credibility of a Pakistani nuclear threat. They pointed out that:

- Pakistan does not have a delivery system.
- India would not expect Pakistan to use its deterrent to counter minor incursions.
- The fallout in Pakistan from detonations in India would also limit Islamabad's use of nuclear weapons. [redacted]

[redacted]

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[redacted]

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A Nuclear Test

The panel disagreed—with a different lineup—on the value of testing a nuclear device. In the view of the panelist who predicted good relations with India by making Pakistan a member of the nuclear club, a test would bring commercial and technological advantages. A supporter of nuclear deterrence advocated a nuclear test to make clear to India that Pakistan had a deterrent. [redacted]

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The two panelists who explicitly opposed a test argued that testing would confirm Indian charges that Pakistan is developing nuclear weapons and would destroy Pakistan's international credibility. Islamabad has said many times that it is not trying to develop a nuclear explosive. The Air Force commander—warning that a weapons program could not be kept secret—said that Pakistan risked losing diplomatic support and access to foreign conventional arms. [redacted]

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Views of Policymakers

No member of the panel represented the government, and the newspaper presumably tried to pick a panel that would have differing opinions. Nevertheless, we believe that the views of the panel may give some insight into the way Pakistani policymakers think about nuclear issues. [redacted]

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Implicit in the arguments of almost all panelists was the assumption that developing an effective deterrent would be worth the economic, military, and political costs. They disagreed about the effectiveness of nuclear arms. If Pakistani policymakers frame the question in the same terms, decisions about a nuclear

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Pakistan: Responding to Domestic Narcotics Problems

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Islamabad is attempting to restrict local drug abuse, but the government has yet to devise a successful drug control strategy despite severe legal penalties. Pakistan's performance is not likely to improve in the near term. Chronic governmental problems—including corruption, poorly trained personnel, and budgetary restraints—will prevent Islamabad from taking the steps necessary to limit the country's rising drug abuse problems or its role in producing and trafficking in illicit drugs. The recent shift from a martial law regime to an elected government further complicates the official response to narcotics abuse as newly appointed officials learn their duties. We believe Islamabad will make at least minimal efforts to control drugs, however, mainly to prevent foreign aid donors from reducing their assistance.

A Problem of Uncertain Dimensions

Estimates of Pakistan's drug abuser population range widely. The Pakistan Narcotics Control Board (PNCB) estimates that there are more than 300,000 heroin addicts in Pakistan, up from less than 5,000 in 1980. The PNCB estimates that there are more than 315,000 opium users as well. Use of cannabis—primarily in the form of hashish—is so widespread in Pakistani society that there are few meaningful estimates of its use. Independent Pakistani observers have published estimates for all forms of drug abuse that are several times the official number.

Estimates of the amount of narcotics consumed and the consequent drain on the economy are also uncertain. Opium and heroin in Pakistan are generally smoked, unlike in the United States, where more highly refined heroin hydrochloride is usually injected. The PNCB estimates that national consumption of illicit drugs averages more than 800 metric tons of cannabis and 240 metric tons of opiates annually. We believe the opiate consumption figure is too high for the number of addicts claimed. By comparison, 500,000 opiate addicts in the United States are supplied by roughly 60 tons of opium annually, according to US Government reports. The Pakistani Government's estimates of the retail value



Hashish smoker in Pakistan—an increasingly common commodity.

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of illegal drugs consumed within Pakistan is equal to 1.5 percent of GNP, although we doubt Islamabad has adequate data to substantiate this claim. Government officials point out that this is slightly larger than the foreign remittances from all Pakistanis living and working abroad. [redacted]

Other Pakistani officials deny the severity of their nation's narcotics problems and claim the demand for heroin is mainly external. Representatives of key provincial governments told US officials in January 1986 that Pakistan's domestic drug problem was minimal and that the main task is reduction of demand in the West. Pakistani spokesmen also point to the nearly 3 million Afghan refugees within the country's borders as a primary cause of drug abuse. Representatives of the military law regime told US diplomats in late 1985 that the Soviets use narcotics to subvert the Afghan insurgents based in Pakistan, offering to buy their opium and encouraging them to smuggle drugs through Pakistan to embarrass Islamabad. Pakistani officials report that the government is hard pressed to counter this threat. [redacted]

Punishment and Treatment

Under Pakistan's martial law regime, Islamabad passed legislation calling for severe penalties for producing, marketing, or using illicit drugs. Dealers face heavy fines, long prison terms, and public flogging. Responsibility for enforcement of antinarcotics laws is shared among several agencies—by customs officials, excise tax officers, border security forces, local police, and representatives of special enforcement oversight committees. All of their efforts are theoretically coordinated through the Pakistan Narcotics Control Board. This system has been turned over to the recently formed civilian administration, and drug abuse legislation is being redrafted for inclusion in the new constitution. [redacted]

Enforcement of existing laws has been haphazard, according to US diplomatic reporting. Pakistani newspapers carry increasing numbers of editorials critical of the government's lack of ability—or willingness—to apprehend or punish drug dealers. Although the government-controlled press gives extensive coverage to major drug arrests, Islamabad

has not shown much ability to make narcotics charges stick. Opposition critics charge Islamabad with failing to press for swift punishment of major offenders.¹ Most diplomatic observers report that widespread corruption accounts for most failures to prosecute. Press reporting further suggests that most seized narcotics quickly reenter the drug market. [redacted]

