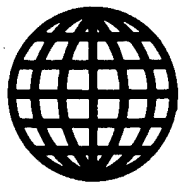


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NEAR EAST & SOUTH ASIA

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AGRICULTURAL EXPERT REVIEWS ARAB FOOD OUTPUT, NEEDS

Beirut AL-MUSTAQBAL AL-'ARABI in Arabic No 100, Jun 87 pp 68-86

[Article by Dr Khalid Tahsin 'Ali: "The State of Agriculture and Food in the Arab Nation in the Period 1975-1985: Review and Evaluation"]

[Text] First: The General Picture

The state of agriculture and food in the Arab nation in the last 15 years (1970-85) has experienced rapid developments which have had repercussions of the utmost importance in all Arab countries. This period has been characterized by levels of growth of demand for most agricultural commodities, especially basic food commodities, which have exceeded the traditional levels of this growth in previous stages of time. They have also exceeded, to a great degree, the rates of growth of production, and this has resulted in a rapid decline in rates of self-sufficiency and an increase in reliance on the foreign sources of these commodities. In the decade of the seventies, annual average demand growth came to 4.6 percent and production growth to 1.8 percent. In the period between the mid-seventies and the early part of this decade this rate was 6.0 percent in the case of demand and 2.5 percent in the case of production. In the following period (1983-85) some evidence appeared which would indicate a narrowing of the difference between them, since demand growth dropped somewhat. There also was some improvement in the growth of production, although that has not yet been confirmed due to the short duration of this period because of the great annual discrepancy in production resulting from the differences in rain seasons: 70 percent of the crop area in the Arab nation is rainfall farming in addition to the sector of pasture livestock prevailing in a number of Arab countries (1).

As a result of this great discrepancy between levels of production and demand, the balance of trade in agricultural commodities has been disrupted in favor of increased imports. At the start of the decade, a condition existed throughout the Arab nation as a whole (with large discrepancies among countries) which verged on total self-reliance, represented by a situation which verged on equilibrium between export revenues and the cost of agricultural exports, since the former (in 1970) accounted for 95 percent of the latter, and the discrepancy between the two did not exceed \$100 million (\$1.9 billion in imports to \$1.8 billion in exports) (2). At the end of the period (the average for 1982-84), the cost of imports rose to more than \$21

billion (11 samples) (3). Meanwhile, the revenues from exports increased only by 160 percent (to about \$3 billion). The quantities of imports increased threefold in the period of the last 10 years alone (from 22 to 62 million tons), while the volume of exports remained around 8 million tons, with no change worth mentioning.

The figures cited in Table One show these developments.

Table One

Year	1970	1975	1980	1984
Agricultural Imports and Exports				
Agricultural Imports				
Value (billions of dollars)	1.9	7.5	18.8	21
Quantities (millions of tons)	--	22	48	62
Average price per ton (dollars)	--	430	390	339
Agricultural Exports				
Value (billions of dollars)	1.8	2.6	3.4	2.9
Quantities (millions of tons)	--	7.7	8.9	7.9
Average price per ton (dollars)	--	338	382	367

Average for 3 years, including the year preceding and that following the year mentioned.

A number of important facts are apparent from the figures cited in Table One:

The main impetus for the increase in imports occurred in the decade of the seventies, owing to the rapid increase in indigenous population growth, the flow of foreign labor to a number of Arab countries, in particular the countries of the Arab Gulf, and also the rapid increase in the incomes of individuals and the increased spending on food that arose from that, qualitatively and quantitatively. One should bear in mind that the increase in individuals' incomes went beyond the oil countries to most other countries owing to the migration of labor from these to the oil countries or because they became host to some surplus oil money, or for both reasons, in addition to the intrinsic growth which the economies of these countries realized during this period.

The last years of the current decade have witnessed a perceptible retrenchment in the rate of growth of imports in terms of quantity and price -- in terms of quantity because of the slackening in the growth of demand and in price for this reason and because of the perceptible decline in the prices of a number of agricultural import commodities on world markets. This may be attributed to

the decline in economic conditions in large areas of the Arab nation, because of the direct and indirect effects of the drop in oil export revenues, and to uncertain security conditions, which have become widespread in some areas of the Arab nation, in addition to some improvement in the performance of the agricultural sector, although the real effects of this improvement are as yet unclear.

These negative developments have, during this short period of time, led the Arab world to become the most deficient area of the world in its food output. The comparisons cited in Table Two show this fact:

Table Two

Regions	Per Capita Net Cost of Agricultural Imports for Indigenous Population (1984) (Dollars per Year)
---------	--

Deficit Areas

Arab nation	96
Arab Gulf countries (except Iraq)	500
Continent of Europe	68
Continent of Africa	10
Continent of Asia	16
Developing world	0(1)

Surplus Areas

North and Central America	(105)
South America	(61)
Oceania	(520)

(1) Imports equal exports.

(2) [sic] Exports exceed imports.

Second: Agricultural Production Growth

The acreage of the current agricultural area in the Arab nation is estimated at about 47 million hectares. The cultivation of 36 million hectares of this depends on rainfall and the crop density on it comes to 0.7; that is, the rainfall crop area comes to 25 million hectares. The public and crop acreage of the irrigated crop area comes to 11 million hectares, farmed with an agricultural density of 1.0 (that is, one crop per year). Thus the total annual crop area comes to 36 million hectares.

The cultivated acreage (crop area) did not realize any significant growth during the period of the study, since it increased at a rate of no more than 0.2 percent per year. That may be attributed to the relative stability in grain and oil crop acreage (80 percent of total acreage) and to the drop in the areas of leguminous crops (by a rate of 1.5 percent per year) compared with an increase in the areas of sugar and tuberous crops, fruit and vegetables ranging from 2 to 4 percent a year.

The figures cited in Table Three show the growth rates of agricultural production in general and the various crop groups during the period of the study. The following facts are apparent:

Agricultural production in general during the past 15 years (1970-85) grew at a low rate of 2.2 percent per year and was lowest (1.8 percent) during the decade of the seventies. The growth in foodstuffs was not very different from general production growth.

The growth of plant crop production was much slower than the growth of livestock production and in general did not amount to 2 percent a year, compared with double this rate in the case of livestock production. That may basically be attributed to the severe decline in rates of growth of grain crops, which were less than 1 percent a year, and also to the factor of negative growth or the suspension of growth of some other crops, especially vegetables and oil and fodder crops.

Among vegetable crops, sugar and tuberous crops and vegetables realized high growth rates, ranging from 4 to 6 percent a year.

From the above, it may be observed that the performance of irrigated crops (sugar and tuberous crops and fruit and vegetables) was better than that of rainfall crops, since the level of performance dropped the greater the percentage of area of crops dependent on rain became, as is clear from the performance of the oil crops. The peanut and sesame crop, most of which is grown in the Savanna area of the Sudan, accounts for most of the production of these crops in the Arab nation, and the same is true with respect to leguminous crops, whose cultivation is widespread in the winter rain belt in the Arab east and North Africa, and the average performance of both of these groups was negative in the period 1970-85. The drop in the growth of grain crops may also to a large extent be attributed to the reliance of a large proportion of their cultivation on rain (white corn, barley and millet and a high proportion of the wheat acreage, for instance). The phenomenon of the low productivity of rainfall crops may be attributed not just to the seasonal fluctuation in rainfall but also to the spread of this cultivation in border areas where this fluctuation is intense, in addition to the prevalence of primitive traditional production techniques in this cultivation compared with irrigated farming.

Consideration of the superior performance of the livestock production sector calls for extreme caution, because a major part of the growth of this production has been realized at the expense of the productivity of natural pastures which a large segment of Arab livestock depends on, as is apparent

from the serious deterioration in the productivity of these pastures owing to excessive grazing in the past few decades and the spread of the phenomenon of desert encroachment. An additional part of this growth may also be attributed to the increase in the use of imported fodder grains, especially barley, for feeding livestock and corn for feeding poultry. Therefore, a high proportion of livestock production growth has been realized at high economic cost because of a drain on natural resources or has been a superficial, unreal growth dependent on activities of processing imported intermediate commodities.

Table Three

Crop Groups	Average Annual Growth for the Periods (Percent)		
	1970-85	1971-80	1980-85
Agricultural production	2.2	1.8	2.4
Foodstuffs	2.3	2.2	2.3
Plant crops	1.9	1.7	1.4
Grain	0.9	0.5	0.7
Tuberous crops	6.3	0.5	0.7
Sugar crops	4.6	3.4	7.6
Leguminous crops	-0.8	-0.8	1.2
Oil crops	-0.1	1	-4.5
Fiber crops	-0.9	-2.4	1.8
Animal products	4.2	2.6	5.1
Meat	3.8	3	5.5
Milk	4.2	4.1	3.4
Eggs	8.8	9.3	7.7
Vegetables	4.1	4.2	2.7
Fruit	2.1	2.1	1.8

The rates of growth cited in this table have been calculated with respect to production indices, which represent changes in the value of production (quantities times prices). They thus do not always correspond to the rates of growth of the production quantities cited in the following part of this study, which investigates developments in production and demand for various agricultural commodities.

Third: Developments by Crop

1. Grain: Grain crops occupy first place in Arab agricultural output in terms of area, which in the past 15 years ranged from 22 to 24 million hectares, representing close to two thirds the total annual crop acreage. The cultivated area and yield of grain did not register a significant increase during this period (approximately 0.5 percent a year each), and this led to a growth in production of no more than 1 percent a year. Table Four shows these developments for the period 1975-84:

Table Four: Grain

Year (1)	1975	1980	1984
Crop acreage (million hectares)	22.2	22.7	23.8
Yield (kilograms per hectare)	1,089	1,091	1,075
Production (millions of tons)	24.3	24.8	25.6
Demand (2) (millions of tons)	34.9	47.1	56
Self-sufficiency (percent)	70	53	46

(1) The years mentioned in this and corresponding following tables represent the average of 3 years, the year mentioned and the following and preceding years.

(2) Demand equals production plus imports minus exports, in this and the corresponding following tables.

Because of the rapid growth in the rates of demand, which approached 5 percent a year (6.1 percent in the period 1975-80 and 3.5 percent in the period 1980-84), sufficiency levels dropped with great alacrity, from 70 to 46 percent in the last 10 years (this rate was 84 percent in 1970). The grain gap now exceeds 30 million tons, while it was around 10 million tons in 1975 and just 4 million tons in 1970.

A. Wheat occupies first place among grain crops in terms of area and quantity of production (about 35 percent in terms of area and 40 percent in terms of production in 1984). Because of the great fluctuation in rainfall, on which most of the cultivation of this crop still depends, production fluctuated during the past years from 7 to 12 million tons. The acreage cultivated gradually declined, while yield registered an obvious improvement, especially with respect to the average for the past 3 years. However, most of this improvement can be attributed to the quality of the rain season in the case of the 1984-85 crop.

Because of the retrenchment in the growth of production and the rapid increase in the growth of demand (4.3 percent per year), wheat imports increased and the levels of self-sufficiency in wheat dropped by a large level, as the figures in Table Five show.

Table Five: Wheat

Year	1975	1980	1984
Crop acreage (million hectares)	9.2	8.4	8.1
Yield (kilograms per hectare)	1,010	1,060	1,235
Production (millions of tons)	9.4	8.9	10
Demand (millions of tons)	19.4	25	29.6
Self-sufficiency (percent)	48	36	34

It is clear from the preceding table that the wheat gap, which has approached 20 million tons a year, now accounts for two-thirds of the total grain gap, and local grain production now meets only one third of requirements. This is an extremely important and serious gap, in view of the special status of wheat, which makes it the food commodity of prime strategic importance in the Arab region. The particular importance of this commodity arises from a combination of a number of factors and considerations which do not occur in conjunction in the case of any other commodity. One can summarize these as follows:

All Arab countries have become net importers of this commodity (except for Saudi Arabia, which realized and passed beyond self-sufficiency in 1985; some other Arab countries have attained such sufficiency in good rain seasons, for instance Morocco, Tunisia and Syria).

The source of most wheat exports on world markets (85 percent) is restricted to a very small number of countries, most of which belong to a single political orientation. The United States of America possesses the greatest markets for this crop, and shares them with France, Canada, Australia and Argentina.

Wheat imports now represent a high share of total Arab agricultural imports (30 percent in terms of quantity and 20 percent in terms of price).

It is the most widely used food commodity, since all population classes in the Arab nation consume it, regardless of income levels, especially since its use is now widespread among rural societies and it has started to take the place of some other traditional grains such as barley and white and yellow corn.

Average per capita Arab wheat consumption is large, ranging from a minimum of 100 kilograms per year (in the two Yemens) to more than 350 kilograms per year in other countries such as Syria. Therefore it has become the most important source of caloric food energy, since it provides 45 percent of total per capital food energy of the Arab population on the average.

Finally, it is a difficult commodity to substitute with another one -- a measure which requirements might dictate in natural, security, political or

economic circumstances that might lead to difficulty or impossibility in obtaining adequate wheat supplies or be the result of the high wheat price in world markets.

Seven Arab countries control 97 percent of Arab wheat production. These are Algeria, Morocco, Tunisia, Syria, Iraq, Egypt and Saudi Arabia. However, production in the initial five countries has fluctuated greatly because most of their acreage relies on rain, which affects the levels of self-sufficiency in this crop.

B. Barley is considered the second grain crop after wheat in terms of acreage (26 percent) and quantity of production (18 percent) in the average for the period 1983-85. Since barley cultivation is common to the most arid rainfall areas, yield and consequently production are therefore greatly affected by the rain season, since production in the period of the past 10 years has ranged from 2.3 to 6.7 million tons. The figures in Table Six show developments in production and demand for barley during the past 10 years.

These developments reflect the discrepancy between the rate of growth of production, which was about 1.2 percent a year, basically owing to an increase in acreage and drop in yield, and the rate of growth of demand, which came to 8.6 percent a year. This high level of demand growth may be attributed to the increase in the use of barley in feeding dairy and meat livestock, which has led to a rapid drop in the level of self-sufficiency and an increase in annual barley imports to more than 5 million tons.

Five countries control the production of more than 95 percent of this crop (1985). These are, respectively, Morocco, Algeria, Iraq, Syria and Tunisia.

Table Six: Barley

Year	1975	1980	1984
Crop acreage (million hectares)	5.2	6	6.2
Yield (kilograms per hectare)	790	800	730
Production (millions of tons)	4.1	4.8	4.6
Demand (millions of tons)	4.4	7.1	10
Self-sufficiency (percent)	92	68	46

C. White corn and millet. These two crops together come next among grain crops in terms of quantity of production, although their total acreage exceeds that of barley. Table Seven shows developments in the production and demand for these two crops.

