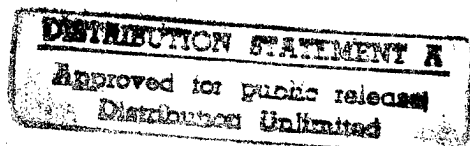


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12 March 1984

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ECONOMIC PROSPECTS FOR GULF STATES DISCUSSED

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 56, Jan 84 pp 23-27

[Article by Dr Ziyad al-Taqi: "The Stage of Austerity in the Arab Economy"--initial section is editorial introduction]

[Text] This month's cover of AL-IQTISAD WA AL-A'MAL clearly reflects the cloudy economic prospects for 1984. Some international economic indicators might be a sufficient cause for some hope, at least for 1985, as is made clear in the article by Dr Henry 'Azzam. However, the study by Dr Ziyad al-Taqi, which sets forth expectations concerning the current account and government spending for the countries of the Gulf Cooperation Council (GCC), prepares us for a difficult year of stagnation, at a time in which the GCC countries are trying to control their ambitions and bring their spending down in accordance with production variables and the decline in their incomes. This situation might last for many years to come. Let us not forget that the movement of the Gulf's economy has been and still is tantamount to the "dynamo" of the Arab economy in general, in view of the fact that this movement's effects transcend the Gulf and influence the broader circle of the Arab countries. In many of their urgent projects and programs, these countries have depended on the oil countries. The same can be said with regard to the currency transfers made by their subjects.

It remains to be noted that the great worry keeping many Arab countries awake is not the fall in oil incomes and the associated drop in rates of spending and growth. Rather, they are worried as well about the regional wars, which could expand and be internationalized to a greater and greater extent. They are also worried about the increasing danger of political unrest, violence, and disturbances. Each of these factors would have an awful effect on the economy as a whole, especially by obstruction of initiative and investment activity.

The drop in oil prices had had a direct effect on foreign reserves and development plans in most countries of the world. This is especially true of the

oil-producing Gulf states. The current account surplus of these states was for many years the dominant factor in international financial markets. The large drop in this surplus in 1982 and 1983 strongly affected capital flows on the international level. It also strongly influenced financial institutions working on the regional and international levels.

The aim of this article is to analyze the latest estimates of the current account surplus of the OPEC countries and the effects which the continuation of the drop in oil incomes will have on the Gulf economy and local financial markets.

Estimates of the Current Account Balance

During 1980, the total surplus of the OPEC countries amounted to about \$104 billion. About \$72 billion of this surplus was realized by four Gulf countries: Saudi Arabia, Kuwait, the United Arab Emirates and Qatar. The Arab members of OPEC together realized about \$93 billion out of the total surplus.

In 1981, the surplus realized by the four Gulf countries was about \$70 billion. At the same time, the other OPEC countries realized a deficit of about \$16 billion. This caused the net OPEC surplus to fall to \$54 billion. In 1982, the current account balance of the OPEC countries showed a total deficit of \$10 billion, while the current account surplus of the GCC countries fell to \$14.5 billion.

As for 1983, the estimates indicate that the GCC countries will realize a deficit of about \$8 billion. At the same time, it is expected that the deficit for the other OPEC member states will reach about \$27 billion. This will raise the total OPEC deficit to about \$35 billion.

The final situation of the current account balance of the OPEC countries during 1983 will depend on the magnitude of oil exports. It will also depend on the rate of growth of imports. The figure of \$35 billion assumes that the rate at which oil is exported will remain about 18 million barrels a day, at \$29 per barrel. It also assumes that imports will stay at their current level, which is much lower than before.

With regard to countries that have a large absorption capacity, such as Nigeria, Iraq, and Iran, one can say without a doubt that they will suffer from large deficits that will have to be financed through foreign borrowing and by using more of these countries' reserves. In addition, imports and non-essential development spending will be cut back. As for the countries with a low or limited absorption capacity, it is expected that they will also witness a sharp drop in their oil income. They will have to use more of their foreign reserves and borrow more from the international markets. However, they will not have to do this to the same extent as the producing countries with a high absorption capacity.

The Effect of the Oil Situation on the Gulf Countries

The initial estimates for 1983 and the expectations for 1984 indicate that only three producing countries in the Gulf will realize current account surpluses. They are Kuwait, the United Arab Emirates, and Qatar. At the same time, the Kingdom of Saudi Arabia will realize a deficit of about \$20 billion. However, it must be pointed out that most of these countries achieved in past years large surpluses that were deposited in many areas of fixed capital and financial investment. These investments are currently earning abundant annual returns.

The expected effects of the continuation of the drop in oil incomes during 1984 on development plans in the GCC countries can be summed up as follows:

The Kingdom of Saudi Arabia

The Saudi economy is experiencing a special stage in its growth, during which the government is trying to establish the essential infrastructure, so that the private sector will have the base its development requires.

The sharp drop in oil revenues during fiscal year 1982/83 has required some rectification in the level of spending and a re-evaluation of priorities. The gross domestic product recorded a real growth rate of about 9 percent between 1979 and 1981, but this rate dropped down to about 5 percent in 1982. It is expected that growth will fall by 18 percent in 1983, and by an additional amount of 7 to 8 percent in 1984.

On the level of the oil sector, Saudi Arabia for a short time played the role of the "flexible" producer within OPEC's ranks, until OPEC officially dedicated this role in March 1983. The magnitude of Saudi oil production has varied from a maximum level of over 10 million barrels a day in 1979 to a minimum level of 3.18 million barrels a day during the 1st quarter of 1983. It rose and stabilized at about 5 million barrels a day during the final quarter of the aforementioned year. This figure compares with 4.7 million barrels a day during the 3rd quarter of 1983.

The fall in oil exports during the first half of 1983 produced a trade balance deficit of \$0.9 billion. However, export earnings rose again by 16 percent during the same period. This repaired the damage done to the trade balance, causing to to achieve a surplus of \$3.1 billion for the first 6 months of 1983.

As for the current account, it went from a record surplus of \$45 billion in 1981 to a \$2 billion surplus in 1982 and a deficit of more than \$20 billion in 1983.

Oil revenues fell by about 35 percent, and this caused government spending to begin to decline. The public budget for the fiscal year beginning in April 1983 noted a decline of 16 percent in public expenditures, in current prices, as compared with previous years. It is likely that imports will fall somewhat as well. This stands in contrast to past years, which witnessed an

annual rate of growth of about 20 percent in imports. For the first time since the oil boom began in 1973, the Saudi budget for this year recorded a deficit of about \$10 billion.

As for the kingdom's foreign reserves, at the end of 1982, they amounted to about \$150 billion worth of foreign assets and \$32 billion worth of official reserves, that is, enough to cover the country's imports for 5 months.

Despite the considerable size of the public budget deficit and the current account deficit in the balance of payments that are expected to occur in 1983 and 1984, the reserves referred to above are considered more than sufficient for supporting the kingdom's financial situation during the period of temporary difficulties through which it is currently passing.

It is expected that the kingdom will take the following steps in order to confront this deficit:

1. It will draw on a portion of its general reserves. This action is made likely by the statistics recently published by the Bank for International Settlements in December 1983. These statistics show that the kingdom withdrew about \$10.2 billion from international banks during the first half of 1983 in order to compensate for the decline in oil revenues. The reserves the kingdom has in Western banks were estimated to be about \$42 billion at the beginning of 1983.

2. The kingdom will turn to international financial markets in order to finance a portion of the cost of numerous joint projects in the country. These costs exceed \$1 billion. It is expected that an announcement will be made about measures to finance four joint projects. They include a refinery being built by Petromin and the Shell and Mobile corporations and two SABIC projects which are part of the construction of a huge petrochemical complex in al-Jubayl. Shell is taking part in these two projects as well.

Kuwait

Under the influence of three principal factors, the Kuwaiti economy has experienced a relative slow-down during 1983. The factors are:

1. The continuation of the Gulf war.
2. The collapse of Suq al-Manakh in August 1982.
3. A drop in revenue from both oil and foreign investments.

The aforementioned factors have had a negative effect on the Kuwaiti market and caused the government to adopt harsh austerity measures in the public budget and enact new laws for dealing with the al-Manakh crisis.

In 1983, it is expected that the gross domestic product will show real growth of 6 to 7 percent. This is particularly due to the partial revival of oil exports during the 2nd half of the year. Estimates indicate that the gross

domestic product reached 5.737 billion Kuwaiti dinars at the end of 1982, thereby registering a decline of 15.2 percent. This decline was essentially due to a fall in oil production of 27 percent. As for subsequent estimates dealing with 1984, they indicate that the growth rate for the gross domestic product will reach about 9 percent. It might be higher, if the resurgence takes in all the sectors of the economy.

However, the increase of 12 percent which was recorded in 1983 in the non-oil gross domestic product will not be repeated. Rather, it is expected that the rate of growth will fall to 5 percent as a result of the slow-down in economic activity in a number of local sectors. The rate is expected to rise to 7 percent in 1984 as confidence in the Kuwaiti market is gradually restored.

On the level of the oil sector, the rate of oil production during the 1st half of 1983 reached about 920,000 barrels per day. This included Kuwait's share of the output of the Neutral Zone, which amounts to half of the zone's production. However, output rose only slightly during the 2nd half of the year, reaching the ceiling determined by OPEC of 1.05 million barrels per day. As a result of the development of local refining capacity, Kuwait managed to export more than half of its output in the form of refined products.

It is expected that Kuwait's oil revenues will reach about \$9 billion during 1983. They may be slightly higher, if production during the 4th and final quarter of the year maintains the level of 1 million barrels a day. In 1981, Kuwait's revenues amounted to \$12.8 billion. In 1982, the figure was \$11.4 billion. During the 1st half of 1983, oil revenues amounted to \$3.6 billion, thereby registering a drop of 26 percent in comparison with the same period of 1982, when oil revenues were \$4.7 billion.

The draft budget for 1983/84 reflects the negative developments which are still being witnessed by the international oil market, since it is expected that total revenues will amount to 3.037 billion Kuwaiti dinars. This figure is 5 percent less than the revenues contained in the 1982/83 budget. It is expected that oil revenues, estimated to be 2.788 billion dinars, will account for about 92 percent of Kuwait's total revenues.

It is expected that total spending will amount to 3.605 billion Kuwaiti dinars. Emphasis will be placed on applying austerity measures in order to limit waste in public sector activities. At the same time, 662 million dinars are being allocated for capital investment in a number of development projects, which include housing projects, power stations, and the communications network. It is expected that spending on development and industrialization projects will continue to be guided as long as the deficit continues.

The deficit is expected to reach 568 million Kuwaiti dinars. It will be covered by revenue from Kuwait's foreign investments. Recent estimates indicate that the total value of Kuwait's reserves amounted to 21 billion Kuwaiti dinars at the end of 1982. They were divided as follows: 12.8 billion dinars were in the general reserve fund, while 8.2 billion dinars were in the fund for future generations. The income produced by these funds was 1.364 billion

dinars in 1981/82. It is expected to reach about 1.6 billion Kuwaiti dinars in fiscal 1982/83.

Therefore, Kuwait's international liquidity continues to be strong, even though the country's oil exports fell in 1982, thereby causing the trade balance surplus to fall to \$3.5 billion. This must be compared with a surplus of \$9.2 billion in 1981. The current account continued to record a notable surplus in 1982, which was estimated to be \$6.8 billion. This was due to the return from foreign investments. As a result of that, the country's foreign reserves reached about \$5 billion at the end of the 2nd quarter of 1983. This is enough to cover the value of its imports for 3 months. These reserves are deposited in the Central Bank and do not include the other assets owned by the government, which are estimated to be worth \$70 billion.

Naturally, the increase in oil reserves and the decrease in the requirements of local market stability contribute to keeping the financial situation of the government firm.

As for expectations concerning 1984, they continue without a doubt to mortgage the level of government spending to a gradual return of confidence in the Kuwaiti market and the end of the Gulf War. These two developments would stimulate local markets and raise their productivity level in 1984.

The United Arab Emirates

The economy of the United Arab Emirates (UAE) has been affected like that of the other countries in the region by the fall in oil revenues. In 1982, total local output fell by 6.9 percent. It is expected to fall by an additional 3.3 percent in 1983. However, it could improve in a noticeable fashion in 1984. On the level of the oil sector, the UAE's output was 730 million barrels in 1977. In 1979, it fell to 669 million barrels. In 1981, it fell again to 548 million barrels. It dropped again, to 462 million barrels, in 1982. During the 3rd quarter of 1983, the average rate of production was 1.13 million barrels per day.

On the level of revenues, the value of the country's oil exports fell from \$18 billion in 1981 to about \$14.5 billion in 1982. In the 2nd half of 1983, oil revenues amounted to \$5.4 billion, as compared with \$7.8 billion for the same period in 1982.

The fall in oil revenues has influenced the public budget and economic growth through the cancellation or postponement of the execution of a number of major projects. The 1983 budget--the publication of which was delayed for 8 months because of financial difficulties--notes a deficit of about \$1.5 billion, out of total spending amounting to \$5 billion. The government is trying very hard to maintain the same levels of spending, or even to reduce them somewhat. During the first 6 months of 1983, the UAE succeeded in maintaining a trade surplus, which amounted to \$2.6 billion. This is to be compared with a surplus of \$4.6 billion for the same period of the previous year. The main reason for the decline of the surplus was the fall in oil exports. At the same time, gas exports rose from 1.78 billion dirhams worth of gas to 2.2 billion

dirhams. Increases were posted in other exports as well. Imports also rose somewhat, since a portion of them were re-exported to Iran.

As for the foreign reserves of the UAE, it is expected that they will continue to be solid, despite the fact that the current account surplus fell from \$9 billion in 1981 to \$4.2 billion in 1982. It is expected to fall once again, to \$2.5 billion in 1983. It may rise to \$3 billion, if the average rate of the UAE's oil exports continues to be about 1.1 million barrels a day.

On the basis of data from the International Monetary Fund, one can see that the UAE was able to strengthen its foreign currency reserves between 1981 and 1982 in a noticeable manner, since these reserves amounted to \$3.5 billion at the end of 1982. As a result of this accumulation, the reserves can cover about 4 months' worth of imports.

The economic situation of the UAE is expected to improve during 1984. The current account surplus is expected to increase parallel to real economic growth in the country. Even if the world oil market does not improve during the current year, the UAE has a low population density, on the one hand, and has practically completed the construction of its basic infrastructure, on the other. Thus, it is likely that the UAE will not turn to borrowing, at least during the current financial year.

Qatar

Qatar has clearly been affected simultaneously by the fall in its oil exports and the decline in prices.

On the basis of figures from the Central Bank, it is clear that total local production fell by 9.4 percent in 1982. This compares with growth of about 9.5 percent in 1981. In 1982, Qatar's oil revenue fell about 24 percent in comparison with the previous year, since it amounted to only \$4.2 billion.

The 1983/84 fiscal year budget anticipates a fall of about 47 percent in the total revenues of the public sector. Despite the limitation of spending, the budget notes a deficit of more than 5 billion Qatari riyals.

Moreover, the new budget focuses on lowering nonessential expenditures and giving priority to the completion of current projects.

In 1982, Qatar's average rate of oil production was 338,000 barrels per day. This was 19 percent less than the average reached in 1981. During the 1st half of 1983, the average rate of production was 224,000 barrels per day. In the 4th quarter of the year, it rose to 282,000 barrels per day.

Qatar has achieved a current account surplus since 1984. This surplus reached a record height in 1980, when it was \$2.6 billion. However, it fell to \$1.3 billion in 1982 and \$0.5 billion in 1983. At the end of 1982, Qatar's total foreign reserves were \$387 million, or enough to cover the country's imports for 2.4 months.

Qatar has no foreign debts worth mentioning, since it has repaid its only debt to the European Common Market. It took the loan out in the mid-1970's.

However, some evidence indicates that Qatar will probably turn to international financial markets again in order to continue spending on its current industrial and developmental projects. According to the estimates of some sources in the banking community, Qatar currently owes some concessionaries about \$200 million in late payments. Although Qatar has financed the deficit which occurred this year in its budget by drawing on its foreign reserves, most observers believe it will probably be forced to borrow money from the international financial markets in order to maintain the level of its reserves.

Bahrain

The level of economic activity fell in Bahrain last year as a result of the decline in oil revenues and the comprehensive stagnation in the economic activities of the neighboring states. In addition to that, Bahrain's economy was exposed to the pressures of a series of crises, including the Gulf War, the collapse of Suq al-Manakh in Kuwait, and the change in Saudi banking policy.

The most prominent of these pressures was the oil glut, which forced Bahrain's neighbors to limit their internal spending. This influenced the level of the income of Bahrain's banks and caused the rate of growth of the gross domestic product to fall from 5.8 percent in 1981 to about 3.3 percent in 1983.

The island's oil income also faced serious pressures. Bahrain produces 42,000 barrels of oil a day and owns a refinery with a capacity of 175,000 barrels a day. It refines primarily Saudi oil. In 1982 and 1983, an average of 145,000 barrels were refined in Bahrain each day.

Since oil revenue has accounted for the largest portion of Bahrain's income, the implementation period for the projects in the latest 5-year plan has been extended by 2 additional years. This means that capital spending in 1983 fell from \$860 million to \$690 million. At the same time, appropriations for 1984 have been lowered sharply. They have made estimated at about \$780 million, although no major project has been canceled.

On the foreign level, Bahrain's trade surplus and balance of payments surplus fell in 1982. The non-oil sector's deficit rose by 5.8 percent. The deficit in the trade balance is expected to rise in 1983, although it will begin to decline during this year. In 1982, the total balance of payments surplus fell by 79 percent, reaching \$172 million, as compared with a surplus of \$806 million in 1981.

As for the foreign reserves that were amassed between 1978 and 1981, they amounted to \$1.3 billion in October 1983. That is, they fell slightly from the level they had reached in 1982, when they amounted to \$1.5 billion. These reserves are enough to cover the country's imports for 4 months.

The foreign assets of the banks witnessed stagnation in their growth in 1982. They amounted to \$59 billion, meaning that only a slight increase occurred over the level reached in 1981, which was \$50.7 billion. In October 1983, the total value of these assets was \$58 billion, after numerous fluctuations in their size took place. These fluctuations resulted from the measures taken by SAMA to protect Saudi banks from foreign competition and to tighten controls on transactions made by foreign banks in Saudi riyals. SAMA feared the internationalization of the riyal.

In 1984, foreign banks in Bahrain will face greater competition and stronger challenges as new financial regulations and limitations go into effect in the neighboring states. In addition, the local market is contracting.

Oman

The oil sector dominates the economy of Oman, since it accounts for 60 percent of the country's gross domestic product and 95 percent of its export revenues.

The drop in oil revenues led to economic stagnation in 1982. However, this had no great effect on the government's development projects. Work is still proceeding on improving the country's infrastructure. The rate of growth of the gross domestic product fell from 7.1 percent in 1981 to 3.4 percent in 1982. It is not expected to exceed 3.3 percent in 1983 and 1984.

Since Oman does not belong to the OPEC organization, it was one of the few Arab countries whose oil production did not fall in 1983. On the contrary, it rose from 335,000 barrels a day in 1982 to 370,000 barrels a day in the first half of 1983. If Oman maintains this rate of production, its total revenue will reach \$2.9 billion at the end of 1983, according to expectations. The current account surplus was \$1.2 billion and \$0.1 billion in 1982. However, the current account will probably register a deficit in 1983 and 1984.

The public budget for 1983 noted an increase in spending of 13.9 percent, despite an expected deficit of about \$850 million. The budget focused especially on construction and infrastructure projects. The state's revenue is expected to rise 11 percent, while its oil income will rise 12 percent.

At the end of October 1983, Oman's reserves of foreign currency amounted to \$1.33 billion, as compared with \$1.4 billion at the end of 1982. However, Oman also maintains an additional general reserve, which it accumulated from the surpluses of past budgets. The value of this reserve's assets is estimated to be at least \$1.3 billion.

Table: Surplus and Deficit Estimates for the Oil Producers (Billions of Dollars)

<u>Country</u>	<u>1980</u>	<u>1981</u>	<u>1982 (initial figures)</u>	<u>1983 (expectations)</u>
Saudi Arabia	41.4	45.0	2.0	-20.0
Kuwait	17.0	13.0	7.0	8.0
UAE	10.5	9.0	4.2	2.5
Qatar	2.7	3.0	1.3	0.5
Total for Oil-Producing Gulf States	71.6	70.0	14.5	- 8.0
Iraq	12.4	- 7.5	-10.1	-11.0
Algeria	0.3	0.1	- 1.5	- 1.0
Libya	8.7	- 2.5	- 0.6	- 2.0
Total	93.0	60.1	2.3	-22.0
Other OPEC states	11.0	- 6.1	-12.6	-13.0
OPEC total	104.0	54.0	-10.3	-35.0

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CSO: 4404/298

EGYPT

POLICE ROLE IN ABUSES IN SUBSIDIZED PRICING, COMMODITY SUPPLY SYSTEM

Cairo AL-AHRAM AL-IQTISADI in Arabic No 783, 16 Jan 84 pp 26-29

[Article by Lt Col Wasim Muwarbid Bulus of the Police Institute: "How the Police Face the Misappropriation of Subsidies"]

[Text] Next Sunday, in conjunction with Police Day celebrations, the Modern Police for the Year 2000 Conference will be held at the Police Academy. The conference will be held in the period between January 22 and 25. Five hundred research papers have been submitted to the conference. We chose six of them that have to do with economic aspects that explain the extent of the connection between the police and the economy. Starting with this issue AL-AHRAM AL-IQTISADI will publish these studies; it begins [this series] with a study on the role of the police in fighting the misappropriation of subsidies. The report is extremely important because it delineates the extent to which the role of the police in controlling subsidies developed historically. The report shows the watchful role that the police play in preventing and fighting supplies-related crime and the misappropriation of subsidies. The study also defines measures for fighting the misappropriation of subsidies, and it defines quite clearly and objectively the obstacles that the supply and domestic trade police face in their work.

Subsidies in the simple sense are illustrated in the fact that the state provide food and clothing for citizens at a cost that is less than production costs in the local market or less than the cost of importing these goods from the world market. Subsidies may also signify that the state provide some services such as fuel, transportation, electricity and water at a price less than the cost of producing those services. The difference in prices between the cost of sales and the value of sales shows up in the state budget under the item of expenditures.

The most important [problem] facing the Egyptian economy is that of providing essential foods to those classes of people who live on fixed incomes. Therefore, the government subsidized bread and fuel, and it prevented increases in power rates, transportation fees and fees for public services. The government stabilized sale prices for goods produced by the public sector. In addition, rent paid for older buildings has been fixed, and profits that can be made on new buildings have been limited. The state's reliance on food imports increased. Consequently, the value of food imports rose from 350 million pounds in 1973 to 1.566 billion pounds in 1980.

The principal reason for the state's intervention in the attempt to stabilize prices is attributable to the desire to alleviate people's troubles. This is basically a social objective, but it is also an economic and a social one.

The state's intervention in this area began with a limited number of goods. However, subsidies grew and increased one year after the other. In 1980 and 1983 appropriations for subsidies and for assistance to reduce the cost of living indicate that appropriations for subsidies constituted a large share of these appropriations. In the 1982 budget total appropriations for subsidies amounted to about 2 billion pounds.

In recent days, therefore, subsidies have been holding a prominent position in the attentions, discussions and numerous studies of [people on all] levels of government and the media.

Appropriations for subsidies are distributed among a number of agencies and companies, each of which handles one or a number of subsidized commodities or services. It is known that each one of the subsidized commodities or services is subject to the supervision of specialized agencies. These supervisory agencies are the People's Assembly, the Central Accounting Agency, the food supply supervisory agencies and other agencies in different ministries.

An observer of the role of the police will find that police objectives have not been isolated from those of society. In fact, the police have always been changing their objectives so as to make them consistent with social, economic and political developments in society and to bring about what serves the interests of the people. The objectives of the police have been and will always be linked with the objectives of the people: the police will be trying to meet the people's needs in all areas of security.

When it became evident that citizens needed to obtain essential and basic commodities at fixed prices and in limited quantities--as a result of the fact that these goods are subsidized--it was inevitable that the police would step in and would include in their activities and objectives guarantees that that popular need is met.

The Evolution of the Role of Police in Supervising Food Supplies

As the present century began, the police were playing a prominent role in supervising food supplies. This role was manifested in [the following]:

--The Pricing Committee: In the aftermath of World War I (1914) Law Number 6 for 1914 was issued. That law stipulated the establishment of a committee in each governorate that was to be chaired by the governor. That committee was established to set prices for food, staples and other primary materials.

Policemen were entrusted with the task of carrying out decisions issued in this regard: they were to watch the markets, prices and trade.

--The Supply Administration: In 1917 a law was issued establishing a Supply Administration in the Ministry of the Interior. After that, on 9 October 1917, Order Number 4 was issued [requiring] this administration to be immediately subordinate to the Ministry of the Interior and to have the ministry review its operations.

--The Management Department in the Ministry of the Interior: Law Number 5 for 1918 was issued establishing a Food Supply Control Committee. All the authorities of the pricing committees and the Supply Administration were turned over to this department, and mandatory pricing and food supply activities came under the jurisdiction of the Secretariat Department, which is subordinate to the Management Department in the Ministry of the Interior.

--The Administrative Inspection Department in the Ministry of the Interior: In March 1931 in the course of the economic crisis of the early thirties, an agency to fight high prices was established. It required merchants to advertise prices for their goods, and it set penalties for violators. At first, carrying out the provisions of this statute was entrusted to commissioned police officers and food inspectors. After the Administrative Inspection Department in the Ministry of the Interior was established, that department was assigned the task of carrying out the provisions of this law.

In general, the Ministry of the Interior oversaw that laws and food supply decrees as well as pricing decrees were carried out. It was the agency that was executing all the laws, including those that had to do with the food supply.

--A Specialized Agency for the Food Supply Police

The Food Supply Police evolved into a supervisory mechanism specializing in supervising food supplies in the following manner:

A. Food Supply Investigations Office:

When the legal status of the Ministry of Supply was completed in 1943, the police, as represented by the Food Supply Police Agency, began playing the role of an agency specializing in supervising food supplies. An office in the building of the Ministry of Supply was designated for that agency. Its principal objective was to protect food supply inspectors while they were carrying out their duties of apprehending those who tamper with the laws and regulations of the Ministry of Supply. That was in addition to the general authorization of the police to carry out the laws and regulations that pertain to the food supply.

B. The General Oversight Office for Food Supply Investigations and Its Branches:

Due to circumstances which prevailed in the country after World War II, the country was swept by a wave of inflation which peaked late in the forties and early fifties. That wave of inflation spread to the provinces, and that made it necessary for the Food Supply Investigations Office to expand its authorities so it can cover the most important Egyptian cities.

To achieve that expansion of authorities the Food Supply Investigations Office was changed to a general oversight office in 1949. It had three geographical oversight offices subordinate to it: in Cairo, in Alexandria and a third one for the affairs of the provinces. In addition, there was a quality control office that specialized in technical aspects and research.

C. The Department of Food Supply Investigations:

The Food Supply Investigations Agency was subordinate to the Ministry of Supply.

When Ministerial Decree Number 15 was issued on 31 May 1963, the organizational structure of the Public Security Administration was laid down. That made the Department of Food Supply Investigations subordinate to the deputy director of the Public Security Administration. The Department of Food Supply Investigations has two sections: one for investigations and another for information.

In 1972 the Public Security Administration was reorganized and among its departments was the Department of Food Supply Investigations with its two sections: investigations and information.

The authorities of the Department of Food Supply Investigations were determined [as follows]:

- To direct and coordinate the efforts of food supply investigations agencies in the governorates and to direct and coordinate their efforts in fighting food supply crimes.

- To contribute to food supply crime fighting operations which extend to more than one governorate.

- To communicate with agencies concerned with food supply matters and cooperate with them in carrying out the established policy in this regard.

- To examine complaints regarding food supply crimes that are turned over to the department.

- To contribute to standards testing committees.

The authorities of the Investigations Section were determined as follows:

- To direct and coordinate efforts to fight food supply crimes and foil activity harmful to established policy in this regard.

- To supervise measures for providing goods and to work with the Ministry of Supply and other authorized agencies to oversee the transportation, distribution and trading of goods.

- To participate in significant measures and investigations.

- To examine complaints regarding food supply crimes that are turned over to the department.

The authorities of the Information Section were determined as follows:

- To set up secondary records for the department in the section of people who are wanted and in the criminal records section and develop the public data records for the administration so as to benefit activities in the area of fighting food supply crimes.

- To coordinate communications with the Ministry of Supply and other agencies concerned with food supply matters and cooperate with them in carrying out the policy of making goods available.

In 1977 with the tremendous rise in financial burdens in the state's budget to subsidize goods for those who deserve to receive subsidies, it became necessary for the police to change their methods to achieve the state's objectives in that stage.

The Food Supply Police Department was foremost among the agencies of the Ministry of the Interior that were included in the change which basically manifested itself in the application of new police operating methods. The most important of these were:

--The police with all their authorities were to have a continuous presence among the public to reassure the public and to strike fear in the hearts of those who would violate the law and tamper with people's livelihoods.

--As people spread out geographically, police services were to be moved to areas where people congregate.

--To punish severely and immediately those who violate the law and tamper with people's livelihoods. Such people are to be kept under constant surveillance, and efforts should be made to apprehend them and put them on trial.

--To work one day at a time on establishing a cohesive relationship with the masses so as to achieve their wishes and bring about their comfort and security in all areas.