An effective treatment program for the drug abuser population is still in its infancy. Although government reports claim that Islamabad has opened more than 20 treatment hospitals for drug addicts and that more than 20,000 individuals have been detoxified in these facilities in the last five years, we believe these figures have been inflated to mollify the government's domestic critics. A conference of Pakistan's leading nongovernmental drug treatment organizations in January disclosed that the government's attempts to wean abusers from drugs do not offset efforts by drug traffickers to recruit new abusers.² More significant, the conference spokesmen noted that private agencies attempting to counter the drug menace often have to cope not only with the influence of local narcotics traffickers but also with corrupt government officials and members of the police who are openly co-opted by the dealers. [redacted]

Crop Eradication and Substitution

We believe that crop eradication and substitution efforts in Pakistan have generally been more successful than enforcement and treatment programs. According to US diplomatic reporting, production of opiates in Pakistan dropped from more than 700 metric tons in 1979 to approximately 45 metric tons in 1984. Crop estimates for 1985, however, indicate a

¹ Pakistani newspapers note that major drug dealers bribe local drug enforcement officials to stall the presentation of their cases to the civil authorities for more than three months, after which they are released without punishment under a law that requires court appearances by alleged offenders within 90 days, or their release for "failure to prosecute." [redacted]

² According to editorials in Islamabad's leading newspapers, Pakistani drug dealers provide opium and heroin to the domestic market at substantially lower prices than they would realize abroad because of the lower risks involved and the quick turnover. [redacted]

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rise to between 60 and 70 tons. Although Islamabad regularly points to the dramatic drop in production to illustrate the success of its narcotics control programs, [redacted] academic [redacted] sources attribute the decrease to changes in weather conditions and falling world opium prices as reasons for this change. [redacted]

[redacted]

[redacted] farmers in the key districts participating in Islamabad's crop eradication program in the northwest have planted substantial amounts of poppies in anticipation of a large 1986 harvest. [redacted]

[redacted] as early as September 1985 market prices for raw opium had begun to rise, encouraging farmers and dealers in the North-West Frontier Province to plan extensive plantings for 1986. [redacted] farmers and traffickers sense a rising domestic demand for illicit drugs and doubt Islamabad's commitment or ability to control the poppy crop. They note that local government officials are easily bought and that what little destruction of crops antinarcotics officials have accomplished has been limited to highly visible areas bordering main roads. [redacted]

Several of the regions reporting increased poppy cultivation were previously poppy free, according to government accounts, or had replaced poppies with other crops in response to government initiatives. Local government officials, according to US Embassy reports, have encouraged farmers to return to poppy cultivation, citing the relaxed attitude of provincial antinarcotics officials and Islamabad's seeming unconcern. [redacted] local traffickers offer financial inducements to farmers to grow poppies, guarantee a subsidized market price for the harvest, and use other methods to undercut Islamabad's efforts to limit opium production. [redacted]

We believe that the limited success of Pakistan's crop eradication and substitution programs is directly attributable to pressure from foreign governments—especially the United States and the United Kingdom—and the United Nations to restrict the country's production of illicit drugs. Foreign economic

aid to districts in northwestern Pakistan is linked to programs designed to wean farmers from opium as a cash crop. US development funds for hydroelectric projects, agricultural development, and other infrastructure improvements depend on the cooperation of local farmers in reducing poppy acreage. According to diplomatic and academic accounts, local farmers in many of the project areas are beginning to suspect that neither Washington nor Islamabad will maintain these programs at a profitable level for more than one or two years. The Pakistani press is already discussing what proposed cuts in the US aid package to Pakistan in the coming year will mean for prospective antinarcotics programs. [redacted]

Foreign Policy Strategems

Despite Pakistan's limited success in treating its growing addict population and reducing the amount of narcotics trafficked through the country, Islamabad is seeking to use its antinarcotics program to win points in the foreign policy arena. President Zia has offered Pakistan as the venue for international meetings to discuss cooperative antinarcotics programs. In his presentations to these gatherings, Zia has regularly alluded to Pakistan's efforts as a model for other national narcotics control projects. [redacted]

We believe that Zia and other leaders of the new civilian government have seized on rising international concern over narcotics abuse as a low-risk issue to highlight Pakistan's leadership and participation in world forums. Zia publicly bolsters his efforts to create an "Islamic society" in Pakistan with antidrug statements drawn from commentaries on the Koran and links them to his activities in international Muslim circles. For instance, Zia has called for a statement by Islamic countries against narcotics abuse and has offered Islamabad as the center for a computerized network of narcotics intelligence to assist Muslim states in cracking down on drug trafficking across their borders. [redacted]

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Zia has attempted to use the narcotics issue to promote low-risk cooperation in South Asia. He has suggested to the members of the South Asia Association for Regional Cooperation that they share intelligence on narcotics traffickers, create a central bank of narcotics information, and participate in joint antinarcotics training programs, perhaps with the assistance of Western governments. As part of a recent agreement with New Delhi, Zia has committed Pakistan to sharing antinarcotics intelligence with Indian enforcement agencies. [redacted]

alike that it will maintain and extend popular drug-abuse treatment programs begun under the military law regime. [redacted]

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None of these efforts are likely to bear fruit soon. Implementation of any of the proposed joint antinarcotics intelligence initiatives could uncover facts potentially embarrassing to the participants. Islamabad will want to avoid revealing to its neighbors the level of bureaucratic corruption that, in our view, makes large-scale narcotics trafficking possible. [redacted]