Table Seven: White Corn and Millet

Year	1975	1980	1984
Crop acreage (million hectares)	5.6	6.1	7.1
Yield (kilograms per hectare)	820	750	550
Production (millions of tons)	4.6	4.6	3.9

Table Seven shows the extent of the fluctuation in yield, which arises basically from big differences in rainfall, since most of the acreage of these two crops is cultivated in summer rain regions in the Sudan, followed by Somalia and the two Yemens. In spite of the perceptible improvement in the area farmed, production has declined by a perceptible rate in recent years because of the severe drought cycle which led to the well known drought in the African Sahel area (including the Sudan). Had it not been for the great improvement in rainfall in the 1984-85 season, which for example led to a more than threefold increase in the Sudan's production of white corn compared with the preceding season (3.6 million and 1.1 million tons), the average yield (cited in Table Seven, with respect to the 1984 average) would have dropped to a great extent.

The Arab nation is considered self-sufficient in the production of these two crops. In a good season white corn is one of the Sudan's major agricultural exports.

D. Yellow corn farming depends basically on artificial irrigation in the Arab nation. For this reason, and because most of it is farmed in the Sudan, the yield of this crop has experienced noticeable improvement. Table Eight shows developments in production and demand for this crop.

Table Eight: Yellow Corn

Year	1975	1980	1984
Crop acreage (million hectares)	1.49	1.48	1.56
Yield (kilograms per hectare)	2,360	2,520	2,640
Production (millions of tons)	3.52	3.73	4.13
Demand (millions of tons)	4.40	6.37	8.22
Self-sufficiency (percent)	80	59	50

The figures cited in Table Eight indicate a moderate, constant improvement in yield (1.7 percent per year), but that is because of the relative stability in the acreage farmed. Production growth has not greatly exceeded the level of improvement in yield. Because of the reliance of the modern poultry industry on this commodity, which is the main component of poultry fodder, and the rapid expansion in this production in all Arab countries, demand for this

commodity has increased at a high rate, since its rate of growth in the past 10 years came to 6.7 percent a year, which led to a decline in the rate of self-sufficiency from 80 to 50 percent.

Egypt controls 85 percent of the production of this crop (1985), followed by Morocco (7 percent), then Somalia (2 percent).

E. The rice crop, in its cultivation, depends entirely on artificial irrigation in the Arab nation. Because of the high productivity of this crop relative to other grain crops in the Arab nation, rice production accounts for 10 percent of total grain production, although its agricultural acreage has not exceeded 2 percent of total grain acreage. The figures cited in Table Nine show the developments in production and demand for this crop.

Table Nine: Rice

Year	1975	1980	1984
Crop acreage (million hectares)	512	491	476
Yield (kilograms per hectare)	4,920	5,295	5,190
Production (millions of tons)	2.52	2.60	2.47
Demand (millions of tons)	3.04	3.93	4.37
Self-sufficiency (percent)	82	66	56

It is clear from these figures that rice production was more or less stable during the past 10 years because of the relative stagnation in both yield and acreage farmed, while demand for this commodity rose at a rate of 5.0 percent per year; thus the rate of self-sufficiency dropped from 83 percent to 56 percent.

Rice production is almost restricted to Egypt, whose output accounts for 95 percent of total Arab production, followed by Iraq (2 percent). Algeria, Mauritania, Morocco, Somalia and the Sudan produce token amounts.

2. Tuberous crops: Tuberous crops are considered crops whose production reached high growth levels, totalling 4.8 percent a year in the past 10 years. That was the result of corresponding growth in the acreage farmed (2.7 percent) and yield (2.1 percent). Therefore the production of these crops to a large extent kept abreast of the levels of growth of demand, as Table 10 shows.

This group includes potatoes, sweet potatoes, poi, squash and yams. However, potatoes are the most important and widespread of these, since their output (1985) accounted for 88 percent of total production of this group. These crops, especially potatoes, whose average yield came to 12.7 tons per hectare (1985) and more than 20 tons per hectare in some Arab countries, are considered among the highest in plant crop yield (see Table 10).

Table 10: Tuberous Crops

Year	1975	1980	1984
Crop acreage (million hectares)	300	348	377
Yield (kilograms per hectare)	8,700	10,350	10,400
Production (millions of tons)	2.60	3.60	3.92
Demand (millions of tons)	2.55	2.90	4.29
Self-sufficiency (percent)	102	92	91

3. Sugar crops: The production of sugar crops (sugar cane and sugar beets) attained good growth in the past 10 years, totalling 3.8 percent a year in the case of cane and 6.7 percent in the case of beets. As far as cane goes, this may be attributed to the increase in the acreage farmed and, in the case of beets, to the increase in yield (3.5 percent a year) and acreage farmed (1.6 a year). Therefore, total sugar production realized a growth of 6.1 percent a year in this period. This growth to a large extent has kept abreast of the growth of demand, which came to 6.7 percent a year. Therefore, the rate of self-sufficiency, basically low, has remained as it was, with some decline. Table 11 shows the development of production and demand for these two crops.

Sugar cane production is confined to a small number of countries, most important of which are Egypt then the Sudan. Their production of this crop accounts for 91 percent of Arab output (60 percent in the case of Egypt and 31 percent in the case of the Sudan in 1985), followed by Morocco (5 percent), then Somalia (3 percent). It is worth pointing out that the Sudan has realized a great increase in production of this crop, which has expanded fourfold since the beginning of this decade. That may be attributed to the completion of the operation of the biggest sugar project in the Sudan, the Kananah sugar project. With respect to beets, Morocco occupies first place, its beet production accounts for 63 percent of total Arab production (1985), and it and Egypt produce about 80 percent of the crop. Algeria, Lebanon, Morocco and Tunisia share the remainder.

Table 11: Sugar crops

Year	1975	1980	1984
Crop acreage (million hectares)	202	241	201
Cane	121	147	191
Beets	81	94	110
Yield (tons per hectare)			
Cane	80.5	75.9	74.2
Beets	27.1	20.9	28.4
Production (millions of tons)	11.94	14.06	18.39
Cane	9.74	11.15	14.17
Beets	2.20	2.91	4.22

Table 12 shows the development of production of and demand for sugar as well.

Table 12: Sugar

Year	1975	1980	1984
Production (thousands of tons)	1,032	1,319	1,871
Demand (thousands of tons)	3,130	4,784	5,991
Self-sufficiency (percent)	32	28	31

4. Leguminous crops: Leguminous crops include a large number of crops. Their total production came to 1.2 million tons (1985). The most important of these are fava beans (54 percent of total production), lentils, Indian peas, oats, kidney beans, string beans, lima beans and lupine beans. The cultivation of these crops is widespread by different types in most Arab countries, but the most important producing countries are Egypt, Syria, Morocco and Tunisia.

The production of these crops as a group realized negative growth in the past 10 years. That may be attributed to a decline in yield, because of the reliance of a large proportion of their cultivation on rains, as well as in the acreage farmed. As regards demand, that realized an average growth of 2 percent a year, which led to a drop in the rate of self-sufficiency in these crops from their high level 10 years ago (96 percent) to 74 percent. Table 13 shows these developments.

Table 13: Leguminous Crops

Year	1975	1980	1984
Crop acreage (million hectares)	1.51	1.24	1.38
Yield (kilograms per hectare)	896	825	872
Production (millions of tons)	1.35	1.12	1.20
Demand (millions of tons)	1.40	1.48	1.63
Self-sufficiency (percent)	96	76	74

5. Oil crops: The most important oil crops in the Arab nation are cotton seeds, followed by peanuts and sesame. The production of these crops accounts respectively for 59, 20 and 12 percent of total 1985 production (aside from olives) (91 percent of total production for the three crops), which comes to 2.38 million tons. Three other crops, soybeans, castor seeds and sunflowers, account for most of the remaining share.

Most Arab countries suffer from a deficit in oil crop production and few of them produce surpluses in some categories of these crops, for instance the Sudan in the case of peanuts and sesame and some North African countries, especially Tunisia, in the case of olives. However, the total balance of trade in these crops, in particular their oil and oil cake products (which are the residues remaining after the extraction of the oil), is negative, especially in the case of oil cakes, for which demand is increasing at high rates because they are an important element in the composition of poultry and livestock fodder (as a protein source).

The most important of the Arab nation's imports of these crops, in addition to soybean oil cake, which is the main source of protein concentrates in poultry fodder, are palm oil, sunflower oil, coconut oil, cottonseed oil, soya oil and peanut oil cake. The figures cited in Table 14 show the developments in the production of the most important oil crops.

Table 14: Oil Crops

Crop	Cottonseed			Peanuts			Sesame		
	1975	1980	1985	1975	1980	1985	1975	1980	1985
Crop area (thousands of hectares)	1,355	1,115	1,051	930	1,025	720	1,135	1,035	1,170
Yield (kilograms per hectare)	1,040	1,155	1,350	1,100	840	660	280	300	242
Production (thousands of tons)	1,410	1,285	1,420	1,023	860	480	317	311	280

From Table 14, it can be noted that cottonseed production retained its level during the past 10 years as a result of a drop in cotton acreage and improvement in yield. Peanut production declined by a large ratio during the period (by a rate of 7.3 percent a year) because of the joint effect of the drop in acreage (2.4 percent a year) and yield (5.0 percent a year), and sesame production declined, although by a lower percentage (1.1 percent a year). This decline in the two crops may be attributed to the long drought cycle which afflicted the African Savanna area, since most of these two crops are dry-farmed in the Sudan.

The current (1985) level of demand for oil crops (olives and oil cakes) is estimated at about 5.15 million tons. Net imports of them (following the reduction in exports) came to about 2.97 million tons, while average production in the past 3 years came to 2.20 tons (aside from olives).

The level of self-sufficiency in these commodities is therefore currently about 42 percent. A decline in this percentage in the coming years is also expected, especially because of the increase in imports of oil cakes used in feeding poultry and livestock and because foreseeable production resources are not encouraging owing to the improbability of an increase in cotton acreage and because the cultivation of the two other major crops (peanuts and sesame) is greatly affected by the climatic cycles in the areas of their cultivation in the African Savanna. The most important resources for increasing production in the short term may lie in the expansion of soybean cultivation because of the abundance of its yield and the success of previous experiments in cultivating it in a number of countries, most important of which is Egypt.

6. Fiber crops: The production of plant fiber in the Arab nation is largely restricted to cotton, the bulk of whose production is controlled by three countries, Egypt, the Sudan and Syria, in order, whose production of cotton staple (1985) accounts for 51, 28 and 21 percent respectively. Cotton production in the past 10 years has experienced some improvement, but because of the increase in the level of local demand exports have also remained at their previous levels, as the figures cited in Table 15 show.

Table 15: Cotton Staple

Year	1975	1980	1984
Production (thousands of tons)	734	762	822
Exports (thousands of tons)	350	320	360
Local demand (thousands of tons)	384	442	462
Self-sufficiency (percent)	190	172	178

Thus cotton staple remains one of the most important Arab agricultural exports, since the income from cotton exports in the past 3 years (1983-85) comes to \$890 million, which accounted for 30 percent of total Arab agricultural export receipts.

7. Vegetables: Vegetables, as is well known, include a large number of crops, the most important of which in the Arab nation, in terms of volume of production and agricultural acreage, are tomatoes, onions, cucumbers, watermelons and canteloupe.

Vegetables are among the crops whose production has registered perceptible growth during the past 10 years, and that may be attributed to the large number of their types and the various categories of each type and consequently the ease in finding types and categories suited to the natural environment. These types and categories are also well distributed among various production seasons, and their high yield also helps the production of large quantities in a narrow agricultural area, which enables most Arab countries with limited water resources to produce a large percentage of their requirements. In addition, the method of protected farming in the production of numerous vegetables (especially tomatoes and cucumbers) has become widespread lately, and these developed methods have helped increase yield several times over, especially in the environment of severe heat and cold, to extend the production season and increase the number of productive cycles in each year.

Vegetable production has realized an average growth of 3.1 percent per year, since production has increased from about 16 million tons in 1975 to more than 22 million tons in 1985. Because of the flexibility of use among most vegetables, that is, the possibility of shifting demand from one type to another (except for certain types, such as tomatoes, onions and watermelon), the Arab nation in general enjoys a situation close to self-sufficiency in overall production of these crops.

8. Fruit: Total fruit production in the Arab nation came to 11.7 million tons in 1985.

Table 16: Fruit

Category	Production	
	Million tons	Percent
Vines	4.42	38
Citrus fruit	2.40	21
Dates	1.76	15
Apples	0.48	4
Bananas	0.41	3
Other	2.19	19
Total	11.66	100

Fruit production registered moderate growth during the past 10 years, totalling on an average 2.0 percent a year. The most important exceptions include dates, whose production during the period declined by 13 percent. That may basically be attributed to the great decline in the production of this crop in Iraq, where output dropped from about 600,000 tons in 1980 (representing 28 percent of Arab production and 22 percent of world production) to what is now on a preliminary basis estimated at just 100,000 tons (1985). In any event, Arab date production (1985) continued to represent 70 percent of world production, and the production of four Arab countries, Egypt, Saudi Arabia, Algeria and Iraq, represents 70 percent of Arab production.

Exports of fruit, most important of which are citrus fruit, dates, apples and vine products (wine), are among the most important agricultural exports of a number of Arab countries. The Arab nation imports quantities of high-priced fruit and some fruit products (such as juice). In general, the balance of trade in these products has preserved a sort of equilibrium. Therefore, and because of flexibility in the substitution of various fruit types, the Arab nation has continued to retain a high level of self-sufficiency in these crops and their products.

9. Meat: Meat production in the Arab nation is distributed in roughly equal proportions among three sources, as shown (1983-85 average).

Category	Production	
	Thousands of tons	Percent
Cattle and buffalo	960	32
Sheep and goats	930	31
Poultry	1,005	34
Other	100	4
Total	2,995	100

All in all, meat production realized good growth during the last 10 years. On the average, in the case of red meat (cattle, buffalo, sheep and goats), this came to 3.8 percent a year and in the case of poultry meat to 10.9 percent a year. The latter is considered the highest growth rate to have been attained by any agricultural product. Thus the contribution of this meat to total production rose from one fifth in 1975 to more than one third in 1984. Table 17 shows developments in production and demand for meat.