Implementation of these methods was manifested in a new organizational decree issued by the minister of interior--Decree Number 2114 for 1977--to the Food Supply and Domestic Trade Police Department. It was also manifested in a new operations method that was adopted by the Ministry of Interior at that time. This was manifested in [the following]:

--The Department of Food Supply and Domestic Trade Investigations became the Food Supply and Domestic Trade Police Department. This made [the following] possible:

1. The activities of the Food Supply and Domestic Trade Police Department were not to be restricted to investigations only. The department's activities would also include the presence of regular forces working side by side with criminal investigation forces. These forces would watch the markets and establish a constant presence in them to emphasize the department's role in controlling and overseeing all food and non-food articles. The constant presence of the police would reassure shoppers in these markets. At the same time it would deter greedy merchants and lawbreakers.

2. The organizational level of the Food Supply and Domestic Trade Police Department was upgraded. It is now subject to the supervision of the minister's first assistant for security. After that it comes under the supervision of the assistant minister for economic security. This is instead of being under the supervision of the director of the Public Security Administration.

There is no doubt that upgrading the organizational level of this department will give it more freedom in government and more manpower support. It will bring it closer to the top decision making authority.

Fighting the Misappropriation of Subsidies

When Ministerial Decree Number 2114 for 1977 was issued, the supervisory role of the police was expanded to include new forms and methods for preventing and fighting food supply crimes and the misappropriation of subsidies.

That decree included expanding the authorities and operating methods of the police in a manner consistent with present conditions to achieve greater effectiveness in the area of controlling food supplies and in the area of fighting the misappropriation of subsidies. At the same time salaries were raised, and resources for managing the Food Supply and Domestic Trade Police Department were beefed up. The geographical branches were also beefed up. That was done in two ways:

[1] Through the Methods of Fighting Food Supply Crimes and Misappropriation of Subsidies:

That decree--Decree Number 2114 for 1977--introduced a new method for supervising food supplies and fighting the misappropriation of subsidies. This was done by establishing a police station in bazaars and at food supply collectives; 25 such stations were established in the governorates of Cairo and al-Jizah to carry out the supervision openly. Regular forces in uniform operate out of these stations. Their purpose is to achieve [the following]:

1. To make citizens feel that the police are always in their midst, and that should inspire them with confidence and reassure them.
2. To make merchants feel the presence of the police and the need to adhere to the boundaries stipulated by food supply laws when they do business and not to take advantage of anybody.
3. To meet the needs of the public quickly and to protect them from exploitation which may be exercised against them as they shop in the bazaars.
4. To supervise selling and buying activity as well as the trading of goods; to find out what the problems or congestions are and to inform leaders about them so that the situation can be corrected in a timely fashion.
5. To apprehend violations that are reported to them quickly; to write out the necessary reports for violators so that legal measures against them can be taken immediately. This would constitute a warning and a deterrent to the rest. In addition, the new decree changed operations at the department's Investigations Section; it put the benefits of specializing to good use. That section included four subordinate units which are:

The Price Control Unit; the [Cooperative Stores] Control Unit; the Public Stores Control Unit; and the Non-Food Goods Control Unit.

There is no doubt that such specialization provides an opportunity for finding out about methods for violating laws, taking advantage of loopholes in those laws and not achieving the objectives of the subsidies. This creates the possibility that effective methods for fighting such crimes and preventing the misappropriation of subsidies can be achieved.

--The decree also stipulated that an inspection section be established. Its principal purpose would be to coordinate support for the cooperation between the sections and units of the Food Supply and Domestic Trade Police Department in the governorates and at the same time between these sections and units and the concerned agencies in the governorates. Another aim of the decree is to utilize scientific methods to develop operations that have to do with planning crime fighting programs and following up on the efforts made by sections and units of the Food Supply Police Department in the geographical branches. Efforts made by these sections and units are to become widespread. [Still another aim of the decree] is to assess shortcomings in performance and propose appropriate solutions to overcome them.

Also among the authorities of this section is that of assessing the situation for food articles and working to maintain their availability and their easy flow.

[2] Changing the Organizational Makeup of the Food Supply and Domestic Trade Police Department and Its Geographical Branches:

The name of the Food Supply Investigations Department, which was subordinate to the Department of Public Security has been changed, as we've already indicated, to the Food Supply and Domestic Trade Police Department. It became subordinate to the Security Sector, and it came under the supervision of the first assistant minister for public security. In accordance with Decree Number 1618 for 1978 its status was changed and it became subordinate to the assistant minister for economic security. From an organizational standpoint this department was upgraded to the level of a central department, and it was subordinate to the assistant minister of the interior. As far as the geographical branches are concerned, their organizational level was upgraded in the various departments of security. The sections and units of the Food Supply and Domestic Trade Police Department were now under the supervision of the assistant director of security affairs. These sections and units used to be subordinate to the director of the Department of Criminal Investigations.

There is no doubt that upgrading the organizational level of the Food Supply and Domestic Trade Police Department and its branches in the governorates will increase the effectiveness of this department's operations. It will cause it to make decisions quickly and to be close to the top leadership positions. This would realize direct communications and avoid communications flaws and impediments.

In general, Decree Number 2114 for 1977 set up an integrated organizational structure for the Food Supply and Domestic Trade Police Department. That structure was comprised of several levels.

1. The first level: that of the department head who directly supervises [the following]:

--The Inspection Section and the Public Relations Unit.

2. The second level: Management which supervises the following sections.

The Investigations Section, the Data Section and the Administrative Affairs Section.

3. The third level: The geographical branches, and these are the sections and units of the Food Supply and Domestic Trade Police Department in the governorates.

The decree also included strengthening and developing the notion of having a section for administrative and financial affairs by establishing an operations unit alongside the other traditional units.

How Are We To Fight the Misappropriation of Subsidies?

The Food Supply and Domestic Trade Police Department constitutes one of the foundations of supervisory agencies fighting against the misappropriation of subsidies and ensuring that the subsidies reach those who deserve to get them. Department operations are based on the stability of food security and on the use of two methods to curb food supply crimes:

--Preventive Measures:

These are measures that are followed to prevent food supply crimes from being committed. [They include] the establishment of numerous food supply police stations in different bazaars in Cairo and in the other governorates. These police stations are also to be established at those locations where food supply commodities are distributed.

The police would thus always be present among merchants and citizens, and this reduces opportunities for committing food supply crimes or for taking advantage of others and increasing the prices of subsidized goods in particular. The Food Supply Police Department, operating in the context of the previous measures, follows the method of carrying out publicized food supply raids whose purpose is to caution and warn those who try to commit a food supply crime.

At the same time the Food Supply Police Department tries to inform the public and people who go to the bazaars and public stores of their rights. The department encourages them not to go easy on greedy merchants and to report them immediately. These public raids take the form of a visible patrol made up of some regular forces and investigative forces from the Food Supply Department in cooperation with the inspectors of the Ministry of Supply.

--Subsequent Measures:

These are measures that include crime fighting measures after crimes are committed and [perpetrators] apprehended. These measures are illustrated by secret food supply raids that are carried out by the investigating force of the Food Supply Police Department. These raids are carried out in complete secrecy and at suitable unspecified hours for the purpose of apprehending lawbreakers and those who hoard and hide subsidized food supply goods to create a black market and to tamper with people's livelihoods by selling goods at prices higher than their fixed prices.

The purpose of subsequent measures--illustrated by the secret raids--is also to

inspire feelings of security and confidence in the hearts of the public so they would not be apprehensive about reporting merchants who violate prices.

These raids are usually preceded by thorough investigations about the merchants who break the law and who usually sell goods at prices that differ from the fixed, mandatory prices for them. These raids are aimed at the bazaars, the bakeries, consumer cooperatives and the various commercial areas so that the movement of subsidized goods is covered.

Subsequent measures are followed by legal measures that are taken against law-breakers. They are prosecuted and taken to the authorized courts, which are the state security prosecution and courts.

Obstacles Facing the Operations of the Food Supply and Domestic Trade Police

Despite the growing efforts made by the Food Supply and Domestic Trade Police Department, there are several obstacles limiting the effectiveness of that department's supervisory role.

Field studies indicate that the most important of these obstacles lie in:

--Multiple food supply supervisory agencies.

There are many supervisory agencies engaged in supervising food supplies, and all of them are either directly or indirectly subordinate to the Ministry of Supply.

These supervisory agencies may be listed as follows:

A. The Public Department of the Ministry of Supply and Domestic Trade for Food Supply Supervision.

B. Supervisory agencies at supply and domestic trade departments in the governorates; these are also subordinate to the Ministry of Supply.

C. The Food Supply and Domestic Trade Police Department: Although it is subordinate to the Ministry of the Interior from an administrative standpoint, it is subordinate to the Ministry of Supply and Domestic Trade from a technical standpoint.

It is worth noting that each one of these agencies has its own plan of action. Sometimes agencies are taken by surprise when one of them carries out an actual operation, thereby creating conflict with the plans of other agencies. Ultimately, that could ruin the objective of supervising activities in the bazaars.

In this regard, therefore, to strengthen supervision in fighting against the misappropriation of subsidies one ought to create some kind of coordination between all concerned agencies to achieve their integration.

--A Shortage of Resources in the Branches of Food Supply Supervisory Agencies in Governorates:

It is obvious that some governorates get a larger share of publicity than others

in the area of food supply supervision. The relatively weak resources of food supply supervisory agencies constitute a situation in some areas that is conducive to the misappropriation of subsidies. Many food supply crimes are committed and remain undetected by supervisory agencies.

It seems that the matter requires the establishment of some kind of balance between the major governorates and others and between the rural and urban sector, particularly in popular areas where people on fixed incomes reside. It is these people exclusively for whom the subsidies are basically directed.

--Increase in Laws Having To Do with Food Supply Supervision:

The food supply area gets numerous and various laws because citizens' needs change from one day to the next. This makes it necessary that those needs be confronted with successive regulations and decrees that stay in step with rapid developments that are occurring.

As a result of the increase in these laws, it is difficult to keep up with them and to know about them. This is true for workers in the field of food supply supervision, and it is also true of average citizens.

Therefore a comprehensive survey of these laws must be carried out. They must be reconsidered to find out how suitable and appropriate they are with present conditions and variables. An effort must be made to compile these laws and publish them so that everyone can know about them.

--A Lack of Knowledge about Food Supplies among the Public:

As a result of a lack of awareness about food supplies among some individuals, some goods are purchased and hoarded. This creates shortages in these goods. Also the fact that some people would agree to buy goods for more than the mandatory price set for them hurts honest citizens and helps some greedy merchants continue violating the laws without having to account for their actions. In addition, some merchants hoard some goods and wait for the prices of these goods to rise so they can make a greater profit.

There is no doubt that such conduct on the part of some individuals and merchants can be corrected by giving citizens, and particularly women's societies, more information through the media. Women's societies played a major role in putting an end to the greed of merchants in many advanced countries. They opposed merchants' wishes to make more profits at the expense of consumers.

--Court Measures and the Mode of Punishment:

It is an accepted fact in the philosophy of punishment that the purpose of punishment is not achieved unless it is swift and timely and unless it deters.

It is a fact that food supply laws included a stipulation that the penalty for violation would be imprisonment and a fine. Litigation in these cases comes under the jurisdiction of state security courts so measures and trials can be dealt with quickly.

The actual facts, however, the result of an increase in the number of cases that are being heard in these courts, make it necessary that the number of circuit courts designated for settling food supply cases be increased so that the lawmakers' intentions of forceful opposition to this kind of crime can be realized.

--Extending the Supervision of the Police to all Entry Spots in the Traffic of Goods:

The role of the police has usually been restricted to supervising the traffic of goods in the stage of distribution only and to the benefit of consumers.

Economic and financial conditions, however, require that the role of the police be expanded to include all stages of traffic for subsidized goods, from the time they are produced to the time they reach consumers. This includes import stages with regard to imported goods, transportation or other stages. Police operations would thus not be concentrated on the stage of distribution, which is tightly controlled, while other stages in the traffic of subsidized goods that are subject to exploitation and subsequent misappropriation of subsidies are left without supervision.

It is therefore necessary that supervision be integrated to include all the stages which subsidized goods go through from production to consumption. This requires that the organization of the Food Supply and Domestic Trade Police Department be reconsidered so that police supervision can be extended to the traffic of goods before distribution as well.

Also the role of the police ought not to be restricted to the protection of consumers only. That role must be broadened more clearly to provide equal protection to all parties. Attention must be devoted to the problems of producers and merchants since they are in most cases the sources of the goods and those who control their flow and their continued availability in the markets.

There is no doubt that solving the problems of producers and merchants would help prevent the misappropriation of subsidy funds [and ensure] that subsidies are received by those who deserve them.

Lack of Candor with the Masses:

In many instances consumers do not know the truth about the economic situation that the country is going through during a certain period of time. For example, citizens may not know that a certain article is in short supply because of weather conditions or because of several reasons. Shipments of some imported goods to Egyptian ports may be delayed. As a consequence of that many problems and shortages in some goods ensue as a result of this lack of candor.

Therefore, the Food Supply Police must coordinate their efforts with those of other concerned agencies and with the media. Personal meetings are to be adopted to tell the public the truth about the food supply situation. The public should be told about the situation of different goods and services so that these agencies can earn the confidence and support of the masses.

This method also constitutes a new notion for democratic action that usually

creates [a formula for] the public assuming responsibility for economic problems and participating in solving and confronting these problems.

We are thus introducing a new factor into the area of food supply supervision. It is the method of popular action. Through agreement and cooperation between the food supply police and representatives of the Democratic National Party joint working patrols could be formed to look after the task of supervising the security of food supplies. This would increase the effectiveness and popularity of this action.

The notion of penalty for violating a food supply rule can also be developed through public participation. There would be moral penalties in addition to other penalties, and these would be manifested in boycotts and in the fact that some people would not do business with some merchants. Such penalties may be more severe and more rigorous than others.

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EGYPT

HIGH ILLITERACY RATE STILL BURDENS EGYPT

Cairo AL-AHRAM AL-IQTISADI in Arabic No 785, 30 Jan 84 pp 18-20

[Article by Dr Ihab Salam: "Illiteracy Is a Heavy Burden, So Who is Doing Anything About It?]

[Text] Fifteen million souls in the 1976 census and the number is still growing: 38 percent illiterate males and 62 percent illiterate females; the illiteracy rate in Lower Egypt is 46 percent and 39 percent in Upper Egypt and 64 percent of illiterates are outside the work force.

Illiteracy alarms politicians because illiterates are not familiar with their programs even though they serve their interests. Election campaigns can undermine the illiterate's ability to know where his interests lie. Illiteracy also alarms employers because an illiterate, regardless of his experience, cannot develop and grow with the job. Job development may require the ability to read and write, but he does not make an effort, thus impeding development. Employers do not want to dispense with illiterate workers, or they may want to achieve work development by hiring new employees who can read and write, thereby creating a situation where illiteracy is responsible for the dismissal of experienced but illiterate workers. Illiteracy also wounds husbands in their very souls when wives imprisoned by their own illiteracy cannot be expected to raise their children properly or to instill in them sound ideas and values.

Illiteracy represented 56.3 percent of Egyptians in 1976 (10 years of age and over). It is a high rate compulsory education has been unable to bring down, although it has been in effect for a long time because it is not all-inclusive. A certain percentage of youngsters do not enroll in elementary schools for different reasons.

Qualitative Difference

The number of illiterates in the 1976 census was about 15.1 million people. It is a high figure calling for tremendous efforts to wipe out illiteracy in Egypt.

The situation calls for a 100 percent adherence to mandatory basic education in order to dry up illiteracy's wells. This responsibility cannot be delayed because the number keep growing as time passes.

How are those illiterates concentrated according to age groups? The illiteracy rate among 10 to 16 year olds is extremely high (23.8 percent) and is higher among males (25 percent) than among females (23.1 percent). This indicates that compulsory education was not all-inclusive but rather unacceptable.

The illiteracy rate among 10 to 39-year-olds is over three-fifths, a definite indication that illiteracy constitutes an extremely heavy burden because it is concentrated among the working age population and the country is in dire need of strong advanced hands in the social and economic development process. The most important sign of development is the ability to read and write.

This is not the case with Egyptian males and females. Male illiterates represent 38 percent of the total Egyptian population (10 years of age and over) and female illiterates, 62 percent, which means that the burden is getting heavier and the situation more serious. After being concentrated in the most important phase of one's life, the phase of youth and production, illiteracy is also very severe among females: the mothers of the present and the future. This means that illiteracy will bear portions of coming generations brought up in ignorance with low standard schools and muddled information that stays with a person all his life. A mother is a school who, if well-brought up, can rear a strong generation. Allowing mothers to be illiterate is a crime against the people. If we cannot muster enough enthusiasm to wipe out illiteracy now, when will we?

A deeper look at various demographic divisions to determine who is more illiterate, city dwellers or country folk, reveals the following:

- The illiteracy rate among city dwellers is 31.5 percent of the overall illiterate population.
- The illiteracy rate in rural areas is 68.5 percent of the overall illiterate population. Thus, the rural rate is higher than the urban rate.
- In urban areas, illiteracy rates among males (10.9 percent) is lower than among females (27 percent), while it is 41.5 percent for females in rural areas as opposed to 20.6 percent in urban areas.

These are 1976 rates which will not change much in 1983. The situation varies in the 25 governorates (26 since Sinai has been divided into two governorates). Cairo has the lowest rate of illiteracy (9 percent), followed by 13 other governorates ranging between 7 and 4 percent and the rest, lower than 4 percent.

Table No 3 shows that urban governorates (Cairo, Alexandria, Port Sa'id and Suez) have 14.3 percent of the illiterate population while Lower Egypt has a lower percentage (45.9) than Upper Egypt (39). Desert governorates (Sinai, New Valley, Red Sea and Matruh) represent the lowest rate (.8 percent).

Economic Activity

Economic activity leads us to new facts: idle illiterates constitute 64.3 percent while the highest rates of economically active people is in agriculture

(24.8 percent) See Table No 3. Other rates are not high. Therefore, focus should be on those who are outside the work force, mainly females, and agricultural workers. This is a new burden on those who are planning to wipe out illiteracy because reaching housewives is a very difficult proposition that can be bogged down in tradition. As for agricultural workers, it is a more complicated situation because they are scattered over vast areas of arable land and spend most of their time close to the farms, especially during peak seasons. Therefore, their time does not allow them to join classes; the way to attract them to training course is to offer incentives of acquiring an agricultural trade while learning to read and write.

Vocations

Vocations do not reveal much. Those without any vocations, and therefore economically idle, represent 64.2 percent (note that the Egyptian vocational population is 15 years and over while the economically active is 10 years and over, hence the slight difference). After that we have the agricultural workers who represent 24.4 percent. However, vocational distribution reveals a new fact that the illiteracy rate among production workers is higher than the general illiteracy rate (7.4 percent), a matter that deserves much thought and action because production workers are often the nerve center of the manufacturing and other industries. (These workers are usually concentrated in processing, construction, electric power, gas and water industries.)

The Program

What then is the program that must be followed to eliminate illiteracy? Such a program concentrates on the following:

- Wiping out illiteracy among the 9.2 million who are 10 to 40 years of age, 3.4 million of whom are males and 5.4 million females.
- Efforts to wipe out illiteracy among males will concentrate on those involved in economic activities, and among females, on those who are idle.
- Sixteen governorates must take special care in guiding their illiteracy programs because there is no focus on illiteracy in Egypt in the governorates.
- In eliminating illiteracy among economically active males, care must be directed at agricultural and production workers.
- High school and university graduates can be asked to wipe individual illiteracy. Each of them can be asked to eliminate the illiteracy of 20 individuals, thus wiping it out in exactly 3 years.
- The government, the parties and the wealthy people of Egypt must participate in this national endeavor, in addition to large installations as well, because it can weigh heavily on any one of these groups if undertaken single-handedly.

- An executive body, with authority to enlist the help of graduates in this national endeavor for a period of one year, may be formed with the task of eliminating illiteracy.

- Illiteracy programs may be combined with vocational training programs to produce individuals with special skills and basic education. This will help increase the rate of female contribution to economic activities by allowing females to enter the job market armed with education and training.

TABLE I: Illiteracy Distribution on Basis of Age Groups & Sex

<u>Egypt, 1976</u>			
<u>Age Group</u>	<u>Males</u>	<u>Females</u>	<u>Overall</u>
10 -	25.0	23.1	33.8
20 -	35.6	39.4	37.9
40 +	49.4	37.5	37.3
TOTAL	100.	100.	100.
	5,726,178	9,367,828	15,094,015

Source: 1976 Census

TABLE II: Distribution of Illiterate Population According to Governorate.

Egypt, 1976. (10 Years and over)

<u>Governorate</u>	<u>Rate</u>	<u>Governorate</u>	<u>Rate</u>	<u>Governorate</u>	<u>Rate</u>
Cairo	9.0	al-Minufiyah	5.0	Aswan	1.0
Alexandria	4.4	al-Buhayrah	7.8	Red Sea	0.1
Port Sa'id	0.5	Ismailia	1.0	New Valley	0.2
Suez	0.4	Gizah	6.0	Matruh	0.3
Damietta	1.4	Bani Suwayf	3.6	Sinai	--
al-Daqahliyah	7.6	al-Fayyum	3.8	-----	
al-Sharqiyah	7.8	al-Minya	6.8	Total	10.0
al-Qalyubiyah	4.3	Asyut	5.5	Population	
Kafr al-Shaykh	4.7	Sawhaj	6.5	15,109,684	
al-Gharbiyah	6.3	Qina	5.8		

TABLE III: Relative Distribution of Illiterate Population According to

Economic Activity, Egypt, 1976

<u>Econ. Activity</u>	<u>Rate</u>	<u>Econ. Activity</u>	<u>Rate</u>
Agriculture	24.8	Trnsp., Comm., & Storage	1.0
Mines/Quarries	0.1	Services	2.6
Mfg. Inds.	3.7	Other	0.6
Elec., Gas, Water	0.1	Active	35.7
Build./Constr.	1.5	Idle	64.3
Trade, Hotels, & Rest.	1.3	Total	100.0

Overall Number of Egyptians: 15,094,015

Source: 1976 Census

TABLE IV: Relative Distribution of Illiterate Population According to
Vocation, Egypt, 1976

<u>Vocation</u>	<u>Rate</u>
Sales Personnel	0.8
Services Personnel	2.5
Agr. Personnel	24.4
Produc. Personnel	7.4
Unclassified	0.7
No Vocation	64.2
Total	100.0
Overall Number	13,317,501

SOURCE: 1976 Census

12502
 CSO 4504/166

RISKS BEHIND PROJECT FINANCING CONSIDERED

Cairo AL-AHRAM AL-IQTISADI in Arabic No 785, 30 Jan 84 pp 22-23

[Article by Eng 'Abd-al-'Aziz al-Dassuqi: "Banks: Making the Decision Before Risking Project Financing"]

[Text] Frequent stories in the press about the "fugitive millionaire" lead people to believe that the tales of the "fugitive millionaire" are the only problems banks are suffering due to the entry of corrupt individuals into the field of financial investments. The fact is that the banks, and the Egyptian economy by association, suffer more serious problems related to tales about the millionaire who does not run away because he cannot carry his factory on his back and take off. Many projects have had difficulties and shareholders' money has been lost. Confidence in the money market has been severely shaken and bank money, which could have been used in many ways, has been lost. The result is a decrease in savings and an illogical retreat by banks. We found it necessary, at the very least, to explain the viewpoint of the banks which, if they regain confidence and adopt a sound decision-making course before risking project financing, could attract savings accounts, thus performing their true role in the national economy.

Bank Specializations, Concept of the Economic Advisor

Although there are two completely different branches of banking activities, known as business activity and investment activity, some banks abroad specialize in just one of these activities. The concept has not been adequately applied in Egyptian banks when formulating general policies, organizational structures, methods and regulations. Failure to make a fine distinction between the concept of the economic advisor, who must possess an exhaustive knowledge of all the various financial, industrial, managerial and human facets of economics, and the financial advisor, who only needs a deep background in the science of finances and accounting, had aided this state of affairs. Based on the premise that economics is the art of resource exploitation, this concept is totally incompatible with the recent statement of the chairman of the businessmen's association calling for a reconsideration of the decision to limit project studies to graduates of business colleges.

Economic Open-Door Policy

The economic open-door policy was put into effect at a time when Egyptian markets were yearning for this sort of change after a very long period of deprivation. It is common knowledge that in the situation the market is ready to accept any kind of commodity at any price, inasmuch as the consumer goes through a period of adolescence. This is mirrored by the banking policy in the method of project evaluations based on technical and administrative marketing studies submitted by agents and examined by banks only from the financial viewpoint. This policy, although acceptable when the economic open-door policy was first put into effect, has proven its futility and has involved banks in financing many projects with defective technical, marketing and administrative methods. These banks, helplessly searching for causes and solutions, reacted in several ways, as follows:

- They blame the credit institutions and officials, going so far as to replace some of them.
- They lost confidence in agents, charging them with intent.
- They imposed more restrictions on project financing.
- They adopted purely financial decisions such as increasing project capital merely to adjust the loan-capital ratio as a nominal protection which is not conducive to effecting reform regarding the project's general structure and to provide the investor with a real ability to pay.

There were other negative reactions that do not bring about radical solutions to real problems caused by banks and investors alike. The real solution lies in banks supporting agents in areas of deficiencies, albeit not a universal practice.

It has also become incumbent upon banks to adopt new methods commensurate with the stability we are about to experience, both in the general economic climate and in the maturity of the consumer who has developed the habit of logical choice between quality and price, thus causing a drop in golden investment opportunities and tightening the investment market insofar as all its various factors, be they industrial, marketing, technical or administrative methods, must be closely coordinated because failure of one of these factors means failure of the whole project. Egyptian banks must now acquire the ability to evaluate all these factors, besides the financial analysis capability in judging project feasibility as an important measure for investment insurance.

To discuss this, it is obvious that we must understand the nature of the Egyptian investor and must familiarize ourselves with his strengths and weaknesses to be able to support him.

Nature of Egyptian Industrial Investor

The nature of the investor represents an important component in the banks' financial decision-making process. For example, foreign banks place great

emphasis on the nature and patterns of investors and project managers, a task made easy in advanced societies by established patterns, deep-rooted cultures and logical step-by-step approaches, all of which make for logical correlation and analogy.

From the time the open-door policy went into effect until now, no established patterns or prototypes of the Egyptian investor have emerged because after a long period of being closed off to the outside world, the old masters of this field have either faded away or are too old to start all over again. Hence, new prototypes began breaking into the industrial investment field, as follows:

- The business investor who wants to divert his money surplus to industrial investments.
- Workers working abroad who saved their money to invest in Egypt.
- Egyptian business men who manage foreign money, Arab capital in particular. Most of these prototypes look for golden investments and do not have any industrial or economic background nor do they possess the ability to evaluate projects, not to mention that they often rely on technological talent to conceptualize, study and implement the project.

Concept of Industrial Advisor and Technological Advisor

Whereas the process of founding an industry is an established science and an art in itself and not the mere provision of a place, some equipment and personnel, as it may appear sometimes, many projects got bogged down right from the start. Just as we have already pointed out, the lack of a fine distinction between the concept of the economic advisor and that of the financial advisor, we similarly point out the absence of a fine separation between the concept of an industrial advisor and that of the technological advisor. The latter is an expert in some field of industrial technology while the former does not belong to any one industry as such but is known for his analytical ability, his capability to deal universally with any industry, his ability to speak a common language with the technological, economic or marketing advisors, and his power to be a coordinator and an interface between various specialized working groups.

Due to the lack of a deep understanding of this concept, industrial projects have been commissioned to technological advisors who failed even in their own field of endeavor to transfer foreign technology, a very important aspect as you will see.

Transferring Foreign Technology

The failure of many projects can be attributed to mistakes committed in the process of transferring foreign technology, especially in regard to projects commissioned for technological advisors who go to one of two extremes: either they exercise excessive confidence and refuse any foreign technical

support, thus wasting many a valuable year in experimentation and learning without any appreciation for time or money, or they transfer foreign technology with scientific vulgarity, thinking that it is the only way to catch up with world development. They do not realize that technology is like a living being, able to live and flourish in one environment but perish in another, and that many of the motives for development abroad are lacking in our local environment and can be done without in order to lower costs and make competition possible.

Anyway, the concept of "transfer," sought by the West to sell its expertise and equipment, must be changed to "adoption" in second world countries.

True Role of Banks in Decision-Making and Investment Insurance

It is obvious, based on the above, that Egyptian banks are shouldering a burden not experienced by world banks in inter-reacting with the environment and performing their role of promoting and supporting industrial investment in Egypt. This burden is represented in the necessity to create agencies not only capable of conducting financial feasibility studies and giving the red or green light to banks, but also able to evaluate the various facets of the project, reshape projects if necessary, offer investment aid to investors up to a logical formula which, while serving the investor's interests, is the only guarantee of payment banks have. These agencies must also possess the ability to conduct comprehensive studies of all the various elements of a project (policy-production-price-marketing-planning and administration-technological techniques-personnel-capabilities).

We also believe that a role such as this must extend beyond the project's starting date to include effective follow-up of all the different aspects so as to ensure they conform to the plan and to take necessary corrective measures at the proper time and before it is too late. The bank must feel that, whether a partner or a lender, it must play the role of a partner in a constructive fashion not so much patronizing as fruitfully cooperative in the common interest.

Therefore, and in order that banks may play this role, the concept of the credit agency limited to financial analysis must be changed to a universal agency with decision-making capabilities.

Whereas it is natural that the bank's organizational structure should not comprise all these cell-like elements with varying standards and specializations, we believe that banks should maintain in this basic structure only the core of this cell which is able to lead and coordinate between groups of advisors created according to project requirements. This core must be universal and able to understand these fields, to control the flow and exchange of information among industrial, marketing and financial analysts and to correlate results and options for presentation to the bank's higher management.