We believe that Pakistan will turn increasingly to the United States for support in its domestic drug control efforts. The new civilian administration will seek to maintain current bilateral programs and extend cooperation with US drug agencies, perhaps in the form of joint training opportunities, and it will look to the United States to support its international cooperative efforts. Through joint efforts with Washington—including further sharing of narcotics trafficking intelligence and increased US technological support for Islamabad's drug eradication and interdiction programs—the new administration will seek to show it can handle the national drug problem. [redacted]

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Outlook

Islamabad's ability to reduce the use and flow of processed opiates, hashish, and other illicit drugs is not likely to improve much in the next several years. Significant reductions would require increased control over several variables that Islamabad has little power or apparent willingness to influence:

- Smuggling across the Afghan-Pakistani border.
- Growth and processing of opiates in tribal areas in the unruly northwestern region.
- Endemic bureaucratic corruption.
- Changes in the international narcotics market that drive up local prices.
- Local resistance to crop eradication and substitution programs. [redacted]

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Despite these limitations, we believe Islamabad will continue to seek ways to demonstrate improvement in its response to domestic drug problems. Although the government's efforts to date fall far short of the estimated increase in the number of abusers, there is growing domestic pressure on Islamabad to institute meaningful treatment programs for narcotics abusers. In our view, the new civil administration that began in January 1986 will want to demonstrate to foreign aid donors, political supporters, and opposition groups

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Afghanistan's Hazarajat: Calm in the Storm?

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The Hazarajat has been relatively free of the fighting that has enveloped most of Afghanistan since the Soviet invasion in 1979. The only government outpost in the region is located in Bamian, a Tajik valley in the center of the Hazarajat. Bazaars are open, farming has been uninterrupted, and most commerce and crafts continue. Because the Hazarajat is relatively open, Afghans come from other parts of the country to shop. Travel between the Hazarajat and Kabul is relatively easy.

fighting in the area between Shia groups and government forces may be increasing. A parallel struggle for political power has been under way in the area since the early 1980s between radical, pro-Iranian Hazara elements and the region's more traditional elements.

Hazara Politics

Until recently, the major political organization of the Hazarajat was the *Shura-i-Itifaq-i-Afghanistan*, the Council of the Alliance of Afghanistan, established in 1978. The *Shura* is composed of three main groups of Hazaras—religious leaders, landlords (*khans*), and the young intellectuals from the Union of Teachers (*Itahad-i-Malamin*). Of the 13 participants at the meeting when the *Shura* was established, four were religious leaders, seven were *khans*, and two were young intellectuals. Sayyed Beheshti, a cleric, was named the leader of the first *Shura* and continues to head it to this day. Sayyed Jaglan, a powerful religious leader from Nawur, a desert area in the southern Hazarajat, is the group's military head.

The appointment of a religious leader to the top post was probably a ploy by the landlords. The landlords believed that they could easily control Beheshti, since they had traditionally dominated the clergy. The appointment of a religious leader may also have been intended to obtain money and support from the newly installed Khomeini regime in Iran.

Geography

The Hazarajat comprises the area of the high central mountains of Afghanistan. The area is largely closed from early fall to late spring on account of snow. Many of the inhabited valleys are above 3,000 meters, and the peaks much higher. There are no cities, nor even large towns, although there are several bazaar towns that act as commercial centers.

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The Hazaras are primarily subsistence farmers, growing mostly wheat, barley, and some fruit. Most estimates put the population at slightly less than 1 million.

Most scholars believe the Hazaras were originally Chaghatai tribesmen from Transoxiana who migrated into the area and mixed with local people, who were probably Tajiks, in about the 14th century. They speak a dialect of Persian called Hazaragi, the language of the Tajiks with whom they intermarried.

The Hazaras are Shias. The conversion of the Hazaras to Shiism took place in the 16th century when the area was under the control of Iran. There are other Shia groups in Afghanistan, notably the Qizilbash, who were brought to Kabul by the Iranians at about the same time, but the Hazaras make up the largest non-Sunni group in Afghanistan. Because they are Shia in a primarily Sunni country, the Hazaras have been treated as heretics and second-class citizens.

The Hazarajat was not completely integrated into Afghanistan until the early 1890s, when then King Abour Rahman conquered the Hazarajat as part of an effort to bring outlying provinces under Kabul's control. The Hazaras developed a hatred toward the Pushtun-dominated central government that endures to this day.

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Social Structure

The social structure of the Hazaras is based on nine qawms, an Arabic word often used to mean tribe. The most important qawms are Behsud, Dai-Kundi, and Dai-Angi.

Political power in the Hazara community has traditionally been in the hands of feudal landlords, called khans. Each khan controls five or so villages and has numerous peasants working for him. Large landholders dominate the social and cultural life in the Hazarajat. Their home is in the center of the village.

The clergy in the Hazarajat also provide leadership. Each village traditionally has a mullah who is largely self-taught and is primarily in charge of the education of the village boys at the madrassa, or religious school. Mullahs also perform some religious ceremonies. They are generally self-educated, although some who have the opportunity travel to various centers of Shia learning for further instruction, usually Mashhad, Iran, or Karbala, Iraq, where they study with one of the major ayatollahs or other religious leaders. The mullahs usually serve at the behest of the khan.