It should be observed from Table 17 that total meat demand realized growth which on the average was higher than the average growth of production during the total period (7.2 percent compared to 5.2 percent) and led to a decline in levels of self-sufficiency from 84 to 70 percent. The meat gap increased from about 350,000 to nearly 1.3 million tons. It is also to be noted that most of this gap occurred during the second half of the past decade because of very

rapid growth in demand (an average of 9.5 percent a year) in comparison with the subsequent period, in which demand growth levels declined to 4.9 percent a year and became roughly equal to average production growth (5.0 percent a year). This indicates the possibility that levels of self-sufficiency will improve or at least fail to decline in the foreseeable future, especially since the possibilities for increasing red meat production have continued to be expanding greatly in countries with abundant sources of natural pasturage (such as the Sudan) and in those which have not achieved good integration between plant and animal production in their agricultural systems (by introducing fodder crops into the agricultural cycles), such as Iraq. It is also necessary to affirm what had previously been stated regarding poultry production, which is the reliance of this production on imported accessories, since there is still broad scope in a number of Arab countries to expand the cultivation of fodder grains and produce oil cakes (such as soya and peanut cakes) to liberate this important production (poultry) as much as possible from dependence on foreign sources.

Table 17: Meat

Year	1975	1980	1984
Production			
Livestock meat (thousands of tons)	1,390	1,640	1,890
Poultry meat (thousands of tons)	375	605	1,005
Other meat (thousands of tons)	25	65	100
Total meat (thousands of tons)	1,790	2,310	2,995
Demand	2,140	3,360	4,280
Self-sufficiency (percent)	84	69	70

10. Milk: The available statistics (4) on milk production in the Arab nation show the breakdown cited in Table 18.

Table 18

Source	1975	1980	1984
Cattle (thousands of tons)	3,900	5,000	6,150
Buffalo (thousands of tons)	1,195	1,280	1,350
Sheep (thousands of tons)	1,150	1,580	1,865
Goats (thousands of tons)	1,270	1,490	1,645
Total production (thousands of tons)	7,515	9,350	11,010

It is to be noted from the table that cattle milk represents more than 50 percent of total production, and this percentage increased during the past 10 years (from 52 percent to 56 percent). Buffaloes, sheep and goats produce the remaining half in approximately similar percentages. These figures also indicate that milk production in general has realized an average growth of 5.1 percent a year.

Table 19 shows the quantity of milk livestock and its productivity in the Arab nation.

Table 19: Quantity and Productivity of Milk Livestock

Year	1975		1980		1984	
Type	Number (Mill- ion)	Productivity (kilograms per head)	Number (Mill- ion)	Productivity (kilograms per head)	Number (Mill- ion)	Productivity (kilograms per head)
Cattle	6.2	635	7.7	651	9.3	660
Buffalo	1	1,146	1.1	1,150	1.1	1,175
Sheep	32	52	28.1	56	33.3	56
Goats	14.7	86	17.1	87	18.4	89

The figures in the table show an extremely low productivity level, especially with respect to cattle, the main source of this production, which on an average did not exceed 650 kilograms per head per year. That may basically be attributed to the high percentage (70 percent) of pasture cattle, which are raised by primitive methods on natural pastures distributed among many Arab countries, the most important of which are the Sudan, Somalia and Mauritania (25.5 million of the Arab total, which comes to 36.2 million head). It is to be observed that average world milk production per cow comes to three times the Arab level (about 2,000 kilograms per head), and that Arab cattle which to a large extent are derived from imported foreign milk cattle have realized or exceeded this world level.

Since the commerce in milk products includes a large number of commodities produced from milk, it is not possible to provide international figures on these products in terms of their fresh milk equivalents, because their share of the import and export trade differs from the share in the case of milk. Therefore, it has not been feasible to calculate total demand and consequently rates of self-sufficiency.

In an attempt to overcome this difficulty, we herewith cite some indices on the milk product trade and their repercussions on the level of self-sufficiency.

Imports of dried separated (fat-free) milk since 1978 doubled, and imports of animal fat increased by 65 percent during the same period. These two products

are used in the production of liquid milk (by mixing them and adding them to water and homogenizing and pasteurizing the mixture). A high percentage of milk industries in the Arab nation depend on the use of these imported materials, and, by converting the imported quantities of these two products to their equivalents in liquid milk, it is clear that this equivalent is equal to 3.75 million tons (1985).

By using the same method in converting different types of imported milk (dried milk with whole fat, concentrated milk and fresh milk), it is clear that the imports of these products are equal to an additional million tons of fresh milk.

In addition to that, the Arab nation's cheese imports came to about 170,000 tons and butter imports to 194,000 tons in 1985.

Using the fresh milk equivalent of the imports of various kinds of milk and fat, the rate of self-sufficiency for the year 1975 came to about 70 percent. By adding imports of butter and cheese, which are extracted from 2.4 million tons of milk, the self-sufficiency level by this measurement declined to about 60 percent.

By comparing the development of net imports since 1978, it is apparent that these imports grew by an average of 10 percent a year. These high growth levels reflect the low levels of milk consumption in the Arab nation and the obvious trend toward an increase in the per capita share of milk as a result of the increase in per capita incomes and health awareness among the population.

11. Eggs: Egg production recorded very high rates of growth, since production in the past 10 years increased by 250 percent, from less than 200,000 tons (1975) to 732,000 tons (1985).

Table 20: Developments in Egg Production and Demand

Year	1975	1980	1984
Production (thousands of tons)	320	507	689
Demand (thousands of tons)	360	622	843
Self-sufficiency (percent)	88	81	81

It should be observed that the growth rates of demand in the first 5 years were higher than those of production (11.6 percent compared to 11.2 percent a year), and this led to a decline in the self-sufficiency rate from 88 percent to 81 percent. In subsequent years, the growth rates of demand and production were equal (6.2 percent per year) and therefore the self-sufficiency rate remained at its former level (81 percent). With respect to the average for each period, the growth rates of demand were a little higher (8.9 percent) than production growth (8.5 percent).

12. Tobacco, coffee and tea: The Arab nation's production of these three commodities is nearly restricted to tobacco, whose output in 1985 came to about 70,000 tons, representing 29 percent of total demand and just 1 percent of total world production. Seventy percent of the production is confined to the countries of the Arab east, especially Iraq and Syria. Coffee production is restricted to minor quantities, no longer more than 4,000 tons produced in Arab Yemen and a little in Democratic Yemen, while the total demand for this commodity (1985) came to 162,000 tons; that is, local production is slightly more than 2 percent of total demand.

Tea production is almost nonexistent in the Arab nation (except for minor quantities in the far south of the Sudan), while demand for it (1985) came to 220,000 tons.

The importance of these three commodities is attributable to their high prices and consequently the high cost of their imports, as is shown in Table 21.

Table 21: Imports of Tobacco, Coffee and Tea

Year	1985 (Millions of Dollars)
Net tobacco and tobacco products imports	950
Coffee imports	222
Tea imports	627
Total	1,919

By reviewing Table 21, the cost of imports of these commodities now account for 10 percent of net Arab agricultural imports (after deduction of receipts from exports).

This study was prepared by assignment from the Center of Arab Unity Studies for the purposes of the draft of the study "Overview of the Future of the Arab nation which the center is carrying out. ESCWA is to be thanked for providing the services of the author to the center to prepare this study, which represents the first part of a broader study dealing with future considerations, and AL-MUSTAQBAL AL-'ARABI hopes to publish it in a future issue.

(1) Further to show the effect of this element, note the percentages of difference in agricultural output in the former years of this decade:

Year	1981-82	1982-83	1983-84	1984-85	Average
Percent	4.7	2.1	-1.9	10.5	3

(2) In 1970 the structure of Arab agricultural exports and imports was as follows: exports, cotton (35 percent of total revenues), fruit, vegetables and their products (26 percent), oil crops (8 percent), grain (7 percent), animal products (4 percent) and other (18 percent); imports, grain (25 percent), animal products (15 percent), the coffee, tea and tobacco group (15 percent), oil crops and sugar (13 percent each) and other products (18 percent).

(3) This value does not include imports of fish and forest products and also agricultural production equipment and accessories which, while they are not agricultural commodities, are necessary for local agricultural production.

(4) It is necessary to warn that statistics related to livestock in most Arab countries are the least precise agricultural statistics and might be closer to guessing than to tabulation, since the tabulation of livestock is a difficult process, especially in countries where the pasture livestock sector dominates, and it takes place once every few years and it is believed that the statistics related to milk are the least accurate of these because of the nature of this production.

11887

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MUFTI WARNS AGAINST TRIPS TO WEST, ENMITY OF 'UNBELIEVERS'

Sanaa AL-IRSHAD in Arabic May 87 p 45

[Article by Shaykh 'Abd-al-'Aziz 'Abdallah Bin Baz, General Director of the Department of Religious Research, Legal Opinions, Call, and Guidance: "Warning Against Travel to the Countries of Nonbelievers and its Threat to Religion and Morals"]

[Text] Praise be to God alone; blessings and peace be upon the last of all prophets, our prophet Muhammad, and upon his kinsfolk, his companions, and his followers until the day of judgment.

God has bestowed many gifts upon this nation, endowed it with many unique advantages, and made it the best nation ever brought forth to men, bidding to honor, forbidding dishonor, and believing in God. The greatest of these gifts is the blessing of Islam, which God sanctioned for his servants as a creed and a way of life, and with which he crowned the blessings bestowed upon his servants and perfected religion for them. God said: "Today I have perfected your religion for you, and have completed my blessing upon you, and I have approved Islam for your religion." However, the enemies of Islam are envious of this the greatest of all blessings, their hearts have been filled with hatred and anger, their spirits have overflowed with enmity and malice toward this religion and its followers. They desire to rob Muslims of this blessing or remove it from them, just as the Almighty says in describing the sentiments of their hearts: "They wish that you should disbelieve as they disbelieve, and then you would be equal." The Almighty also says: "O believers, take not for your intimates outside yourselves; such men spare nothing to ruin you; they yearn for you to suffer. Hatred has already shown itself of their mouths, and what their breasts conceal is yet greater. Now we have made clear to you the signs, if you understand." God says: "If they come to you they will be enemies to you and stretch against you their hands and their tongues, to do you evil, and they wish that you may disbelieve." Almighty God says: "They will not cease to fight with you, till they turn you from your religion, if they are able."

There are many verses that prove the enmity of the unbelievers toward Muslims. Those verses indicate that unbelievers will spare no effort to attain the goal of harming Muslims. They employ many methods, both overt and covert. One of these methods is the distribution of brochures by some travel agencies

which call upon Muslims to spend their school vacations and other vacations in Europe and America on the pretext of learning English. Another method is to plan a detailed program for the traveler; these programs include many items, such as the following:

- A. Choosing an infidel family to put up the student, with the many dangers that this implies.
- B. Concerts, plays and shows in the city where the student stays.
- C. Visits to dance halls and other entertainment centers.
- D. Disco dancing with young infidel women, and dance contests.
- E. One mention of the entertainment centers in an infidel city includes the following: night clubs, discotheques, jazz and rock concerts, modern music, theaters and movie houses, common infidel bars.

Such brochures aim at achieving many dangerous goals, including the following:

1. Leading young Muslims astray and captivating their souls.
2. Corrupting morals and fostering depravity by facilitating evil.
3. Shaking a Muslim's faith in his religion.
4. Causing Muslims to admire the lifestyle of infidels.
5. Encouraging Muslims to adopt many of the evil ways and customs of infidels.
6. Instilling a disregard for Islam and indifference towards its virtues and precepts.
7. Recruitment of Muslim youth for the task of advocating travel to infidel countries once they have returned from these trips and have assimilated the ideas, customs and lifestyles of the infidels.

There are other dangerous goals that the enemies of Islam are striving to achieve with all their might, employing a variety of covert and overt methods. They often hide behind Arabic names and national organizations to inflict greater harm, guard against suspicion, and blind Muslims to their intentions in Islamic countries. Therefore, I am warning my brother Muslims, in this country as well as all other Muslim countries, lest they should be deceived and influenced by such brochures. I call upon them to exercise caution and care, and to accept no such items; for such items represent deadly poison and constitute plots woven by the enemies of Islam designed to deprive Muslims of their religion, instill doubt in their faith, and spread dissension among them; God says of those enemies in His revealed book: "Never will the Jews be satisfied with thee, neither the Christian, not till thou followest their

religion." I admonish the guardians of students in particular to protect their sons: refuse their request to travel abroad because of the harm it causes and the corruption it brings on their religion, their morals, and their country, as previously stated. I also admonish those guardians to direct their sons to the wholesome places of recreation and summer resorts in their own countries--and thankfully there are many of them. In this way, they can do without places, the desired end can be achieved, and our youth can be spared the dangers, the troubles, the disastrous consequences, and the difficulties which threaten them in foreign countries. I ask Almighty God to defend our country and the rest of the Muslim countries, as well as their sons and daughters, from all harm or evil, to save them from the schemes and devices of the enemy, and to turn the trickery of enemies against themselves. Likewise, I beseech God to provide our leaders, and all [other] Muslim leaders, with whatever means is needed to eradicate such harmful propaganda and dangerous brochures; I also beseech Him to grant those leaders every means of guiding his worshipers and our countries to prosperity. He is in charge of this matter and able to accomplish it.

God grant His blessings, peace, and mercy to his servant and messenger, our prophet Muhammad, and to his kinsfolk, his companions, and his followers until the day of judgment.

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NEW CHIEF OF STAFF, DAN SHOMRON, INTERVIEWED

44230037b Tel Aviv BAMAHANE in Hebrew No 31-32, 29 Apr 87 pp 5-7

[Interview with Chief of Staff Dan Shomron by Ehud Prawer, Bona Tirosh, and Yosef Argaman, date and place not specified]

[Text] The first interview granted by the new chief of staff, Major General Dan Shomron, to the media was to BAMAHANE (Major General Shomron: "And that is how it should be.")

One week after beginning his new role, Shomron looks like someone who is already comfortable in the chief of staff's chair. The office has not changed, but if we understand Major General Shomron correctly, significant changes will soon be felt in the IDF over the short and long run.

BAMAHANE: Major General, the northern border is erupting. In your opinion, is what is happening there now the result of new developments in the area, or is it a fact of life that residents of the north have to learn to live with? Do the events there call for a change in our assessment of the security area? Voices have already been heard calling for expanding the security strip to the Litani.