WASTE IN PUBLIC SECTOR FUNDS DECRIED

Cairo AL-AHRAM AL-IQTISADI in Arabic No 785, 30 Jan 84 pp 24-25

[Article: "What the Minister of Industry's Press Statement Did Not Say About Money Wasted in the Public Sector"]

[Text] Minister of Industry Dr Muhammad al-Ghururi issued a resolution banning reporters from attending public sector plenary sessions on the basis that a press communique would be distributed to them, although reporters are supposed to attend plenary sessions held by public sector companies to ascertain the true situation and find out the real reasons behind the fraud and decline in public money, money that belongs to the people.

The press communique does not give a true picture of the companies' situations. One example is what goes on in the General Company for the Manufacture of Ceramics and Porcelain. A report by the Central Auditing Agency [CAA] cited gross violations committed by this company where equipment, valued at 74,000 Egyptian pounds, was scrapped before its prescribed lifespan was over. Likewise, commodity stock and commercial activity assets comprised idle equipment, some of which was valued at 653,000 Egyptian pounds, including machines kept idle for the whole year valued at 18,000 pounds, and commodity stock machinery costing 500,000 pounds, some of which goes back to 1972, and the case of reconditioning an underground furnace at a cost of 335,000 pounds going back to 1977 that was expended and [the furnace] returned to stock in 1983, apart from other equipment scrapped this year.

Gross Violations with Contractor

In the most glaring violation, 16,000 pounds were paid to contractor Sayyid Faraj on 15 April 1978 as a down payment on a contract to manufacture and install a metal casing at furnace two in accordance with the contract, although it did not include an insurance clause and did not have a letter of undertaking for the down payment, as required by the financial instructions. The company also paid 8,000 pounds in storage fees for the contractor, although the contractor did not meet his obligations because he did not receive the needed equipment as per the contract. Therefore, he kept 24,000 pounds in his possession for several years although the company was making bank overdrafts.

The report pointed out that commodity stock assets valued at 10.9 billion pounds were not inventoried on 30 June 1983 nor were they inventoried in previous years.

Hotel Porcelain Project

Money invested in the hotel porcelain project as of the date of the budget was 14.471 million pounds, while appropriations for this project were 13.373 million pounds. The project has a minimum annual output capacity of 2,000 tons. The company contracted for its tools and equipment on 8 September, 1976 and delivery was completed by the end of 1979. However, civil construction was not contracted for until 15 May, 1979 and the company was also late in importing the metal frame from America during August and September, 1979, for delivery within 8 months, but the supplier did not complete delivery until February, 1982, a delay of over 2 years, not to mention higher freight costs which affected machine installation and furnace construction. The machine supplier demanded that the letter of undertaking be withdrawn because of the great delay in installation, and asked for higher fees for installation experts. Installation work was awarded to contractor Zaydan Hawis who demanded a 40 percent increase in the value of the contract, equal to 6,400 pounds, because of execution delays outside his control.

Furthermore, the deadline for loan and interest payments for machinery and furnaces came around before production got underway. The company pledged in the 30 June, 1981 budget to start production in the first half of 1982 and in the 30 June, 1982 budget to start in the first half of 1983. This year, production is expected to start during the first quarter of 1984. The more than 4-year delay in carrying out the project has resulted in a production loss estimated at 8000 tons, and the company has assumed interest payments amounting to more than one million pounds, in addition to local interest [payments] the company charged to the project amounting to 790,000 pounds as of the date of the budget, without getting any returns from the project.

It was also discovered that insurance claims for loss and damage in some incoming shipments for the hotel porcelain project were not filed by the legal deadline and that no comprehensive stock of losses and damages in incoming shipments was ever taken. So, who is responsible for all of this?

And, who is responsible for failure to adopt measures to guarantee the company's right to receive compensation for damages from insurance companies.

Where is Internal Control

The report mentioned that storage expenses due to delays in clearing incoming shipments out of customs were over 27,500 pounds, a matter that calls for a re-examination of the support given to internal control over customs clearance.

The Balance Situation

Unclaimed balances in dealer and supplier accounts, plus other debit balances amounted to 307,000 pounds, which must be collected in order to deal with the liquidity shortage at the company.

Balances of various private sector dealers were 26,000 pounds against debit balances of 82,000 pounds, despite the fact that rules of selling to dealers of this sector do not allow debit balances.

The report went on to say that the debt of the company's employee consumer cooperative reached almost 187,000 pounds, represented in 84,000 pounds under procurement of vehicles and electric equipment for company employees, 71,000 pounds for company products drawn by the cooperative and 320,000 pounds for medical supplies and [palm frond] baskets when the bank overdraft balances reached 2.06 million pounds on which the company had to pay 148,000 pounds in interest charges. Therefore, the cooperative must pay the interest due on these amounts in accordance with bank interest rates. A disputed amount of 798,000 pounds for contractors was also discovered.

So, who is responsible for these gross violations, and will they be mentioned by the minister of industry in his statement or will he be content with sale, import and surplus figures? Why is the press banned from attending plenary sessions? Why the fear? Is it not the people's money?

12502

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INVOLVEMENT OF ARMED FORCES IN PUBLIC SERVICE PROJECTS DETAILED

Cairo MAYU in Arabic 9 Jan 84 p 5

[Article by Husayn Ghaytah: "The Role of the Armed Forces in Alleviating the Troubles of the Public and Beefing Up Food Security; Food Security, Telephone, Land Reclamation Officials Speak Out"]

[Text] We began our conquest of the desert, and we reclaimed 3,150 feddans.

We have ongoing communications with universities, with ministers of agriculture and with the National Research Center.

Telephone networks are being renovated and expanded, and 12 military cities are being built.

As one year comes to an end and another one begins, there is no doubt that each one of us is asking himself what contributions he has made. There is no doubt that our armed forces, 10 years after the glorious 1973 October War, have been involved in battles of development and construction for the people of Egypt. Their aim has been to effect a close unity between the people of Egypt and the army that defended them for 30 years. The time has now come to look at the role that our armed forces chose to play along with its functions of defending the country. The armed forces chose to alleviate the troubles of the public and beef up the food security experiment in Egypt by reclaiming land and modernizing the cultivation of the land. The armed forces chose to have the experience of working on telephone communications systems, and they chose to confront the difficult housing problem.

Our armed forces realize that future wars will be fought over food. As an institution of leaders, the armed forces are obligated to confront that challenge on the basis of their human, material and scientific resources. The armed forces are embarking on this experiment fully aware of the serious implications that experiment will have on Egyptian society and on prevailing relations in it. Achieving the dream involves furthering the notions that were chosen by the 23 July Revolution. The features of Egypt's new society are beginning to take shape on 25,000 feddans in al-Nubariyah and on 25,000 other feddans that are being added to that area. Cooperative villages are being set up in that area, and these villages will be managed by the village residents themselves. This will really establish

democratic practices in the country. The experience is a spectacular one. After reclamation the land will be owned by those who reclaimed it and who were trained to cultivate it by using machines and the most modern methods of technology in the world. The modern agricultural machinery will be publicly owned by the cooperatives. Crops will be marketed and seeds and fertilizers will be purchased collectively by the cooperatives to ensure the best price conditions. The villages were planned as urban villages, and they will include cultural clubs, a movie theater, libraries, schools and day care centers. With the onset of the new year, it was necessary that we focus the limelight on this great experiment that our armed forces are embarking on.

It was in the desert, that place which has been cursed since World War II that we interviewed Maj Gen 'Isam Jawhar, a veterinarian and vice president of the armed forces' food security sector. But the desert is now being made to bloom by its own people. We asked him how did it come about that the armed forces were being used to reclaim land?

He said, "We began thinking about this matter from the premise that constructive efforts are part of the defense effort. Because armies, as Napoleon said, march on their stomachs, the task of providing food for soldiers without taking that food from the people's food provisions became an extremely important task. Armies consume large quantities of food. If these quantities were taken from the market, major price increases would result. Therefore, we began thinking about how to produce these goods ourselves. Plans for that depended on producing food in quantities that would be quite sufficient for the armed forces. In agricultural production, for example, we know that the green strip of land along the Nile is a narrow strip. We knew that we had to try to add to it. Therefore, we thought about conquering the desert. We found a suitable area of desert land that had been neglected. It was in al-Tall al-Kabir in what had been a camp for British forces. We succeeded in reclaiming 3,150 feddans which yield a good crop of beans, barley, fruits, vegetables and feed.

"We considered al-Tall al-Kabir project an experiment that would allow us to learn and get the training [we needed] to reclaim and cultivate the land. At the same time we experimented there with different kinds of crops. We are always communicating with universities and with the Ministry of Agriculture to benefit from the expertise there. We turned to the National Research Center to provide us with modern technological methods, and we got from the center the latest in scientific expertise and methods. In 2 years we were able to prepare for the great al-Nubariyah Project, which is 25,000 feddans, the size of a governorate. We will make that project an industrial, agricultural complex that will produce enough food to feed an entire army. It will provide an army of three fourths of a million persons with all the vegetables, fruits, meat and dairy products they need for all their meals."

The Computer and Irrigation

Engineer 'Isam Jawhar added, "Egypt used to irrigate the soil by flooding it. Now, however, we rely on the most modern irrigation systems in the world to irrigate our projects. We irrigate the soil by using different ways of watering the crops, which saves 40 percent of the water. We also use sprinklers to irrigate the soil. We are now working with foreign scientific firms and considering the

possibility of using computers to irrigate the land. This means that we would match the kind of crop with the direction of the wind and the planting season by means of a centralized, automated management that would control the size, direction and altitude of water drops in the sprinkling process. Plants would thus get only the quantity of water they need, and that would be determined very precisely. Thus a large quantity of water would be saved, resources would be saved and areas for opening drainage canals would be provided. These take up approximately seven percent of the land."

The Land Is for Soldiers and Cooperative Villages

As far as land reclamation in Sinai is concerned, there is an area of land that is 55,000 feddans east of the lakes. This land will be reclaimed jointly with the Reconstruction Authority, and it will be distributed to soldiers after they finish their military service. Each soldier will own between 5 and 10 feddans depending upon the size of his family which will live with him at that location. These projects will be turned into cooperatives. Also in al-Fayyum, on 'Abd-al-Mun'im Riyad Base there are 5,000 feddans that are being reclaimed. This land will produce a crop every year. There are also 85,000 feddans in 'Atbarah in Sudan that the armed forces are helping to reclaim. This effort is being made in the context of integration projects with Sudan.

Military Factories Are Producing Farming Equipment

Maj Gen 'Isam Jawhar added, "Military factories are manufacturing pivoting irrigation equipment. When farmers become owners of the land, the cooperatives will be responsible for maintaining, repairing and operating these machines. In addition, our military factories are now manufacturing farming tractors and many farming equipment."

The Egg Complex in Inshas

One of the other notable projects that is being established in the armed forces' food security sector is the egg complex in Inshas. That facility consists of four units each producing 60 million eggs a year. This is an integrated project that is to be implemented over a period of 8 months. The armed forces' food security sector is also establishing a dairy complex on the Cairo-Alexandria Desert Road. That facility consists of four farms yielding 24 tons [of milk] a day. There is a poultry facility that produces 6 million chickens a year. That is an integrated self-supporting project whose products will come out packaged for the consumer in packages that contain one chicken, half a chicken and a quarter of a chicken so that consumers can get the amounts they need for their meals.

"In the area of telephone services the armed forces are carrying out a complete plan to renovate and expand the telephone network in Cairo and Alexandria and to connect Cairo and some of the governorates with modern cables." That was how Staff Maj Gen Fayiz Sabri, director of the Signal Corps began talking [about what the armed forces were doing in the area of telephones]. He said, "After Cairo's telephones became almost inoperable in some areas, even though the task of making them work had been assigned to some specialized foreign firms, the only thing that saved telephone service from this paralysis was the intervention of the armed forces' Signal Corps. Before the National Service Agency was formed, the

Signal Corps used to carry out the requests of the National Telecommunications Authority. The corps intervened to solve emergency telephone problems only. After the agency was established, regular agreements began to be made between the authority and units of the Signal Corps at the National Service Agency. It was on that basis that as of early 1979 units of the Signal Corps executed sketches and set up machines for the areas and exchanges where work would be carried out. This was done in the form of a comprehensive plan that was to be carried out in stages. Work was begun with the establishment of a ground network for the Almazah exchange--with a capacity of 34,000 lines; for al-Jizah exchange--with a capacity of 35,000 lines; and for al-Qubba exchange--with a capacity of 45,000 lines."

Staff Maj Gen Fayiz Sabri said, "The Signal Corps then executed another contract with the Telecommunications Authority. The capacity of that project was greater than what had been agreed to. The Signal Corps set up four ground networks in Cairo and Alexandria that covered the Shubra exchange--14,000 lines increased to 27,000 lines--and al-Haram exchange--with a capacity of 25,000 lines. The Shubra exchange was completed and turned over in January 1983, and the second stage of that job is now being completed. The second stage also included 62,000 lines. In Alexandria, the Corps completed the Sidi Bishr Exchange, with a capacity of 18,000 lines, and that was completed and turned over at the end of 1982. Also the Sidi Jabir exchange was completed and turned over in May 1982."

Six New Exchanges

This is what Staff Maj Gen Fayiz Sabri had to say about the activities that units of the Signal Corps were now carrying out. "At the present time we are planning and implementing six new exchanges in Cairo and Alexandria. This is being done under a new contract with the National Telecommunications Authority. In Cairo that contract includes the exchange of Misr al-Jadidah--36,000 lines which was increased after the Signal Corps' survey to 77,000 lines, or an increase of 113 percent more lines than those that had been agreed to. The contract [also] includes the Bab al-Luq exchange with a capacity of 38,000 lines, and al-Zamalik exchange with a capacity of 26,000 lines. In Alexandria implementation of the automatic exchange is underway. Its capacity is 59,000 lines, and that is a 60 percent increase over the number of lines that had been agreed to. Work is also underway at the Glimonopoulo exchange; it has a capacity of 28,000 lines with a 20 percent increase over what had been agreed to. Finally, work is underway on al-Ibrahimiyyah exchange with a capacity of 24,000 lines. This area is still being surveyed by the Signal Corps to determine the expected increase in lines. For the first time the Signal Corps will put up cables that will link exchanges in Cairo with a capacity for 40,000 lines and exchanges in Alexandria with a capacity for 45,000 lines. The length of the cable is 114 kilometers; 3 of those kilometers will be laid under water to connect al-Zamalik exchange with other exchanges across the Nile."

19,000 Lines for Emergency Cases

Maj Gen Fayiz Sabri, director of the Signal Corps added this about the "1,000 pounds telephone" that the authority installs to meet urgent needs. He said, "Units of the Signal Corps carried out the project of increasing the expansions in some of the networks to meet urgent contingencies. These units installed a loaded cable to connect al-Qanatir al-Khayriyyah exchange with the Shubra

exchange. They also connected al-Fayyum exchange with Cairo by means of a coaxial cable with a capacity for 60 channels. The Signal Corps' units connected a micro-wave system at Bala'im Company in Ra's Gharib with Cairo. These are tremendous accomplishments achieved in record time with a high degree of efficiency."

Our Forces and the Housing Problem

Staff Maj Gen Mahmud Fahim 'Abd-al-'Aziz, chief of the Armed Forces' Engineering Authority said, "The armed forces have five factories for manufacturing pre-fabricated concrete housing. They are building about 12 military communities. In addition, one of these plants has been charged with the construction of a housing community. That will be the first stage of building al-Tawfiq city in Nasr City. These plants are operating quite efficiently, and military communities have actually been completed and turned over."

8592

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ARTICLE EXAMINES 'DISGRACEFUL PHENOMENA'

Tripoli AL-JAMAHIRIYAH in Arabic 27 Jan 84 p 17

[Article by Faruq al-Na'as: "Disgraceful Phenomena"]

[Text] When the glorious 1st of September Revolution broke out and the revolution's first bulletin conveyed to the whole world the revolution's principles and objectives, the world was stunned by the fact that the revolution had succeeded on one of the most fecund spots for colonialism. That part of the world had had U.S. bases and British bases which surrounded the country from the west, from the east and from the south. That part of the world had also been colonized by Fascist holdovers and by international intelligence agencies, which considered Libya a hotbed for their espionage activities. Thus, one of the most important items on their agendas was to preserve the rules of injustice, persecution and exploitation that were prevalent in Libya at that time. Most citizens who felt the brunt of oppression and exploitation were not fortunate to know someone in the seats of power or to know anyone who could intercede on their behalf to obtain for them the simplest of necessities which would make a vast number of the dispossessed feel human.

This great revolution, whose success stunned the world, subsequently stunned the world again with its bold and humane positions to champion liberation and opposition to all colonialist plans.

This revolution, whose leader is always coming up with new ideas for people, illustrated the ultimate in human and humanitarian contributions in the Third Theory. The three chapters of "The Green Book" outlined radical solutions to the problems and daily pains of humanity in a system of government and in economic and social systems.

The practical application of these precedent-setting statements made people in the Socialist People's Libyan Arab Jamahiriyah masters who have power, wealth and weapons. This is manifested in what we see and hear about workers' uprisings in the world. Workers are taking over plants to become partners and not employees of those plants. Demonstrations and strikes are also becoming prevalent in most countries of the world with workers objecting to decisions made by their rulers and their parties. Workers are demanding that the people be the ones to make decisions so that peace can prevail, people can live freely and new humanitarian ideas can prevail in the world. It has become evident to the world that when power is vested exclusively in one individual or any representative body, people ultimately

become like machines and they are made to act and function according to certain frames of mind that lead to destruction and ruin.

It is for this reason that our theory is a truthful and a great one. It is universal in its objective because it was devised for man, and its aim is to make man happy.

When we make such a statement, we are not saying anything that is new. We are making that statement to emphasize the need for revolutionary forces to try to forestall any tampering with application. Such tampering with application would be considered tampering with our capabilities and our future. Consequently, guidance is essential to the preservation of sound application. It becomes urgently necessary that the Revolution maintain strict control, expose erroneous practices and raid locations where destructive forces are harbored so as to bring all these erroneous practices to the attention of the public at people's congresses and to ask those who tamper with the capabilities of the people to account for their actions. This is because it is the public who have power and who can make decisions.

This is the premise of the two newspapers, AL-JAMAHIRIYAH and AL-ZAHF AL-AKHDAR, which are published by revolutionary committees. These two newspapers are exposing erroneous practices and are bringing them to the attention of the public. The two newspapers are prodding the public to take action via the people's congresses. They are urging people to ask questions and to call for an accounting because it is the public that can make decisions. The two newspapers are asking for a decisive solution instead of conciliation because reactionaries, right-wingers and other sick types take advantage of the public's tolerance in an attempt to rifle the Revolution and bring back a capitalist state with all its evils. Reactionaries and right-wingers are trying to abort the new socialist experiment and to scuttle every successful action that came out of the course of the Third Universal Theory.

Therefore, what is required now after the sixth meeting of the revolutionary committees and with the beginning of 1984 is quick and effective action to affirm the Revolution and to strike down these destructive positions. People who exploit others must be opposed resolutely and in a material way, not just on paper, in front of microphones or in cheers only. This is because when we examine the facts, we see, unfortunately, that numerous practices are becoming widespread in our society in al-Jamahiriyah. If we keep quiet about these practices and ignore them, they will become more widespread like cancer. Our new society in al-Jamahiriyah must be free of such practices because these practices are at odds with our society. Unfortunately, however, some people's secretariats and professional congresses have been dragged into emotional tendencies that may cause them unwittingly to make it easier for kinds of exploitative practices to emerge. For example, many kinds of brokers have become widespread, and trade is being pursued under the guise of craftsmanship. Others are becoming engaged in trade under the guise of providing the requirements of society. There are many other practices [of this kind], particularly in the absence of revolutionary controls.

Prices rose because pricing committees have been preoccupied with the task of pricing cosmetics. We've also seen one of the pricing committees at one of the municipalities meeting to set prices for haircuts and beauty services for brides.

Every kind of cosmetics product has a price, and the pricing list includes strange and shameful designations such as colored nail polish and different kinds of depilatories. It would be best to read those names and designations on the list that was issued by that committee and that was distributed for that purpose. We feel embarrassed about writing those designations here because they are ridiculous and also because some of these cosmetics products and hairdos are applied in firms that God only knows whether or not they are licensed!

This matter is sad because women in al-Jamahiriyyah are asking for [the right] to bear arms. They want to exercise power through their people's congresses. This price list, however, illustrates the opposite of that; it gives us the impression that we are living in the age of harems.

There may be a few other examples of such erroneous practices. We mention them as evidence of the fact that our capabilities are being pilfered daily while we, the public with power, wealth and weapons, stand by passively watching what is taking place and taking no action about what we are experiencing and facing every day.

Loathsome exploitation is being practiced by brokers selling all kinds of goods; it is being experienced and seen in the city of, for example. The same situation is true of other cities in the country. There are numerous firms that have turned to trade. This practice has become contagious and has been adopted by facilities such as hospitals where middlewomen entering under the pretext of visiting patients go around among patients' beds to show the numerous wares they availed themselves of from our people's markets. The same thing is happening in schools, especially primary schools where some teachers have revived the so-called [institution of] middlewomen. It seems that some teachers make friends with people in the market or with sales people in stores that sell clothing. Accordingly, they get their hands on large quantities of different goods that are offered for sale in the schools at fantastic prices of course.

Instead of teaching our children something new and instructing them in a new ideology to instill the spirit of revolution in their hearts at an early age--instead of all this--we see our children learning from what they see how to engage in exploitation and how to lay their hands on different kinds of goods in unusual ways. Such practices may be seen by children at school shops, not to mention those itinerant street vendors who have become so brazen about what they do that they sell their wares in front of the bazaars. They sell the same merchandise sold by these bazaars but which these bazaars have run out of after these brokers got their hands on the entire supply!

[Something has to be said] about car repair shops and their staff whose numbers are increasing everywhere as the days go by because this project requires foreign workers and spare parts that would always be available to those workers. At the same time the average citizen has a hard time getting those spare parts in most cases. And prices at these repair shops are very high.

One can speak freely about meat! All along the coastal strip one can find sheep brokers slaughtering sheep and selling the meat on cars and under trees. They do not follow the simplest rules of sanitation.

And what about restaurants and refreshment counters that have spread like wild fire under the slogan that a restaurant is a home for the homeless? The number of these establishments has exceeded and is exceeding the imagination every day. Non-Libyans work at most of these restaurants and refreshment counters. Instead of working at sites of production or as participants in development projects, the present positions of those people prove that they are hired for exploitative purposes.

This is the situation: exploitation is being practiced, and it is becoming widespread. Exploitation is being pursued not only for gain but also because there are reactionary forces trying to promote practices that are highly detrimental to our society in al-Jamahiriyah. They have a motive in doing so. It is urgent and extremely important that we oppose these erroneous practices and that we destroy their positions.

Car repair and car painting jobs must be undertaken by those firms and companies that sell cars and spare parts. The sale of consumer goods and clothing must take place inside bazaars and socialist stores designated for that purpose. Selling merchandise outside these places is a form of exploitation. Restaurants, refreshment counters and other such establishments must be taken over by hotels or managed by those facilities. Other than that, everyone who exploits others and all kinds of exploitation and middlemen's practices must be firmly opposed so that citizens can find what they need in their original place in the bazaars instead of getting them in some other way and being tricked in the process when those goods are sold at prices set for each article by the sick mind of someone who exploits others in ways that are highly manipulative and exploitative.

What I want to say to sum up and conclude this subject and what I had hoped to explain by providing some examples is this: there are erroneous practices that must be repressed and curbed. People who get involved in such practices must be made to account for them; they must not be allowed to distort or impede our glorious course and our precedent-setting humanitarian experience on the road to wealth and prosperity.

8592

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SUDAN

COMMUNIST LEADER OUTLINES PARTY'S OBJECTIVES, BACKGROUND TO CIVIL WAR

Paris AL-YASAR AL-'ARABI in Arabic No 58, Oct 83 pp 14, 15

[Interview with Muhammad Mahjub, leader of Sudanese Communist Party by Sharif Mansur; date and place not specified]

[Text] [Question] The situation in southern Sudan has once again taken precedence over other developments in our region.

[Answer] By way of illustration, the Western press has consistently portrayed the southern problem in terms of a conflict between Christianity and Islam or the domination of the south by the northern Arabs. The fact is that prior to independence in 1956, a set policy designed to divide Sudan into north and south and to embrace the southern separatist elements was pursued by the colonialist administration. There was the "Closed Districts" ordinance applied to the south according to which a northerner could only visit the south by special permit granted to doctors and engineers. In this and other ways, the British colonialists espoused a policy of partitioning Sudan to prolong its period of subjection to their control.

This policy led to the outbreak of the civil war in the south even before the departure of the British occupation forces from the Sudan. The major force in this war was the southern troops who split from the Sudanese regular army and took to the jungle. This war continued until 1972, i.e., until the signing of the Addis Ababa agreement concluded between Numayri and the leadership of the separatist Anya Nya forces.

The Southern Problem/The Concept and Solution

[Question] How did the Sudanese Communist Party [SCP] assess this situation? How were the SCP's slogans and viewpoints on this issue formulated?

[Answer] Since its inception, the Sudanese Communist Party's position could be summed up in the knowledge that an ethnic problem exists in Sudan; that there is a distinctive nationalism in the south; that there are differences between its inhabitants and the other inhabitants of the Sudan; and that autonomy should be granted to the south within the context of a unified Sudan. This position was articulated in the party platform which emerged from the third congress in

1956 and was further developed during the fourth party congress in 1967. This position, which represents a broad perspective, may be summed up as follows: autonomy within the context of a unified Sudan is possible only through the struggle of democratic forces in the north, at the heart of which is the Sudanese Communist Party, to build a democratic movement in the south which will be an influencing factor and which will believe in the concept of the unity of Sudanese soil with the understanding that these forces will assume the reins of power in the south as a primary condition for the application of autonomy there. The party has likewise dealt with the southern problem from the standpoint of the socioeconomic backwardness of the south in comparison to the rest of Sudan. It linked the socioeconomic development of the south to the issue of southern autonomy. That is, the party adopted the demand that radical changes be made in the socioeconomic structure of the south in the interest of the masses which will bring them closer to an understanding of the issue of autonomy in the context of a unified Sudan. The party was and still is of the opinion that the ethnic problem can only be solved in a democratic atmosphere in which the southerners are given the opportunity to develop their ethnic and cultural identity on the basis of their native language. The party has fought all attempts to assimilate and incorporate [the south] by coercion and force and to impose Islam and the Arabic language on the citizens of the south.

[Question] What practical steps have been taken by the party in the south in this regard?

[Answer] The party along with the Trade Union Federation, the youth federation and the students' and women's unions proceeded to transfer their activities to the south. Trade unions were formed in the south with the help of the Trade Union Federation of Sudan. Slogans such as "equal pay for equal work," meaning equality between the southern and northern worker, were raised. Likewise, branches of the youth federations and the students' and women's unions were formed in the south. These efforts have played and continue to play a significant role in creating and stimulating the democratic movement in the south. All of these developments ended in opposition to the course pursued by the governments that successively ruled Sudan. It was an inadequate course. All of these governments practiced oppression and violence. The civil war broke out and a peaceful political solution to this problem could not be brought about.

May Response to the Southern Front

[Question] How did the May regime deal with the southern problem?

[Answer] The May regime's position on the southern problem may in fact be divided into two stages: the first dates from June 1970 until July 1971 and the second from the victory of the counterrevolution in July 1971 until the present. Prior to May 25 there was no Sudanese party calling for a radical solution to the southern problem except for the Sudanese Communist Party. Moreover, this call was linked to a deep-rooted struggle to solve this problem. In this way the May 25 regime emerged to adopt the position of the Communist Party. This proclamation became known as the June 9 Proclamation. The

communist leader, the martyr Joseph Garang, was appointed minister of southern affairs. At that time, he began to attempt to apply this progressive, democratic and peaceful solution, in the face of innumerable obstacles due to the regime's inability to understand the essence of this solution and to the fact that it raised this solution as it had raised other progressive slogans as a means of attracting the support of the masses and not out of a deeply-rooted conviction in these slogans and their content. When apostasy triumphed in July 1971, all of the slogans raised by the May regime were toppled. It was in this setting that a complete departure from the June 9 Proclamation with respect to the southern problem took place.

[Question] Fine. Since the Numayri government repudiated the June 9 Proclamation, what program did it propose at that time to solve the southern problem?

[Answer] In the period that followed the July 1971 apostasy, Sudan was confronting the southern problem under a new set of circumstances: the democratic movement was in retrograde in the north and the south, and the voice of the opposition forces was generally fading be it in the north or in the south. This situation paved the way for the regime to prepare a solution in accordance with its own interests after severing its old alliances and to pursue a path of total subservience to neocolonialism and utter hostility toward the national and progressive forces. It was an opportune time for Western capitals, the World Council of Churches and Emperor Haile Selassie to urge the regime to conclude a deal with the various political leaderships in the south according to which an alliance, constituting the regime's base in the south, would be created. Thus an agreement on the south was signed in March 1972 in Addis Ababa between the Numayri regime and the leaders of the separatist Anya Nya forces. According to this agreement a local southern parliament was established and a higher executive council appointed by the central government and empowered with legislative, security, administrative and development functions. The signing of this agreement was announced in an atmosphere replete with the lies of the government and its agents in the south to the effect that the problem had been solved; that the south had regained its stability; and that the unity of its tribes was restored.

[Question] How do you evaluate this agreement?