The Shura established offices and started systematic military conscription. They instituted a tax and issued identity cards. Soon, however, the uneasy alliance between the three groups within the Shura began to come undone as the clergy felt more confident in their power because of the Iranian connection. First, the clerics turned on the young intellectuals—especially the Maoists—who were ousted from the Shura.

Between 1982 and 1984 the clergy turned on the khans, and most of them were driven from the Shura or killed. Their ouster was a tactical mistake for the clerics. The khans had been an important source of strength for the traditional clergy, and, with their

removal, the conservative clerics who dominated the *Shura* began to be pushed aside in turn by younger radicals returning from Iran.

Many of the younger Hazara *mullahs* had traveled to Iran in the late 1970s. Key among these was Sadiqi, a member of the original *Shura*, who went to Iran several times in the early 1980s and returned to found the *Nasr* party in 1982.

Like the *Shura*, *Nasr* is more intent on establishing hegemony over the Hazarajat than on fighting the Soviets. *Nasr's* ideology is similar to that of the Sunni fundamentalist parties of Peshawar—especially Gulbuddin's Hizbi faction—although there is no evidence of ties between the two. *Nasr* is strongly supported by Iran and is pro-Khomeini. There are now *Nasr* offices in Quetta, Pakistan, and in Qom and Tehran, Iran.

In the Hazarajat, *Nasr* has set up schools, libraries, and mosques. *Nasr* members conduct weekly meetings in the *tekkieh khanahs* to denounce the United States and other Western countries as well as the Soviet Union. These harangues probably mean little to the average Hazara peasant whose experience of the world is limited to his own village or valley. But the message is powerful to the tens of thousands of young Hazaras returning from Iran.

Nasr now controls much of the Hazarajat, especially the central and eastern areas, and has set up local governments on a religious basis. Local *qazis*, or Islamic judges, now decide disputes according to Islamic law, and political decisions are made by *kometays*, as in Iran. Many young Hazaras in *Nasr* have adopted the Iranian revolutionary style of dress and speech, wearing fatigues and a couple of days' growth of beard.

Another pro-Iranian group that is active in the Hazarajat is the *Sepah-i-Pasdaran*, the Revolutionary Guard, which is integrated with the Iranian group of the same name. There have been

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Change in the Hazarajat

Important social and economic changes have occurred in the Hazarajat in the last several decades. Many Hazaras have moved to Afghan cities, especially Kabul, because of land shortages in the Hazarajat. Some own shops in Kabul.

Beginning in the 1950s, a small, but influential educated class developed, made up largely of school teachers and university students. Largely secular, this group began to find itself at odds with the more traditional elements of Hazara society, even though they were mostly sons of khans.

This educated group became active in Afghan opposition politics in the 1960s and 1970s. Many young, educated Hazaras were active in Shola-i-Javid (Eternal Flame), a Maoist-oriented party that was strong on the campus of Kabul University. One of the founders of the Shola was Akram Yari, a Hazara.

During this period there was also a great deal of political activity among the Hazara clergy. Since they were trained in the Shia religious centers of Iraq or Iran, their concerns tended to reflect the politics of Iran. Many Hazaras had longstanding contact with Khomeini, and religious tithes were sent to him from the Hazarajat while he was in exile in Iraq.

[Redacted]

problems between the Guard and the *Nasr*, recently causing the *Nasr* party to seek better relations with the moderates in the *Shura*.

Another party active among the Shias of Afghanistan and in the Hazarajat is the *Harakat-i-Islami* of Shaykh Mohseni. Mohseni is a Pushtun Shia from Qandahar. He is a strong supporter of Zahir Shah,

[Redacted]

The religious center of the Hazara community is the tekkieh khanah, a mosque where the death of Imam Hossain, one of the important figures in Shia theology, is mourned and where the Shia community meets. These mosques are often located in the homes of religious scholars. There are several in Kabul, and they operated as a place where Shia leaders could speak and where the politics of the day could be discussed.

One of the best known tekkieh khanahs was at the home of Mohammed Ismail Mobalegh. Mobalegh, a mullah from the Behsud area of the Hazarajat and a leading ideologist, was an important intellectual leader of the Hazara community in the 1960s and 1970s. He attacked Marxism in an important work called "Is Religion the Opiate of the Masses?", which circulated widely in Iran and Afghanistan. He was arrested in 1979 and is assumed to be dead.

Mobalegh and a few other religious leaders in the 1960s and 1970s began to instill in the Hazara community a sense of purpose and pride. They made the Hazaras aware of their ethnic history and changed the nature of the tekkieh khanah from religious to political, using it to discuss political topics.

the former King of Afghanistan. He has studied in Najaf, Iraq, and is a follower of Ayatollah Khoi, a rival of Khomeini. His operational headquarters is in Qom, the Iranian holy city, and he receives much of his monetary support from the Shia community in Kuwait. He has a relatively good relationship with the moderate Afghan parties operating out of Pakistan and travels there periodically.

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Though not a Hazara, Mohseni has Hazara support in some areas. His support comes from village *mullahs* who find the other groups too radical. He also has some following in Behsud and in Qurabagh in the Ghazni area of the Hazarajat where Shaykh Wahidi has thrown his support behind him. His strongest support in Afghanistan, however, is among the non-Hazara Shia community—especially the Qizilbash—in Qandahar.