Chief of Staff: The source of all these demands for drastic changes in our assessment is not founded in any surprising or unusual developments in the area, but is part of the rhythm of the tension that rises and falls in the north. Sometimes we get caught up in seeing any change as a radical one in the area and immediately, questions crop up--should the assessment be changed? Should the Peace for Galilee Campaign begin again? In the final analysis, if you check out the area, you will find that this rhythm of ups and downs in the number and nature of incidents has not changed.

The soldiers and commanders in the north, from the infantry and armored corps, insofar as ambushes and activities in the security area are concerned, are doing an excellent job, aimed entire at one goal--to achieve peace and protect our settlements in the north.

BAMAHANE: Do you think this kind of declaration will pacify the people of Qiryat Shemona?

Chief of Staff: One of our problems is that since the Peace for Galilee Campaign, the tolerance level of the people has dropped, and they allow less leeway for the political and military system. In the final analysis, our role is to protect the citizens of the State of Israel, and their feelings are certainly compelling. But I would like to repeat myself and say that what is happening in the area does not require a change in our assessment at this stage.

Concerning the tapestry of affairs in Lebanon, it is important for us to distinguish correctly between Palestinian terrorists and Shi'ite extremists on the one hand and the citizens of southern Lebanon on the other. The terrorists and the Nizballah people have one basic goal--to harm the settlements in the north and the IDF troops in the security area. In contrast, the authentic residents of southern Lebanon want peace, even if from a political point of view they do not agree with the existence of the security area. In contrast, the authentic residents of southern Lebanon want peace, even if from a political point of view they do not agree with the existence of the security area, and they have an interest in freeing this area from our presence. It therefore follows that we have an interest in ensuring that these authentic residents of southern Lebanon, who have suffered greatly from the terrorists, will themselves prevent the firing on our settlements from within the area--and they are in fact doing this, in most cases successfully, out of their own interests.

It is important for us to remember that we are not talking here about clearly defined physical laws, but rather about a fluid situation characteristic of the entire Lebanese network. Firing on our settlements of necessity elicits a response from us, which may of course cause additional rocket fire--and on it goes.

Even if we do not suffer casualties among the residents of the north, every rocket that is fired on one of our settlements represents an attack on us and from our point of view cannot be tolerated.

BAMAHANE: Chief of Staff, have you established a plan of action since you began your new job? What will you focus on?

Chief of Staff: In my opinion, the army has to focus on finding answers to two issues--and this is not to say that these issues have not been dealt with to date, but rather, today these are issues that must be given priority. One is external: the struggle with the package of resources that the State of Israel can, over time, budget for defense. The second is internal, within the army: ongoing preparedness for changing missions, based on the events occurring around us.

To achieve this, it must be clear to the commander and the soldiers what we want from them, and the emphasis is on three things: initiative and responsibility, discipline, and an appropriate level of morality.

I intend to communicate clearly with the commanders--a commander will discern what he has done with the time, means, and manpower at his disposal--not with what he would have liked to have or with what he requested, but what he has done with what he has. This is the essence of initiative.

We will strive to allow the lower echelons in the army, below the level of the branches of the general staff, to establish an independent decision-making network for everything related to the division and exploitation of resources. I expect from our commanders that each one in his own position will know what the intentions are of the levels above him, the goals, so he--from his own vantage point--can adjust his orders and what he is doing to the real situations that exist in the field.

The second point is discipline, which complements and supports initiative, without which the situation would be destructive. At issue, first of all, is the operational discipline of the individual and the unit--keeping to a schedule, cooperation with other units, and the exacting implementation of missions. All these together influence discipline.

Even the disrespectful appearance of soldiers is a part of discipline. As I mentioned, the essence is discipline as the flip side, the complement, of initiative.

BAMAHANE: Initiative and discipline were things we expected to hear. More surprising was the emphasis you place on the moral level.

Chief of Staff: Commanders who routinely, not to mention in battle, do not display the level of behavior appropriate for an officer in terms of their morality, in my opinion, have no place in the army. From this point of view, if we do not succeed in placing a sufficient number of appropriate commanders, I would prefer to reduce the number of units and make it fit the real quantity of human material from which good commanders are taken.

BAMAHANE: What about the struggle with the question of resources that the State of Israel can budget for defense?

Chief of Staff: Here it is perhaps worth adding a few words about the struggle of small numbers against large numbers. The smaller group has to reach a quick decision, and when I say "decision," I am talking about a situation wherein the enemy reaches the conclusion--subjectively for the most part--that he is about to collapse and that therefore he wants to end the war. If the decision is not fast, the war turns into a war of resources--manpower, armaments, economics--and usually the smaller groups runs out of wind. Thus, the strategy of the larger group is precisely to prevent a quick decision.

During the Yom Kippur War there was a feeling--subjectively of course--that we hardly had the power to reach the stage of decision. The stage of decision was, in effect, the point at which we crossed the canal, when the Egyptians arrived at the conclusion that they were about to fall. In reality, their

situation was better than that of the Syrians, but this is a subjective issue, and when the reached that conclusion, the war ended.

As a result of the trauma of the Yom Kippur War, the IDF began to equip itself at a rapid pace, and when you equip quickly, or want to grow quickly, you grow first with what you already have. Aside from that, in the long run, you reach a size that later exacts a price in several areas. Everything you have in the army has to be trained, maintained, and constantly improved. When the army is large, this ongoing investment is also large. So, instead of progressing and developing, you are investing part of the money you have in an effort to maintain at least the existing level.

When you add to this situation significant defense budget cuts, it is clear that the situation becomes more difficult. In my opinion, the direction for progress is clear: we must develop and equip ourselves with "intelligent" and up-to-date systems, through which we can improve and maintain our decisive capability. As a parallel process, this will of necessity, due to the high price of such systems, result in greater efficiency and a reduction in the army.

BAMAHANE: Where does the human factor fit into this picture?

Chief of Staff: I am getting to that now. The second area that must be taken into consideration is the issue of manpower. Growth, especially when it is rapid, requires drawing from the body of soldiers, the commanders for various functions. Rapid development of this kind usually comes at the expense of quality. Improving the quality of manpower also leads of necessity in the direction of reducing the size of the army, such that only the really good people will remain, those who fit in with the sophisticated and up-to-date systems that we have absorbed and will be absorbing. And, of course, those systems that have proven themselves in the past.

BAMAHANE: Does the Lavi project fit this concept of a smaller army?

Chief of Staff: The subject of the Lavi is about to be decided in the government, so I prefer not to express my opinion on it at this point.

BAMAHANE: Do you share the opinion that given the recent events in the territories we need to enforce an "iron hand" policy?

Chief of Staff: The meaning of the expression "iron hand policy" is not clear to me. What are we talking about? In the territories, we are face to face with people who do not like us, who did not invite us to sit among them. but the large majority want to live peacefully.

This, in my opinion, is their principal motivation. A smaller portion work against us and an even smaller portion are prepared to act against us with acts of direct violence.

Therefore, when we want to respond to some incident, it is always important to make this fine distinction, to be sensitive, to act thoughtfully, and to avoid disproportionate actions that might polarize and encourage a quiet population, at least potentially, to rise against us.

Our interest is first and foremost to isolate the violent elements and not to harm the routine of the population's daily lives. Therefore, I am so taken aback by this expression--"iron hand policy." There are certainly times when a strong hand is called for. But to act in this fashion all the time, as a policy? No, that cannot be allowed and it will not buy us anything.

BAMAHANE: Do the soldiers in the field know what is expected of them?

Chief of Staff: That depends on what you mean when you say "what is expected of them." In my opinion, the orders are clear and the soldiers surely know what to do and at what point certain operations are to be performed. But this is not our problem. The problem in fact is animosity with civilians, and not with the army, animosity that has a moral price--because you have soldiers out there who often find themselves face to face with women and children and sometimes even face to face with Jewish residents. On the other hand, you have to maintain law and order, and sometimes therefore you reach a confrontation. The reality in which we live makes it difficult for soldiers to deal with the issue of actions against civilians in the territories. But we must do it and we do everything to stay on top of things.

BAMAHANE: Is Israeli society today, in your opinion, capable of accepting this approach? Have we not already become an overly nervous and stormy society that is demanding rapid, drastic solutions at political levels?

Chief of Staff: I think that our public is, in the final analysis, realistic and pragmatic, and what I am saying here the public knows. I know that the residents of Qiryat Shemona, even if they did not want a single rocket to fall, understand that today there is no way to guarantee that for them. There is no drastic, quick, and smooth solution to this problem. Notwithstanding, we have already faced more difficult situations with hundreds of oppressors--not in the short term, but for long periods. And I believe in our ability to stand up to them in the future, too.

BAMAHANE: You spoke earlier about the fact that you want to see better-quality officers in the army. That brings us to the question of the attitude toward the career army. How can we guarantee that the best people will stay?

Chief of Staff: In my opinion, you keep good people in the military system first of all if they have a feeling of challenge in their work. Second, they want their work to be respected and properly valued in the eyes of others. And the third thing, in my opinion, is the conditions of their lives, even if they are not the best. These conditions must meet some kind of minimum that they have defined as acceptable.

All the surveys we have conducted among career army officers have shown that it is not salary that takes first place, but rather job satisfaction and a feeling of identification with what they are doing.

BAMAHANE: Recently, there has been a lot of talk about the quality of the senior command and the degree of its success in operating large systems. How do you perceive this problem?

Chief of Staff: Operating large systems is a single, albeit important, element among many that together yield strength, and I do not think it is proper to focus on it as a central issue. Recently, this has been emphasized in the framework of planning multi-year exercises.

BAMAHANE: Still, on the subject of commanders, will you reinstate Eli Gev'a?

Chief of Staff: It will not be the first issue I deal with.

BAMAHANE: How would you like to see the relationship between the army and the media?

Chief of Staff: I would like first of all for it to be a system based on trust, a sense of equilibrium, and candor, on both sides of course. But first of all trust. I would like for any announcement, or anything else that is published about the army--and the army certainly has to be open to the media--to be well researched and trustworthy, also in terms of the internal balance.

BAMAHANE: Now, perhaps something more personal, about yourself, about the things that formed your character. Are the personalities that you could say influenced you, enriched you?

Chief of Staff: If there is a figure that I have always held in esteem it is Yigal Alon, who in my opinion advanced the army in his day through his concepts, through his understanding of the essence of battle. In him, in his books, in his analysis of the campaigns he commanded, I saw an understanding of the fact that war is to a large degree waged on a psychological level, and his greatest campaigns were operations in which he did not try to crush the enemy, but operations with an indirect approach, making use of the psychology of leadership. In my opinion, he was unique in his generation.

I would not say that he formed my world view, but I remember him as someone who really stood out, someone special, a man with high personal morality, an image that both elicited imitation and was worthy of esteem.

BAMAHANE: Today, you are the chief of staff and the IDF is at your command. To what degree, in your opinion, can the chief of staff really change things within such a large system as the IDF?

Chief of Staff: This is the only large system, almost, within which the chief of staff can really change things, because it is a hierarchical system and the final decision rests in the hands of the chief of staff. Even if I wanted

everything to be done by persuasion and cooperation, the final decisions are in the hands of the chief of staff, and on main issues, the chief of staff has a great deal of influence.

If you communicate your policy well, it will be absorbed and then people are working according to the rules of the game as you have established them. Leadership in general is not the ability to move each soldier with a finger, but the ability to communicate the rules of the game, that is to say, what is good and what is bad. And the parameters of what is good and what is bad are communicated by the chief of staff. The game runs according to these parameters even in places where the chief of staff does not physically reach. If you communicate successfully even there the parameters you preach, that is leadership.

To sum up, I would like to wish the soldiers in the IDF and the commanders, who are protecting the security of the state on all borders and in the rear, and the civilians who are working with us and all the people of Israel, a happy Independence Day.

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SHAS PARTY DESCRIBED AS NEW PHENOMENON

44230037e Tel Aviv KOTERET RASHIT in Hebrew No 233, 20 May 87 pp 8-9, 49

[Article by Moshe Horowitz: "The Third Wave"]

[Test] Every evening, Ya'ir Levi, age 32, gets into his service car, a new Peugeot 505 with blue curtains covering the windows. Levi, the son of a non-orthodox family from Teverya, made his first career in the career army. He mustered out of the armored corps with the rank of master sergeant, settled in Bene Beraq, administered a Torah institute, and was appointed secretary general of SHAS. His driver takes him on a tour of the not-so-well-known SHAS country, a network called "Fountain of God" in which are found the divisions of the new party. Two telephones have been installed in Ya'ir Levi's car, more than important government ministers are awarded.

Fountain of God has approximately 100 branches. Each branch conducts at least 10 religious study classes a day, for children, youth, women, men, and the elderly. Many hundreds of rabbis travel from settlement to settlement to pound out their lessons. In the context of this "quiet revolution," as it is called by activists, hundreds of families are "returning to God." More and more kindergartens, religious schools, and yeshivas are opening. The branches of the Fountain of God operate as community centers, the role of which is to bring penitents back to God and to expound the Law of Moses. The apparatus that runs the Fountain of God network is comprised of hundreds of activists in various settlements, and more than 100,000 people gather every evening to listen to classes. It is a number equal to six or seven Knesset mandates.

This number increases daily. Members drag their friends and relatives with them. In a few days, there will be a large convention of penitents in the town of Bet Shemesh. Fountain of God holds similar conventions in other places in Israel.

It is 10:30 on a Thursday evening in the town of Or Yehuda. Near the center of town, full to capacity, is the center--not exactly a kiosk, not exactly a coffee house--with tables placed at the front. Around 30 men are there, and 1 woman with a head covering, in the company of her husband. All wear black skull caps and beards, some wear orthodox dress. Among them are fresh penitents and orthodox men of Sephardic origin. The walls are adorned with pictures of rabbis and Cabalists: Haben Eishi Hai, Hababa S'ali. No one who enters forgets to kiss the mezuzah, and anyone who is served humous in pita

does not forget to raise his hands in a blessing. Among those sitting at this unique coffee house, the pride of belonging to SHAS is apparent. If there are elections, they say to each other: We will have to work hard. This is the SHAS version of "Bonanza." Here, there is no studying. Here, there is talk. Among those present is the town's rabbi, Rabbi David Barhoum. Until recently, Barhoum was a delegate from the National Religious Party. By his orthodox dress, one can distinguish the transition that has taken place. Recently, although he has not given up his membership in the National Religious Party, he was chosen by SHAS to head the local religious council. Even in Or Yehuda, more than 10 lessons in the Law of Moses are given each day by the Fountain of God.