[Answer] If we were to transcend the commotion of the media which accompanied the announcement of this agreement, scholarly evaluation would show that the agreement did not lead to stability or development for the benefit of the southern masses. Despite the fact that the ceasefire and the cessation of bloodshed were welcomed, the outcome reveals that this agreement did not lead to a solution to the perennial problem of the south. As a result of this agreement, separatist leaderships held sway in the south and bureaucratic, bourgeois elements incapable of solving any of the problems of the southern masses came to prominence in the government apparatuses in the south. Our party's evaluation of this agreement has proceeded from the premise that it involved elements which welcomed the resumption of the civil war because it represented a complete

surrender to the rebels and the forces of neocolonialism thereby compounding the dangers of severing the country's unity and reviving the disagreements and clashes between the sons of a single homeland. Throughout the period which followed the signing of the agreement, the south had in fact been the stage for a series of political and military clashes between various southern political bodies for control over the regional government. (There are two primary political parties in the south: the Southern Front and the Sudanese African National Union [SANU]). These conflicts were reflected in revolts among the military and political leaderships and repeated leadership changes in regional government bodies. In spite of the fact that the central authority had also imposed the single party system on the south, the southern political parties and bodies nevertheless continued to operate behind the facade of the Sudanese Socialist Union.

The upshot of the application of the Addis Ababa agreement (for 11 years) is that there is now a southern regional army and a central [government] army and that for a period of 11 years there were no production projects established in the south to absorb the repatriated manpower. In the wake of the agreement, the institutions of the military dictatorship moved to the south, including the Sudanese Socialist Union. Then, the single party system was imposed, trade-union freedoms were stifled, methods of preventive detention prevailed and freedoms were nullified to the extent that southern political parties began to use the apparatuses of the regional government to suppress their adversaries.

The Rending of Southern Unity; Outbreak of Rebel Operations

[Question] How did the situation in the south explode once again in recent months?

[Answer] About a year ago the military dictatorship began talking about dividing the south into three governorates (Equatoria, Upper Nile and Bahral-Ghazal provinces) according to the situation that prevailed before the agreement and as part of a plan to apply regional government throughout Sudan. It was no secret to anyone that the government's object in this division was to render the unity of the south. As a result of the complex conditions prevailing in the south after the agreement, this division scheme played the role of the spark which ignited numerous rebellions in southern cities. Some troops who were former rebels withdrew from the army of the government and took to the jungle. A "guerrilla war" erupted once again against the central government. That is to say, the Addis Ababa agreement had come to an end and its bankruptcy was proclaimed. For several months, severe tensions gripped a number of southern cities in Upper Nile Province such as al-Nasir, Bor, Pibor and Akobo. These tensions spread to cities in Bahr al-Ghazal and Equatoria provinces. The southern problem returned once more to square one. This meant sending military reinforcements from the north to the south; staging sweep operations in the cities and attacks and pursuit operations along the southern and eastern borders; and an enormous southern exodus to neighboring African countries. In short, it was a return to precisely the same situation as before under more complicated circumstances.

It is important here to point out that the Egyptian forces present in Sudan have effectively participated in putting down the southern rebellions, engaging in sweep operations in the cities and launching attacks. There is information confirming the use of Egyptian "F-15" planes in incendiary attacks on the forests in order to create a state of panic. Perhaps this is a new confirmation of the fact that the principal objective of the so-called integration charter between Egypt and Sudan is an exclusively security-related one, i.e., the preservation of Numayri's collapsing regime and the imposition of government by force on the Sudanese people.

[Question] How are the Sudanese communists confronting this explosive situation in the south?

[Answer] The party's basic position is founded on the cornerstone of struggle for the sake of Sudan's unity which cannot derive from political deals concluded under the auspices and in the interest of neocolonialism. Any agreement which does not take into account the fact that the Sudanese homeland is united by the factors of unity of destiny; unity of soil; common struggle; common interests; and mutual respect for ethnic and cultural differences is an agreement doomed to failure. It is important here to point out that our party does not look upon the rebel Anya Nya forces as an enemy. We are against their separatist leaders who are connected with neocolonialist circles. We are trying to win them over to our position on the southern problem. The overwhelming majority of tribal chiefs are tied to the central government by virtue of their interests and are therefore on the side of Sudanese unity and against rebellion. We must avail ourselves of their influence despite the fact that they are untrustworthy allies.

At the top of its agenda our party places the tasks of the unification of Sudan's sons in the north and the south; the overthrow of Numayri's military dictatorship and the establishment of a national democratic system in Sudan and true regional autonomy for the south.

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POSSIBLE FACTORS PROMPTING APPLICATION OF SHARI'AH EXAMINED

Al-Shariqah AL-KHALIJ in Arabic 3 Nov 83 p 3

[Article by Dr Ahmad Muhammad Idris: "Viewpoint on Application of Islamic Shari'ah in Sudan and Other Side of Issues"]

[Text] "There is no doubt that the announcement on the application of the Islamic Shari'ah in Sudan has provoked a large-scale argument, not on the application or non-application of the Shari'ah but on the comprehensive application of the Shari'ah at all levels of life in enactment of the indivisibility of the creed.

"There is also no doubt that Sudan, with its geographic position, its resources and its problems, preoccupies the mind of every Arab citizen who believes that the Arab parts must turn into effective parts in the equation of pan-Arab national security and of comprehensive Arab development throughout the greater homeland.

"Therefore, opening the door for a discussion on what is happening in Sudan becomes a duty dictated by the objective circumstances being experienced by our nation and by the unity of the Arab affiliation.

"This article deals with one aspect of the Sudanese national issue. If we have an observation on this article, it is that the article goes to excess in its partisanship and focuses the hope of salvation in one individual, one path and one party. This approach may not be very beneficial in tackling the Sudanese situation. This also applies to the other Arab countries. Out of belief in freedom, we publish the article and hope that it will turn into a fruitful discussion that puts the finger on the wounds, without slander or defamation."

More than a month has passed since President Numayri declared application of the Islamic Shari'ah in Sudan. In this time, at least one incident requiring the firm application of the Islamic rules must have taken place. Has this been done? At least, we have not read or heard from the local or international media anything confirming the codified instruction to cut off a head or a hand or to stone [an adulterer] to death. All that has happened is individual cases of flogging!

With the successive reports coming from Sudan recently after the passage of more than 6 weeks on the declaration and approval of the strict application of the rules of the Islamic Shari'ah in the country, we find that some concessions have been made, at times in the practical projection of Islam by excluding [from the application] some factions which have begun to (raise their voices in protest) and often in the strict application of the Shari'ah.

It is difficult for President Numayri to apply Islam comprehensively because he does not have a comprehensive vision or a guiding Islamic theory saturated with the spirit of the age and deriving its principles from the Koran, the venerable Sunnah and the interpretations of old and modern jurists.

Similarly, the support given Numayri by the Muslim Brotherhood is incapable of helping in achieving this because the Brotherhood's direction is more political in its course and in most of its practices than it is a contemporary direction keeping pace with the other political currents with which the Sudanese arena abounds. This is because the Islamic Brotherhood lacks a sound course and specific programs and because its popularity is weak among the Sudanese masses and modern forces, except for its domination of the Khartoum University Students Union.

The Sudanese people are not unaware of the premises of the Brotherhood's call, which is based on Islamic fundamentalism and on revitalizing the Islamic reformist [al-salafiyah] movement. This is what the Brotherhood's founders did in 1928 when their special organization appeared with Shaykh Hasan al-Banna, the first grand imam of the Brotherhood who called for the "Koran" program until he was assassinated in 1949.

The resurgence of the Brotherhood in Pakistan in the early fifties, re-organized under the direction and guidance of Abu al-A'la al-Mawdudi so that it may move from the phase of movement to the phase of strength and violence, did not add to the movement a program with specific elements.

Thus, this movement is a weak ally whose narrow popularity and poor resources do not enable it to support President Muhammad Numayri's calls for a long period despite the moral and material support flowing to the movement from abroad.

The movement, within the framework of its narrow theories, remains a force of confrontation against communism. The movement's actions in this respect appeared clearly in the famous Bayt al-Mal [treasury house] clash against the communists in 1965.

Thus, the strong opponent and the obstinate adversary is al-Sadiq al-Mahdi with his deep-rooted and inherited Islamic tendencies and with his modernization of the method and of the program. He is the adversary sought by the regime because President Numayri believes that al-Sadiq al-Mahdi stands as an insurmountable obstacle in the face of the early application of his Islamic call. This is because al-Mahdi has, in addition to his inherited Islamic background and his broad-based popular support, a platform that

attracts most of the diverse modern forces in the Sudanese arena. Hopes are attached to al-Mahdi as the "dark horse" in leadership and pioneering and as the man with a sound democratic direction that is free of sectarianism and tribalism and that calls sincerely for liberties within the framework of a codified opposition program. This attracts to him broad sectors of public opinion, especially since he has a store of experience in government affairs, considering that he held the position of prime minister in 1966.

The extent of al-Sadiq al-Mahdi's broad popularity was reflected in the massive crowds that performed the prayers of the past al-Fitr holiday in Aba island (the stronghold and starting point of al-Ansar.) All this motivated President Ja'far Numayri to place al-Mahdi, along with his leadership group, under detention immediately after his Islamic declaration on the morrow of the past al-Adha holiday.

Let us now examine al-Sadiq's theory of Islamic government as he projected it in a lecture in October 1982 when he said:

"Today, the need for Shari'ah-oriented civil, criminal and family laws enlightened by the legacy of all jurisprudence--be it Sunni, Shi'ite, 'Ibadi, Zahiri or Sufi--guided by all the ancient and modern comparative laws, derived from the principles of legislation, detailed in accordance with the interpretation of new pioneers and colored by the problems of the modern age--is an urgent need and an important challenge facing the entire Islamic movement, especially in our country. Whoever rejects this concept which is based on the provisions of Islam and the experience of the forefathers and calls for traditionalism and sectarianism opens a broad door to those who accuse Islam of being incompatible with the modern age and who plan to abandon Islam under the pretext of invalidation of the Shari'ah, or the second message or the secularism of the left or of the right."

How does this compare with President Numayri's direction and his glaring and "complete" call for implementing the Islamic Shari'ah without examining its details and intricacies with a modern understanding or its compatibility with the turbulent political climate in Sudan?

In another part of the same lecture, al-Sadiq al-Mahdi said the following with more precision, firmness and realism:

- "1. Means coming from above are futile in the application of Islam.
- "2. Means [achieved] by coups produce inverse results.
- "3. The nature of Sudan and the lesson learned from its history say that the slogans and programs of Islam must rise on bases of popularity and freedom."

This projection, which is guided by the real and tangible situation in Sudan, is more compatible and more supportive of President Numayri. Meanwhile, standing on the other side are the leftist organizations--even after being pardoned and released from detention--the organizations of the

professional groups with their urgent demands and their daily confrontations with the government, the centrist organizations, represented in the National Union which is engaged in opposition at home and abroad under the leadership of the late al-Sharif Husayn al-Hindi, al-Khatmiyah Sect and the Sudanese masses who are being burnt by the stifling economic crisis, the inflation and by the constant failure to manage the Sudanese economy, along with the escalating debts that have amounted to \$8 billion, and with the daily supply bottlenecks and elimination of the subsidy for bread and fuels.

This is in addition to the government's ostentatious spending, to the burdens of the costs of the single ruling political apparatus--the Sudanese Socialist Union--and to adoption of the open-door system with all the parasites, middlemen and corrupt executive officials that this system brings along with it.

Moreover, there are the complications in the issue of Southern Sudan--complications created by the recent regional redivision and the constant insurgency in the units of the Sudanese army in the south, the decentralization of government and by the establishment of regional government, along with all its burdens to the general budget.

Thus, the vision becomes clearer and more aligned, at least in this troubled climate, with al-Sadiq al-Mahdi who is benefiting greatly from his detention, considering that he is projected in a brighter image and that his stock is rising in Sudanese public opinion circles after a period of struggle--a struggle of rapprochement and estrangement with President Numayri. This period started with al-Sadiq al-Mahdi's rejection of the May revolution and passed through al-Mahdi's arrest and compulsory exile to Egypt in 1970, a second arrest, struggle from abroad through the National Front to topple the regime by bloody confrontation in 1976, the national reconciliation and [al-Mahdi's] participation in the ruling Political Bureau, with resignation and self-imposed exile in London in 1978 and ending with the return to the country to intensify the opposition's political action recently until he was arrested.

This picture of the struggle of al-Sadiq al-Mahdi with the internal front's controversies and its ceaseless efforts to achieve complete solutions makes al-Sadiq al-Mahdi the desired and hoped for leader of the Sudanese people, considering that hopes are attached to him to alleviate the hardship and to settle the political, economic and social conditions with vision and with programs formulated with a contemporary spirit.

What enhances al-Mahdi's stock is the recent coolness which developed in the relations between President Numayri and Husni Mubarak in the wake of the failure [of Egypt] to respond to Numayri's request for Egyptian magistrates and lawyers to fill the judiciary vacuum in Sudan when the judiciary crisis deepened and when the judges embarked on a confrontation with President Numayri's government with an open strike that lasted nearly 4 months--a crisis which has come to be known in Sudan at the "massacre of the judiciary."

President Numayri would perhaps do well, if he wants to overcome the siege imposed on him by all of the opposition's political factions and currents, to return to his roots in al-Ansar. We believe this would be acceptable to foreign circles, excluding Egypt, which have a major impact on our internal actions, especially in view of his tepid relations with his traditional ally, Egypt.

We wonder: Will he release al-Sadiq al-Mahdi so that the latter may become the strong internal ally or will the challenge between the two opponents persist? Only then will it become clear who the final winner is.

In any case, the issue--"the issue of the struggle"--will be clarified in a limited number of weeks or months, either fully crystalizing Numayri's Islamic tendencies or causing these tendencies to fade gradually as no more than a local theory and a temporary bridge to overcome the crushing economic crisis.

Whoever lives will see the outcome.

8494

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NUMAYRI CITES DETAILS OF ISLAMIC SUMMIT DISCUSSIONS

Cairo AKHIR SA'AH in Arabic No 2571, 1 Feb 84 pp 12-14

[Interview with Sudanese President Ja'far Numayri by 'Adil Rida in Khartoum: President Numayri Recounts to AKHIR SA'AH Details of What Happened in Islamic Summit Conference; How and Why Were Few Rejecting Egypt's Return Defeated"]

[Text] In the first closed session of the Islamic summit conference in Casablanca, President Ja'far Numayri delivered an address urging Egypt's return to the Islamic Conference. Numayri stressed that Egypt is Arab and Islamic, and cannot but be so, that it defends the Arab world and its causes and abides by a genuine pan-Arab spirit. Numayri noted the withdrawal of the Egyptian ambassador to Israel on the morrow of the invasion of Lebanon and Yasir 'Arafat's latest visit to Cairo and his meeting with President Mubarak as proof of Egypt's commitment to the Palestinian cause.

Numayri said: Egypt is the country which secured the air and naval, and even political cover, for 'Arafat, who had been besieged in North Lebanon. This means that it opted to stand with the Palestinian people and the Arab nation under the darkest circumstances, regardless of any other commitment. Numayri wondered: What is the benefit of ousting Egypt and what does the Islamic world reap from this ouster, considering that Egypt is one of the founders of the [Islamic Conference] Organization? Besides, how can we close the door in the face of Egypt and disregard its strategic role at the Arab, African, Islamic and international levels at a time when most of the Islamic countries have diplomatic and economic relations with Egypt?

This was President Numayri's position on Egypt's return to the Islamic Conference and these were his frank and courageous words in support of what is right. This is why AKHIR SA'AH was eager to interview President Numayri upon his return from the conference to Khartoum. Despite his tight schedule, Numayri responded to AKHIR SA'AH's wish, received 'Adil Rida, its special correspondent, answered all questions and recounted the full details of what had taken place at the Islamic summit conference and of the position of the rejectionists and of the overwhelming majority supporting Egypt's return.

[Question] Mr President, while following your address to the Cassablanca conference, I felt that President Husni Mubarak, the Egyptian people's leader, was not absent because you represented [him]. Can you tell us the story of what happened at the summit and of how you, with the honorable leaders of the Islamic world, were able to reach this resolution?

[Answer] God be thanked, the Islamic summit conference was truly a great historic conference. The issuance of the resolution for the return of Muslim Arab Egypt to the conference was perhaps due to the spirit which dominated the conference and to the seriousness which prevailed in the discussions. All the Islamic countries took part in this summit and this helped discussion on all the issues concerning Muslims in all parts of the world. Numerous issues were presented to the conference but absolutely the most important issue was the issue of Egypt's return to its Islamic nation as an effective, influential and active member. Two currents dominated the discussion on this issue:

The first current--a neutral, sincere and honest current undoubtedly representing the overwhelming majority--believed with utter conviction that the absence of the Arab Republic of Egypt from the Islamic arena is an absence affecting the Islamic force and that Egypt is, to start with, one of the important and prominent mainstays of this Islamic nation and that it has its status, its place, its contribution and its indispensable role--a ceaseless role, even though Egypt did not take part in the preceding conferences. Egypt's participation amidst countless challenges threatening the entire Islamic world has become an important must.

The second current was that of the minority. It was evident that this current, led by Libya, Syria and South Yemen and condemned by all objective and neutral criteria, was a current of rejection for the sake of rejection and of hatred for the sake of hatred. This became evident from the debate with this current which could find no argument or support other than vituperation and the reiteration of slogans. What is surprising is that even though this current was aware that nobody was convinced of what it was saying, it persisted in spreading its poisons to serve objectives and aspirations that are secret to nobody. Without any hesitation, this minority resorted to acts and words which, let me tell you frankly, I am embarrassed to convey to you or to the Muslim or Arab reader. This group's attempt to continue Egypt's ouster from the Islamic nation was a ferocious attempt in which all the totally dishonorable weapons were used.

But the tendency of the overwhelming majority in the Islamic group rose to the level of the responsibility in this important meeting and was not at all affected by these allegations or this revilement. This reassured our hearts that the Islamic nation is well and that the truthful and sincere current is ultimately the real hope that this nation will perform its influential and effective role.

Full Islamic Support for Egypt

[Question] Mr President, you have not mentioned your great role in this conference and I will not tire of insisting on knowing this role.

[Answer] Regarding my role, I did no more than what my responsibilities and duties dictate. You and the entire world know that Egypt and Sudan are an indivisible whole and that Sudan's and Egypt's goals are the same and are not in conflict. This is why, when I spoke to the summit, my words emanated from the heart and derived their warmth from the feelings of the deep bond between Egypt and Sudan. Moreover, no great effort was required on my part to recount the facts of the situation as I am aware of it and to urge the need for Egypt's return to its Islamic nation.

(President Numayri added:) I explained to the summit the major role performed by Egypt at the Arab, Islamic and international levels. This is something that the other leaders have experienced. Therefore, the presentation was characterized by objectivity, calm discussion and the absence of convulsion, thus leaving the others alone in the arena of vituperation and lies and in a position of weakness and humiliation. This, by necessity, helped expose the lies and allegations of the other side. This was the general feeling at the conference when I dealt with the issue of Egypt's return. While speaking of the need for its return, I noticed the kings' and presidents' approval. Rather, the expressions of encouragement and enthusiasm for Egypt's return interspersed the discussion that took place and I received numerous messages and calls at my place of residence backing up the course followed by Sudan and supporting Egypt's return. The reason for this is certainly the sincere words and the naked truth which I used in my argument on this issue. After this sweeping support, it was natural to issue the broad Islamic resolution calling for Egypt's return to its nation. It is my opinion that this historic resolution reflects a new image of the Islamic nation. It is a resolution that proves that the Islamic nation is a united, cooperative and integrated nation.

I do not want to be premature but I ask you to wait to see, hear and witness what will be achieved after the resolution for Egypt's return.

Opinion of Those Concerned With Issue

(There was a short silence which the Sudanese president ended with sincere words uttered with his tongue and reflected in his eyes:)

Egypt's role in the Arab arena and the Islamic arena, even though Egypt has not participated in [recent] Arab and Islamic summits, has been a role that has risen to the level of Egypt's national responsibilities. The Arab arena and the international arena have seen Arab and Muslim Egypt keeping contact with and communicating with the Arab and Islamic countries. Egypt has helped and has cooperated with more than one Arab country to bolster its defense capabilities and its political and economic abilities. For more than a year, we have seen the Egyptian leadership and Egyptian people mortgaging their economic, political and security fates to serve their

pan-Arab convictions, thus withdrawing the Egyptian ambassador from Israel. I believe that this withdrawal will continue, unless Israel becomes something other than the Israel that the world knows--the Israel of expansion and of aggression. Moreover, the withdrawal of the Egyptian ambassador from Israel is tied by the Egyptian administration to withdrawing the Israeli forces from Lebanon, to recognizing the Palestinian people's legitimate rights and to liberating the rest of the occupied Arab territories. Egypt has employed all its efforts and all its international and regional relations to recognize the Arab causes. Moreover, Egypt's relations with its Arab world have continued through dialogue, contacts and cooperation in all spheres, including the defense and military spheres. If the question is a question of the pivotal issue, namely the Palestinian issue, then the [visit of] brother Yasir 'Arafat, the PLO chairman and the symbol of the PLO's unity, to Cairo is the evidence and the proof not only of the Egyptian people's and leadership's bond with the Palestinian issue in particular and the Arab cause generally but also that Egypt is the refuge in times of tribulations and hardships. We all know that Egypt was the party which secured Yasir 'Arafat's long trip from Tripoli to Port Sa'id and beyond through an Egyptian air and naval military umbrella.

The presidents and kings were evidently convinced when I stressed in my address to the conference that Egypt has proven without words that Egypt chooses the side of its Arab nation in the moments of national decision, regardless of any other considerations or agreements or whatever they may be called. Moreover, Egypt--whose behavior has been viewed by Israel as a violation of the agreement concluded between them--has been the forerunner in putting the strategic cooperation agreement between Israel and the United States to a clear practical test. When the United States fails to view the presence of Yasir 'Arafat in Cairo as a violation of the Egyptian-Israeli treaty and when Israel sees the opposite, then this means that the agreement between the two countries has failed to prove its effectiveness.

In Whose Interest Is Egypt's Ouster?

(President Numayri added:)

I asked before the conference, and many supported my questions: What does the Islamic world gain from ousting Egypt, with its people, civilization and constant giving to Islam, by continuing the suspension of its membership in the Islamic Conference Organization when nobody can deny that Egypt is one of the first founders of this organization? Moreover, what does Islamic solidarity gain from separating Egypt from its Islamic nation and from Egypt's absence, by our desire, from this nation when we should utilize Egypt's efforts and its giving for the good of Islam? Besides, how does Islam, which is a religion of uprightness, permit the majority among us to have diplomatic and economic ties and relations with Egypt while we continue to suspend its membership in an organization that embraces all of us? It is as if we permit ourselves as states that which we do not permit ourselves as a great Islamic gathering!

(President Numayri was busy for a few seconds, answering a telephone call, and then resumed his words with his soft voice and his well-turned phrases that abound with sincere feelings:)

The challenges facing the Islamic nation at present require uniting the ranks so that our steps may consist of initiatives and not counter-initiatives or reactions. This concept was expressed by brother Sekou Toure, who is one of the oldest fathers of the struggle in Africa and the third world, when he said that the believers should stand with each other like a well-built structure whose parts support one another. His words seem to have comprehended the lesson of history. The result was consensus on Egypt's restoration of its natural position in the Islamic Conference Organization. Thus, the rejectionist current--the current of the emotional minority which does not understand whom this emotion serves--was defeated. It is my opinion that it has become clear that the greater majority, not to say the overwhelming majority because, as Muslims, we have no overwhelming and overwhelmed among us, supports Egypt's restoration of its place among us. If our number as a Muslim population in this world is 1 billion people, then more than 950 million people have spoken, through their legitimate representatives, in favor of Egypt's return.

Why Does Jallud Attack al-Azhar?

[Question] Mr President, I have heard that 'Abd-al-Salam Jallud, al-Qadhdhafi's minister of foreign affairs, attacked the venerable al-Zahar violently during the conference sessions. Is this true? If it is, what did he say?

[Answer] Yes, Jallud did attack the venerable al-Azhar. He has no understanding of the noble Korean and no education to help him debate this issue. Jallud knows, even though he denies such knowledge, that al-Azhar has been standing alone in the Islamic arena for hundreds of years, fighting military, religious and cultural colonialism, that al-Azhar was the institution which confronted the sweeping wave of atheism which almost prevailed upon the Arab nation in the wake of World War II and that al-Azhar's confrontation of this wave was a blessing from God--a blessing which checked this wave and caused it to recede forever, God willing.

(President Numayri added)

Jallud has not comprehended the greatness of al-Azhar which has reached remote Islamic islands thousands of miles away from the site of the venerable al-Azhar. With its ceaseless struggle, al-Azhar has made miracles. Al-Azhar has been the factor behind transmitting Islamic culture to these remote parts of the world. Al-Azhar and its efforts are the reason that made the president of the Republic of the Maldives, who speaks Arabic fluently and who is a Muslim and a graduate of al-Azhar, stand to say that he is very sorry for the absence of Egypt from this conference and to stress the need for its return to this arena.

Al-Qadhdhafi's Threat to Cooperate With Soviets

[Question] Mr President, you are well known for your sincere direction and for steering clear of maneuvers. It is certain that your reliance on these principles was behind the sweeping confirmation for what you said before the conference. Some countries swerved from this predominant tendency of the conference and resorted to maneuvers and threats, such as Libya which threatened to establish strategic cooperation with the Soviet Union if Egypt returns to the Islamic Conference. Can you explain to us the position of these countries and those who support them?

[Answer] As you know, Libya and Syria have been the pioneers in fragmenting the Islamic nation at the conference. My analysis of their position is that they have, very regrettably and sadly, fallen under the influence and control of an ideology whose objective is secret to nobody, namely the communist ideology. This ideology, led by the Soviet Union, understands that Egypt's entry into the Islamic arena means, by necessity, the downfall of leaderships that control the fates of faithful peoples who do not believe in or apply communism. Egypt's entry into the Islamic summit will be the real beginning of exposing the grievous role of Libya and Syria in the Islamic world, and even in the Arab world. Syria and Libya opposed this current [of Egypt's return] because Egypt, with its capability and expertise, knows the minute details of their ceaseless plots to impose this ideology not only on the Arab world but on the Islamic world as well. These countries have realized that Egypt's return to the Islamic Conference arena will expose their leaderships, subsequently bringing about their downfall. Egypt is aware of the traitorous role played by Syria and Libya in the PLO war in Lebanon and it is capable of confronting the Syrian-Libyan plotting against the safety of the entire Arab nation and of the Islamic nation. Syria and Libya, which have spent vast sums of money on the purchase of sophisticated weapons, have used these weapons and turned them against the sole legitimate representative of the Palestinian people. I will say this with utter honesty, Syria and Libya would not have been able to deal with the PLO independently if it had not been for the ouster of Egypt from the Islamic and Arab organizations.

Both Syria and Libya realize that Egypt's return is capable of putting an end to the treason they are perpetrating on the Arab arena and realize that the Libyan and Syrian peoples have become aware of the true nature of the treasonous position of the two regimes. This is why they launched their intense attack and expressed their strong opposition to Egypt's return. Egypt's ouster is the last card in the hands of the Syrian and Libyan regimes.

Arab Summit Next March

[Question] Mr President, the Arab summit is imminent while the Arab splintering continues to intensify and while Arab division and fragmentation continue to strike deeper roots in the Arab nation's structure. Are you going to repeat the call for Egypt's return to the next [Arab] summit, how

can the voices calling for division be confronted and what is your opinion of the expected meeting between Egypt, Jordan and the PLO?

[Answer] There is no doubt, brother 'Adil, that we will continue to call strongly for Egypt's return to its Arab nation in the coming Arab summit, hoped to be convened next March. Egypt, God be thanked, has returned to its Islamic nation. We will exert further efforts to restore Arab solidarity and unity because this is the only way to confront the imminent danger facing the entire Arab nation. The coming Arab summit is a convenient occasion to exert more efforts within this framework. However, we will not really wait for the convocation of this summit. Rather, we are already exerting efforts and trying to reach minimum agreement before convocation of the summit so that we may provide it with the means of success.

(President Numayri went on to add:)

I would like to add that this effort is not confined just to Egypt's return but rather extends to eliminating all the obstacles impeding the Arab action. Islam urges us to be tolerant and forgiving and to let what is right be the judge. This will, by necessity, be the next Arab summit's course of action. Our reliance on this course will lead, God willing, to the success of our movements and efforts. We know that the brothers in the Arab world have the same convictions that govern our movements and that they are aware of the danger that is about to pounce on the Arab nation, represented not only in the war machine hostile to the Arab nation but also in the cultural and economic invasion to which the Arab nation is currently subjected.

Arab Nation Knows Facts

[Question] Do we understand from this, Mr President, that Libya and Syria will not be subjected to an attack during this call?

[Answer] Absolutely. We do not want or desire to sink to the level reached by the leaderships in Syria and Libya, first, because we believe in the peoples of these two countries and, second, because the actions of these two leaderships have always exposed their positions, which they do not conceal. The Libyan delegation chairman threatened in the presence of all the Islamic leaders that Libya will conclude a strategic treaty with the Soviet Union. This position alone is enough to indicate the goals and objectives. We need say no more in this regard. The entire Arab nation knows that the Syrians' and Libyans' alliance with the Soviet Union is already in existence and implemented. If al-Qadhdhafi is declaring this fact at present, then this means that the threat is open whereas it used to be masked. It is a threat that has been embodied in the constant plots against peace and stability in the Arab world and the African continent.

(President Numayri added:)

What is surprising in this strategic cooperation between the Soviet Union, Syria and Libya is that they accuse the moderate Arab countries of dealing with the western countries and the United States. Thus, the Egyptian proverb saying "he hit me and ran complaining" truly applies.

The Arab nation's history will continue to mention with regret and grief that to Syria and Libya goes the credit of introducing Havana's mercenaries into our nation. This is no small "accomplishment" for those who have really condoned treason and lackeyhood.