Hazaras in Pakistan

Most refugees from the Hazarajat go first to Iran. Many of the Hazaras now in Pakistan first went to Iran but eventually left because they were treated badly by the Iranians. Several Hazara fronts have tried to operate in Peshawar, including the Aid Committee for Afghans, to obtain materials for the Hazarajat from Pakistan. The *Shura* also had a representative in Peshawar for a while, but he and his homosexual lover were killed last year in Germany while smuggling drugs.

Most of the Hazaras end up in Quetta in Baluchistan, where there is a Hazara community numbering between 20,000 and 30,000, who are well integrated into Pakistani society. Quetta has become the major center for the Hazara exile community, and much of the traffic in and out of the Hazarajat goes through there (it is 15 hours from the Hazarajat to Pakistan by jeep).

All of the active Afghan Shia parties have offices in Quetta, and there are two local fronts in Quetta among the Pakistani Shia community, both called *Itahad-i-Mujahedin-i-Islami Afghanistan*, the Front of the Islamic Holy Fighters of Afghanistan. This front was originally led by Makhsoodi, a Pakistani Hazara, and the Government of Pakistan gave it aid to send to the Hazarajat, primarily for the *Shura*. Charges of corruption and personal enrichment were made, however, and a group led by Hajji Rasoul, also a Pakistani Hazara, split from the Makhsoodi front.

Many Hazaras coming from Afghanistan are critical of the groups in Quetta and of the Hazara community there in general. They report that the Shia leaders in



Pakistan pay only lipservice to the Hazara cause and are using the insurgency in Afghanistan to enrich themselves. It seems clear that the Hazara representatives in Pakistan have little connection with the situation in the Hazarajat.

Outlook: The Importance of Iran

Although there have been recent signs of internal conflict, *Nasr*, *Shura*, and the other parties in the Hazarajat have apparently established an informal truce with the government in Kabul. The Hazarajat runs itself like a minor principality and largely stays out of the war. In the long run this works to the regime's advantage, since the Hazarajat is essentially pacified, freeing troops and arms for fighting in other areas. By allowing the situation in the Hazarajat to return to normal, by letting the peasants farm and the bazaars flourish, the government in Kabul is ensuring that the Hazaras will be less likely to join or cooperate with the insurgent movement that would bring heavy fighting to the area and thus undo the economic progress being made.

The situation in the Hazarajat has wider implications because it offers an avenue for potential Iranian influence. The ideological strength and the inspiration of the Iranian revolution has made *Nasr* and the other Iranian-backed parties the most influential groups in the Hazarajat. Up to now the Iranians have done relatively little among the Shia community in Afghanistan, since their attention has been on the war with Iraq. A decision by Iran to become more active in Afghanistan in support of the insurgency could raise the cost of the war for Kabul and Moscow. The situation ultimately depends on Iran.



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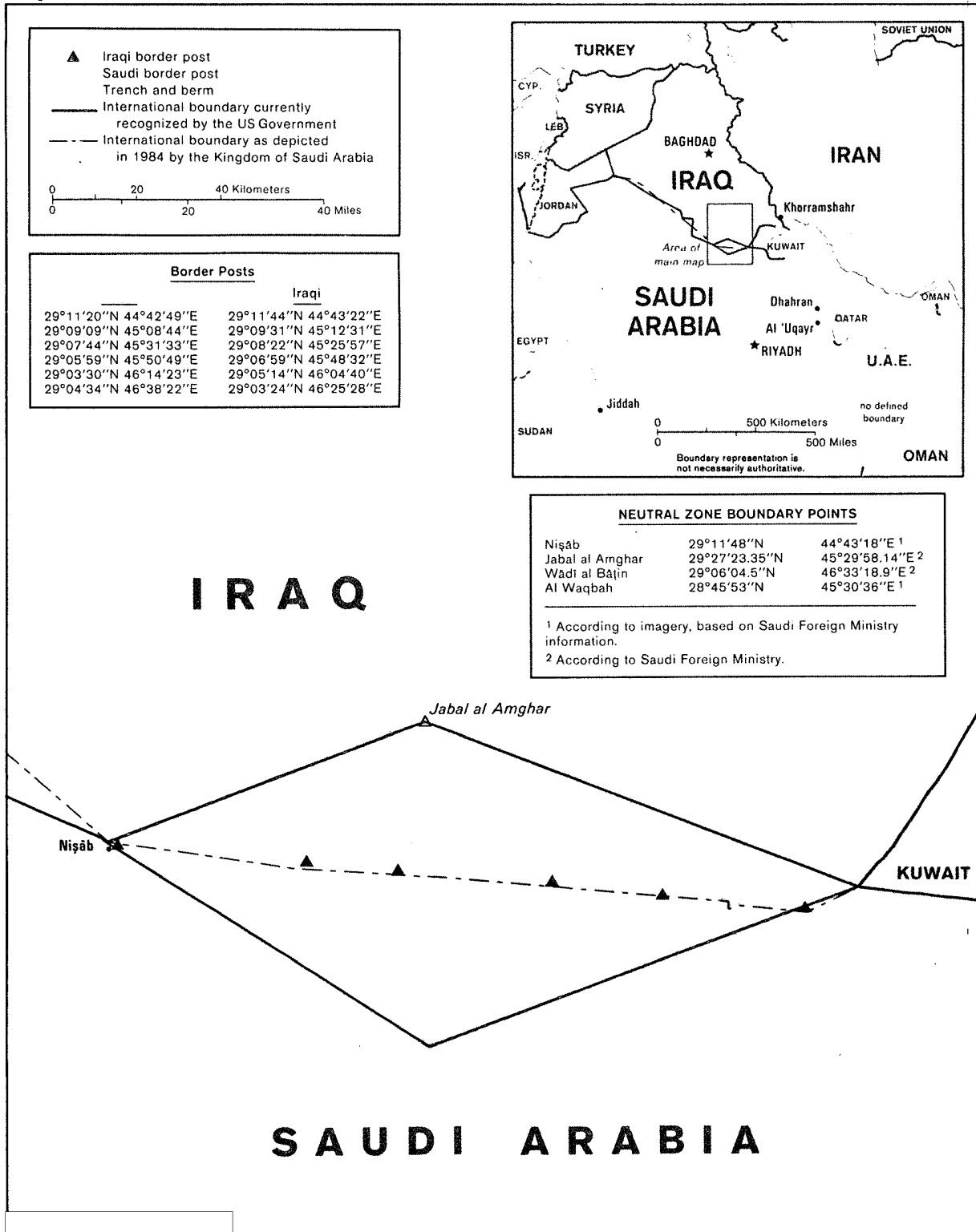
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Sri Lanka's Tamil Insurgency: The Impact of Marxism [redacted]