Barhoum is not the only one in SHAS who was counted in with the National Religious Party. Many SHAS people in various places did the same thing with the goal of conquering National Religious Party branches for their new party. Orthodox Sephardics and penitents found their home in SHAS and they are the party's strong voices. In the coming elections, SHAS will be setting its sites on a much broader populace. It will try to take a bite out of the broad periphery of right-wing secular parties and the National Religious Party. Key activists in SHAS explain that in contrast with the Ashkenazis, the Sephardics' alienation from religion was not the result of revolt. Among the Ashkenazis, they say, orthodox is orthodox. The more moderate among them belong to Mizrahi. And he who is secular is secular. These borders are more vague among the Sephardic population. There are those who are observant and those who are not, but their faith in the wise ones is not shaken. A secular Ashkenazi will not behave according to the will of Rabbi Shach, but in the eyes of a Sephardic, even a secular one, Rabbi 'Ovadia Yusif is considered holy. Among the Sephardics, there are those who will visit the synagogue on a Saturday morning and then drive to the soccer stadium in the afternoon. The desecraters of the Sabbath will not vote for Agudat Israel, but it is not impossible that they would vote for SHAS. As an example, a key SHAS activist suggested we look at the people streaming this week in hordes to the L'ag B'omer celebration in Meron: "There were 100,000 Moroccans there, including pimps and prostitutes. You may ask why? Because Rabbi Shim'on Bar-Yohai is holy in their eyes!"

The Power--In Politics

The Sephardic's desire for tradition and rabbinical authority mixes in the case of SHAS the religious foundation with the ethnic one. In effect, SHAS is the only ethnic party in the Knesset.

In contrast with other ethnic parties that hardly developed--or if they developed they disappeared without a trace--SHAS is sitting on a strong foundation. TAMI was built only on feelings of bitterness and inferiority; SHAS, which has also come into this world as a result of a feeling of extended neglect of the orthodox Sephardic population on the periphery of Agudat Israel, offers its adherents a vision and a gold. Its foundations are well dug and its roots are planted deep. It is authentic.

The birth of this movement was unusual within the framework of political movements in Israel. Public opinion polls on the eve of the elections for the 11th Knesset did not even give SHAS one mandate. The optimists among them predicted one minus. On the day of the elections itself, radio and television crews were situated at most of the party headquarters. They ignored SHAS. The voters gave SHAS four mandates. This surprised even the SHAS activists themselves.

Veterans of the political system will fail to understand that as far as anything related to SHAS is concerned, one cannot build on any logic whatsoever, political or otherwise. This week, SHAS reached an agreement with the Likud on the return of Rabbi Peretz to the government. Later, SHAS nullified the agreement and then reached a new one. Earlier, members of the Likud (and SHAS, too) had been shocked by statements made by Rabbi Peretz concerning negotiations with the PLO. Later, the Alignment was shocked that despite these sweeping dovish remarks, Peretz stood by the Likud on the issue of early elections and the agreement concerning his return to the Knesset.

The foundation for the establishment of the movement was actually laid during the reign of 'Ovadia Yusif as chief rabbi of Israel. Even his election to that post was shocking. In 1973, the year in which he was elected, the parties had agreed among themselves that the body electing the chief rabbis, comprised of party representatives, would support the continued reign of Rabbi Yitzhak Nisim. Following a secret ballot, Yusif was elected by a large majority. When he took over the role, the number of Sephardic yeshivas in Israel could be counted on one hand. When he finished her term, 10 years later, there were hundreds of such yeshivas in Israel and the Sephardic Torah world had flourished incredibly.

In 1983, following serious conflicts between the National Religious Party leadership and the Ashkenazi chief rabbi, Shlomo Goren, the National Religious Party initiated a law limiting the reign of the chief rabbis to 10 years. Fully supporting this initiative was Minister Moshe Nisim, who intended by so doing to settle the account of animosity between his father, Rabbi Yitzhak Nisim, and Rabbi 'Ovadia Yusif, who ousted him from his post. Agudat Israel's support of the law limiting the reign of the chief rabbi was in fact directed at Rabbi Goren, but it decidedly angered Rabbi Yusif, who saw himself, and rightly so, as the man who had raised an entire generation of voters for them from among the Sephardic population.

Goren reacted to his ouster bitterly. He knew that as chief rabbi, he was not even authorized to decide who his driver would be. The real power was not in the rabbinate but in politics. Goren threatened the National Religious Party by saying he would establish his own party. But he never implemented this threat. His colleague and enemy, Rabbi Yusif, did.

Trial Run

In that same year, 1983, Michalof 'Eden of Teverya presented himself at the home of Rabbi Yusif in Jerusalem and asked for his blessing to establish a

party list of religious Sephardics, to oppose the local networks in the upcoming elections. The rabbi gave his blessing. At around the same time, an orthodox businessman from Jerusalem, Nisim Ze'ev, came to him and asked for a similar blessing. Ze'ev, who established and administered an institute for orthodox girls in Jerusalem, had for quite some time been carrying deep feelings about the neglect of Sephardics at the hands of the Ashkenazi Agudat Israel people. Now he and his friends decided to establish an independent party list to run in the city elections. For his list, Ze'ev chose the letters RS, for Religious Sephardics. The election committee denied the letters and Ze'ev chose SHAS instead. On his list, the man in third place--a position considered totally unrealistic--was Rabbi Ya'akov Yusif, the eldest son of Rabbi 'Ovadia. His placement on the list was a way of creating public identification between the list and the rabbi.

The results of the local elections were surprising. In Teverya, the new party too 15 percent of all the votes. But the most impressive victory for SHAS was in Jerusalem: three mandates. The well-established Agudat Israel Party won only two mandates in Jerusalem and the National Religious Party was cut down to one mandate. Those close to Rabbi 'Ovadia Yusif, among them a young and ambitious fellow by the name of Arie Dar'ai, was thinking of bigger and better. The elections in Jerusalem were for them like a trial run before the Knesset elections.

And the elections did not hesitate to come. When early elections were called for the 11th Knesset, SHAS rolled up its sleeves. But they did not know how to conduct a national election campaign. Other than a small office rented in the Klal Center in Jerusalem, the movement had no organized apparatus nor organizational tools.

However, the numerous Sephardic yeshivas that had been established during the Yusif period supported him. Also, city and neighborhood rabbis who had begun their careers as his students recruited help. Almost overnight, thousands of rabbis and their students turned into ardent activists and the yeshivas became headquarters. They worked voluntarily and devotedly, as people involved in a holy enterprise.

During the 10th Knesset, one of the Knesset members from the Hassidic circles of Agudat Israel was supposed to step down and turn his place over the 5th man on the list, Rabbi Yusif Melamed from Rosh Ha'Ayin. The agreement was not fulfilled and this became one of the components of SHAS's electoral success. Rabbi Shash, who gave his blessing to SHAS, did not make a public declaration but on the day of the elections he hinted to anyone who asked him that they should vote for SHAS. The rumor took wing and hordes of orthodox Ashkenazis abandoned their Agudat Israel tickets for SHAS.

Even composing a Knesset list was not easy. As opposed to the situation in other parties, there was no one standing in line for places on the list. Rabbi Yusif wanted to place at the head of the list Rabbi Avraham Shram, the administrative manager of the network of Porat Yusif yeshivas. Shram was known as a difficult man who over the years had argued with many rabbis. His

candidacy was dropped. Then the name of Rabbi Eliahu Raful came up, head of the Neue Aretz yeshiva in Be'er Ya'agov and a member of the Bene Beraq city council. But he was considered to be too extremist. Another candidate was Rabbi Reuven Elbaz, head of the orthodox Or Hahaim yeshiva and a charismatic figure, very popular among orthodox Sephardic Jews and penitents. His candidacy fell through, too, after his wife vetoed the idea: she wanted him to continue studying the Torah.

Help From Above

Arie Dar'ai and one of Rabbi 'Ovadia's followers in the end brought up the name of a relatively unknown rabbi, Yitzhak Peretz, the rabbi of Ra'ananna. Peretz, a graduate of the No'am Midrasha in Pardes Hannan and the Ashkenazi yeshiva in Hebron, had been elected at age 24 as the rabbi of Ra'ananna. A little while later, he had taken a leave and taught for 2 years at the rabbinical training yeshiva Hazon 'Ovadia, of Rabbi 'Ovadia Yusif. Peretz was chosen. He represented on the list descendants from North Africa.

In the second spot on the list, Rafa'el Pinhasi from Bene Beraq was placed. Pinhasi is one of 14 children from a family of Iranian descent. He stopped studying at a very early age to work alongside his father in a vegetable store in Bene Beraq. At the age of 18, he joined the army, where he was a sergeant in the artillery corps. During his release, he studied diamond cutting. Over the years, he became a diamond dealer and his economic situation improved greatly. As such, he began to study the Law of Moses on a regular basis and deal in local politics. Today, he is the assistant mayor of Bene Beraq.

In the third and completely unrealistic spot, they placed (as usual) Ya'akov Yusif, both as "the son" and also to satisfy their followers in Jerusalem.

For the fourth position, they chose Rabbi Shim'on Ben-Shlomo, mostly out of a need to give Yemenite descendants representation. Prior to that, Ben-Shlomo had not dealt in public affairs, and no one dreamed when composing the list that he would be elected.

Like the "Council of Bible Greats," Agudat Israel's guiding institution, SHAS established a "Council of Bible Scholars." The president of the scholars council is Rabbi Yusif. Alongside him reigns Rabbi Shalom Kohen, head of the big, old Sephardic yeshiva Porat Yusif; Rabbi Shavt'ai Aton, head of the R'ashit Hachama yeshiva in Jerusalem; and Rabbi Shalom Ba'adani, head of the Bene Beraq yeshiva. Each of these rabbis has over the years taught thousands of students. The highest authority in SHAS, the final judge, is Rabbi Eli'ezer Shach, head of the Punibazh yeshiva in Bene Beraq and the leader of the orthodox Lithuanians. Communication between Rabbi Shach and Rabbi Yusif is accomplished through emissaries, and in SHAS, they note that it is due to "help from above" that both of the ship's navigators see everything eye to eye. On at least one issue, the two are divided: it was when the Rabbinate required that the Ethiopian immigrants be "baptized." Rabbi Shach supported strict interpretation of the law and Rabbi Yusif took a more lenient stand. Yusif gave in at that time, but should another standoff occur between them,

it would likely cause a serious dilemma for the SHAS yeshivas. Rabbi Yusuf has visited Rabbi Shach's home on several occasions, the latter being approximately 15 years older; Rabbi Shach has not returned the visit.

In Bene Beraq, there is a list of Sephardic orthodox Jews that acts as an arm of SHAS and preceded the establishment of the party. In contrast with its sister in Jerusalem, which was established against a background of ethnic dissatisfaction, HAI was founded to promote cooperation. In 1978, HAI ran in the Bene Beraq municipal elections as a daughter list of Agudat Israel and won two mandates. In 1983, it increased its power to four mandates. In the 1983 elections, Rabbi Shach, in a letter to the Sephardic population, instructed them to vote for the Sephardic list. Anyone who did not vote for HAI, wrote Rabbi Shach, would be in bed with their foes and suffer the consequences. As far as the differences are concerned, two groups can be distinguished in SHAS--SHAS Bnai Brak and SHAS Jerusalem. They are very bitter about the party leadership and practically do not cooperate with it. Nisim Ze'ev and his people see themselves as the founders of SHAS and they see Peretz and his friends as hitchhikers who stole the show. Of course, they will nonetheless abide by the decisions of the council of scholars.

Field Work

Arie Dar'ai, age 29, general manager of the Ministry of the Interior, and Ya'ir Levi, secretary general of SHAS, are, alongside Yitzhak Peretz, the most powerful people in the movement. Many expect that the scholars council will send them to the next Knesset election. In newspaper articles on SHAS, the writers have not hesitated to emphasize the fact that Dar'ai was responsible for moving Peretz from anonymity to the center of the political arena. Peretz, to all appearances, did not like this. Nor did he like the tremendous ambitiousness that characterized his former assistant, who became general manager of the Ministry of the Interior while he himself was forced to leave the government. Before being promoted from his position as secretary general of SHAS to his current position, Dar'ai went in for 3 months of ridiculous, obligatory service in the IDF. Even then, he could be seen in uniform, in the lobbies of fancy Jerusalem hotels, conducting party meetings.

After Dar'ai, the SHAS secretariat chose MK Shim'on Ben Shlomo as secretary general. The scholars council did not approve the choice and selected from below him Ya'ir Levi. In Bene Beraq, Levi had been active in HAI and from there got to SHAS. Levi is the man who founded the Fountain of God.

SHAS is a fact of life in the field. In many cities, SHAS people have been elected to religious and local councils. From the party house at 26 Yehoshu'a Street in Bene Beraq, Levi goes out to the Fountain of God branches throughout Israel, the source of votes in the next elections.

A repetition of the achievement of four mandates in the next elections would be seen within SHAS as a major disappointment. SHAS wants to be the largest religious party, and the third largest party in the next Knesset. It is the only party today whose activists worship it even between elections. If their optimism is justified, there is a growing black body alongside the Likud, a bloc that may swallow the religious-nationalistic periphery of the Likud--and maybe more.

FORMER FOLLOWER CRITICIZES GUSH EMUNIM MOVEMENT

44230037a Tel Aviv AL HAMISHMAR in Hebrew 29 May 87 pp 18-19

[Article by Ehud Dor: "The Infidels From Gush Emunim"]

[Text] "I am an observant Jew, a humanist. The culture of man is my culture and on the national political spectrum, I stand on the left." This is what Elhanan Na'e--a seventh-generation Israeli who grew up in a divided Jerusalem with the deep feeling of distress that this engendered--says about himself. His parents are considered modern, religious Jews and they are members of the Herut movement. Thus, he grew up with a mixture of nationalism from the Bet Midrash of Jabotinski, the teachings of Rabbi Kook, intellectualism, and orthodoxy.

First he studied for 2 years at one of the common high school yeshivas, until he was overcome by a wave of religious fanaticism, to the point where he got up and left to join a higher yeshiva where only religious studies were taught--all this to his parent's bitter disappointment. They saw in his actions a retreat to the world of the Diaspora ghetto. Even his grandfather, a man from the ultrareligious Me'a She'arim neighborhood, who was brought in to save him from his new world, came back empty-handed. Thus, out of the same zealous inclinations that beat within him, he transferred to the Yeshiva Hahesder Harishon and from there to the Rabbi Kook Center, filled with a deep sense of identification with the teachings of Rabbi Kook. At the time, the group which Hanan Porat belonged to was studying at this yeshiva, and it was this group that later founded Gush Emunim.