[Question] What about the Egyptian-Jordanian-PLO meeting?

[Answer] I supported such a meeting at the Islamic summit, saying that we, as Islamic states, are required to support this meeting because Jordan and Palestine are brothers, despite all their past differences, which are something normal, and because dialogue between them will inevitably lead to finding the proper solutions. If Egypt joins the meeting, then the final resolution of such a meeting will be capable of finding the solution acceptable at the pan-Arab level because Egypt has the experience and the ability to achieve pan-Arab interest. Rather, such a meeting will be an ideal model for Arab action that puts its nation's interest above any local or regional interests. The Egyptian experience in political and diplomatic action is proven. I say confidently that I see the signs of success in such a meeting, God willing.

\$500 Million From Libya to Plotters

[Question] Some believe that as a result of your clear Arab positions, the Libyan regime will try to plot anew against Sudan.

[Answer] Exposing the true nature of the Syrian, Libyan and South Yemen regimes is in fact something dictated by the supreme pan-Arab interest. As you know, I do not hesitate to expose the facts and I fear nobody's censure in telling the truth. Confronting the Libyan or Syrian plots in Sudan is easy because it is something to which we have become accustomed for years. The information and military plotting is present and ceaseless. It is enough to know that Libya has spent nearly \$500 million in a series of plots, beginning with the training of mercenaries, purchase of weapons and preparations for invasion and ending with the attempts to destroy the utilities and to carry out all kinds of acts of sabotage in which the Libyan leadership has specialized. You also know that we are adjacent to an African country where there are 24 camps to train Africans, with features similar to the Sudanese, to invade Sudan. You further know that "fraternal" Libya is exerting efforts to separate South Sudan from North Sudan, and there are serious documents [to prove this]. All this is not surprising to us. What is surprising is to see a state whose rights as a neighbor we have upheld join in assisting the Libyan regime against us when it is fully aware that peoples continue and to not forget whereas leaderships come and go. It seems that the Libyan regime's excessive economic aid to this neighbor has made it forget the right of a neighbor.

(His excellency added:)

For all these reasons, we are experts in confronting the plots of Syria, Libya and similar regimes because we in the armed forces have deep faith in God. With this faith, we have been able to shatter their plots, the latest being the invasion that came to us from the "friendly neighbor." Therefore, I am aware that the Libyan assault will intensify and escalate in the wake of the Libyan regime's abysmal failure in Casablanca. But we are fully prepared to confront any plot, even if al-Qadhdhafi spends all his money on Soviet weapons and Havana's mercenaries.

Why Visit to Nigeria?

[Question] Some have considered your visit to Nigeria in the wake of the recent events there an expression of your support for the new regime in that country. The western media have launched a severe campaign against this regime and have depicted it as the fall of democracy. What is your excellency's view of this campaign, how did you find the new regime and what is the reason for your recent visit to Nigeria?

[Answer] The truth is that you can consider this visit a form of support because I had understood from the new regime in Nigeria that it has come to reunite the domestic structure that has been torn apart by violations and corruption. When I made the visit, I became certain of the truthfulness and seriousness of this direction. This is why I have supported and backed up this direction, not out of any premise other than the premise of the renaissance of Africa and the safety of its entities. Nigeria is a major and great African entity.

(The Sudanese president went on to add:)

You remember perhaps that I had warned at a famous session of the Monrovia conference that I could see the military coming to Nigeria. This was no prophecy or divination but rather the result of the information that had become available to me regarding the serious partisan practices in Nigeria, in addition to the weak positions of the former Nigerian political leadership at the level of the entire continent. This weakness was evident in the position vis-a-vis the Western Sahara problem and in other various conflicting positions at the same time. I truly believe that the new leadership in Nigeria has a great opportunity to lead Nigeria to the shore of safety and to employ its capabilities in the service of its continent and its security.

As for the west's campaign and its bemoaning the downfall of democracy in Nigeria, the problem into which the entire west falls is that it wants us to embrace its system of democracy despite the strong difference and distinction between the western environmental structures and the developing African entities. The west believes that its democracy is the only proper democracy in the world whereas we are living with the drawbacks of western democracy. It is certain that the economic collapse and the ceaseless strikes in some European capitals are the result of this anarchic democracy.

(President Numayri added:)

We in our countries have the full right, now that we have gained our independence, to pass through all kinds of political experiences until we reach the democratic formula that contributes to building our countries and attempting to catch up with the advanced bandwagon of civilization. Our countries' environment is the factor that dictates the type of desired and suitable democracy.

(He went on to add:)

I believe that Nigeria will proceed to build a true democracy because it has experienced all kinds of political currents, be they partisan, military, or western-style democratic currents. However, it hasn't yet succeeded in finding the suitable formula. What is more, Nigeria, the richest and most advanced African country, was on the brink of economic collapse after 4 years of partisan rule. This is why I believe that they will now reach in Nigeria a democracy that emanates from their environment and that obstructs corruption, graft and the destruction of conscience.

(His excellency then said:)

The role entrusted to the current military government in Nigeria is a great role that will be watched by the entire African continent in the coming period. This is why this government is required to move in the direction of nothing other than democracy and to have the people participate in managing their country. I believe that the appointment of civilian ministers in the latest military government is an indication of the sincerity of this direction and I also believe that the new administration, led by Maj Gen Mohammadu Buhari, will lead Nigeria to the shore of safety.

Arab-African Differences

[Question] President Sekou Toure and the other African presidents complained before the Islamic Conference that the Arab countries transfer their problems and differences to the African Organization [OAU]. What is your excellency's opinion of these differences and how can the OAU be neutralized vis-a-vis the Arab problems so that it may not be destroyed?

[Answer] I say again that the OAU is a support for the Arab nation. I say in warning: Keep the organization far from the Arab nation's differences so that it may at least maintain in the third world a strong identity that is not shattered by differences and conflicts. Very regrettably, the Libyan leadership has not been content with dividing and sabotaging the Arab nation's entity but has stretched its fingers to Africa. Libya is the party exerting great efforts to fragment this organization, the latest such efforts being the African summit postponed from Tripoli to Addis Ababa. Through these efforts, Libya is implementing a large strategic scheme whose dangers, I believe, Libya has not been able to understand and whose price Libya will ultimately pay. What is utterly incomprehensible is what Libya is doing

to partition an Arab country by encouraging an opposition that does not exceed hundreds in membership and by arming this opposition and then setting up a government and a cabinet for it and presenting it to the OAU [as an independent entity], thus leading to this country's partition. What Libya is doing in this regard can be understood within one framework only, namely that it is implementing a serious strategic scheme seeking to partition the Arab world into mini-states that are easy to dominate. What is also incomprehensible is Libya's conscription of some Sudanese workers employed there to form a mercenary force for the invasion of Sudan, unless this is done for the benefit of a serious strategic scheme. Furthermore, what is incomprehensible is Libya's attempt to invade Tunisia at one time and to occupy Chad at another, unless this is done within the framework of a serious strategic scheme aimed against the entire Arab and African entity. Consequently, the brother Africans are entitled to raise their voices in complaint against this Libyan action for which the time has come, I believe, that it recede and decline.

Sudanese-Ethiopian Relations

[Question] Sudanese-Ethiopian relations have deteriorated recently, especially in the wake of the armed invasion coming from the Ethiopian borders to which Sudan was subjected. How does your excellency interpret this position on the part of Ethiopia, especially since Mengistu is the chairman of the current OAU session? Why have the Chadian negotiations failed and what is the extent of the impact of this failure on Sudan's western borders?

[Answer] The fact is that all your important questions lead us to Libya. This is why I do not wish to dwell on this topic. However, I would like to say that the Ethiopian regime has fallen under the influence of the colonel [al-Qadhafi] because it has its numerous domestic problems and because it believes that Libyan money is capable of solving its problems. The Libyan regime believes that it is advancing aid to Ethiopia in return for changing the regime in Sudan. This is why part of the military plotting has moved from Libya's camps, which are adjacent to our western borders, to Ethiopia's camps, which are adjacent to our eastern borders. I made the efforts to contact the Ethiopians and to explain to them the ramifications, pointing out to them that they will ultimately hit Ethiopia by the same degree they hit Sudan. But even though they said they were convinced, they have acted in a totally opposite direction. The solution of the domestic problems of any country cannot come by exporting these problems to others. The peoples are aware and vigilant and they are the ones who settle all differences ultimately. I truly believe that the Ethiopian people have begun to settle the situation in their favor in the form of the constant uprisings against the regime there. You have perhaps seen the flow of thousands of refugees to Sudan in recent days as a result of the bloody struggle taking place in Ethiopia. By the way, President Mengistu has said that the U.S. army, the Egyptian army and the Sudanese army are moving against him. I beg President Mengistu to show me the location of these armies. This is a simple example of the chaos under which the Ethiopian regime is living at present.

No Change in Socialist Union or Government

[Question] Your address to the Socialist Union's Executive Bureau criticized the role of the Socialist Union and underlined your excellency's vision of the effective role it should perform. What is your vision of Sudanese political organization in the coming phase and will the format continue to be as it is at present or is it subject to modification?

[Answer] I have already said and I still say that there is nothing in Sudan that cannot be reorganized and reexamined. Reorganization in any institution means primarily enhancement of capability and efficiency and revitalization in a manner that achieves the goals desired by all of Sudan. Constant reorganization enables us in the end to reach the organizations compatible with our environment, customs and traditions. And for the role of the Socialist Union in particular, the Socialist Union is the founding organization and the product and outcome of the revolution. The Socialist Union has performed and continues to perform its role effectively in building its society, entrenching its principles and fusing the citizens in a single melting pot that achieves the aspirations of all of Sudan. Therefore, the Socialist Union as an institution will continue. The change will be a change of some leaders who are prevented by their circumstances from their performing the work or who have failed to attain the desired goals. Change in this case is likely and is the basis according to which any change in any position in Sudan takes place. As I have already said, there will be no change in the political organization. However, reorganization within this organization is constant and continuous. The same applies to all the institutions. Unlike in the past, the positions [of leadership] are no longer an act of elevating and bestowing status upon somebody. They have become an assignment--a tiring and exhausting assignment that requires the constant renewal of capabilities in order to bolster and develop these agencies and to enable them to perform their desired role.

Next Meeting of Higher Integration Council

[Question] You added a great dimension to Egyptian-Sudanese integration in unified political action when you took part in the Islamic summit conference as spokesman in the name of Sudan and Egypt. How can the integration agencies pursue this movement to keep up with such accomplishments?

[Answer] I would like to say that the unified political action of Egypt and Sudan is a truly magnificent accomplishment for the integration. At the same time, it is a reflection of the integration in the domestic front. If it were not for the well-founded domestic action in the integration agencies, we would not be able to move on the external front. But what is required now is a further focusing of the efforts in the domestic integration agencies, more performance dealing with the changes flexibly and greater proximity to the masses throughout the valley in order to achieve more of the needed and desired interaction. However, I am completely satisfied with the accomplishments achieved so far because they have been achieved deliberately and patiently, thus given the chance to take root

in order that they may not be exposed to any setbacks or changes. I am also satisfied with the activity of the Integration Secretariat and of the various committees. The gradual attainment of integration is what assures us that the structure is built on strong, firm and genuine foundations.

(Concluding, President Numayri said:)

My next meeting with brother President Mubarak during the meeting of the Higher Integration Council will perhaps provide us with the opportunity for more work to enhance integration in the desired manner.

8494

CSO: 4504/180

EXPORTS TO ARAB COUNTRIES DOWN

Kuwait AL-QABAS in Arabic 17 Jan 84 p 11

[Article: "Decline of Kuwaiti Exports to Arab Countries"]

[Text] The value of Kuwaiti exports to Arab countries has dropped by 40.5 percent in 1983, compared with the previous year, as they amounted to about 58.3 million Kuwaiti dinars.

Official statistics compiled by the Bureau of Foreign Trade of the Ministry of Commerce and Industry indicate that the value of these exports in 1982 totaled approximately 98 million dinars. That was the highest total achieved by the export of Kuwaiti products to Arab countries.

The statistics make it clear that the value of exports of Kuwaiti products has risen by 235.2 percent, when compared with the value of exports in 1977, when they were valued at approximately 17.4 million dinars.

The share of Kuwaiti exports to the other five Arab Gulf Cooperation Council nations, compared with the total value of these exports to the Arab nations in 1983, amounted to approximately 71.8 percent, with a dinar value of about 41.9 million.

The statistics show that Saudi Arabia had the largest share of the Kuwaiti products exported to Arab countries in 1983. The value of these exports totaled approximately 36.1 million dinars, with an increased percentage of 11.5 percent over 1982.

The majority of Kuwaiti exports to Saudi Arabia involved ready-made buildings, automobile bodies and other industrial products such as paint and ready-made clothing.

The statistics indicate that the value of Kuwaiti products exported to Iraq declined considerably in 1983, compared with 1982. The drop was 73.3 percent, since the 1983 total was about 15.8 million dinars, whereas in 1982 the total was approximately 59.3 million dinars.

7005

CSO: 4404/280

VIEWS ON WOMEN AS POSSIBLE CANDIDATES FOR ELECTION

Kuwait AL-WATAN in Arabic 11 Jan 84 p 19

[Article by Khawlah Nazal: "Women and City Council Elections: Women Propose that Candidates' Programs Be Presented in Newspapers and on Television, that More Attention Be Devoted to Neighborhood Problems and Sanitation, that the Number of Representatives Be Increased and That They Meet Certain Standards of Education; Women Call for Participation of Women and Removal of Restrictions on Their Rights To Run for Office and To Vote"]

[Text] Elections are about to be held, and election campaigns are going full swing. Everyone is preoccupied with the elections: who is voting for whom? The elections and nominations are restricted to men only. Where, one wonders, do women stand? What is the role women can play in all this flurry of activity?

These are questions that need answers. Some people have ready answers to these questions. They may be summarized, we believe, in the view that women are not entitled to run for office and to vote.

AL-WATAN surveyed the opinions of a few women and asked them about the possible role women can play in the council. Their answers differed. Let's consider how women view the issue.

We asked Hayfa' al-Musa, a student in the College of Engineering.

A Right Has Been Taken Away

[Question] Do you think it is necessary to give women the right to vote and to run for office in the City Council?

[Answer] Women have a right to vote and to run for office in the City Council. How can it be possible for me to be opposed to one of my rights as an individual in a community? It is not expected that this right will be offered to women on a golden platter. Women have to fight for that right. The fact that women have been dispossessed of that right is a profound flaw in our democratic experience. In this situation the people's representatives are chosen by half the people, and the influence of a large segment of society with its own problems is thus overlooked. In general, the political and social status of women in any society reflects the extent of that society's development. Accordingly, anyone who

rejects the right of women to vote and run for office or assumes a negative attitude toward it is someone whose faith in democracy I would question.

[Question] What do you think about the organizational and technical job that the City Council has been doing? What suggestions do you have about this job?

[Answer] The City Council has a job that is as sensitive as it is important. Consequently, anyone who comes to this council must be able to understand what he is doing. Unfortunately, however, it is obvious that most candidates to the City Council are quite ignorant about possibilities for urban development in the state of Kuwait. This magnifies many problems, many of which may come to a head in the future. To cite a few examples and not an exhaustive listing of these problems, I'll mention the problem of traffic and roads, the sewage problem, the problem of distributing power loads, environmental pollution and population distribution. I would like to focus here on the importance of planning for the future because the absence of planning will create a difficult situation that our future generations will have to face.

As a result of that people who reach positions of power are not necessarily suitable for those positions. Those people rather illustrate certain assumptions and balances.

It is the responsibility of the government to solve this problem. The government may do that by carrying out a process of redistricting whereby electoral districts would lose the tribal emphasis they have.

The government may also set conditions for candidates to assure that the quality of candidates is superior. Besides, the most important point is not to be ignored: an educational and an information plan is to be devised to develop society, and that plan is to include all individuals in society.

An Unconstitutional Law

Dr Ma'sumah Mubarak of Kuwait University said, "Women have a constitutional and an inalienable right to run for office and to vote. Kuwaiti women have been careful about exercising that right in a legal manner. [This law] is unconstitutional and quite inconsistent with the dignity of women and with their educational, scientific, professional and other abilities. Therefore, I am asking that women be given their rights and that women not be ignored any further so they can put their abilities to work in numerous councils of the country according to their choices and decisions, their political views and the views they have in their field of work."

Dr Ma'sumah expressed this opinion about the way city council elections are set up. Dr Ma'sumah said, "The way in which elections are set up usually differs from one society to another. As far as Kuwaiti society is concerned, traces of a tribal character still linger. And here it would be normal for the elections process to go on in a traditional manner in accordance with this tribal character. Candidates for office promote their candidacy in offices and not among classes of the public. Their promotional campaigns are not carried out in the context of a certain elections program that is discussed by people outside the offices of the candidates themselves. Therefore, I think that candidates must present themselves

[to the public] in a knowledgeable, informative and tasteful manner and they should stay away from this traditional manner and from tribalism and factionalism. I also call upon the media in the country, such as television, radio and local newspapers to broadcast intense programs daily, such as serials, to inform and educate the public about how to vote in public elections. More information about all candidates is to be presented so that each candidate can present his own program of action to all fellow citizens. I am calling for this so that citizens can know enough about the candidates before they choose their representatives from among those candidates."

The Role of the Media Is Missing

Dr Siham Farih of the University of Kuwait said, "The participation of Kuwaiti women in elections to public councils in the country and the open declaration by women of their positions and their political, professional and other opinions have become matters that are urgent and necessary, particularly since we in Kuwait are considered among the better Arab countries regarding scientific, economic and political standards. Therefore, I hope that a decision will be made regarding the participation of women in the next elections. On the other hand, it seems to me that the media must play a principal role in this critical period, which is the pre-election period, so as to inform citizens about the proper foundations for elections in order to keep them away from tribalism, factionalism and personal interests. In addition, candidates' programs must be published so they can declare their positions and commitments to all citizens and to the voting public."

Whose Interests Are Served by Our Absence?

Najah Husayn, an instructor at the university said, "It is time to reconsider the law that denies Kuwaiti women the right to exercise their political right in the state alongside with Kuwaiti men as stipulated by the constitution. The obvious scientific and academic development of Kuwaiti women and their experiences in numerous areas constitute the biggest guarantee for their success in political, professional and scientific areas [of endeavor]. It is an indisputable fact that women now have many qualifications and scientific and academic capabilities through which they can offer more services to the state. I am wondering, therefore, why is it that the state institutions in question insist on denying women their right to exercise their rights which are stipulated in the constitution? Why is it that these institutions still see women as an extremely secondary ingredient in many matters? Why is it that some people insist on neutralizing the effectiveness of half of society, thereby affecting the efficiency of the other half of society?

"As far as the City Council is concerned, I consider it one of the most important state institutions. It is an institution that oversees organization, planning and construction. Unfortunately, the previous council did not do its job the way that job should have been done. It ignored many of the principal needs of remote districts such as al-Jahra', al-Farwaniyah and Jalib al-Shuyukh. This was particularly evident after the noticeable increase in those districts in the number of people and their requirements."

Nasimah al-Marzuq, an employee in the Ministry of the Interior said, "Kuwaiti women have shared many state functions with men. Like men, Kuwaiti women have assumed many responsibilities, such as those of undersecretary of a ministry, school principal, director of a department or UN representative, representing Kuwait in many situations. Despite all that, Kuwaiti law still denies women their right to make decisions, to join [parties] and to run for office in the country's various councils.

"It is a fact that I find no justifications for denying women the right to participate in political life in the country. Therefore, I am suggesting that the state reconsider its laws so as to make them consistent with the constitution of Kuwait which does not deny women the right to run for office or to vote.

"As far as the next city council is concerned, it seems to me that the most important thing that has to be emphasized is the subject of sanitation in districts. This has to do in particular with the rubble left behind by contractors. In many areas this rubble is still piled up where it has been there for many years."

"We Are Being Ignored Despite the Changes We've Undergone"

Fajr Ahmad al-Sayir said, "No one disagrees with the fact that in recent years women were able to bring about noticeable changes in their professional and scientific abilities and in the standard of their experiences as well. Consequently, the importance of their participation in the activities and elections of the present city council is evident, particularly since it is women's creativity, more so than men's that can beautify and plan cities. Why then aren't these abilities utilized in the council's operations and for its development? An effort must also be made to increase the number of council members and expand electoral districts so as to make that commensurate with the increase in the districts and the population of Kuwait, particularly as these pertain to services, facilities and vital institutions."

8592

CSO: 4404/ 283

KUNA DIRECTOR DISCUSSES NEWS COVERAGE, FREE PRESS, DEMOCRACY

Kuwait AL-WATAN in Arabic 9 Jan 84 p 19

[Article: "Barjas Hammud al-Barjas: Cause of Our Setbacks in Arab World Is Absence of Free Expression; Man Cheapened in Third World Because It Is World Without Democracy"]

[Text] Barjas Hammud al-Barjas, the general director of KUNA [KUWAIT NEWS AGENCY], said that the foreign news agencies are moved by various forces and currents that affect directly the way they phrase their news reports and that if a single word were added the whole meaning of a news item would change. Consequently, the reactions conveyed by the press dealing with these agencies, especially in the Third World, are negative.

In an interview with Kuwaiti television 2 evenings ago, al-Barjas said that free media are a lot better than guided media. "Let us take the Arab media as a prime example. In some Arab countries the media are guided in such a manner that the Arab citizen is compelled to resort to hostile radios to hear his own country's news and events. The guided media are controlled by people with a certain viewpoint who move within a certain framework in the interest of their country, and this [freedom] is forbidden to them. Take as an example the Arab broadcasting stations and the Arab press and you will find that they are full of official news reports that are of no benefit to the citizen, who turns to the tendentious foreign press and foreign radios which he believes in spite of himself because he misses news and free information in the Arab countries."

Guided information is divided into two types: information from some Arab and European countries and information from the Soviet Union which is different because it relies on the central democracy of the party itself. The party issues the newspaper and those who do not belong to the party are supposed to read what the newspaper says. This guided information is supervised by the state. "I know that the editorials of some East European newspapers are written by 12 persons and edited by 2 persons, i.e., a total of 14 persons, to comply with state [policy]. Here, the citizen reads the newspaper and then hears the news and the whispers and [reads] the secret leaflets that come from the West and which create confusion in his mind and spread rumors.

"This is the guided information. As for free information, it has many benefits. You can write in a newspaper or contact a news agency and give it a news item and the news item gets published as long as it does not undermine another state. In the countries with guided information, this is very difficult. The source of setbacks in the Arab nation is the absence of free information. If we speak, we exaggerate, and if we remain silent, we live in darkness. There is nothing better than living in the light. The biggest proof of this is Kuwait's experiment, which must be taken as an example. Everything here is clear and I do not exaggerate when I say that the officials walk without any guard. I will leave the issue of the explosions alone because the explosions do not intimidate us and will not intimidate us, regardless of what happens. Everybody walks. Even the amir goes to the market and buys things in a very ordinary way because there is freedom. Free information is the best watchdog over everything." Answering a question regarding his evaluation of the Kuwaiti press as a news press, al-Barjas asserted that he is proud of the Kuwaiti press, and not just out of personal conviction. The entire Arab world is proud of the Kuwaiti press because it represents not just Kuwait but the Arab viewpoint. This is why it is read in all the Arab countries. Al-Barjas added: "I know that the Kuwaiti papers are sold out in some bookshops in the Arab countries 90 minutes after their arrival. This is an indication of the demand for this press. Considering its age, I believe that the Kuwaiti press has taken a most magnificent stride and I can say that it has reached an excellent level. We must support and encourage this press because its benefit to the Arab and Islamic nation is unmatched."

The KUNA general director then turned the discussion to the agency, saying: "We are not just a news agency. We have a research and data section and issue booklets on the occasion of each Islamic conference, summit conference, conference of the Gulf Cooperation Council and the occasions of visits by his highness the amir or his highness the crownprince on population policy and on the nonaligned countries. We call these booklets special dossiers. We also try to summarize subjects [books] because the citizen does not have enough time to read voluminous books. This is why we summarize the information in small booklets which you can read in a single day and which can constitute references to be consulted. The proof of the success of these booklets is the increasing demand for them at home and abroad. These booklets are available and every person can acquire them. They are put to use in the university, and high school students can obtain from them information pertaining to their studies. We also have a good archive, considering the age of the agency, which is only 5 years old." Speaking of the policy followed by KUNA, al-Barjas said: "The citizens know KUNA, and they are the ones with the say regarding its success or the lack thereof. They are the ones who make suggestions and who criticize the agency, and we respond to the citizens' wishes. As for the agency's policy, it is a policy of self-censorship, meaning that there are no regulations that say don't publish this or that news item. However, there is a self-censorship on which the agency's editor relies after reading the news item, comprehending it and understanding its objectives. But there is one simple clarification that I want to make, namely that we always rely on our correspondents primarily. As for the news we receive via the various news agencies, be they American, European or Third World agencies, we make sure to examine them carefully. We are in a constant race with the

other news agencies. In KUNA, everybody feels that he is responsible and we follow the policy of collective work, meaning that there is no superior or subordinate. There is, of course, an organizational structure, but the relations within KUNA are family-like relations. Consequently, the work is cooperative, with each part complementing the other. You find the technical section preparing, typing and sending the news item to the telex to be transmitted to the outside world. Everybody works in his own field simultaneously. At times, no more than 3 minutes pass from the time a news item is received to the time it is transmitted."

Asked by Kuwaiti television about KUNA's independence, al-Barjas said: "I would like to make clear a point I have stated repeatedly. The truth is that we are blessed and I wish to express my appreciation and respect for the officials and the government because it has never at any time intervened to direct the agency insofar as the news are concerned. We publish the news item and shoulder its responsibility. If there is a mistake in the item, our attention is drawn or a denial saying the item is incorrect is issued. We, on our part, try to examine the item carefully. Naturally, we made mistakes at the beginning. But they were not mistakes of negligence because negligence is punished. The government does not interfere in our affairs. Rather, it supplies us with news.

"The agency is so independent that the foreign news agencies are surprised at how independent it is while being financed by the government. I believe that there is no [other] independent news agency in the Third World. This is why these agencies don't publish exclusive reports. They have restrictions and censorship that delay the circulation of the news." As for KUNA's coverage of the news of the explosions in Kuwait, al-Barjas asserted that KUNA covered the event fully, with the support of the officials. "We sent our correspondents to the sites [of the explosions] and made sure of all the news reports transmitted by the agency. I would like to express my thanks here to whoever cooperated by supplying us with news, thus helping us to circulate rapidly the news report we transmitted exclusively. That report reassured the citizen who refused to listen to rumors because there was a correct news report."

Al-Barjas added: "There were citizens who contacted us directly. We have 46 telephone lines that are always busy with the citizens at home and with the news sources abroad. This is why we were able to report the exclusive news of the explosions. We are the source and we moved quickly and efficiently.

"We got the news before the other news agencies, which then cited us not because we monopolize the news in our country but because our correspondents moved to all the sites whereas the foreign correspondent does not know the country and seeks our help. Kuwait is open to all and there is no monopolization of the freedom of the press in this country. Our coverage of the news received a favorable response from the world press. We feel happy when we see a news item attributed to our national agency published in the front pages of the foreign press. This shows the credibility of the news report. Some agencies distorted the report but we kept in touch with them to supply them with the correct reports and to ask them to publish whatever they wished to publish."

Speaking of the war of the agencies and of planted and inflammatory news reports, the KUNA general director said that there is strong competition for news and that the most important factor insofar as the correspondent is concerned is the speedy delivery of the news, not an imposed blackout. "Most of the news reports of the foreign news agencies come from the Third World. We are more concerned than they are with the credibility of the news report and we do not exaggerate to create news because the science of news does not mean its provocativeness. However, we feel that the foreign news agencies respect us despite the competition between us. Five years ago, the foreign agencies were the only ones in the area whereas we are now competing with them in our area. Generally, there is no Western news agency that is 100 percent independent. Each agency must have an objective and the correspondent must have intrinsic motives to serve his country."

Regarding what is happening on the Arab arena these days, al-Barjas said: "There is a Kuwaiti proverb which says, 'The more you cut it, the more it grows.' I believe that what is happening is terrible and regrettable. Our problem, for us Arabs, is that we don't know where to start. We were 12 states, and now we are 22 states. Add to this the Palestinian issue, for which the Arab citizen hopes to see a solution before he dies, in which eight warring organizations are involved. Look at what is happening in Tripoli, Lebanon. The absence of democracy in the Arab world is the cause of the problem. In the 1950's, any movement was followed by demonstrations. But now there is utter silence. Even the Palestinian organizations have begun to impose a blackout on some of their members. If you ask one of our Palestinian brothers what is happening, he answers: 'What is happening?' We are divided and there is no solution without democracy, without allowing the Arab citizen to express his opinion and without giving the press its freedom because no individual can undermine an entire state. Democracy means the participation of every citizen from his position. The citizen should not consider everything he gets from the state a gain and thus become indifferent. I am optimistic that the day will come in which the people will participate and in which the press will be given freedom. I don't want to say that Kuwait is exemplary but I know that in my country you can go to any gathering and hear opinions on the other countries. For example, I have heard the news of the release of the U.S. pilot. Naturally, I approve this from the humanitarian aspect, and so does everybody. But wasn't there at least the possibility of releasing one Syrian, Palestinian or Arab prisoner from the Israeli jails in return for this pilot! Give us 10 prisoners in exchange for the prisoner. At Christmas, the prisoner appeared on the television screen laughing, as if he were not a prisoner. Go to the Arab jails and see the woes from which the prisoners suffer. Is it because the pilot is a foreigner? We are not saying that we can fight the United States. But we must respect ourselves. We are the ones who are being attacked and we could have bargained for the pilot. The United States itself handed over a Palestinian citizen to Israel. But I say that we [our lives] are cheaper. I say frankly that the Arab [life] is cheaper, and this is regrettable."