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Sri Lanka hopes to win US military and diplomatic support by claiming that the Tamil insurgency has become increasingly dominated by Marxists.

Although all major Tamil insurgent groups claim allegiance to Marxism, the most active groups are motivated principally by ethnic rivalry with the majority Sinhalese. Over the longer term, however, the Marxist threat to Sri Lanka is likely to grow. The People's Liberation Organization of Tamil Eelam—the largest and best-financed of the insurgent groups but currently not active—has been most influenced by Marxism. So far, it has refrained from antigovernment attacks. Instead, it is conserving its resources for a prolonged struggle and is working to establish ideological and military links to radical Sinhalese Marxists. [redacted]

Background

There are five major Tamil insurgent groups—the Liberation Tigers of Tamil Eelam (LTTE), the Tamil Eelam Liberation Organization (TELO), the Eelam Revolutionary Organization of Students (EROS), the Eelam People's Revolutionary Liberation Front (EPRLF), and the People's Liberation Organization of Tamil Eelam (PLOTE). Strong personal rivalries are common among the main insurgent groups. The leaders of LTTE and PLOTE, [redacted] [redacted] were allies in the late 1970s but later became bitter personal rivals, ending coordinated military operations in 1980. [redacted]

Caste and regional differences have increased tensions among the insurgents. [redacted]

[redacted] TELO members are drawn predominantly from a subcaste specializing in smuggling, preventing them from coordinating fully with insurgent groups of other castes. [redacted]

The rivalries have prevented the insurgents from developing an effective alliance against the government. Although LTTE, TELO, EPRLF, and EROS in May 1985 formed the Eelam National Liberation Front (ENLF)—an umbrella organization based in Madras—leaders of the four groups have

The Insurgents

The insurgents are young, low-caste Sri Lankan Tamils from the economically backward Northern and Eastern Provinces of Sri Lanka. They are divided into five major groups and several splinter groups. We estimate combined insurgent combat strength for most of last year at over 7,000. We estimate that current insurgent strength in Sri Lanka may be as high as 4,500, as some groups have begun recruiting boys as young as 14 and have transferred their personnel from base camps in India. Insurgent leaders and approximately half of the combat force are based in India, with the remainder operating from camps in the Northern, North Central, and Eastern Provinces of Sri Lanka. [redacted]

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Despite internal rivalries and no political program, the insurgents are highly motivated. US defense attache and press reports indicate that the insurgents willingly endure long periods of isolation in their jungle hideouts, retrieve their dead and wounded from government security forces, and frequently swallow cyanide when confronted with capture. Increasing attacks against Sinhalese troops and civilians have probably helped maintain insurgent morale amid weapons shortages and stepped-up government operations. [redacted]

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used the alliance only to give the appearance of political unity. They have been unwilling or unable to coordinate military operations. [redacted]

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Marxism Versus Nationalism

Ethnic nationalism, in our view, is the driving force of the insurgency. Deep-seated anti-Sinhalese sentiment is common to all Tamil insurgent groups, easily transferable to new recruits, and more useful than Marxist ideology as a motivating force to insurgent

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leaders. The insurgents argue that the establishment of an independent Tamil state is the only way to remove the political, economic, and cultural dominance of the Sinhalese in Sri Lanka. During two rounds of Indian-brokered talks with the government last summer, insurgent leaders of ENLF and PLOTE could agree only on extreme Tamil nationalist demands, including Tamil self-determination and recognition of traditional Tamil homelands. Insurgent pamphlets and books repeat slogans of Tamil nationalism and anti-Sinhalese rhetoric, and insurgent radiobroadcasts in Sri Lanka usually highlight alleged atrocities by Sinhalese soldiers against Tamil civilians. They frequently accuse the Sinhalese government of oppression against the "Tamil nation."

The leaders of the major Tamil groups, other than PLOTE, have had little formal training in Marxist ideology. The insurgent leaders' contacts with other radical nationalist groups, including the Popular Front for the Liberation of Palestine and the South West African People's Organization, have provided most of the fragmentary Marxist ideology used in insurgent propaganda. The leader of PLOTE, however, may have received formal Marxist training in the Soviet Union.