The zealous pursuits of subjects related to Eretz Israel, which characterized the yeshiva in the years preceding the Six Day War, seemed strange to him, and in fact he was disappointed with the studies at this yeshiva. Today, looking back, he is astonished by the long-term visionary capacity of those who wanted to prepare the hearts and the land for the possibility of long-term settlement on the West Bank.

During the Six Day War, he was at the Jerusalem front, and his friends say that when he saw the columns of tanks going up the ridges in the direction of Jerusalem, he was overwhelmed with ecstasy, to the point that he thought he heard the bells of salvation in his ears.

He accompanied the breakthrough into the Old City with emotional, stormy feelings. "It was as if I were surrounded by some kind of dream cloud," he remembers. This dream cloud accompanied him as they pushed deep into the West Bank, but at the moment they reached Hebron, the cloud above him suddenly burst and disappeared. Suddenly, he felt himself "abroad"; suddenly, he discovered he was in a foreign land, an alien. At that moment, the dream ended. This may have been the turning point in his world view, except that the process of disillusionment lasted several more years.

Soul-searching on the Way Back

When his friends from the Gush were settled in the Park Hotel in Hebron, waiting for him to join them, he was shocked to discover that in fact he did not want to go there at all, although his views had not yet changed. It was only years later, following the Yom Kippur War, when he sat in Egypt near Ismailia, that he began to understand and grasp where he stood. During these same years, he began a painful, uncompromising process of ideological soul-searching. While his friends from Gush Emunim were making operative decisions based on the world view with which they were brought up, to Elhanan they now seemed to represent a contradiction to the views that were beginning to ripen within him. He went back to the painful analysis of all the views that were planted in him, back to the same mixture of Rabbi Kook's teachings, intellectualism, cabala, orthodoxy, and fanatic nationalism. He dissected them slice by slice, turned them inside out and examined them, scrutinized what needed scrutiny, and arrived at his current world view. Today, this world view is close to that of members of Netivot Shalom.

The inspiration that caused the phenomenon called Gush Emunim he now analyzes as one who knows it well, but can look at it from the sidelines: "Gush Emunim draws its inspiration from two main sources," he claims. "The first source is nationalism, which plays a role in Gush Emunim equal in power to the role it plays in the Likud and Tehiya. On this equation, they can climb like the rest. But with this nationalistic approach, they also infuse relevant (not messianic) religious reasoning, such as the romantic tie to the land, the blessing inherent in settling the land, and the like. The second source is the messianic concept. The Gush Emunim people have, over the last few years, become very sophisticated, and they obscure the difference between a desire for a united Israel and the messianic approach with normative Halachic justifications. This vagueness influences the religious population that does not discern it and which is drawn to the Halachic considerations as well as to the well-known security considerations. Therefore, unintentionally, they became believers in miracles. "At this point, however, it is necessary to deal a little more broadly with the messianic issue," he emphasizes, as his voice takes on the tone of a teacher. Until a year ago, Elhanan taught in Oranim, and today he divides his time between teaching at Ef'al and writing his doctoral dissertation.

"In the encounter that occurred 150 years ago between Judaism and rationalism, most of the religious Jewish population reacted by isolating themselves, therefore creating a conflict with the world surrounding them that was even

greater than what had existed before. The appearance of Zionism gave an added push to the process of isolationism, making it still worse. It is worth remembering that Agudat Israel was established to halt the beginnings of religious Zionism--Hamizrahi and Hapo'al Hamizrahi. And in fact, the religious man was faced with a difficult problem, because in the state that would be established by the secular Zionist stream, the religious population would be a minority and they would, as such, have to find their place therein.

"Rabbi Kook responded to this challenge in a revolutionary way, which even today fills me with great wonder: he took a very complex position against the Zionist movement, being both a man of the cabala and a man of Halacha. The cabalistic facet within him led him to the understanding that the world is developing in the direction of salvation, and that Jewish history occupied a place of double significance therein. It followed therefore that he could not be apathetic toward the process that had begun to envelop the Jews (because every historic process is significant from the point of view of the divine plan). But this very process led him to his sworn enemies, the Zionist pioneers who were carrying the burden.

"Another facet in the same complex view was manifested in the fact that as the Zionist process progressed, he saw the prophetic vision of the redemption of Israel in its own land taking shape before his very eyes. This stood in direct contradiction to his position as a rabbi with a Talmud-Torah education. He was a man within whom this conflict of soul expressed itself most harshly. And he resolved it by making a powerful intellectual jump in Jewish thought: he saw the entire development of human culture as part of a methodical divine process, advancing toward the ultimate salvation of humanity." Within this process, Judaism had a special role, he declared, and Zionism was the expression of it. Zionism was swallowed up by the divine process of salvation, not in the sense of confusion, but by accepting the absolutely secular nature of it. That is to say that the secular Zionists, the *prima facie* infidels, were those who heard the beat of divine redemption, the coming of the Messiah, and it was they who broke through the traditional barriers of the Jewish ghettos that were run by the rabbinate and Halacha. It was these same Zionist pioneers who had a particularly uplifted spirit and were capable of moving toward redemption.

"Against the background of this concept, one can understand Rabbi Kook's affinity to the Zionist population in Israel, which did not emanate from compromise and love of peace alone, nor from tolerance toward those who cast off the yoke, nor toward sinners, but rather by seeing the pioneer act--despite the infidelity and the blatant alienation from Jewish tradition--as a commandment, with a capital 'C', of our generation: the preparation of the infrastructure for salvation. This view is reminiscent of the Sabbetaian view of 'good out of evil.' This element of Rabbi Kook's approach to Zionism constitutes the main basis of Gush Emunim's beliefs."

Rabbi Kook died in 1935, and his teachings were not continued in a significant way, except at the yeshiva named after him, the Rabbi Kook Center. Until the 1960's, this yeshiva did not play a central role in religious Judaism, and

only then, after the Six Day War, did the great awakening come. The graduates of the yeshiva saw in the "liberation" of Jerusalem and the territories the continuation of Rabbi Kook's formula. It was he, it should be remembered, who saw the divine process in the historical process. To this should be added the fact that Rabbi Kook's students, from the yeshiva, had acquired a tremendous appreciation of the Labor movement's settlement activities, as part of the realization of the settlement of Israel, and over the year he began to feel a sense of inferiority toward it. Now, the opportunity came their way to be part of the settlement enterprise, which until now they had not partaken in--this at the exact moment that in their opinion the settlement wave was waning.

"Rabbi Kook also spoke about the means to be used in the historical-divine process," adds Elhanan, "and this also related to the wars which, in his opinion, brought about a manifestation of the internal essence of any people. He spoke of the right of war as war and not just as a means toward an end. This provides the background for understanding Rabbi Drukman's statement of a few months ago in reference to holy tanks."

Gush Emunim's great success came, in Elhanan's opinion, from the very adherence and zealous devotion that took hold of the people and which, as the facts show, the administration could not stand up to. But the success in numbers was actually brought about by the "villa dwellers." From the standpoint of a world view, this is not actually a contradiction, because the historical process has always been implemented in part by people who do not know what their role in the process is. This indeed fits in with their basic world view. But here, paradoxically, he feels, is where their downfall began, because they became lost in secular nationalism.

Just Before the Divine Plan

What is your relationship toward Gush Emunim? This is the question I asked Elhanan Na'e, who very carefully chose his words before responding. To this very day, he lives in a religious neighborhood and, in his opinion, he has to be careful as he exposes himself for the first time to the media.

"My relationship to Gush Emunim is based on two fundamental approaches: the purely religious approach and the humanistic approach. First, from the religious point of view, or the theological approach (that which relates to faith), their basic approach is founded on the exaggerated belief that God will act according to a plan which they know and which they identify with the Law of Moses. This is in direct opposition to the religious belief requiring humility toward God. Their claim becomes even more disturbing when taking into account the great risk they are willing to take as a result of their prima facie knowledge of the divine plan, such as the role of wars and the sacrifice of lives, even to the point of the destruction of the Third Temple. In Gush Emunim's world view, there is a contradiction related to the concept of faith found in the words of our sages and clarified philosophy of the Middle Ages, where in the essence of belief is the willingness to perform God's work--'accepting the burden of the heavenly kingdom,' whereas,

according to the world view of the Gush people, God becomes the servant of the Jewish people and their 'divine plan' becomes an insurance policy for nationalism for its own sake. From their point of view, the success of the Zionist enterprise is guaranteed 'from above' and therefore allows them to take risks that are thoughtless from the point of view of rational thought. This constitutes a challenge to God, whose hands are tied to theirs. It should be remembered that Halachic thought is based on a realistic world view, and only within that framework do the Halachic decisions have Halachic and traditional significance. Their faith in the divine plan allows, on the face of it, for them to find a priori support for unrealistic actions.

"From within this same approach they are ready to sacrifice, or to transgress established religious commandments, and thus they establish a new value system which is not accepted by most streams of traditional Judaism. As such, they negate the almost superior command of saving lives--the preservation of the value of life, which is even more important from a Halachic point of view than the observance of the Sabbath. It follows therefore that to the three things which the Talmud establishes should be avoided--at the risk of endangering one's soul--the worship of idols, the spilling of blood, and incest--they added a new holy value: retaining the territories of Eretz Israel."

From the purely religious point of view, the Gush Emunim people are infidels who distort the Jewish tradition. Thus, in the eyes of most orthodox Jews, they are seen as strange deviants and infidels. When Elhanan went to present his humanistic approach to Gush Emunim, he was a little worried that it would sound or be perceived as immodest: "The humanistic Jewish values within me took on great significance within my world view, and are identified as humanistic and accepted values in the Western world." In effect, he cannot once again separate them. It is possible that he underwent the same thing that brought Hilel and Rabbi 'Akiv'a to the point of establishing the love of man as a basis for the Law of Moses, something that does not necessarily come out of the sources."

Elhanan divides his humanistic approach to the Gush into two points: The first comes from the internalization of the value of man, who was created in the image of God, specifically the value of man's freedom. These values, he declares, are the moral basis for Zionism. Zionism loses its moral justification by permanently enslaving another people. In his opinion, the main lesson of the story of the Exodus from Egypt, which is a story central to the Law of Moses that is mentioned innumerable times in relation to many commandments, is a deep identification with the intolerable situation of man's lack of freedom. From this we learn that there is no justification for enslaving others. The second point in Elhanan's humanistic approach is what he describes as a very profound uprising against the prima facie wise and convenient concept whereby the secular "infidel" Zionists are seen as implementors of the divine redemption. Herein lies a total denial of the meaning of decisiveness and the concept of human reality espoused by these Zionists. This is a passive concept which ignores the ability of the masses to reach a moral decision and in effect sees everyone (including the religious population and Gush Emunim) as marionettes playing roles in a puppet theater.

This type of approach not only affects man's pride but also destroys the foundation for the basic religious requirement of responsibility toward man and his actions, which again confuses the distinction between good and evil. He sees (and still remembers) a poignant expression of this confusion in the infamous photograph of Arik Sharon, with a Bible "imprisoned" in his hands, during the Simhat Torah celebration in Hebron.

Question: Was it out of this concept that the underground grew?

Answer: The people of the underground in effect carried out the ideas of Gush Emunim to the fullest. One of the crazy explanations that were offered by the extremists (and many today would undoubtedly deny it) was that the bombing of the Temple Mount would cause the entire Muslim world seeking our destruction to rise against us, and this would force the Holy One, blesses be He, to come down and stand alongside the people of Israel to save His project.

Question: How, then, did the leftist leaders come to define the Gush Emunim people as pioneers?

Answer: The Gush people are not pioneers, but are people taking advantage of optimal conditions who are able to deceive those who are observing them. I want to quote, on this subject, my friend Asher Ben-Gera from Bet Qeshet: "Gush Emunim is not a pioneer movement, because pioneers are people who go before the camp with the goal of improving society and mankind, whereas these people are recruiting men for land and for the nationalist vision. This is precisely the difference between a socialist pioneer and fascist pioneer."

In my opinion, as with ever messianic-Sabbetaian movement, there exists within it the potential for self-destruction. I only hope that this process of destruction will not drag all of us with it.

[Box, p 19]

The Rabbi Kook Center

Rabbi Avraham Yitzhak Hakohen Kook bequested to his son, Rabbi Tzvi-Yehuda Hakohen Kook, a small yeshiva, almost unnoticed within the orthodox community, on Rabbi Kook Street in Jerusalem. In the days of the elder Rabbi Kook, a few score of students studied at the yeshiva, whereas today, in the new Rabbi Kook Center, located in Qiryat Moshe, hundreds of students study. Rabbi Tzvi-Yehuda Kook (the son), whose spiritual and philosophical achievements did not reach the same level as his father, strayed in fact from his father's teachings, inasmuch as he aligned himself with the messianic-nationalistic motif, completely cut off from any realistic analysis in the following sense: the final redemption of the people of Israel is guaranteed to us without our acts being taken into consideration. Thus he turned the yeshiva into a spawning ground for religious-nationalistic teaching in Israel. At difference times, the yeshiva has even been used as an operations room for Gush Emunim settlement activities.

The yeshiva's growth began with the outbreak of the Six Day War, with what they interpreted as the "liberation" of Eretz Israel and the holy places, that is to say, as part of the process of redemption that they dreamed of and believed in. Suddenly, the religious-messianic concept began to take shape in front of their eyes, and thus they were able to begin the process of actual implementation, carrying many with it and at the same time uplifting the status of the yeshiva.

Since the death of Rabbi Tzvi-Yehuda Kook, the chief rabbi of Israel--Rabbi Avraham Shapirav--has acted as head of the yeshiva.. However, signs of his divergent world view have begun to appear, which today is supported by the orthodox orientation which separates itself from the nationalistic camp. The position of the yeshiva heads on army service, the status of women, and the like has changed, and today one can already hear that continued study of the Torah is preferable to army service. Today, their main goal is to teach the love of Israel in the spirit of the Aguda, while ensuring no retreat from the territories and a firm stand on settlement.