Concluding his words about introducing the concepts of democracy into the Arab countries, al-Barjas said that the issue should take place gradually. "There is a theory among backward peoples which says that democracy is the rule of

foreign demagoguery. I say that this is untrue. I am a man born free and I must live free. This is my land and I must die on it. I love and serve it and I feel responsible for it. It doesn't matter whether I am a pilot, a guard or a farmer. What is important is that I express my opinion on the issues or at least have somebody representing me in the government. Individualism in government is difficult. What is the secret behind the West's success?

"Take this pilot as an example. A presidential candidate comes to secure his release for the sake of his vote in the United States at a time when [U.S.] planes are hitting Lebanon. You have seen what Israel did to Sabra and Shatilla. Why are we [our lives] cheap in the Third World? Because it is a world without democracy."

8494

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BOMBING INCIDENTS SAID TO HAVE BEEN ANTICIPATED

London AL-MAJALLAH in Arabic No 202, 24-30 Dec 83 pp 22-23

[Article: "Al-'Adasani: What Happened in Kuwait Was Anticipated; Our National Unity Is a Guarantee of Mastering This"]

[Text] For the first time last week, tanks and armored cars came out to take over the guarding of a number of embassies and of the buildings and the residences of certain officials. With the exception of strengthening the guard around the embassies of the United States, Iraq and Iran, security arrangements were always marked by simplicity, even around the palaces of officials, including the emir's headquarters. Despite certain trivial and isolated incidents that have occurred during the past 10 years, feelings of security and tranquility have been predominant in Kuwait, and the citizens and residents, but not some of the officials, feel that the distance is vast between Kuwait and the source of tension in the region.

However, the six explosions that occurred in Kuwait and the two other abortive attempts have changed the picture. All of a sudden, there are stringent security measures, not just confined to strengthening the guards around buildings but rather going beyond that in establishing roadblocks to search cars in broad daylight and in various unannounced locations. This has only occurred rarely in Kuwait and then only at night.

The stories of the explosions, the tales of the rescuers and the reports of the wounded certainly have captured the interest of most Kuwaitis. The Kuwaiti press has devoted most of its pages during the past week to recording the popular, Arab and international reactions. At the same time, officials in Kuwait have been concerned with confirming that they are in complete control of the situation. They have hastened to cancel the restrictions on entering the country and have taken actions that will restore Kuwait to its normal state. However, there remains a principal question in search of a satisfactory answer: Who was behind those explosions?

The secrecy that the authorities have thrown around the official investigation only makes those interested in politics want to attempt to find out the perpetrator. The six explosions were done in nearly the same way: explosives packed with bottles of gas in a vehicle detonated by precision timing. Only in the blast at the American embassy was a suicide driver used, who crashed

into the compound and who was inside the small truck when it exploded. License plates were found in the wreckage, while the fate of the driver of the truck is obscure. The results of the investigation of those who are suspected of being the vehicle owners are not yet clear. However, it is likely that the vehicles were rented, and perhaps going down that path of investigation will lead to the beginning point, that is, to the driver of the suicide truck who might have rented all the vehicles. However, what precisely happened to him? A spokesman for the American embassy said immediately after the incident that the driver certainly must have been burned to death with the truck when it exploded, resulting in the destruction of the two-story building and the death of five persons, none of whom were Americans. The American news agency UNITED PRESS confirmed the story and said that the suicide driver was named "Ra'd," that he had been found amidst the rubble and that his fingerprints had been taken in order to follow up on the investigation. On the first day, reports fluctuated between saying that he was in fact dead or saying that he had tried to flee at the instant of the explosion, and that he may have been arrested and taken to the hospital under heavy guard, where he was given excellent treatment, in the hope of obtaining the needed information from him. Frequenters of the Mubarak al-Kabir Hospital, which was closed to visitors, reported that an ambulance brought a severely wounded person under a heavy guard, who kept him surrounded while he was being treated. Others said that the reason for the unusual guard, in which soldiers, including sharpshooters, were concentrated on top of and around the hospital, was that the driver of that truck was among the wounded brought to the hospital. Some persons reported details, and it was said that the driver died after having had his injured spleen removed. That was Wednesday morning, i.e., 40 hours after the explosion occurred. In any event, the reports agreed that the principal witness was dead, but it was unconfirmed as to whether his fingerprints had been taken or if he had died a few hours after having been brought to the hospital and, consequently, might have provided some information during that time. An unofficial source said that that person worked in one of the shopping centers and that the security authorities had contacted that center and had in fact confirmed that he had only worked there for 10 days and had no place of residence.

Who Is the Suspect?

Who is "Ra'd"? The Iraqi Embassy in Kuwait announced that the person who blew up the American embassy was of Iraqi nationality and was named Ra'd Maftan 'Ajil, who was born in Basrah in 1958. He fled from Iraq after having been sentenced to death for his participation in arranging incidents of a similar nature on Iraqi territory. He had a brother, who was sentenced to death in 1980 for his participation in a similar bombing incident.

Diplomatic circles in Kuwait, for their part, are asking questions about the perpetrator and trying to read the political circumstances in the region in order to find the likely party behind him. Most of these circles agree that the explosions are connected to one of the two sources of tension in the area, or to both. They are the Iraqi-Iranian war and the tense situation in Lebanon. In the view of diplomats residing in Kuwait, whoever stands behind the perpetrator is a vast network or a revolutionary group or an influential government that wants to say something about one of these two issues. The Americans confirm

the statement broadcast by the Jihad organization, which declares its allegiance to Iran, to the effect that it was responsible for the incident. Iraq supports that, and it was believed that its military operations last week against a number of Iranian targets were in retaliation for the sabotage in Kuwait.

As regards the French, they are committed to silence concerning the matter of determining the guilty party. However, at the same time, they are taking seriously some threats about bombings being planned. As evidence of that, according to a statement by an official in the French embassy in Kuwait, they have requested a strengthening of the security arrangements around their embassies in two of the Gulf nations.

The number two man in the French embassy in Kuwait, General Samirana, was saved from the explosion which had targeted his country's embassy, since he was committed to an appointment with the American ambassador in Kuwait. However, the driver of the truck preceded Samirana to the embassy, which forced the ambassador to postpone the appointment. Samirana told AL-MAJALLAH that the French Foreign Ministry had warned the French embassy in Kuwait 2 months ago about the possibility of it being subjected to attack. He added that as a result of that, the guard was strengthened around the embassy. However, Samirana refused to give any more details.

The majority of those who have analyzed the bombing incidents, including Kuwaiti officials, stress that those incidents were anticipated. They say that the planning for them was done well ahead of time, as evidenced by the ultimate precision in their execution. The perpetrators had studied the targets and intended that they be a mix of foreign institutions (the American and French embassies and the residences of American experts) and vital installations in the al-Shu'aybah industrial area and the electrical power center. If the attack against the latter target had been successful, all of Kuwait would have been plunged into darkness, during which God knows how many sabotage attempts might have been carried out.

Therefore, the distribution of targets was a means of confusing the authorities and creating a state of anarchy and chaos. The chairman of the Kuwaiti Security Council, Muhammad Husuf al-'Adasani, told AL-MAJALLAH that a short while ago, he was talking about the importance of political and economic security, and he indicated that a number of months ago, he spoke in the council about the population composition living in Kuwait and called for the drawing up of principles for a definite population policy. Al-'Adasani added: "I sensed the dangers that do not depend upon those factors but stem from regional and local conditions. It was expected that acts of violence and terrorism would occur, as a translation of hatred and a settling of accounts or under any other criminal concept against this peaceful country which reaches out to all and prefers democratic practices." On the other hand, al-'Adasani stressed that "Kuwait is perfectly capable, through holding its domestic front and national unity together, of accommodating the new, which we believe has shared in anchoring the cooperation between the government and the people. The proof of that is the statement of the National Assembly immediately after its secret session, the 2d day after the explosions, about those incidents and its supportive

position of the government that the assembly enthusiastically adopted. It supported all the measures aimed at achieving this goal."

Well-Thought out Timing

Analysts in Kuwait say that the timing of those acts of violence was well thought out. In this regard, they recall that the executive and legislative authorities, prior to the explosions, had recently suspended the holding of joint sessions, which were described as frank and open. One of these sessions was held only 2 days before the explosions. During it, a multi-faceted discussion about security in the country took place. The method of discussion in the public session was evaluated, while the subject of press practices was also surfaced in the secret session. A general conviction was generated that the local press had overstepped the bounds of the relative freedom allowed and had entered the labyrinths of Arab conflicts at a time when many voices were calling for keeping Kuwait away from the crucible of those conflicting currents, so as not to become an active party to them.

The deputy prime minister, foreign minister and minister of information, Shaykh Sabah al-Ahmad, held meetings with the newspaper editors. They were brief, and it is no secret that Shaykh Sabah al-Ahmad warned the editors not to turn their papers into arenas of ideological conflict, especially since the Palestinian situation in Lebanon had become critical. He began as if the smell of danger had suddenly descended from afar. A supreme media advisory council, chaired by the minister, was formed, with several social and political activists in the country as members. This was one of the most notable signs of their concern with evaluating the media's work in such a way as to be consistent with the country's highest interests.

Since the occurrence of those crimes, the Kuwaiti authorities have been anxious not to upset the people's confidence in the security officials. At the same time, they have also been desirous of not allowing rumors to circulate concerning the ramifications of those crimes through statements which the minister of state for cabinet affairs, 'Abd-al-'Aziz Husayn, has been broadcasting. However, keeping those statements from pinpointing the true identity of the perpetrators has caused a great deal of comment. But the credible accusation is the accusation that Iraq has made, and which the United States has supported, that Iran is behind the unfortunate incidents. The American and French installations are within the framework of known Iranian targets, and hitting Kuwaiti national installations is in response to Kuwait's pan-Arab position in support of the Iraqi right to defend its territory against the Iranian attacks, which Iran refuses to end despite the efforts being made. AL-MAJALLAH has learned that the Kuwaiti authorities have gathered information to the effect that there is new Iranian infiltration by sea, coming at night by small boats to the coasts of Kuwait and infiltrating criminals to spread terror. Therefore, the Kuwaiti authorities have strengthened their security measures and have intensified their investigations. It is expected that new security decrees will be issued in the near future. Therefore, the government's sessions are considered open and continuous in order to put matters in their proper perspective.

7005

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LOCAL CONTRACTORS TARGET ARAB MARKETS

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 56, Jan 84 p 39.

[Text] Until recently companies and organizations have aspired to enter the Saudi market to receive a large amount of work and substantial wealth. It appears, however, that this tendency has now changed. As a result of the completion of infrastructure projects and the cutback in development projects in Saudi Arabia, Saudi contractors have begun to consider targeting other Arab markets with the hope of acquiring projects.

Observers of recently held conferences and symposiums, including the Arab Contractors Conference, have noticed that a number of Saudi contractors have broached with their Arab colleagues the idea of expanding their activities into other Arab countries. In fact, some have gone farther than this. Some senior Saudi contractors have had direct contacts with Tunisian and Moroccan officials in order to become familiar with the requirements for entering the Tunisian and Moroccan markets. These contractors include 'Abd-al-Muhsin 'Abdallah al-Mutlaq, 'Abdallah al-'Anqari and 'Abdallah al-Harbi.

The response of Tunisian Minister of Public Works Mohamed Sayah has been that the Tunisian government has no objection to the participation of Saudi contractors, provided that the Saudi firms acquire the necessary financing for projects they would like to complete.

The Saudi contractors heard a similar answer from a number of Moroccan ministers. In Morocco the custom has been for national companies to undertake projects. These companies have a high degree of skill and expertise and the capabilities to undertake large projects. Therefore, there is no justification for bringing in foreign contracting firms to execute projects unless they bring the necessary financing. By this, of course, is meant favorable, medium-term financing.

The problem for Saudi contractors is as follows. The large infrastructure projects that were undertaken during the second and third 5-year plans (1976-80 and 1981-85) required an awesome amount of equipment and intensive labor. With the completion of these projects, the nature of the contractor's work changed. He is now limited to infrastructure maintenance projects, which require less equipment and labor. So what is he to do with his surplus equipment?

There are some large companies that have begun to sell the equipment at public auction for low prices that mean a loss for the company. There are some companies whose situation has permitted them to store the equipment and pay huge sums for maintenance. There is a third group of companies that have chosen not to surrender but to utilize their equipment in Arab projects.

'Abdallah al-Harbi says, "The results of our contacts with Arab officials have made us optimistic about the possibility of getting contracts and projects in the Arab market. Our financial capabilities and technical expertise will help us get projects. Also, the Saudi government, despite the crisis of dwindling revenues, is still financing Arab projects with long-term loans. I believe that what is needed now is for the Saudi government to link the granting of loans to the use of Saudi contractors."

In the opinion of Mr al-Harbi, a condition of stagnation does not exist in the Saudi market, but rather a condition of surplus equipment. It would be economically unthinkable to put it in the Western scrap metal markets. Therefore, it must be used for projects in other Arab countries. In the past several years, Saudi contractors have gained experience building overpasses and roads and erecting public and other buildings. It would be best to put this expertise and equipment at the disposal of other Arab countries.

Saudi officials in the Saudi Development Fund and other financing organizations are looking into the question of requiring that Saudi companies execute or participate in the execution of projects financed by Saudi Arabia. Arab officials have shown a great willingness to comply.

Mr al-Harbi adds that the crux of the issue lies not only in utilizing the contracting companies' surplus equipment but also in portraying a different image of Saudi Arabia abroad, an image as a provider of buildings and construction work.

12608

CSO: 4404/301

DEVELOPMENTS IN LOCAL REAL ESTATE MARKET DISCUSSED

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 56, Jan 84 pp 48-49

[Text] This brief presentation deals with important positive and negative factors that have had an impact on real estate market activity in Saudi Arabia and have led at times to periods of robust activity and at other times to sluggishness and stagnation. By studying the economy of the real estate market, it becomes clear that it is very sensitive to all internal and external factors, as the following will demonstrate. Although real estate activity, due to many factors, has generally moved ahead in great strides, there are, nonetheless, other factors that have inhibited, but not stopped, this activity for certain periods.

By examining the course of real estate activity during the past several years, it is possible to note the following positive factors:

1. Security and stability. Since the kingdom was established at the hand of the late King 'Abd-al-'Aziz, this country has been blessed with stability and security. This has encouraged many to leave the confines of the traditional city, which contains a limited number of homes, and move to the wide-open spaces and build model homes that contain modern amenities. The cities and villages in the kingdom are competing for area and population, and this has contributed effectively to real estate development activity.

2. Government expenditures. The state budget increased noticeably over the past 10 years as a result of increased oil production and prices. Oil revenues have been used in various development sectors, especially the construction sector. The government has built huge buildings, including ministries, schools, hospitals, and government offices, and has completed other huge projects in the service areas, such as the King Khalid International Airport in Riyadh and the Jiddah airport. In the industrial field, the government has executed projects such as the Yanbu' and al-Jubayl projects. Oil pipelines have been laid from the east to the west, and the state has encouraged agricultural projects throughout the kingdom, particularly in suitable areas of the north and south.

These huge government expenditures were followed by an influx of foreign companies specializing in all fields. They brought with them all of their technical and managerial personnel. These expenditures and the resulting

influx created new demand in the Saudi real estate market. Land was allocated for projects, for equipment storage and for building warehouses and residential compounds for foreign workers. All of this resulted in a sudden and sharp increase in rent for residential units and buildings and increased demand for land for new housing and real estate projects because there was a very high capital rate of return in this field.

Another positive effect of government expenditures was the construction of an excellent network of new roads throughout the kingdom and the expansion of existing roads. This was accompanied by the confiscation of land, which the above-mentioned roads penetrated, and the compensation of the owners. This took place primarily from 1398-1403 AH (1978-1983 AD). All of this created demand by the above-mentioned owners for land to replace that which was confiscated. This contributed to the stimulation of the real estate market.

3. Increased income and standard of living for Saudi citizens. The increase in the government budget was accompanied by a substantial increase in individual income levels. This high income enabled individuals to work toward the purchase of land to hold as real estate, to build a house on or to resell. To own a piece of land and a house rather than to rent is characteristic of the Saudi family, which views home ownership as a part of its social identity and financial status. Also, living in a rented house creates feelings of unhappiness and instability for the Saudi family. Real estate development activity had the positive result of the establishment of the Real Estate Development Fund and its accrual of huge assets, assets of over 50 billion riyals. More than 300,000 families benefited from loans from this funds. The state facilitated lending to all citizens without interest and with long-term, 25-year repayment plans. The amount of the loans was as much as 300,000 riyals and if payments were made on time there was a 20-percent reduction in the amount of the payment. If the loan balance was repayed in a lump sum payment, there was a 30-percent discount in the amount of the loan. In addition, the fund provided investment loans for as much as 10 million riyals. There is no doubt that facilitating loans and simplifying the procedures induced many citizens throughout the cities and villages of the kingdom to look for a suitable piece of land.

Also, the rapid development witnessed by the kingdom and the accompanying increase in income levels added to the stimulation and growth of domestic business activity. Businessmen competed for the selection of prime locations to build market centers, showrooms and stores.

4. Real estate cooperatives. Real estate cooperatives are a factor which effectively contributed to the pooling of savings and to the cooperation of small investors so they could benefit from real estate investing. Through this system, a large group of citizens can participate in the purchase of land. One of them is charged with organizing participation, choosing a piece of land and following the procedure of selling at public auction to participants in the cooperative or other buyers. The cooperative is ended when the land is sold and the profits divided.

Negative Factors

The other factors that limited the growth rate of real estate development activity, but did not stop the inevitable growth, were as follows:

1. Distribution by municipalities and villages of more than half a million plots of land in all parts of the kingdom. This land was distributed to all groups of the citizenry as a part of the housing projects. In most cases, the land included all amenities and basic services. This distribution of land to a large segment of Saudi society had the effect of satisfying the land needs of this segment with plots from the municipalities and village groups. There is no longer an urgent need for these citizens to buy residential lots from the private sector. This has limited the increase in buying and selling activity for residential real estate. However, the reselling of this land continues to be active, especially for commerce or for residential, commercial and industrial expansion.

2. Competition for private contributions by corporations in the areas of industry, agriculture, marketing and maintenance. This absorbed a large portion of the liquid assets of many individuals, and a great deal of capital went into these companies instead of being used for real estate activities.

3. Regulations governing landlord-tenant relationships that stipulate certain limits--not more than 10 percent--for annual rent increase. Also, a landlord cannot evict a renter without his consent.

This regulation was issued on a temporary basis and expired in Muharram 1403 AH (October 1982). It was expected that by that time a sufficient number of rental units would be available. After that date rental transactions were freed to be determined by supply and demand in the real estate market.

4. Aggravation of the remainder of small financiers due to the obstacles they met from some real estate offices while they were attempting to participate in real estate activity or exercise their rights. These financiers moved to various other methods of investment. In addition, some Arab countries moved quickly to prepare a favorable climate for investors and encouraged them to direct a portion of their savings into these countries.

Despite the above, real estate investment in Saudi Arabia has always demonstrated a special attraction derived from the instinctive desire for ownership, financial security and profits resulting from investment. These factors for success guarantee progress and growth in the real estate market for the coming years.

12608

CSO: 4404/301

REPERCUSSIONS OF POSSIBLE TREASURY BOND ISSUE CONSIDERED

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 55, Dec 83 pp 36-38

[Text] Rumors are circulating about the likelihood of the Saudi government issuing, for the first time, treasury bonds for the purpose of financing the budget deficit and providing a new financial instrument that will help officials exercise better oversight and more comprehensive management of the banking system in Saudi Arabia.

Officials in Saudi financial organizations have until now avoided commenting on this news. It is, therefore, not clear whether a final decision has been made on the matter. The sale of treasury bonds would naturally consume much of the liquidity in the Saudi market and have a noticeable effect on the "offshore" market for riyal deposits. But what is expected from these measures, in the event they are enacted, and what will their effect be on the Bahraini "offshore" banks in particular?

Before discussing this basic issue, we will briefly look at the structure of the financial system in Saudi Arabia.

Financial System in Saudi Arabia

The Saudi Arabian Monetary Agency (SAMA) is the organization officially charged with establishing and executing monetary and lending policies in Saudi Arabia. In contrast to Western countries, where there is usually an independent central bank that implements monetary policy independent of fiscal authorities, SAMA must answer directly to the Ministry of Finance and must execute a policy that conforms with the official line of the ministry. On the working level, the fields of money and loan supervision in Saudi Arabia are subordinate to spending policy, which is determined by various public organizations.

Therefore, official domestic expenditures financed with oil revenues are the basic consideration in determining monetary growth in Saudi Arabia. However, the past few years have witnessed a reversal in the effect of government expenditures on local monetary growth due to the spending philosophy followed in the kingdom.

With the rapid growth of the banking sector, domestic loan expansion emerged as a secondary source of liquidity. The "Saudiization" of commercial banks

in the kingdom contributed to the growth of a network of branches of these banks, and to the growth of their balance sheets. Current estimates indicate that "Saudization" gave commercial banks the opportunity to increase their total capital base by more than \$6 billion, expand loans to more than \$10 billion and take advantage of \$5 billion which SAMA is required to retain as a free reserve.

Structure of Financial System in Saudi Arabia

With the aim of exercising some form of control over commercial banks, SAMA requires these banks to deposit 7 percent of their current accounts and 2 percent of their savings accounts with SAMA without earning any interest on them. In addition, any bank that accepts deposits that exceed its capitalization and reserves by 15 times must deposit 50 percent of these excess deposits with SAMA without receiving interest. These measures have greatly limited the loan obligations of banks with a small capitalization.

With the aim of bolstering banking activities in the country, the government established a number of semiofficial lending organizations that specialize in financing long-term development projects. These include the Saudi Agricultural Bank, the Public Investment Fund, the Saudi Lending Bank, the Saudi Fund for Industrial Development, the Real Estate Development Fund and the Saudi Lending Fund for Contractors. The favorable financial terms offered by these organizations for industrial, agricultural and housing projects have had the effect of causing commercial banks to concentrate on short-term loans to finance external commercial ventures by the private sector. During the past 2 years, the business and construction sectors have received 60 percent of commercial bank loans, while the industry and mining sectors' share of these loans has only been 13 percent.

In the kingdom there are 4 main money-changing companies and 16 smaller ones that continuously compete with the activities of the commercial banks. Although the activities of these organizations are restricted, in the eyes of the law, to accepting demand deposits and trading foreign currencies, they nonetheless practice most of the activities of the commercial banks with the exception of issuing credit or securities or purchasing foreign instruments from SAMA. However, these organizations are not required, as the commercial banks are, to maintain a portion of their reserves with SAMA. Recently, the largest money-changing organization, the al-Rajahi Money Exchange Company, was allowed to convert to a commercial bank.

Monetary Policy

In light of the absence of a sophisticated money market in the kingdom, SAMA has only limited means to execute an effective monetary policy and exercise a degree of control over the size of liquidity in the banking system. The most common method is to alter the method of payment to contractors. For example, if SAMA wishes to increase the liquidity in the market, it increases and facilitates the flow of payments to contractors. If it wishes the opposite, it delays payments.

The other method available to SAMA to guide monetary policy is to amend the reserve requirements for commercial banks. However, this method is a complicated way to affect the banking system's liquidity and is, perhaps, impossible to execute in a short period. In reality, the kingdom only resorts to this method on very rare occasions. The reserve requirement has remained essentially the same for the past few years.

From time to time, SAMA has resorted to a policy of depositing funds in the commercial banks to increase the market's liquidity. However, the expected \$10 billion budget deficit for fiscal year 1983-84, a result of dwindling oil revenues, makes it difficult for the government to provide the necessary funds without selling some of its foreign assets, which are themselves considered a source of government revenues. Therefore, it appears that a policy of issuing treasury bonds is the appropriate step in the government's move to develop the banking system in the country. This measure would correspond with SAMA's clear desire to establish a local money market that keeps pace with the rapid development of commercial banks. Most of the stock of every one of these banks has come back into the hands of Saudi interests.

Treasury Bonds

The periodic issuance of treasury bonds would itself enable SAMA to control liquidity in the banking system by buying and selling the bonds. This is the method followed by most of the central banks in the world. If SAMA were to sell bonds, this would absorb liquidity from the banking system, and if it were to buy bonds, this would add to the liquidity of the system.

Another of the goals behind the issuance of treasury bonds would be to help the Saudi government finance the expected deficit in the fiscal year 1983-84 budget, a deficit estimated at \$10.1 billion. Rather than the government selling foreign assets, which are estimated at \$160 billion, it is possible for SAMA to rely on the liquidity available in the market and to require that commercial banks buy all of a particular bond issue. Such a measure would result in government absorption of the banks' loan money and would thus shrink the supply of money in the marketplace.

The delicate point in all of this is whether the Saudi treasury bonds, if they are issued, will provide the bearer with interest. In view of the prevailing religious sensitivity in the kingdom toward the principle of paying interest, it is unlikely that SAMA will issue any financial instrument that is officially traded in the Saudi financial markets and that pays interest to the bearer.

Therefore, it appears more likely that SAMA will sell treasury bonds to the commercial banks at a certain discount, that is, at prices less than the maturity value. The difference in price will be considered essentially as administrative costs carried by SAMA. Also, it is logical that the administrative costs will vary in relation to the date of the maturity of the bond. These costs will be greater for a bond with a longer maturity period. If the need arises for greater liquidity, SAMA can repurchase the treasury bonds at their face value. However, these measures will greatly reduce the advantage of treasury bonds as an effective financial instrument and will prevent

the creation of a parallel market for these bonds. This will make them less attractive than they should be for the commercial banks.

In this regard, perhaps the necessary incentive to encourage the commercial banks to purchase the treasury bonds would be to allow them to maintain a portion of their SAMA reserve requirement in the form of treasury bonds instead of cash. Commercial banks holding bonds purchased at low prices can hope to cash them in for a profit in the future.

Saudi banks have demonstrated good profitability because the cost of acquiring financial assets is very low. It is estimated at 2.5 percent per year compared with about 10 percent in Western countries. Saudi banks record a profit by charging borrowers a service fee on their loans. It is obvious from the size of these fees that they include an interest rate factor as well. It is likely that SAMA will be exposed to pressures from religious authorities who call for limiting the profitability of commercial banks. Issuing treasury bonds without interest and requiring, by law, that the banks purchase them without introducing any changes in the reserve requirement regulations would be a successful way to shrink the profits of commercial banks and at the same time make them more efficient.

Effect of Bond Issues

There is no doubt that the issuance of treasury bonds in Saudi Arabia, regardless of whether they pay interest or not, would represent positive government participation and a correct step toward developing a domestic financial market in the kingdom.

However, the Saudi issuance of bonds would not be in the interest of the "offshore" banks in Bahrain. This is because the Saudi banks and large financial organizations, which are considered the main source of Saudi riyal "offshore" deposits, would probably be required to buy the major portion of any bond issue. If SAMA were not to change the reserve requirements to compensate for the liquidity that would be absorbed by the bonds, then this would mean a reduction in surplus Saudi riyals available for deposit in Bahraini banks. This would result in a shrinking market for "offshore" deposits in Saudi riyals. The competition for the dwindling Saudi riyal deposits would result in higher interest rates paid on these deposits and higher costs for transactions conducted in Saudi riyals in the "offshore" market.

Saudi Arabia is considered to be the traditional source for the activities of the "offshore" banks in Bahrain and the profits they make. The issuance of treasury bonds would have a negative effect on the already gloomy climate that has begun to pervade the "offshore" banking sector. The cumulative effect of shrinking oil revenues in the region, the Gulf war, the collapse of the Suq al-Manakh [unofficial stock market in Kuwait] and the restrictions imposed by SAMA on loans denominated in Saudi riyals (the necessity of getting SAMA's prior consent) has made it difficult for "offshore" banks, especially the new ones, to sustain profitability.

Despite this, it is expected that some time will elapse before Saudi banks progress enough to conduct the scope of activities practiced by the Bahraini banks. All Arab banking activity is still in the beginning stages, and the Saudi banks will require some time to be able to compete with more advanced Bahraini "offshore" banks.

Besides the likelihood of a shrinking "offshore" market for Saudi riyals, the "offshore" banks face a clear need to find new and effective ways to expand their activities within the larger scope of the Gulf region. In this regard there are a number of choices, including providing services such as investment services for a commission, issuing certificates of deposit and trading certificates of deposit. The offshore banks have begun to sense that they must continue to provide more advanced services if they want to avoid losing customers to local banks in the region that have begun to grow very quickly.

12608

CSO: 4404/301

SOVIET ECONOMIC ASSISTANCE LAUDED

Kabul ANIS in Dari 5 Dec 83 p 2

[Article by "Samar"]

[Text] The Afghan-Soviet Friendship Treaty signed 5 years ago was the logical outcome of long years of amity between Afghanistan and the great Soviet Union, a relationship which has victoriously withstood the test of time since the victory of the October Revolution.

This treaty, which was signed between the DRA and the USSR in an atmosphere of good faith, is a vital pact for the people of Afghanistan, producing social, economic and cultural benefits in Afghan-Soviet relations, and with the passage of each day the affection for this great treaty increases among the people of Afghanistan.

On this 5 December, which coincides with the 5th anniversary of the Afghan-Soviet Friendship Treaty, the people of Afghanistan honor the event because it was as a result of this treaty that the independence of this country was safeguarded and our countrymen found a renewed existence free from the injustices of their enemies and the undeclared war of world imperialism.