PLOTE's Marxist Agenda

PLOTE is attempting to lay the groundwork for a Marxist revolution in Sri Lanka. Unlike the other insurgent groups, which prey upon Tamil civilians for resources but are otherwise isolated from the civilian population, PLOTE emphasizes building a mass political base and educating Tamil and Sinhalese peasants in Marxist revolutionary doctrine. By not joining other insurgent groups in antigovernment operations, PLOTE has avoided growing protest from Tamil civilians caught in the middle and may be gaining some good will.

The US Embassy in Colombo reports that senior Sri Lankan security officials consider PLOTE's political organizing as posing the most serious long-term security threat to the government. We agree with this assessment and believe PLOTE may be husbanding its resources, hoping the government and Tamil

nationalist groups will exhaust each other. PLOTE meanwhile is biding its time and building its base of support.

PLOTE commands the most resources of any single insurgent group. PLOTE maintains a combat force of more than 2,500 and operates the most training camps in the Indian state of Tamil Nadu.

PLOTE also runs propaganda and fundraising offices in Western Europe, the Middle East, and Canada.

PLOTE has developed extensive ties to Sinhalese radicals. PLOTE has trained Sinhalese Communists in Tamil Nadu, and radical Sinhalese leftists of the proscribed Janatha Vimukthi Peramuna (People's Liberation Front-JVP) and PLOTE have established joint sabotage squads in Sri Lanka targeted at key Sinhalese military and economic installations.

PLOTE is the principal Tamil insurgent group in the Sinhalese south because it has JVP support.

Some of the major insurgent groups may be assisting PLOTE in providing radical Sinhalese with arms and in establishing terrorist cells in the Sinhalese south, but we do not believe this type of collaboration represents a shift in the predominantly nationalist orientation of these insurgent groups. In our view, the nationalist groups will collaborate with the Marxists only to pursue their goal of an independent Tamil state.

Are the Soviets Involved?

In our judgment, the Soviet Union has played only a minor role in the Tamil insurgency thus far.

the Soviet Embassy in Colombo helped the Tamil United Liberation Front—an early proponent of separatism and now close to PLOTE—to establish Soviet, Cuban, and East German friendship societies in Tamil areas of Sri Lanka, beginning in 1977. The Soviets also have printed Tamil-language propaganda for the TULF in the past. We believe, however, that the Soviets are

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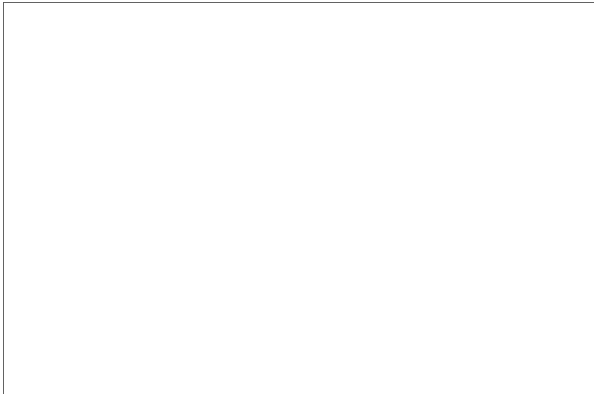
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reluctant to put their more important security interests at risk by directly supplying weapons and training to the Tamil insurgent groups. [redacted]

an agreement and attempt to gain a dominant political role in any future Tamil provincial government. A settlement would provide PLOTE a safehaven for its forces in Tamil territory and time to build a Tamil Marxist political party. [redacted]

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Implications for the United States

Colombo can be expected to continue to try to use the Marxist threat—as well as attempts to brand the insurgents as terrorists—as leverage in gaining US and other international support for its war against Tamil separatism. Jayewardene is also likely to use the threat of Marxist insurgency to justify his own hard line on Tamil nationalist demands. [redacted]

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[redacted] Even if the Soviets provided limited assistance in the past to the insurgent groups, we believe they withdrew their support in the wake of India's mediation efforts begun in June 1985. [redacted]

The longer Colombo remains intransigent on even moderate Tamil demands for limited autonomy, the more motivated and radicalized nationalist insurgent groups are likely to become. Moreover, the inability of government security forces to wage an effective counterinsurgency will lead to gains by PLOTE and its Marxist Sinhalese allies over the long term. If Colombo does not reach a settlement soon, its claims that the insurgency is predominantly Marxist could become a self-fulfilling prophecy, adding new pressures on the United States to support Colombo. [redacted]

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The Long-Term Threat to the Government

We believe the PLOTE/Marxist threat to Sri Lanka will grow unless the government and nationalist insurgent groups can reach a negotiated settlement. Without an agreement, PLOTE's organization and financing should enable it to play an increasingly dominant role in the insurgency. Prolonged fighting would probably prompt PLOTE to activate its combat forces—a move that would make PLOTE the preeminent insurgent force. We believe the chances are good that PLOTE could eventually build a strong popular base in Tamil areas and effectively spread Marxist revolutionary doctrine. [redacted]

A growing government propaganda campaign against Marxism will probably fuel Indian fears of outside intervention in Sri Lanka. Diplomatic reporting suggests that some Indian diplomats already believe the United States has increased its direct military aid to Colombo and is indirectly contributing arms and ammunition through Pakistan. [redacted]

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A negotiated settlement between the government and some insurgent groups would intensify internal rivalries and hurt PLOTE's chances of forming a united Tamil insurgency. Moreover, the government would have widespread support from many, if not most, Tamil civilians now eager for a settlement. [redacted]