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SETTLEMENT OF KEFAR HAVERADIM DESCRIBED

4423 0377c Tel Aviv 'AL HAMISHMAR in Hebrew 2 Jun 87 p 7

[Article by Yehuda Tzur: "They Promise You a Rose Garden"]

[Text] Kefar Haveradim (literally Village of Roses), located in the Tefen area in western Galilee, resembles today--in its first stages of development--the realization of the familiar Israeli dream: a breathtaking view between green hills and clear air, all this in a rich environment that does not require you to be a supermillionaire but rather a middle-class Jew who can manage to pay a long-term mortgage.

Kefar Haveradim, the nucleus from which the city of Veradim will grow in the future, is an unusual settlement among settlements in Israel. It will have a combination of a high-quality life with a sophisticated economic base, attempting to respond to the challenges of the 21st century. Its founder, Stef Wortheimer, intended it to be used as a model for similar villages that will be scattered across Israel in general, and Galilee in particular, to promote Jewish settlement. Together with its sisters which will be built in its footsteps, the village is intended to represent a new framework of life for those Israelis who want to leave the crowded cities, escape from the soot and the noisy crowds, from the tumult and the filth, into nature's bosom.

The founders planned the transition so that it would be integrated with the establishment of well-planned enterprises, whose production would be mostly geared toward export. Therefore, the village was established in the Tefen area and is destined to be part of a larger network of settlements, at the center of which there will be an industrial area where the settlers will work. These enterprises, which already exist in the Tefen area, are found not far from Kefar Haveradim, whose residents will likely find employment there.

Without Bureaucracy

The city of Veradim, if and when it is established, will be spread over an area of approximately 7,500 dunam, between Tefen and Moshav 'En Ya'aqov. Meanwhile, Phase 1 is being implemented, including approximately 1,000 housing units--approximately 600 lots for building private homes and approximately 400 cottages with 4 units per dunam.

The residents of Kefar Haveradim will be able to choose between two alternatives: building for themselves within the framework of "Build Your Own Home" or centralized building built by construction firms. The development firm for Kefar Haveradim deals with the planning and implementation of the development activities and the infrastructure, the planning and building of the trade and residential centers, and municipal services. According to Sarah, a senior employee, the firm is actually being used to "accelerate and negotiate between the residents and the Israel Land Administration.

"We save the residents from the frustrating process of running around between the various administrations to get licenses, up to the building stage. In effect, after they sign a contract with us, the residents need only worry about building their homes, without being disturbed by bureaucratic problems."

Walking to Work

In Kefar Haveradim, there is the same architectural quality as in the villas of Sayon, but without the excessive gaudiness intended to blind the neighbor's eyes. The main concern of the 160 families already living in the village today was to integrate comfort with the exquisite panorama surrounding the area. The location exudes an atmosphere of tranquility, of security that does not emanate from excessive wealth but from the feeling of being a free professional who understands his own values.

Shalva Kenig, age 32, is a mother of three and a physical education teacher. With her husband Yoram, an engineer by profession working in nearby Tefen, she came here a year ago out of a desire to combine ideology with quality living. "It is a long story, several years long. When the idea of establishing the village began to take shape 10 years ago, we were attracted by it. It meant a change in our way of life. We felt Galilee had to be settled, even if today that sounds bombastic. Plus, there is the view and the clean air, a workplace near home, an excellent educational system. Meanwhile, we went to the United States for a few years, because of my husband's work, but all during that period, we continued to plan and take care of the building of the house. Three years ago, we returned to Israel, and started building at an accelerated pace. We have been living here for a year now." There are not too many, so far, who have jumped at the bargain, explains Shalva, because it is a big, extreme step, going from the urban way of life to a community settlement, where the opportunities for making a living that are found in the area do not meet everyone's needs. "The big problem is that of employment, finding a close place of employment. Because what is the quality of life if not the opportunity to avoid traveling in interminable traffic jams?" Yoram Kenig found the appropriate combination, because from his lovely, well-kept, and spacious home he leaves every morning 1 hour later than he had to from his home in Ra'ananna, and he goes to work on foot.

Miri Kaspi, a teacher by profession, who completed the building of her home in Tefen a few months ago, has to travel half an hour a day to her job as a teacher on one of the area's kibbutzim. Her husband David travels on centralized transportation to the Rafa'el complex in the bay area. "In any

event, the issue here is the quality of life in one's living quarters. We are not spoiled and the commute is not a great burden; it is not a particularly long drive. The important thing is whether we will be able to find here the quality of life combined with clean air in a society of people who for the most part are our age and are involved in similar professions."

As Much as Half a Salary

For the most part, the settlers in Kefar Haveradim are working people, for whom the move to a new place requires them to take out loans and mortgages and to assume a heavy debt. "We sold the apartment in Ra'ananna and of course went into debt. It will be a very long time before we can pay it off, but the cost is definitely worth it," says Shalva Kenig.

Miri admits that indeed a long time will pass before they can pay off their debts. "We both work, and at least half of one salary is fully dedicated to the mortgage payment. We might have taken a larger loan, but half a salary is the ceiling imposed by the housing authority. Half of one salary. But in any event, the price is worthwhile."

The houses in the village are not all equal in size, nor is the area of the lots. They range from half a dunam to a dunam and a half. The prices for developing the infrastructure, up to the front of the lot, range from \$15,000 to \$30,000. A smaller lot is not necessarily less expensive. There is a lot that measures 750 square meters and the price for development comes to \$20,000. In any event, the village regulations prevent building without limitations. The area of the houses ranges from 130 to 230 square meters. The electrical lines, telephone lines, and cable television are all underground.

Every Month a Trip

There is no doubt that for children the village is a Garden of Eden, especially for those who came from big cities. There are dozens of enrichment courses, led voluntarily by superior professionals from among the village residents. The local youth group is led by older children under the guidance of a leader who receives a salary from the local association. Li'ad Kenig, age 8 and 1/2, describes the difference between the education he receives in the village and that which he received in the city: "Every month we go on a trip. In the city, there is just an annual trip. There are also many clubs and we can play outside without being afraid of cars or other dangers."

Yaniv Schenk, age 11, in the fifth grade: "I grew up in Qiryat Yam. It is much better here. Here there is more room, a feeling of freedom, parents do not get on your case all the time and do not ask you not to go outside." Amit Greiber, age 10, who previously lived in Haifa, points out the freedom, the clean air, and the incredible panorama. "In Haifa, everything is sooty and you sweat all day. People live on top of one another. It is more comfortable living here." His brother Gil, age 13, also mentions the possibility of intercultural meetings with residents of nearby villages. "We have reciprocal

visits between classes from villages in the area, Tarshiha and Ma'iliah, and the children of Kefar Veradim. We host them and they host us. And not only during school hours. Due to these visits, personal friendships develop. We visit them in their homes and they come to us. When there are inter-class meetings, they usually end with a reception fit for a king. We have come to realize that there are no differences between Jews and Arabs." And his brother Amit adds: "We are close and there are no problems between us, because when you are close, you get to know them and you find out that the differences are very small between kids of the same age."

Shalva Kenig relates that on the last Independence Day, the village hosted residents from Ma'iliah, and after the meeting, reciprocal invitations began to flow between the residents of both locales.

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BRIEFS

NEW IMPROVED STAND FOR GALIL RIFLE--A collapsible stand for the Galil rifle was developed recently by the Weapons Branch of the Chief Artillery Officer's Command. In the past, tools were required to assemble and disassemble the Galil stand (a tripod). Using this method, parts were often lost. The stand can be disassembled without tools. It disassembles easily and quickly and weighs less than its predecessor. Over the next few months, units will be equipped with the new stands. [Text] [Tel Aviv BAMAHA in Hebrew No 33, 13 May 87 p 6] 9811/6662

CSO: 4423/37

LEFTIST JOURNAL REPRINTS MINUTES OF MONETARY FUND TALKS

Beirut AL-SAFIR in Arabic 20, 21, 25, 28 Jul 87

[Article: "Text of The Minutes of Negotiations with the International Monetary Fund Delegation"]

[20 Jul 87 p 6]

[Text] Last 18 May a round of talks was held in Paris between representatives of the Bank of Lebanon and the Ministry of Finance and an International Monetary Fund mission in the context of the annual discussions dealing with monetary, financial and economic affairs.

AL-SAFIR today is publishing the minutes of the first session of the talks, which included production, manpower, prices, growth and planning for reconstruction.

The Lebanese delegation considered 1985, in economic terms, one of the worst of the years Lebanon has passed through since the beginning of the events. However, the agricultural sector contributed a third of current domestic product.

Nonetheless, hashish cultivation covered 10 percent of farmland in 1985 and the value of this crop came to 16 percent of agricultural production.

The minutes show that 46 percent of public spending in 1986 was on road projects.

The International Monetary Fund mission expressed its discontent concerning the future of debt service, in view of the increase in foreign financing proposed for the 1987 investment plan, pointing to the need to select projects with care.

The mission emphasized the importance of consolidating the development and reconstruction budget and the general budget.

The text of the minutes:

Production, manpower, prices, growth and planning for reconstruction.

1. Production

The Lebanese representatives informed the mission (the International Monetary Fund mission) that good national accounts statistics are not available now and that the estimates which were presented to the mission must be studied cautiously, as in the past. National income accounts were prepared officially for the last time in 1975, when the Central Statistics Office files were destroyed. Statistics on economic growth in recent years have been based on specific evidence (such as the production of electricity, industrial output and import trends) but this evidence has to a large extent become unreliable because of the radical change in the structure of the Lebanese economy, which makes it unsuitable to measure the technical aspects of stability.

In spite of the lack of official statistics, they have provided evidence that the economic situation rapidly deteriorated in the past decade as a result of the human losses, destruction of sources of production and infrastructure and breakdowns in means of communication and production which repeated combat in numerous areas of the country has caused. The estimates indicate that actual domestic product in 1980, which was prepared by the World Bank and the United Nations Development Program, was 40 percent below that for 1974, and in spite of the temporary upsurges in economic activity, real actual domestic product declined sharply in most of the years of the eighties and probably reached its lowest level in 1985, which is to be considered the worst year for the economy since the beginning of the fighting. The Lebanese representatives pointed out that the improved security situation in 1986 led to an encouraging revival in product and in investment in a number of sectors, in industry specifically. The drop in the value of the pound encouraged the growth of commercial goods output. The foundation of the economy continued to change according to the security situation, and economic activity shifted to more secure areas. The rate of unemployment rose sharply, as a reflection of the drop in demand for labor in the region in part and the disruptions of economic activity in a number of Lebanese areas. To that it should be added that the economy's flexibility in responding to the changing circumstances was severely disturbed as a result of the drop in mobility of the factors of production among areas, due to the fragmentation in the country.

The Lebanese representatives pointed out that the agricultural sector recuperated with relative speed from the serious destruction that befell output in 1982-83. It has been estimated that this sector contributed one third the total actual domestic product in 1984-85, as compared with about 10 percent 10 years ago. In 1986, it is likely that this sector will have improved by 10 to 20 percent compared with 1985. Numerous factors have been responsible for this relative improvement in the status of the agricultural sector. Some of the most productive agricultural areas, such as the al-Biq'a Valley (which contains about 45 percent of the agricultural land in the country) enjoy enhanced security. The severe drop in the value of the Lebanese pound since 1984 has improved agricultural output's ability to compete. In addition, difficulties in transportation have resulted in the improvement of agriculture around Beirut and the other urban areas.

However, a number of other factors have helped to create unsuitable effects on agricultural production. These include damage to the infrastructure arising from unsuitable investments and inappropriate maintenance, the high costs of transportation, destruction of specific agricultural land and difficulty of getting to other land, and finally the delay caused by the request for certificates of origin which some neighboring Arab countries are imposing on Lebanese exports.

The Lebanese representatives, in a manner reflecting the circumstances of the deterioration of the export infrastructure, declared that agricultural output is being transformed in favor of expensive crops which require less acreage and at the same time are easier to export (such as fruit, vegetables, flowers and hashish), and has recorded a shift from heavy export commodities such as wheat and other grains, tobacco and sugar beets. In 1985, about 10 percent of the farmland was planted with hashish, whose value came to 16 percent of agricultural output, as compared with 2 percent in the case of wheat and grains, tobacco and sugar beets. Tobacco production was also adversely affected by massive illegal imports of cigarettes and the production of fruit and vegetables, especially from areas near Beirut and other urban areas, increased as a result of the large quantities exported to the neighboring countries. More than that, the drop in the exchange rate raised the product and the export of garden products, and the extensive use of greenhouses helped expand the production of vegetables (and tomatoes, specifically, at relatively low costs).

The Lebanese representatives pointed out that the industrial sector was more adversely affected than industry by the war, especially since acts of aggression took place for the most part in urban areas, where a large proportion of the factories are concentrated. As a result of intensified damage and destruction of a number of factories, production capability dropped by 20 percent with the advent of 1985. More than that, industrial production, which recorded about 35 percent of total production in the seventies, was restricted by the difficulties of local production and to a lesser proportion by the decline of demand in the main importing countries. Industrial output improved in 1986 to a large degree, while the security situation improved perceptibly. The drop in the value of the pound and the drop in some costs (such as electricity) to a large degree increased the competitive power of this sector. Production rose tangibly with respect to imported processing goods and exported goods. While the level of recorded industrial exports reached its lowest level since the seventies in 1985, industrial exports increased more than twofold, totalling \$291 million, in 1986. The structure of industrial exports also shifted in favor of less bulky goods. The Lebanese representatives expressed their belief that the industrial sector might become the greatest contributor to economic growth in 1987. The main exports in 1986 were jewelry (which constituted 25 percent of manufactured exports), textile products, leather, plastics and canned foods. Some spare parts are now also being manufactured in Lebanon. In 1986, the Bank of Lebanon transferred the sum of 500 million pounds to specialized banks, under the encouragement of industry, for use as 12 percent loans. Ten industrial permits were granted in 1986 (as compared with a single one in 1985), and eight of these industrial organizations which obtained permits started operating during the same year. The Lebanese representatives expressed their belief that the scope of

competition ensured by the drop in the exchange rate (currency) guarantees was so great that some rises in the exchange rate were absorbed by the industrial sector without subjecting exports to danger, assuming that the costs of Lebanese labor have now dropped to their level in the countries competing to the greatest extent in the context of export in the Mediterranean.

On the basis of estimates, cement production, building permits and construction activity revived to some extent during 1986, especially in the second half of the year. Cement production revived and returned to the level it had occupied in 1983 (1.7 million tons), while construction permits -- based on the areas set aside for construction -- rose to more than 23 percent. However, as a result of the severe drop in the volume of real investment on the part of the public sector, which continues to constitute an important share of new projects, some strengthening of the recovery of the construction sector still remains. Conversely, the drop in demand on the part of the private sector, as a result of the ongoing drop in incomes, continued to impose its adverse effect on construction activity.