With the signing of this treaty, the Soviet Union did as it had done 64 years ago, when the people of Afghanistan were struggling against British imperialism despite problems it faced at the start of the October Revolution, by extending a helping hand to the people of Afghanistan to achieve freedom and to cut off the hand of imperialism from the country, thus proving its faithfulness to the Leninist foreign policy on equal rights and respect for national independence, territorial integrity and non-interference in the affairs of each other. And from the very first days of the October Revolution the people of Afghanistan realized that to their north they had a most honest friend who has extended them aid for 64 years.

Afghanistan was a country which had been fully held back, with the people of the country passing through difficult days caused by poverty, harsh living, disease and illiteracy. It was then after the signing of the 1921 Friendship Treaty between the two countries that the friendly country of the USSR provided Afghanistan with any aid needed, and in the course of the first long-term treaty which was signed 27 years ago, the Soviet

Union helped its southern neighboring people of Aghanistan to achieve a better life by aiding major projects such as the Naghlu and Pol-e Khomri hydroelectric substation, motor transport and airport building maintenance plants, the Jalalabad irrigation complex, the Salang highway and by providing major credits.

The various projects show that the early Soviet-Afghan treaties have embraced major economic sectors of the country and have played a constructive role in changing and improving the lives of our countrymen. The friendship, good neighborly and cooperation treaty which was signed between the DRA and the USSR 5 years ago has not only proved the correctness of the 1921 Afghan-Soviet Treaty but has expanded it and given it depth. This friendship treaty is indicative of the new qualitative stage which relations between Afghanistan and the USSR have reached since the victory of the national democratic Sawr Revolution and its new phase.

Afghanistan and the Soviet Union signed the agreement 'with full determination to develop and achieve the social and economic goals of the peoples of the DRA and the USSR, the safeguarding of their security and independence and with unwavering determination to mobilize forces that are fighting for peace, national independence, democracy and social progress.'

The Soviet Union, this tested friend of the people of Afghanistan, has, as it did 64 years ago in extending needed economic aid, credits, loans and such to provide tranquility, peace of mind and a better life for the Afghan people, has saved the independence of our country and its people through vital aid it has provided under the friendship treaty of 1357 [21 March 1978-20 March 1979]. 'If aid had not reached heroic Afghanistan from the great Soviet Union, today the revolutionary, free, independent and nonaligned Afghanistan would not exist.'

5854

CSO: 4665/28

SOVIET ASSISTANCE ON JANGALAK PROJECTS SURVEYED

Kabul ANIS in Dari 5 Dec 83 p 4

[Article by "Vis"]

[Text] The Jangalak Factories are one of hundreds of technical projects and the first semi-heavy industry set up through the unstinting assistance of the Soviet Union with an initial capital of 150 million Afghani that began operations 23 years ago. In view of the needs of the country and the conclusion of the treaty of 26 December 1981 between the governments of the DRA and the USSR, the Soviet Union, the true friend of Afghanistan, has helped the management of the factories with 1,500 million Afghani for the expansion of the industrial center in order to increase output and make it more effective in strengthening the country's economy.

Experts of the friendly USSR have trained hundreds of workers and personnel in this factory and have put most of them at the head of technical sections and groups.

Jangalak Factories produce items which have eliminated the need for the import of similar products such as: various sizes of stationary and mobile tanks, steel hangars, steel cabinets and shelves, spare parts for motors and weaving machinery, bolts and nuts, shafts, aluminum containers, various kinds of steel beds, water supply equipment, cast iron piping for cement plants, various types of steel chairs and tables, medicinal and technical-use oxygen and maintenance of Soviet-built motors and engines and similar vehicles.

Support Facilities

This section produces tools and is responsible for upkeep and maintenance.

The source spoke about motor vehicles which are repaired in this section by saying: At Jangalak, various Soviet-built motor vehicles and their engines receive full, medium and light servicing, the vehicles including Zil, Maz, Kraz, Volga gas models 20, 21, 24 and Vaz vehicles.

The source had this to say about the expansion of Jangalak factory: In view of the country's difficulties concerning the transport and transfer

of imported goods and the large number of Kamaz trucks delivered by our friend and brother nation USSR, the government of the DRA decided that the repair of Kamaz, Maz and Zil motor vehicles should be done at Jangalak and at the same time need was felt for cast iron piping, formerly imported, to meet the needs of the government's planned expansion of cement production. Therefore, under the economic aid agreement of 26 December 1981 concluded between the DRA and USSR governments, the expansion and reconstruction of Jangalak factories would fall within the scope of the said agreement. Of course the expansion of Jangalak factories is being financed from the long-term Soviet credit of 1,500 million afghani which has been included in the agreement.

This particular Soviet aid is also used to provide material for expansion work, machinery, technical aid, dispatch of experts, training of personnel and so on.

After expansion is completed, Jangalak will annually be able to provide full repair services for 1,700 Kamaz, 600 Maz and 300 Zil trucks.

Moreover, the annual production of the foundry will increase to 1,600 tons steel, 500 tons grey cast iron and 20 tons colored metals.

Describing the beneficial role of the Jangalak factories in strengthening Afghan-Soviet friendship the sources said: The establishment of the Jangalak factories is one of the first Soviet-aided technical and economic projects which was officially inaugurated and went under stream in 1339 (1960). From that time on, experts of the friendly Soviet Union have, in addition to providing beneficial consultations involving workers and personnel, trained hundreds of workers and office personnel at the factory site; with most of the latter now heading various sections of the factory's technical branches and shops.

5854

CSO: 4665/28

DESERTERS TO REBELS DESCRIBE SITUATION INSIDE ARMED FORCES

Stockholm DAGENS NYHETER in Swedish 3 Feb 84 p 12

[Article by Borje Almqvist: "Get Shot in the Back of the Head or Become Cannon Fodder"]

[Text] "We were locked up inside the barracks and could not leave the cantonment. We were not allowed to carry weapons either or we might have killed the officers, which they were aware of."

Reports on conditions within the Afghan army, with Soviet officers as "advisers," are reports on regular prison camps.

Most Afghan soldiers are also prisoners. They were taken prisoners in the course of clean-up activities in their native regions by Soviet soldiers or the Communist militia. Within cities, they were usually seized by police.

After being apprehended, they were usually imprisoned and later sent to a cantonment within a combat area. As a rule, no real military training was required before they were thrown into battle.

One Shot

"I had only been given verbal instructions in how to use a weapon when they let me fire one shot," reported a 14-year old Afghan soldier, who was wounded and taken prisoner by the Mujahedins outside Khost, Paktia.

Other soldiers who deserted have had up to one month's training.

"We were 100 men allowed to train with six AK-47s. Six of us deserted already during the training," reported one deserter. He himself together with 14 other soldiers escaped from fort Balla Hissar in Gardez, Paktia after 2 months of military service.

Poor training as well as a lack of motivation have resulted in high losses for the Afghan army. In Paktia, where the Afghan army is unsuccessfully trying to fight the war with virtually no Soviet help, the figures cited by deserters are more like massacres. This, despite Soviet air support in combat situations.

Soldiers who participated in the last big expedition trying to get from the capital of Gardez, Paktia to come to the rescue of the garrison at Serai, Jaji before it fell described a nightmarish experience.

Fifteen Survived

"Although we were aided by tanks and planes, we lost 70 percent of our troops. In my own batallion, only 15 survived the retreat," reported one deserter.

Catastrophic losses are commonly reported in conversations with deserters.

"When they send us into combat, the military and the officers take the lead. Later, the officers, the Soviets and members of the Communist Party push us ahead of them like cannon fodder. Anyone who looks back or fires into the air is shot in the back of the head," reported one deserter, who participated in a couple of combat operations before he managed to escape.

Although those who are caught trying to escape are shot in the back and officers try to get the soldiers to spy on one another, soldiers are fleeing from garrisons and army posts almost daily.

Due to the number of deserters, the Afghan army today consists of between 20,000 and 30,000 men, compared to 80,000 prior to the Communist military coup in 1978. Extending the military service from 2 to 3 years and including everybody between the ages of 14 and 45 have not helped.

Four Lunatics

"In our cantonment we had old men with poor vision and four lunatics, who were so demented that they were unable to escape although many tried to help them," said one deserter from the Urgun garrison.

Deserters tell of being robbed of money and valuables by officers, who also keep their pay. When these deserters reached Mujahedin, it was their former "enemy" who gave them food and civilian clothes. Thanks to a constant number of deserters, Mujahedins are kept informed about the number of soldiers in cantonments and whether surrounded cantonments are running short of supplies.

Information concerning the Soviet army, on the other hand, is more sketchy. Soviet and Afghan military personnel are kept in separate cantonments. The units are now often separated during combat missions as well, or the Afghan soldiers are in the front line taking the worst losses.

"According to plans, all border troops as well as troops out in the provinces are supposed to be Afghan. The Soviets will only be stationed in the cities," said Captain Lajmir, who deserted from the Ministry of Defense in Darullaman, Kabul.

Factions

"The Ministry of Defense is completely in the hands of the Soviets, who are responsible for guarding it. The guards are all Soviets. No Afghans are allowed on the third or fourth floor, high up in the ministry, where the Soviet army command is headquartered. The real authority over the Afghan army rests with the Soviets.

"The realization of the new separation of duties between the two armies seems a long way off. The Afghan officers corps is deeply split. Officers who belong to the Communist Party and who wield the power in the army are divided into two factions.

"Most of the Communist officers belong to the Khalq faction of the Communist Party, which lost power to the minority Parcham faction, led by President Babrak Karmal.

"Prior to the Soviet invasion, the Khalq faction had cleaned out the Parcham faction and many of its civilians and military members were tortured and put to death. After the invasion, several Khalqis suffered the same fate which together with the fact that the Parchamis came to power with the aid of the Soviets has led to a mutual hatred between the two factions.

"Since most of the experienced officers were either removed, executed or deserted during the Communist regime prior to the Soviet invasion, the Parchamis have not been able to replace the Khalq officers.

"The result has been constant discord within the officers corps. Both factions have to be disarmed prior to attending discussions at the Ministry of Defense," reported Captain Lajmir.

"A couple of years ago, even a fight broke out between the Darullaman commanders and the head of the ministry's political department. They belonged to different factions and did not agree."

The discord has led to open dissatisfaction among the Khalq officers, according to officers who have left the Afghan army. Parchamis are being promoted more rapidly than are Khalqis, even civilian Parchamis can rapidly become high-ranking officers.

One example of that is Yassin Sadig, who used to be ministerial secretary in Kabul province. He was first appointed commanding brigade officer in 1981, then became lieutenant general in 1982 and today he heads the political department in the Ministry of Defense.

The discord has led Khalq officers to secretly cooperate with the Mujahedins in some instances by giving out important information.

However, non-Communist officers are even more dissatisfied. They have to follow the old course of advancement, becoming captain after 4 years as first lieutenant. Communist Party members can be promoted to captain in a fraction of the time; they can advance two grades in a year.

[The writer of this article recently visited Afghanistan and Pakistan.)

WEST AIMING TO COUNTER SOVIET INFLUENCE IN INDIA

Madras THE HINDU in English 5 Jan 84 p 9

[Article by G. K. Reddy]

[Text] NEW DELHI, Jan. 4--The East German Minister for Economic Affairs, Dr. Otto Lambsdorff, arrived today on a week-long visit to India even before the French Minister for Agriculture, Mr. Michel Ricord, left at the conclusion of an equally important trip to the country to explore the scope for increased economic cooperation.

An interesting feature of India's foreign policy these days is the new emphasis on combining political relationship with matching economic cooperation to put greater content into the concept of mutually beneficial bilateralism.

The customary goodwill visits of Heads of Government and Foreign Ministers are being supplemented these days by trips of Economic Ministers for follow-up discussions on increased trade and industrial collaboration. In the last few months there have been several such visits by both Ministers and leading industrialists from Britain, France, West Germany, Canada, Italy, the Netherlands, Austria and Japan.

The fact that India is a major developing country in the world with a vast potential for increased trade, supply of equipment, transfer of technology and industrial collaboration has lately generated considerable interest in the West matching in many respects with the sustained efforts of the Soviet Union and other socialist countries of eastern Europe to extend their economic influence here.

But what is new is not so much the growing western awareness of the marked advantage the Soviet bloc continues to have in its economic dealings with India as the attempts that are now being made to offset this advantage by redressing the imbalance with increased cooperation.

The Government of India, on its part, has not been able to take proper advantage of east-west rivalry. The policy-makers in Delhi have failed to comprehend fully the political leverage of its "import power" as it is called for deriving the maximum benefits. The country has been importing or contracting for both industrial and defence equipment to the tune of at least Rs. 8,000 crores a year, besides the long-term financial arrangements that go with it.

Soviet consolidation: The Soviet Union has consolidated its influence by stepping up defence supplies in the wake of the U.S. flow of arms to Pakistan. It has also used the diplomatic advantage provided by this relationship to intensify its economic cooperation in many key spheres.

The countries of Western Europe have been trying to cultivate India in their respective bilateral fields which have the cumulative impact of concerted effort for filling at least a part of the void created by ill-advised American actions. But because of their high cost economies and stiffer repayment procedures these countries have not been able to compete with the Soviet Union.

Despite its increasing reliance on the Soviet Union, India has been pursuing a policy of diversifying its defence purchases and industrial collaboration agreement to the extent possible in the present circumstances to reduce its dependence on any one side. It is India that has opened the way for the many new agreements that have been struck with western countries in the last few years, ranging from Jaguar, Mirage-2000, Sea Harrier, submarine and missile deals in the defence sphere to industrial collaboration in steel, coal, alumina, communications, transportation, petrochemicals and oil exploration.

It is against this background that the economic ministers from many Western countries have been visiting to extend their cooperation. But the Government has not been utilising this "import power" only marginally to use the influence of countries like Britain and France, Canada and West Germany, to exert pressures on the U.S. on issues like the next replenishment of the International Development Association (IDA), the soft loan affiliate of World Bank, since India is the main beneficiary of it. A number of other countries, placed in a similar situation have been using their "borrowing power" more skilfully to secure better terms from the affluent western nations.

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INDIA

RESULTS OF FRENCH AGRICULTURE MINISTER'S VISIT TOLD

Madras THE HINDU in English 5 Jan 84 p 9

[Text] NEW DELHI, Jan. 4--Apart from promoting bilateral cooperation between France and India, the visiting French Agricultural Minister, Mr. Michel Rocard, today favoured joint ventures in third countries.

On the conclusion of his week-long stay here, he told a press conference that joint projects could be launched in Eastern and Southern Africa and South East Asia in the field of seed production, genetic engineering and dairy development.

Mr. Rocard was happy with his talks with Indian leaders which, he said, were held in the excellent political setting, provided by a high degree of convergence of views of the two countries. He, however, noted that bilateral cooperation was not commensurate with political like-mindedness.

A joint communique signed by Mr. Rocard and his Indian counterpart, Rao Birendra Singh, expressed satisfaction at the progress in their talks and approved the reports of the two groups set up earlier--on research and education and agricultural production and agro-industrial projects. They agreed that to implement the plan of Indo-French cooperation in the field of agriculture, experts from India would visit France between February and May.

The twin aim of the visit will be (1) to finalise an amendment to the 1980 agreement in the field of agriculture so as to clarify the procedures for agricultural cooperation in its scientific, technological and economic aspects (2) prepare a detailed programme of cooperation in agricultural research and development.

He saw considerable scope for cooperation in evolving disease resistant varieties of coconut, oilseeds, animal breeding and water management.

He said EEC recently allowed import of 10,000 tonnes of sugar from India during 1984.

The Minister who visited Pondicherry said that the 15,000 French citizens there could be helped, through improved teaching systems and technical education, to integrate with the Indian economic life.

CSO: 4600/1445

NATIONAL STRATEGY, POLITICAL ALTERNATIVES EXAMINED

Paris RELATIONS INTERNATIONALES in French N° 36, Winter 1983
pp 469-485

[Article by Onkar Marwah: "India: Strategic Perspectives"]

[Text] Poor as it is when reckoned in terms of per capita income, India is the largest State on the Indian Ocean. In this part of the world, it has the greatest variety of mineral resources, the largest agricultural and industrial sectors, and the most advanced scientific and technological facilities, all based on political structures that reflect the outcome of free elections. Over the past 35 years, this country has built itself a sizable army under strict civilian control, which sets India apart from most other developing countries. Aside from China, India today can boast the most diversified and most independent defensive resources in the Third World.

India's economy may be described as a functional division between the public ("socialist") sector and the private ("free enterprise") sector. At the foreign policy level, India has chosen non-alignment. In positive terms, non-alignment expresses its desire to benefit by the support -- economic, political, and strategic -- of the liberal western States as well as that of the socialist States of Eastern Europe. In negative terms, and from the global point of view, non-alignment expresses its refusal to side completely with any particular ideology, whether it comes from the NATO countries or from the signatory powers of the Warsaw Pact. In its options, India sets itself apart from the great powers; it calls on them to broaden their narrow vision of the world and suggests, more pragmatically, remedies that would meet the peculiar needs of a group of States, be it of the West, the East, or the South. Its diplomatic stance is a moderate one which has, since independence, maintained active, sensible, and sustained relations with all countries, those in the Atlantic Pact as well as those in the Warsaw Pact.

India's Strategic Perceptions and Its Political Choices

Shortly after independence in 1947, the new Indian government headed by Jawarhalal Nehru mapped out a foreign policy. It was India's intention to cooperate closely with the United States of America /and/ with the Soviet Union. Given its already good relations with the United States, Great Britain, and all the other Western States, the purpose of this decision was primarily to let the Soviet Union know of India's desire to establish normal relations with it. Diplomatic relations were also established with China, ruled at the time by the Kuomintang, and subsequently, after Mao Tse-tung took power, with the new People's Republic of China. In both instances, the general thrust was to maintain friendly relations with India's big communist neighbors, and not to let itself be drawn into military alliances backed by the Western countries for the purposes of opposing communism. Nehru made frequent reference to the two World Wars, "European wars," which had global repercussions; he also voiced the hope that the newly emancipated nations would refrain from importing European quarrels, and stated that it was imperative for India "to build the history of its own choice."

The premises of Indian policy, however, were not rooted in sentiment. In one of his speeches to the Indian Parliament, Nehru explained "...that it is not a wise line of conduct to put all one's eggs into a single basket, when accepting economic aid or seeking political assistance" [1]. The rationale for what later came to be known as "India's neutrality" was set forth in strategic terms back in 1931, or 16 years before independence [2]. From 1947 to the present, Indian security policy has not once strayed from that line. In the early years after independence, it was casting about for ways to maintain an advantageous position in both the socialist and the non-socialist parts of the international system. In strategic terms, this inevitably meant getting help from the super-powers for India's military and economic development. While avoiding all formal commitments, trade relations were established with the Western bloc as well as with the Communist bloc, so as to open the way for transfers of funds, of technology, and of resources for India's economic development. In the area of defense, care was taken to limit the number of military advisers as well as the length of their stays.

The second aspect of India's non-alignment strategy is that it is not to be confused with the neutralist policy. In a situation of acute conflict, given its size, its geographical position, and its potential, India could not remain neutral, even should it want to. Neither its vital interests nor those of the great powers would permit such a thing. The attitude India would take in case of war was quite frankly stated by Nehru, shortly after he came to power:

"This past year we said that we should not ally ourselves with any group. That has nothing to do with our neutrality or with passivity... We shall not become involved in a conflict if we can avoid it; and we shall join with the party that favors our interest, when the time comes to make a decision." [3].

This thinking harks back to the European and global experience of the past 30 years, over the course of which military and political alliances and coalitions among the most disparate States formed, dissolved, and reformed. Although the present division of the world is more stable by reason of its ideological bases, it does not necessarily follow that it will last forever. In fact, the very presence of the enormous destructive power on both sides has given rise to a state of "armed competition" or of "hostile co-operation" between the two blocs. Occasional changes in one or the other bloc, insofar as the number and quality of weapons or their nature, are not likely to have any major impact on the overall balance. Furthermore, while India is itself a democratic State like the liberal Western States, it does not follow that the latter will bear that fact in mind vis-à-vis India's policy for furthering its national interests.

The third aspect of non-alignment has to do with the strategic advantages Italy can derive from it for its own security. Non-alignment provides a facade behind which temporary changes and tactics are possible in the face of unforeseen events which may arise and over which India has no control. As it is weak by comparison with the military, political, and economic capacity of the major States-- notably the superpowers -- India's wisest course is to stand aloof rather than to take any open stance, to seek conciliation rather than confrontation, to husband its capacity to offset the pernicious effects of other nations' policies, rather than to stick to an inflexible position. To put it another way, non-alignment leaves leeway for freedom of choice in strategic decision-making, according to the shifting balance of the world situation [4].

The fourth aspect of non-alignment contributing to India's security lies in the fact that the country can calm the hostility of some States by a demonstration of friendship. This was particularly true in relation to the communist States which feared encirclement from the West during the post-war period. So it was that Stalin's Russia established purely formal diplomatic relations with India, while displaying great diffidence toward the declarations of Indian friendship. Malenkov showed more interest in India's statements of readiness to cooperate with the Soviet Union, but it was not until Khrushchev took over in 1956 that Indo-Soviet relations were really cemented, 9 years after India's independence. Nehru formulated this policy in these terms:

"The general idea is that security is protected by armies. This is only partially true; it is equally true that security is protected by policy. A premeditated plan of friendship toward other countries goes further than almost any other toward guaranteeing security.[5].

It has been said many times that non-alignment has a strongly economic content. This is the fifth aspect of the strategic advantages to be derived from the pursuit of non-alignment. India's leaders have always viewed economic development as a direct contribution to national security, on the basic assumption that a poor

country seeking rapid growth cannot confine its relations to any one bloc in the global economy -- neglecting the others. The Indian pattern of development rests at once on a forced march toward industrialization, relying heavily on planning, and on a determination to make the process part of a liberal-democratic policy implying the active participation of free enterprise. In order to develop the private sector and the public sector of the new Indian economy, there must be help from the socialist States, which have experience in planning, and from the Western States, which uphold free enterprise. Nehru assessed this twofold economic need:

"It would be an incalculable tragedy if we were to rein in and if we were to place obstacles in the path of our success, and if our economic policy were to be reduced to nothingness as a result of other people's problems and squabbles." [6].

Over the first 17 years following independence, Nehru structured and dominated the planning of India's foreign policy. Subsequently, the complex structure of his policy, his ideas on the economy and on strategy became the bedrock of India's policy. Despite criticism from both Right and Left, the broad consensus this policy still enjoys in India has been unshakable. That consensus is renewed by national elections which take place every 7 years [7].

One government after another in India has discovered that the practice and the advantages of non-alignment work in different ways for small nations and big ones that embrace that policy. Furthermore, although India is a big country and could benefit more from non-alignment, it will continue to be relatively weak by comparison with the military and economic strength of other countries for some time to come. Hence it is obliged to persuade other poor and weak countries to adopt a similar line of conduct, at least in their position vis-à-vis Western and Soviet military alliances. It was thus altogether logical, for India's diplomatic strategy, to ask the newly independent States to join the non-aligned movement. The only strength these poor and defenseless countries had was their numbers. Indian spokesmen spread the word that joining in military alliances was of dubious value, because the major world powers would help the newborn nations according to considerations of Realpolitik and without worrying whether or not the new nations were formal allies; all a military pact would do would be to cut back their freedom of movement.

India's own strategic interests thus coincide with those of a large community of States, known as the Third World. The goal was reached by persuasion rather than treaties, and the policy of non-alignment was based not on unanimity of views but on common sympathy. This is why there are so many aspects to non-alignment, perhaps as many as the 107 nations that embrace it. The profit, at the strategic level, which India has probably drawn from it more than has any other non-aligned nation, lies in the confusion it has generated

in the split between East and West, and in its inserting a North-South dimension into most international issues.

As for keeping the peace, India views that as vital to improvement in the small, weak nations. Said Nehru: "We do not want war to upset the plans we have drawn up or the dreams we have dreamed, at this critical point in the history of our respective countries." [8] Consequently, acting on the basis of its national requirements, India has played a very active role in international negotiations on disarmament and arms control, in the drafting and proclamation of Third-World views within all the international organizations, and has at the same time received aid itself and given aid to countries even poorer than itself [9].

What We Have Learned About Implementing Political Strategy

Although globally inspired, there was nothing in India's political strategy to prevent its application at the regional and sub-continental level. As a matter of fact, at the outset, attempts were made to persuade Pakistan to join the group of "neutral" States, which emerged in the wake of the first meeting of independent Asian States, the Asian Relations Conference, which was held in India in 1948. In those days, we did not perceive the Kashmir conflict as insoluble. Despite the short-lived but heated hostilities between India and Pakistan in the second half of 1948, the leaders of both countries returned to negotiations to find patterns for mutual agreement as to who owned Kashmir. Chances for a settlement were never better than they were in 1953, when Pakistani Prime Minister Mohammed Ali Bogra sat down to talk with Nehru, and a compromise calling for a confederal structure for Kashmir was worked out. Unfortunately, shortly thereafter, word spread of a mutual security pact between the United States and Pakistan, with the latter's receiving \$2 billion worth of arms for nothing. India saw this as the arrival of the Cold War on its own doorstep. It let Pakistan know that the Americans had previously proposed just such a mutual security pact to it, one also including the supply of even larger quantities of weaponry worth considerably more in dollars, and that it was only after India had turned down that offer that the Americans directed their offer to Pakistan.

Unsuccessful in its efforts to deter Pakistan from making this new commitment and reluctant themselves to agree to any such military alliance, the Indians moved quickly to buy weapons to bring them up to parity with Pakistan. This imbroglio not only contributed to freezing the Kashmir question, then so close to settlement, but also totally altered the path of Indo-Pakistani relations. The agreement also introduced a disturbing element into official Indo-American relations, whose effects are felt to this very day. India and Pakistan have fought two wars -- in 1965 and 1971 -- [and] it is remarkable to note that Pakistan's intentions and acts

in relation to their strategic policy have never once changed from the direction imposed on it since 1954, and will never change so long as Pakistan continues to call, directly or indirectly, for help from foreign powers in settling its differences with India [10].

As for Pakistan, it is understandable that it should have sought to equal India's military capability. That effort was sustained most startlingly until 1965, if we are to judge by the quality and quantity of weapons supplied it by the United States. In the event, Pakistan lost the arms race. The Indians in fact already had a superior industrial and technological base, and, after the border war with China in 1962, they used it to begin an increasingly sophisticated production effort in weaponry. As of 1971, India's population was ten times that of Pakistan, and the same ratio applies to resources. The natural strategic imbalance between India and Pakistan was to grow more acute in the decades ahead, while India's activity in industry, electronics, nuclear, and space advancement was growing steadily.

Just what advantage the Americans and the Chinese hoped to derive from providing arms to the Pakistanis has never been altogether clear to the Indians. If the idea was to establish a balance of power on the sub-continent, the move certainly has not succeeded thus far and does not look any too promising in the future. If, on the other hand, the objective was to destabilize India, it was achieved only partially, and for only a little while, because the only result of that attempt was to render India readier than ever for stepping up its preparations against any eventuality. Any quantitative analysis of this arms race between India and Pakistan shows that whenever Pakistan received weapons, India not only matched them but surpassed them in power. The result has been that in the wake of each new delivery of arms to Pakistan, the inferiority of its weaponry by comparison with that of India has been accentuated.

The second set of lessons India has learned came from its experience with China. Shortly after the communists took over the government there, the Chinese army moved into Tibet. Troubled by this show of force on China's part, India did not feel prepared either to confront China militarily or to play the part of protector of the Tibetans. A war in Tibet against the new communist giant with a huge revolutionary army would have been an absurdity. at a time when the most powerful countries were refraining from any serious retaliatory action [11]. India offered political asylum to more than a million Tibetan refugees and to the Dalai Lama, but turned a deaf ear to the urgings from certain western countries to demand the restoration of its "rights" to Tibet. India did not believe it had any rights in Tibet but, within the limits of its means, it sought, and received, assurances from the Chinese government that the culture and autonomy of the Tibetan people would be respected.

Notwithstanding the communist régime in China, India did its best to avert China's being sent to Coventry by the community of nations. It believed that as China developed, fellow-feeling with other new and poor countries born of colonial domination would tend to cool its excessive communist zeal. As a consequence, India played a major role in pleading for the People's Republic of China's admission to the U.N., and in insisting that China be invited to take part in the Bandung Conference in 1955.

In all the démarches leading up to the border dispute with China, which was speedily transformed into a limited war with disastrous consequences for India, Indian military analyses steadfastly discarded the notion of a war with China, even though Nehru was well aware of the new China's expansionist tendencies [12]

Nehru accepted the repeated Chinese intrusions at numerous points along the Himalayan border. Conscious of the deterioration in Sino-Indian relations, he nevertheless thought that "nothing could constitute greater folly than a major conflict and a war between two great powers like India and China over the ownership of a few mountain-peaks..." [13]. Militarily, India's response to a Chinese attack designed to establish a fait-accompli situation on the ground was gradual: the establishment of advance positions behind Indian communication lines would lead to establishment of Indian advance positions behind the Chinese communication lines. But "... the (Indian) army's ability to engage successfully in defensive and offensive operations against the Chinese forces, and to do so on any considerable scale was all but non-existent." [14] When it was all over, Nehru admitted to Parliament that he had never thought that the Chinese would field such a force: his government had thought that "this sort of aggression was a thing of the past." [15]

There is no need here to weigh the merits of Indian or Chinese claims concerning the contested territories. What counts in India's reckoning is erroneous or naïve assessments of relations with the new China. Major wars were possible between newly emancipated nations, despite their poverty. The non-aligned nations would be powerless before a conflict between nations, and the Western powers would proffer military aid [16], but only on condition that India fundamentally alter its domestic and foreign policy [17]. India would be threatened with war on two fronts should Pakistan choose this occasion to step in. The Soviet Union could not remain neutral in this conflict, and it could not halt the flow of weapons to the Chinese, who, at the time, were its "brotherly" allies [18]. It did, however, step up its aid to India so that the latter could develop its industrialization program, with the transfer (for money) of defense equipment and production facilities without demanding in return that India modify its policies [19].