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We believe PLOTE will continue to develop ties to Sinhalese radicals if a Sinhalese-Tamil settlement calling for limited autonomy is reached. Diplomatic reporting suggests that PLOTE would go along with

Sri Lanka: Arming and Training the Insurgency [redacted]

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Tamil insurgents have amassed an arsenal of small arms, ammunition, and some crew-served weapons adequate to continue the insurgency at present levels. They are successfully raising funds abroad and have access to international arms markets as well as to bases for arms smuggling and training facilities in southern India. Most insurgents have been trained by their own cadres and by ex-Indian Army officers in these camps. Increased training is also taking place in Sri Lanka. [redacted]

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The arms pipeline is largely immune to Colombo's efforts to cut it and to any but exceptionally large-scale Indian interdiction efforts. [redacted]

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The Insurgents' Arsenal

Much of the insurgents' arms and equipment is old or second hand, but we believe that the arms are of good quality and have been kept serviceable. Small arms range from handguns and World War II-vintage Japanese rifles to AK-47s and M-16s. [redacted]

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[redacted]

We do not believe that the insurgents have much sophisticated materiel. [redacted] the Tamils have acquired limited numbers of more advanced equipment, such as night-vision scopes, communications sets, and scuba gear. Colombo claims that one of its helicopters was brought down in Jaffna last March by an SA-7, but we cannot confirm that the insurgents have acquired such weapons. [redacted]

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In our judgment, the insurgents' relatively unsophisticated arsenal is adequate for their present level of operations. Over the last six months, the most common tactics employed against government forces have been handgrenade or unmanned landmine

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ambushes. The insurgents mainly operate in small units—five to 15 men for ambushes—and engagements with the Sri Lankan military are usually confined to brief firefights. Press [redacted] reports indicate that the insurgents can withstand concerted government assaults and are capable of organizing upward of 100 men for larger actions. [redacted]

Acquiring Money and Arms

The insurgents' fundraising activities throughout the Tamil expatriate communities in South Asia, the Middle East, Western Europe, and the United States are of central importance in procuring arms. [redacted] the People's Liberation Organization of Tamil Eelam, the largest and most radical of the five main insurgent groups, maintains offices or contacts in several West European countries as well as in Canada, Bahrain, and Brunei that it uses to raise money and spread propaganda. [redacted]

The insurgents have augmented their war chest through extortion and bank robberies in Sri Lanka and by involvement in international drug trafficking.

[redacted]

[redacted]

We believe that the insurgent groups buy most of their weapons and equipment in West European and Asian commercial arms markets and from private sources in India. [redacted]

[redacted]

[redacted] Some arms are obtained illegally in India with the help of expatriates and sympathetic Indian Tamils.

[redacted]

The insurgents receive sporadic amounts of arms and munitions from the Indian Government. This support apparently was stopped after Rajiv Gandhi came to power in late 1984. [redacted]

[redacted]

[redacted] The insurgents' sanctuary in southern India also gives them leeway to buy arms, run training camps, and bribe customs officials. [redacted]

Tamil insurgents capture arms in Sri Lanka from the security forces and through raids on government armories, but captured arms appear to be only a minor portion of their arsenal. The possibility that the insurgents will obtain more sophisticated arms, such as antitank missiles and anti-aircraft guns, increases, however, as Colombo beefs up its own forces. [redacted]

Training

Most insurgents have been trained by their own cadres and by ex-Indian Army officers in camps in the southern Indian state of Tamil Nadu. As New Delhi began last summer to increase its Palk Strait patrolling and seize more Tamil arms shipments in Madras, however, the insurgents started shifting bases and training operations into rebel-held areas in Sri Lanka. [redacted]

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US Embassy sources report that some Tamil fighters have been trained in Lebanon by the PLO, and, [redacted] Colombo believes PLO trainers are present in the Indian camps as well. We cannot confirm PLO trainers in either India or Sri Lanka, but press reports quote an insurgent leader as saying that "the PLO-trained boys have not exactly proved to be an asset to our armed strength. Our terrain and conditions are different." [redacted]

case of a stronger Indian crackdown, the insurgents would be forced to conserve resources. In our view, diminished resources would push the rebels into more attacks against civilians and nonmilitary targets in the Sinhalese south, contingencies for which we believe Colombo is ill prepared. [redacted]

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Vulnerability of the Arms Pipeline

In our view, the Sri Lankan Government's argument that New Delhi can control the flow of arms and equipment to the Tamils is overstated. Even apart from the political difficulties New Delhi would encounter from its own Tamil population by doing so, the Indians would find shutting down all the insurgency's support operations in and out of southern India a difficult task. The insurgents have a large number of fishing boats and other small craft under their control in which they could meet arms-carrying ships in the open sea beyond Indian naval patrols. [redacted]

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Stopping Tamil arms smuggling operations in Madras also would be difficult because of the insurgents' wide contacts there and the susceptibility of the city's customs officials to bribery. Moreover, we suspect the insurgents may intend to lessen their dependence on Indian-supplied arms, given their experience with New Delhi's earlier crackdown. Colombo's own interdiction efforts have been ineffective because of difficulties in identifying which boats among hundreds of fishing craft are engaged in gunrunning. [redacted]

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If the Indians were again to blame the Tamils for a breakdown in the peace talks with Colombo and for increasing violence in Sri Lanka, New Delhi might increase its efforts against insurgent activities. In the

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