The alterations in India's strategic security and weapons acquisition policy following the Himalayan débâcle were the following:

its definition of China and Pakistan as adversaries, separately or in concert; the need for rapid modernization of its armed forces, including a large number of alpine troops; the possibility of having to fight on two fronts simultaneously; considerable, though not exclusive, dependence on the Soviet Union for weapons supplies; acceleration of domestic arms production; and unswerving commitment to the non-aligned movement insofar as foreign policy was concerned.

India scaled down its relations with China, but did not sever them. It also continued to support China's admission to the U.N. While the United States and Great Britain raised objections to the massive sale of arms to India, on the other hand they lent help and encouragement in numerous ways to the development of India's agricultural and industrial sectors, while most of the weaponry as well as aid for public-sector industry came from the Soviet Union. India managed to get help from both superpowers and from their allies for its own military and economic development, and to do so without having to alter its own political choices. This situation pertains even today, and there is little reason for India to move closer to or away from either superpower.

The Organization of Defense Capabilities [20]

Decision-making on matters of security has always been restricted to small groups within the government. It is only recently that a tentative acceptance of public debate over defense questions has emerged in the country. Throughout the Fifties, the Defense Ministry was looked upon as secondary in importance and treated like a poor relation. While an arms production plan had been drawn up, its implementation was slow and invariably yielded priority to the more urgent demands of economic development. That all changed very suddenly in the wake of the 1962 incident with China: as of then, weapons production and acquisition got top priority in the allocation of budget funds.

Successive Indian governments have been guided by certain principles in whatever concerns industrial and defense policy. Achievement of greater self-sufficiency has been viewed as of paramount importance. Ideological considerations have never arisen in the context of aid or trade relations with other countries. Any contract with India in connection with a technology transfer is subject to the following condition: the products must not only be assembled, but also manufactured in this country, and within a specified time. On the other hand, Indian personnel must be trained in the technology and must be increasingly brought into the management of any industrial facility established in India by foreign contractors. Lastly, we note an almost religious zeal in encouraging the fastest possible establishment of a sophisticated industrial and technological production base, coupled with short shrift for any economic, political, or ideological argument that might hinder execution of this policy.

The 5-year defense plans adopted, beginning in 1964, were first integrated into the economic 5-year plans, with a view to buying arms abroad during a transition period, and local production expected to meet the country's requirements when the transition was complete. Right now, India's arms industry is the highest in quality, in volume, and in product diversity of any non-communist Third-World country. Arms production ranks second in Indian industry. It employs 280,000 workers directly and 1.5 million workers in industries ancillary to the arms industry. It includes 32 plants manufacturing artillery, under the supervision of the Defense Production Ministry, as well as 50 corporations in the private sector. The annual value of arms production is estimated at \$2 billion (according to the nominal value of the rupee).

Most sophisticated defense hardware is still bought abroad, but India is producing increasing amounts even of that under license. The techniques and technology thus acquired are gradually adapted to suit the particular conditions prevailing in India. A Defense Development and Research Organization (DRDO) manages 34 major plants and research laboratories. It employs about 6,000 engineers and scientists and handles reproduction, modification, improvement, and standardization of imported weapons. It works at prototype development, at improving repair and reassembly facilities for foreign weapons, on research in special materials and alloys, and it encourages Indian industries to manufacture spare parts. Great emphasis is placed on missile technology, on infrared devices, on night photography equipment, on liquid and solid propellants, on navigation systems, on sonar buoys, etc.

Beginning in 1964-1965, each 5-year Plan was budgeted to allow for expenditures of approximately \$10 billion, or \$2 billion per year. Most of that amount was spent in-country. Hence, over the 20-year period ending in 1984-1985, India will have invested close to \$40 billion in updating its defense capability. To this sum must be added the cost of defense equipment bought abroad: \$2 billion, for the 1965-1975 decade, or a mean annual rate of \$2 million. Planned military appropriations may also increase through 1985, in response to price increases and inflation. The total cost of enhancing India's weapons preparedness thus comes to about \$45 billion for the 1965/1966-1984/1985 period.

Weapons purchases and acquisition of a diversified defense capability are free of any partisanship. Following the events of 1962, the Soviet Union was India's most reliable supplier as well as its largest one, and it still is. India pays for all weapons bought from the Soviet Union through purchase by the Soviet Union of an equal quantity of Indian goods. As a consequence, purchasing Soviet weapons has brought India a trade outlet in the Soviet Union (as well as in other socialist countries).

Without adversely affecting its military agreement with the Soviets, India has consistently diversified its sources for purchase of arms

and for transfers of military technology. Prior to 1965, it had bought production licenses for interceptor aircraft and tanks from the British, for helicopters from France, for Swedish and Swiss antiaircraft machineguns, for West German armored vehicles, and for American recoilless rifles. Between 1965 and 1975, it signed agreements for local production of MiG-21s and other Soviet arms, of Yugoslavian mountain mortars, of French air-to-air missiles, British frigates, and Japanese vehicles. Since 1975, it has been negotiating and is now in the process of obtaining the right to produce, under license, high-performance aircraft from Britain (Harrier jet and Jaguar), from France (Mirage 2000 and Mirage 4000), from the Soviet Union (MiG-23 and MiG-27), plus Type 109 submarines from the FRG, Soviet T-72 tanks and armored vehicles, and Milan anti-tank missiles from France and the FRG. It also has a chance to produce big French or British helicopters and Swedish anti-tank weapons. The only major absentee from this list of collaborators is the United States, which has been reluctant to take any part in building an Indian defense system. This attitude may be changing, however, as recent reports announce Indo-American negotiations for the sale to India of howitzers, guided anti-tank missiles, and C-130 transport planes for a total of \$1 billion.

Expenditures on developing Indian weapons production, acquiring arms abroad, and for the necessary infrastructure (such as improving the border roads in the Himalayas) represent an average of 16 to 20 percent of India's federal budget. For 1983, planned expenditures came to \$5.6 billion. As a percentage of GNP, defense spending was running at less than 2 percent until 1961; since then it has hovered around 3 percent. That works out to \$4.00 per capita, as compared with \$11.00 in Pakistan and \$15.00 in China. By comparison with their adversaries, Indians have spent far less. and at the world level India is among the countries whose spending on national defense is lowest. Theoretically, India keeps its options open as to increases in annual defense spending. It is quite unlikely, though, that it will exercise those options. Current investments to cover the highly contradictory demands of defense and development seem to be levelling off now. Over the early years of defense modernization, there was some tapping of the development appropriations for defense use, but the negative impact was very slight because growth in India's GNP was strong enough to absorb it painlessly.

Since India ranks tenth among the world's industrial powers, its military production, while important and growing, does not hold a preponderant place in its national economy. The industrial structure is supported by a labor force which, in sheer numbers, is third in the world. With its student ranks doubling each year, India has almost as many students as all the EEC nations combined, and is surpassed only by the Soviet Union and the United States. In the second 5-Year Plan for science and technology, a third of research spending was earmarked for nuclear sciences, space applications, and electronics. Looking at that, it is hardly surprising that the country today has the capability of building nuclear

weapons or that it has launched seven space satellites. Next year, the Indian Space Research Organization plans to lob an "Augmented Space Launch Vehicle" (ASLV) into space to test the technology of "clustered-booster-rockets," and it plans to launch a "Polar Space Launch Vehicle" in 1988. All these space-oriented activities can at any moment be redirected toward military purposes.

Other areas in which India is active include cruise missiles, laser-guided missiles, armored vehicles with "Chqbham" armament, submarine propulsion systems, ships carrying long-range missiles, frigates carrying anti-submarine helicopters, a multi-mission STOL combat aircraft with twice the speed of sound, homing torpedos and missile-carrying hydroplanes, radar systems, space cameras and other optical instruments, as well as computerized electronic and telemetry systems and Indian-designed AWACS aircraft. India is also the first Third-World country to have begun construction of a high range of computers and one of the six countries to have built a high-technology base in the domain of electronic warfare.

Two activities which have nothing to do with defense, but which are concerned with the oceans reflect India's concern with continuing progress in high technology and in scientific applications. Last year the Department of Oceanic Development used shaped charges in a successful attempt to retrieve mineral nodules from the floor of the Indian Ocean. That makes India one of the few countries to possess this ability. Last year and again this year, India sent two scientific expeditions to the Antarctic to establish a permanent presence there in 1984-1985 with a base manned by scientists, for study, exploration, and possible participation in the extraction of the wealth of Antarctica. These two activities show that when the time comes to decide on the division of the ocean floor resources and to settle the question of sharing the riches of Antarctica, India intends to be on an equal footing with other countries.

Indian Reactions to International Events

The scant attention paid by the superpowers after the war to the entire South Asian region was a great advantage to India. Its refusal to join in military alliances and to take a stand against the Soviet bloc annoyed the Western powers, although not to the point of an open break. India's firmness on this issue also helped dissipate some suspicions on the part of the Soviet Union and allowed us to count on a friendly attitude from that country. While there were some superpower protests from time to time against India taking the form of arms to Pakistan, embargos on food, and unleashing armed rebellions by communist groups, India managed to cope with them through diplomacy, strategy, or force. Fortunately for India, South Asia possessed no raw materials that could inspire covetousness in the superpowers.

Although there were wars with China and Pakistan, the status quo was maintained at the local level without direct intervention by the superpowers. Once Pakistan had been weakened by its loss of Bangla Desh through independence in 1971, India could direct its attention to another geo-strategical environment of particular importance to it: the Indian Ocean, so as to prevent any "interference there on the part of the superpowers. India originated Sri Lanka's proposal to declare the Indian Ocean a "peace zone." That declaration won the support of the other States on those shores.

The strategic deployment of the proposal for a "peace zone" called on the superpowers to reduce (although not to abandon) their military deployment in the Indian Ocean, which was regularly crossed by missile-firing nuclear submarines, thereby making it a theater for the arms race in which the superpowers were engaged. Any increase in their naval potential would be tantamount to "intervention" if not pressure on the littoral States. Long-range aircraft or missiles deployed at such a base as Diego Garcia could well become the target for a surgical strike force, with no concern for the local populations, in case of a military confrontation between the United States and the Soviet Union.

As happened with the adoption of the non-alignment policy, there were those who argued that the "peace zone" idea would serve India's selfish interests. It is, however, far more likely that it would be the smaller littoral States, rather than a big country like India, that would be the targets in case of intervention from outside the region. India demonstrated, when accused of seeking to "neutralize" the Indian Ocean in order to satisfy its appetite for hegemony, that it could attack its neighbors on the sub-continent far more easily by land than by sea. In the second place, it proved that it maintained excellent relations with the other Indian Ocean States. Thirdly, it demonstrated that its navy -- unquestionably the largest in the Indian Ocean -- was merely a coastal force, not a deep-water fleet, and hence incapable of taking part in any war distant from the sub-continent.

The idea of creating a "peace zone" almost succeeded to the degree that, following the American pullout from Vietnam in 1976, the new American administration very soon entered into agreements on naval arms limitations (NALT) with the Soviet Union. As it turned out, the two signatories picked up different options in connection with the limitation of their forces in the Indian Ocean. The revolution in Iran in 1978, followed by the Soviet invasion of Afghanistan at the end of 1979, nevertheless delayed implementation of the plan to make the Indian Ocean a "peace zone."

The presence of the superpowers in the region and perhaps on the sub-continent was perceived by the Indians as one of the most ominous eventualities since their independence, in view of the fact that the superpowers' intentions were not clear and that their interests were conflicting. This India's angry reaction to the

United States' supplying arms to Pakistan had little to do with possible Pakistani aggression, but reflected rather the concern lest Pakistan be drawn into the whirlpool of confrontations whose logic was established globally rather than regionally. The fact that Pakistan felt called upon to assume certain responsibilities in exchange for arms supplies was viewed with alarm because it meant greater superpower interference in Pakistan's affairs. So it was that Pakistan had to agree to the installation of bases, facilities for construction of depots for the Rapid Deployment Force of the Southern Territorial Command for the Indian Ocean region at Gwadar on the Baluchi coast; sending Pakistani troops (less visible than American soldiers) to defend the Gulf Emirates; sending Pakistani soldiers to protect leading families in the Persian Gulf and the Middle East in case of domestic upheavals there. These are assumptions, but they are enough to create a climate of uncertainty in India. Enjoying a few paltry advantages may set off a reaction from the opposing superpower, to which its ally is not in a position to respond (such, for example, as the insurrection stirred up in Baluchistan). Opposition groups within the country could constitute a threat to the régime by calling for foreign assistance.

While opposed to the Soviet intervention in Afghanistan, India has refrained from open criticism of the USSR. One might descry a parallel between this attitude and the European reaction during America's involvement in Vietnam. Unofficially, India has done more than most other nations to persuade the Soviet Union to get out of Afghanistan. It believes that the Soviet Union will pull out of Afghanistan only after negotiations or in a unilateral withdrawal -- like the American withdrawal from Vietnam. Pakistan, the State most deeply involved, seems to be reaching the same conclusion; it has entered negotiations with the Soviet Union over the question of Afghanistan through a United Nations intermediary. Information now in hand would indicate that the talks, which are slated to resume shortly, will lead to agreement on "95 percent of the issues." It is reasonable to expect a solution.

Meanwhile, one of the consequences of the situation in Afghanistan is to spur all the South Asian nations to cooperate more closely in defense of their mutual interests. Bangla Desh took the initiative in assembling conferences in 1980 aimed at creating a South Asia regional cooperation system. Among its members are India, Pakistan, Bangla Desh, Sri Lanka, Nepal, Bhutan, and the Maldives. Negotiations led to the decision to meet in August 1983 at a conference of foreign ministers of all the member nations, to pinpoint the areas and the issues which regional cooperation might cover. Still in the embryonic stages, the project may provide a forum for settling local conflicts, including the one between India and Pakistan, and obviate the need for resorting to foreign settlements or intervention.

It would appear that China, since Mao's death, is more inclined to establish normal relations with some of its neighbors. After a

20-year hiatus, negotiations have begun again to settle the Sino-Indian border dispute. China's recent military involvements in Vietnam and the threat to teach "still another lesson" to the Vietnamese indicates to Indians that China still has imperatives of its own and that it is ready to use force to satisfy them. Despite renewed relations between China and India, there has been no tangible sign from either side that would indicate the imminence of any solution to the border dispute. The result is that India is continuing to build its military capability, although that goal is not openly admitted by the politicians. India seeks to place itself on an equal footing with China, at the military force level, without, however, trying to match China in numbers of troops, weapons, and aircraft -- although that would not be impossible. Its aim is to build an army powerful enough to dominate the border war in the Himalayas. Since China maintains a very large force on its border with the Soviet Union, and since central China is so far from Tibet, it is relatively easy for India to achieve conventional-force parity with its neighbor to the North.

Two other issues continue to hold India's attention and may alter the state of its military preparedness: the direction Pakistan's nuclear policy may take, and the future of India's island possessions in the Indian Ocean. If Pakistan starts making nuclear weapons, India will activate its own nuclear potential. Given its advances in rocket technology, this means that it could build a nuclear strike force for medium-range (5,000 kilometers) use.[21].

As for that second question, at the time of the recent war in the Falklands, India became aware of the precarious and undefended status of its own islands, the Andamans and Nicobar and the Laccadive and Minicoy groups. Given the deployment of superpower naval strength in the Indian Ocean, India is deeply concerned. It would like to avoid any conflict with neighboring States over possession of these islands.

In other areas which are not directly linked with military capability, but which impinge on the chances of action at the international level, we see that India today has a stockpile of food that would enable it to meet its needs for 2 years without relying on imports. It has increased its oil production and will be self-sufficient in petroleum products by the end of the decade. The foreign debt stands at approximately \$19 billion, almost all of it in the form of bank loans, loans from such multilateral agencies as the World Bank, AID, and the International Monetary Fund. The loans have been spaced so as not to be excessively onerous in case of unforeseen situations, such for example as the worldwide recession, situations which have faced the "richest" developing countries, such as Argentina, Brazil, and Mexico. India is thus proof against financial blackmail.

Basically, India's interests insofar as security is concerned lie on the sub-continent and the nation's prime objective is to defend this region against any outside interference. India has little

reason to exacerbate relations with the two superpowers, provided its ideological priorities, as well as security on the subcontinent, are not threatened. Aside from its determination to achieve military parity with China, this same attitude prevails in Sino-Indian relations. Given its size, its potential, and its military capability by comparison with those of its neighbors, India cannot be exempt from accusations of hegemony on the subcontinent. But there is a lot more rhetoric than fact in such charges. India could not dominate Pakistan, which has 80 million people, or even Bangla Desh, with 90 million. It is possible that, as some measure of regional cooperation emerges over time, the suspicions nurtured by its little neighbors will begin to fade.

India's political strategy was developed by Jawahrlal Nehru, based on his perceptions of geopolitics, on historic experience, and on the belief that [its] temporary weakness could give place to strength in the future. All the assessments set forth here were rooted in a compromise between the nation's domestic policy and the ideological and military-economic division of the world.

FOOTNOTES

- (1) Jawaharlal Nehru: Independence and After: Speeches of Jawaharlal Nehru, 1946-1949, Delhi, Publications Division, Ministry of Information, Government of India, 1949, p 217.
- (2) "It may be that others may covet it, but the primary aim will be to prevent any other nation's possessing India. No one will accept the idea that another might acquire the position of Authority which England held for so long. Should any state be so greedy as to try it, all the others will join together to drive out the intruders. This mutual rivalry will itself be the strongest possible guarantee against any attack upon India." Quoted in Lorne J. Kavic: India's Quest for Security, Berkeley, California, University of California Press, 1967, p 23.
- (3) Jawaharlal Nehru: India's Foreign Policy: Selected Speeches, September 1946-April 1961, New Delhi, Publications Division, Ministry of Information and Broadcasting. Government of India, 1961, p 24.
- (4) Cf. Public statements of Nehru, *ibid.*, p 46.
- (5) *Ibid.*, p 79-80.
- (6) HINDU, 2 May 1954
- (7) In the 1978 general elections, there were 370 million eligible voters, of whom 60 percent cast ballots.
- (8) HINDU, 2 May 1954

- (9) Together with China, India is the biggest donor of aid to Third-World countries.(10)
- (10) For further details on reciprocal Indo-Pakistani military actions, consult Onkar Marwah: India's Military Intervention in East Pakistan, 1971-1972, MODERN ASIAN STUDIES, 13 (4), 1979, pp 549-580
- (11) Kavic: India's Quest for Security, op. cit., p 61
- (12) "Since the Chinese revolution, we have of course given considerable thought to what this new China might be. We found that this revolution, aside from the change it will bring, will also be a major event in Asia and that it concerns us. We have sufficient sense of history to see that a powerful China normally means an expansionist China." Government of India, Ministry of Information and Broadcasting, Publications Division. India-China Relations, 1959, pp 11-12.
- (13) Government of India, Ministry of Information and Broadcasting, Publications Division. India's Foreign Policy, 1959, pp 349,352.
- (14) Lorne J. Kavic, op. cit., p 100.
- (15) Parliament of India, Lok Sabha Debates, 8 November 1962.
- (16) We know today that during the hostilities, the United States offered to provide air cover from aircraft carriers based in the Indian Ocean. Equipment for mountain warfare -- which India lacked -- was provided by such countries as Great Britain, the Federal Republic of Germany, Canada, and Yugoslavia.
- (17) Shortly after the hostilities, Great Britain and the United States proposed supplying arms to India made acceptable by a compromise with Pakistan over Kashmir, adaptation of the non-alignment policy to Western objectives, and opening the economy to Western trading companies.
- (18) The Soviet Union placed an embargo on shipments of petroleum products to China during the period of hostilities.
- (19) The Soviet proposal to provide arms was made back in 1959. It was not accepted until after the West's refusal to provide weapons without alterations in Indian policy.
- (20) This treatment is taken from Onkar Marwah, "India's Military Power and Policy," in O. Marwah and Jonathan Pollack: Military Power and Policy in Asian States: China, India, Japan. Boulder, Colorado, Westview Press, 1980, pp 115-131.

- (21) For a more detailed analysis of this problem, Onkar Marwah: "India and Pakistan: Nuclear Rivals in South Asia," in "Nuclear Proliferation. Breaking the Chain," George H. Quesger, Ed. Madison, Wisconsin, The University of Wisconsin Press, 1981, pp 165-180.

6182

CSO: 4619/19

INDIA

LAW PROVIDING FOR ASSAM TRIBUNALS IN EFFECT

Madras THE HINDU in English 5 Jan 84 p 9

[Text] NEW DELHI, Jan. 4--The law providing for the establishment of tribunals for detection of illegal immigrants in Assam has come into force.

Under it, an illegal migrant means a person who entered India on or after March 25, 1971, without a valid passport or other travel document. The tribunals will determine whether a person is an illegal migrant to enable the Central Government to expel him.

Consequent on the enactment, the tribunals are in the process of being established. The Centre has forwarded 35 names to the Assam Government for appointment as members of the tribunals. In addition to this, the State Government has also received some names directly. Six tribunals have already started preliminary work. The work of detection and expulsion of illegal migrants is expected to pick up soon.

Each tribunal, consisting of three members drawn from the judiciary, shall have the same powers as are vested in a civil court under the code of civil procedure. Any person may make an application to the tribunal for its decision as to the status of the citizenship of anybody who is living within three km. from the place of his residence.

The guidelines for the tribunals required revision in the light of the discussions in Parliament and are being finalised.

CSO: 4600/1445

GOLDEN TEMPLE COMPLEX A TERRORIST NERVE CENTER

Bombay THE TIMES OF INDIA in English 6 Jan 84 p 1

[Text] NEW DELHI, January 5--INTENSIVE investigations over the last one month to track down extremists in Punjab have established without a shred of doubt that Guru Golden Temple complex is the Nanak Niwas in the Amritsar nerve-centre of all terrorist operations.

This is the firm conclusion arrived at by the investigating agencies, according to home ministry sources.

It means, in other words, that all the murders, including those of Nirankaris, dacoities and other criminal acts committed by the extremists have been planned and the operations directed from the Niwas.

The complex is also being used as the collection centre for arms. Recent revelations indicate that a regular arsenal has been developed with a wide range of ordinary and sophisticated weapons. The terrorists, sent out to carry out operations, are stated to be supplied with weapons from the arsenal.

These conclusions obviously have important implications. It means that the investigations are now nearing conclusion and the state is being set for conducting planned operations against the extremists.

Political Steps

However, before any drastic action is taken, some decisions will have to be taken at the political level, especially in relation to the extent the law enforcing agencies will be allowed to go to apprehend the culprits.

Another exercise is to assess, on the basis of the facts gathered so far, the relative importance of the principal figures in the extremist camps whose arrest is considered essential to extirpate extremist activities. The position of Sant Jarnail Singh Bhindranwale has obviously to be assessed in this connection.

The cabinet committee on political affairs met here today with the Prime Minister in the chair, to consider some important political questions.

The government is stated to be considering an amendment of the National Security Act through an ordinance to widen its ambit and plug the loopholes that have shown themselves in the course of its application in the last one year. The idea is to make the preventive law a more effective weapon to curb extremist activities both in Punjab and Assam.

PTI adds: The Delhi high court today reserve judgement on an application by the Delhi administration seeking conduct of the remand proceedings of Ranjit Singh, prime accused in the Nirankari Baba murder case, in the Tihar central jail.

Mr. Justice Jagdish Chandra, after hearing Mr. Dilbagh Raj Sethi for the state, Bawa Gurcharan Singh for Ranjit Singh and Mr. M. L. Sachdev for the CBI for nearly the whole day, reserved orders.

Ranjit Singh was arrested by the CBI in east Delhi on November 24 last year in connection with the murder of the Nirankari chief, Baba Gurbachan Singh, and his gun man Pratap Singh on April 24, 1980.

Sant's Challenge

Amritsar (PTI): Sant Bhindranwale on Thursday offered himself for arrest in case his statements were proved "irresponsible."

Talking to newsmen, Sant Bhindranwale reacted sharply to Mrs. Indira Gandhi's remarks in which she had reportedly accused him of making "irresponsible statements which were against the interests of the country."

"All my statements are reactions to the statements of others", he said.

Chandigarh (PTI): Four persons were injured, two of them seriously in two different incidents in Punjab on Wednesday and Thursday, official reports said.

In Thursday's incident an Ranipur village near Phagwara, two unidentified armed persons fired a pistol shot, seriously injuring a young man Mangal Dass, when Dass and his brother rushed to their shop on hearing that it was found open with two strangers inside.

The reports said four unidentified Sikh youths, posing as policemen, shot at and injured three persons, including a woman, in Baler Khanpur village in Kapurthala district on Wednesday night.

The youths fired two shots from point blank range when Gajjan Singh and his son, in whose house they had entered to commit robbery, challenged them.

The desperadoes, armed with a sten gun and revolvers, also injured Gaijan Singh's wife, Pritam Kaur, and a neighbour, Shiv Singh, when they tried to intervene.

DEFENSE BIOENGINEERING LABORATORY PROJECTS NOTED

Bombay THE TIMES OF INDIA in English 6 Jan 84 p 12

[Text]

BANGALORE, January 5.
A MEDICAL data processing and automatic diagnosis system, designed and developed by the defence bioengineering and electro-medical laboratory (DEBEL) here, is undergoing extensive laboratory trials.

Described as a major state-of-the-heart patient monitoring equipment, it involves the acquisition, processing, storage, alpha-numeric display of information, logical arm raising and computerised diagnosis for ECGs of up to four patients at a time. Long-distance wireless and telephonic transmission of ECGs and other waveforms, remote automated ECG acquisition with automated reception and storage-cum-display of data are also considered possible. The system, called MEDPAD, is said to incorporate multiple safety and patient isolation.

The laboratory is also working on projects for computerised cancer cell detection and diagnosis as well as infra-red thermography for early detection of cancer. Preliminary studies have shown that it is possible to identify cancerous cells from other cells present on the same slide.

The principle on which the DEBEL is working in this field is that the tumour tissue is either warmer or colder than surrounding tissues, depending on the blood supply and structure. If the target area is bathed with microwaves, which cause deep heating of tissues, the visibility of the cancerous area to infra-red thermography will be enhanced. Also, raising the temperature of a suspected cancerous area has a specific curative effect. The laboratory's idea is to work out the most suitable microwave frequency and exposure duration as well as image processing techniques.

With indigenous medical engineering making a breakthrough, it is expected that massive multi-disciplinary

projects would be sanctioned to the DEBEL. Some of these would cover problems not yet tackled by advanced countries.

Already, the DEBEL, "a mini laboratory with a mega output," according to its director, surgeon commander A. K. Deb, has completed 36 of the 53 projects assigned to it. Some medical and non-medical equipment designed and developed by the laboratory have gone into large-scale production. These include a cardiac care system, patient monitor system (for four patients at a time), electro-sleep, internal and external cardiac pacemaker, internal and external D.C. defibrillator, spectral phono-cardiograph and anaesthesia monitor.

Non-medical equipment developed by the DEBEL and now in commercial production include a metallic mine detector, sound ranging system, telephone loudspeaking system, sound location device for paradropped stores, anti "g" suit, outer protective helmet, pressure breathing oxygen mask and flying overall and gloves.

The laboratory also indigenously developed and helped the production of flying and protective clothing, safety and survival equipment for defence aircrew which were entirely imported earlier. This has resulted in substantial foreign exchange savings. It was awarded an "import substitution shield" for developing an anti "g" suit MK I.

Projects now underway at the laboratory aim at developing protective devices against lightning hazards, automatic inflatable life jackets, high-altitude pressure suits and oxygen masks. It also plans to develop diving equipment, which now has to be imported.

Human engineering, which is the designing of machines and equipment for easy, efficient and safe use by human beings, is a large multi-disciplinary area. Problems of relevance to the DEBEL at present relate to the recently announced development of light combat aircraft, main battle tank, submarines and submersibles.

SOURCE MATERIAL ON ARREST, TORTURE OF WRITERS CITED

Stockholm DAGENS NYHETER in Swedish 11 Feb 84 p 9

[Article by Marianne Eyre: "Iran's Persecuted Writers"]

[Text] Iranian writer and dramatist Gholam Hoseyn Sa'idi writes in the latest issue of INDEX ON CENSORSHIP about the persecution of intellectuals in Iran. Many of the writers who were imprisoned and tortured during the Shah's reign have been rounded up again. The poet Sa'idi Sultanpur was put to death in 1981. Many have gone underground; some have left the country.

The censorship is absolute, aimed at the press and publishing as well as the theater, film, radio and TV. Ayatollahs and mullahs control all education in the country's schools and universities.

Disturbing reports have recently surfaced about several writers. Mahmud E'temadien, secretary of the Iranian Pen Club for 15 years, was placed under arrest, as reported in this column 8 February last year. After being tortured and brainwashed, he was forced to deliver a public apology on TV. The poets Sayeh Ebtehaj and Siavash Kasra'i, both in their 60's, are "missing" and assumed under arrest. The poet Ahmad Shamlu is one of several who had to stand by as their books were pulled from the shelves of bookstores and libraries. He has been forced to remain in hiding for 3 years. Eight months ago, Howeyni Kalayahi disappeared; he is a writer and translator and was dean of the Farabi Art Academy during 1980 and 1981. His wife has no knowledge of his whereabouts. Four months ago, the couple's 9-year-old son disappeared too.

Many more are missing. They have either fled underground or have been arrested along with the others. Many writers have been silenced, some perhaps forever, after being brutally interrogated when their books were confiscated. These writers' books are not political polemics but serious fiction and scholarly works. Today it seems that everybody suffers who deviates in the least from the ideology imposed on Iran by the totalitarian regime.