Electricity production rose in 1986 by 14 percent, reaching 3.6 billion kilowatt hours, which is the highest level to have been attained in the eighties. The reason for that, to some extent, is the lower rate of breakdowns. The Lebanon company produced 86 percent of total electric output (as compared with 82 percent in 1985), while other companies produced the rest. There were imports of some electric power from Syria. The Lebanese representatives stated that the revival in electricity production in 1985-86 may principally be attributed to the reassimilation of the al-Litani hydroelectric plant with the al-Jiyyah thermal plant in the south of the country into the nationwide power grid. However, the increase in production did not reflect an improvement in the financial conditions of the Lebanon Electricity Company. The Lebanese representatives pointed out that many problems still plague the company's financial performance. Electricity tariffs, which the government controls stringently, have not reflected costs of production, while a large number of consumers have made hookups to the power grid in an illegal manner (electricity theft) or have not paid the bills they have incurred. It is estimated that only about 50 percent of the consumers paid for their consumption in 1985-86, in spite of the low electricity rates, in comparison with 35 percent in the period 1982-84. More than that, preservation of these non-economic rates has encouraged profligacy in consumption. On the other hand, the significant government subsidies on oil products have helped lower the costs of production to the Lebanon Electricity Company, which has not been able to collect the deferred prices of fuel oil, and withdrawals from the Bank of Lebanon have continued. It is estimated that the company in 1986 collected about 10 billion pounds in deferred fuel oil purchases in 1986. Although electricity consumption rates for homes rose from 43 to 85 piasters per kilowatt, these rates are still 25 percent below actual cost. Conversely, rates for industrial consumers are still lower (than the rates for household consumption). It is expected that the deterioration in the Lebanon Electricity Company's financial performance will accelerate rapidly in the context of the absence of any major amendment in electricity rates. However, it was expected that the company would receive the operations of the other power installations the private sector operates in 1987-88.

With respect to the services sector, the Lebanese representatives pointed out that the exceptional role Beirut played as a center of trade and services in the Middle East in the seventies has continued to decline, and activity in a number of service industries is still stagnant or affected by stagnation. The number of nights spent in hotels in 1985-86 was only a fraction of the 1974 level and constituted only 30 percent of the 1980 level, as a result of the continued closure of the airport on many occasions. The volume of goods which passed through the two ports of Beirut and Tripoli, including the transit trade, dropped by about a third in 1986, following the modest revival recorded in 1985. In addition, the value of the goods that passed through these two ports has declined as a result of the increase in the use of illegal ports in transmitting small-volume, high-price goods. The Lebanese representatives mentioned that retail sale and banking services rose in terms of price in 1986, partially reflecting the profits from speculation against the Lebanese pound, and some new industries, such as investment advertising, computer services and manpower services, recorded some encouraging progress. Commercial activity in the al-Biq'a plain also benefited from the improved security circumstances and remained a major source of goods for consumers in the neighboring countries.

2. Manpower

In response to the committee's request to obtain information on main trends in the labor market, the Lebanese representatives pointed out that detailed information in this regard is not easily available, but they did point out that the national employment organization had set out a number of estimates. In the past 5 years, the population declined by about 350,000, for a total of 2.5 million, thus reflecting emigration and the many deaths resulting from armed struggles. The number of Lebanese of working age is estimated at about 1 million, of whom 250,000 are working outside the country. Inside Lebanon, actual employment is estimated at 500,000 jobs, about half of which are in the public sector. Estimates of employment in the main sectors in 1985 indicated 75,000 jobs in industry (as compared with 150,000 in 1975), 25,000 in construction (as compared with 35,000 in 1975), 22,000 in the financial and insurance sector, 44,000 in the area of transportation, 140,000 in the area of commerce and 8,000 in the area of tourist activity (as compared with 18,000 in 1975). More than that, a number of people who were registered as workers were not able to work full time because of the difficulties of transportation in a number of areas. Since the conflicts started, agriculture has been the only sector which has registered any increase in manpower, rising by about 10,000 to 110,000 in 1985. In addition, from 20,000 to 30,000 persons serve in the militias. It has been estimated that the state of unemployment has worsened in Lebanon, especially since estimates indicate that one out of every three Lebanese of working age was out of work in 1985. The good development in 1986 was a rise in the number of people working in industry by about 10,000 persons as a result of the increasing revenues of this sector. However, the problem of unemployment was nonetheless aggravated as a result of the return of a number of Lebanese who were expatriate workers, including skilled workers, from the Gulf region. The spread of the recession in construction activity in the neighboring countries did not affect the Lebanese workers to the degree that other expatriates were affected, especially since the majority of Lebanese workers are skilled or semi-skilled workers. At the same time, the flow of

workers from all sectors abroad declined in a perceptible manner, as a result of the increase in difficulties in obtaining work abroad. As a result of that, there was no longer any shortage of skilled laborers in most specializations (with isolated exceptions such as carpenters and plumbers), creating job opportunities with respect to new graduates of universities and vocational schools became extremely difficult, and the problem increased in severity as a result of the government's policy since 1985, which called for the reduction in employment in public jobs, including non-replacement of retired or deceased employees.

3. Wages and Prices

The Beirut Chamber of Commerce and Industry and the General Federation of Workers of Lebanon publish a detailed inflation index each month. The Lebanese representatives stated that although each index uses the same statistics, they arrive at different conclusions because of different methods of collecting statistics. In general, the computations of inflation, as far as the General Federation of Workers of Lebanon goes, exceed the computations of the Chamber of Commerce and Industry, but in 1985 the computations of inflation the Chamber of Commerce and Industry set out exceeded those of the Federation of Labor in a radical manner. The Lebanese representatives asserted that both indices are based on an old consumption basket which does not essentially reflect the real importance of imported goods, and each of them has improperly estimated the inflation rate in a serious fashion, especially since 1984, when the pound began its sharp drop. A new index was issued by the General Federation for the period between March 1985 and June 1986 more accurately reflecting the proper ratio of imported goods to overall consumption. The estimate gave more important weight to foods and transportation than clothing costs and household expenditures.

During the last decade, inflationary pressures consisted of weakness in the Lebanese pound, especially in the last 4 years, and extreme excess in the provision of liquidity in local currency, as a result of obstacles involving production and means of transportation. The Lebanese representatives pointed out that a number of factors helped at the same time to repress inflationary pressures, specifically the liberalization of the Lebanese economy, the spread of smuggling with respect to imported goods and government subsidies on oil products, flour and electricity. After inflation had recorded a rate of about 18 percent a year in the period 1980-84, according to the General Federation's calculations, inflation escalated in a severe manner in 1985 and 1986, recording a rate of 41 percent in the former year and 100 percent in the latter. In these 2 years the Lebanese pound dropped by 60 percent a year relative to the American dollar. The Lebanese representatives pointed out that costs of medical care and medical goods increased rapidly in recent years. The costs of a single night in any hospital in the Beirut area, aside from health care, came to 4,000 to 5,000 pounds, that is, double the minimum wage (during 1985 and 1986). The National Social Insurance Fund recommended that health equipment and materials be imported directly and that it distribute them. That might reduce the level of prices by 40 to 45 percent, which would to a large rate limit the great rise in costs of treatment.

The Lebanese representatives pointed out that the settlements of workers' wages had been determined by negotiations between the Federation of Labor and employers and were based on the rate of inflation in the preceding year. Until 1985, increases in wages closely reflected the rates of inflation the labor federation calculated. During the period between 1980 and 1985, the minimum wage rose by 17 percent a year in comparison with an annual rate of inflation of 16 percent in the same period. However, in 1986, the wage rate rose by 50.8 percent, totalling 2,225 pounds a month. One should bear in mind the accelerating increase in inflation in the course of the year. However, the increase remained largely inadequate in combatting the drop in real wages. Wages and pensions increased by rates ranging from 25 percent in the case of the highest wages to 40 percent in the case of the lowest ones, in comparison with 15 percent for the highest wages and 20 percent for the lowest in 1985. With respect to public sector employees, the increase was paid out after a significant delay and a significant drop in real incomes resulted from this. The Lebanese representatives pointed out that wages of non-union workers rose more slowly than those of union workers. As a result of the decline in the exchange rate of the pound, the disruptions in wages shifted in favor of the sectors of industry and banks, in favor of capital at the expense of costs of labor. Since the local prices of commercial goods are set in the world markets, the severe drop in the exchange rate of the pound has led to a massive increase in the rate of inflation, a drop in the rate of real wages and agglomeration of demand, which has led to a greater skewing of income distribution.

4. The Development and Reconstruction Council

In accordance with the mission's request, the Lebanese representatives presented a review of the Development and Reconstruction Council's activities and investments in the field of development in 1986. That year's investment program reflected a continued execution of the 1984-85 program, which it was not possible to complete in these 2 years. In addition, a detailed investment program was not set out for 1986. The great token increase (81 percent with respect to the Lebanese pound) in the value of spending on investments in 1986 reflected a number of factors: a number of projects which were not basically part of the council's investment program were transferred from the ministries to the Development and Reconstruction Council by means of the government (for example, the airport project), and the council was assigned to execute an emergency program (costing 600 million pounds) to repair the homes of families which suffered damage and create housing for families that had migrated. The severe drop in the value of the pound led to an increase in the costs of imported materials. The aggravated increase in the inflation level led to a great rise in the costs of projects, especially roads. In other words, spending in the area of investment dropped by 7 percent in terms of the Lebanese pound, while spending in dollar terms dropped by more than 60 percent. Also, commitments dropped in a sharper manner, by 36 percent in terms of the pound, in reality dropping 67 percent, and by 86 percent in dollar terms.

As regards the sectors' share of investment, the Lebanese representatives pointed out that 1986 spending on roads constituted 46 percent of total spending, partially reflecting the heavy commitments which were undertaken in

1984, in comparison with the allocation of only 18 percent of total revenues in the investment program for 1984-85 for spending on roads.

Nonetheless, this constituted a drop in spending of 59 percent which was recorded in 1985. The road investment program concentrated totally on repair and matters of infrastructure (such as water and sewer extensions), with emphasis on internal regional roads. No public roads or roads in cities were included in the program. In reality, the Beirut area received a small share of this program. The greatest increase in spending was the share the telephone communications project received, since spending rose from 4 percent in 1985 to 24 percent in 1986. The program whose execution began in 1978 with French aid was completed with Italian aid. The purpose in that was to increase communication capability among the various areas in the country. The sector of third greatest importance in the context of spending was construction and reoutfitting in the airport, which rose from 8 percent in 1985 to 12 percent in 1986, reflecting to some extent the high level of new commitments and the transfer of the airport project from the airport committee to the Development and Reconstruction Council. The program includes work on landing facilities, lighting, control towers and radar equipment. As to investment in education, which constituted 3 percent of total spending in 1986, that was concentrated basically on the rehabilitation of schools. In all, capital projects made up 96 percent of total investment spending in 1986, compared with 87 percent in 1985. With the drop in the share of development programs, which consisted basically of loans on easy terms to industry, to 4 percent in 1986, no loans were given to agriculture or housing as a result of financial pressures. In 1986, Development and Reconstruction Council spending came to about 72 percent of total spending on the public sector.

As regards the Development and Reconstruction Council's planning activity in 1987, the Lebanese representatives referred to a proposed new investment program which had not yet been ratified by the Council of Ministers. Therefore, they were not able to make reference to the level of spending in 1987, especially with continued doubts regarding the security situation and the provision of financial revenues, and the exchange rate. However, they did assert that the current economic conditions called for the preservation of a basic investment program in the light of the relative weakness in investment in the private sector, while, however, taking into consideration present financial tensions. As a result, the 1987 investment program would be founded on the basis of the following orientations:

- A. Austerity and economy.
- B. A period of conceptualizing or thinking about projects and their effects on production and investment.
- C. The provision of necessary social services.
- D. The activation of foreign grants and easy-term loans.
- E. The program's flexibility in transferring revenues among projects according to need.

As to priority with respect to sectors, that would be as follows:

1. The productive sector, such as agriculture, industry and the oil industry.
2. Organizations of public benefit.
3. Social services.
4. Major infrastructure projects.

As to commercial loans, they were to be used only on behalf of projects with revenues (such as electricity and water), accompanied by back to back loan agreements to guarantee payment to the Development and Reconstruction Council in terms of principal and interest, and participation by local development banks was to be encouraged.

The representatives pointed out that a major predicament faced the Development and Reconstruction Council, namely the lack of foreign financing. Following a drop to 10 percent in 1985, the ratio of foreign loans and grants to total spending rose to 29 percent in 1986, reflecting an important rise in new commitments which were carried out in 1985. At the same time, the use of financial allocations and unrestricted revenue bonds rose perceptibly in 1986, coming to 2 billion pounds in comparison with 1.4 billion in 1985.

With respect to 1987, it is hoped that the share of easy-term loans and foreign grants will rise sharply and that reliance on local financing sources will be restricted to developing projects and local sectors and resemble the foreign financing.

In response to the mission's question on medium-term guarantees of foreign borrowing for the service of debts, the Lebanese representatives pointed out that the rate of foreign debt service (on the basis of commercial exports) sharply declined in 1985-86 to 5 percent, in comparison with the rate of 10 percent in 1983-84, and it has been observed that there was some delay in debt service payments as a result of technical factors at the end of 1986. The commitments were settled in early 1987. At the present time, Lebanese foreign debt is considered relatively small and the Development and Reconstruction Council's borrowings (debts) are for the most part on easy terms. The mission expressed its anxiety about the possibility of unsuitable influences regarding the future of the debt service, as a result of the great increase in proposed foreign financing relative to the 1987 investment project, and pointed to the need to use an effective criterion or standard in choosing all investment projects. In addition to that, it has been estimated that more than 50 percent of Development and Reconstruction Council spending consisted of salaries paid out, especially to workers on projects which require intensive labor such as road building.

The delegation stressed that financial circumstances were extremely confusing, since an investment program might be reduced in major fashion if some inappropriate social costs and some projects are not deferred until the political-economic situation improves.

The mission sought information on the progress which had been achieved with respect to the consolidation of the Development and Reconstruction Council accounts with those of the central government, which might generally help improve the oversight of sector activities and their effects on the local economy. The Lebanese representatives stated that work on behalf of the consolidation had begun and pointed out that a draft document in this regard would be presented to the fund's employees upon completion.

[21 July 1987]

[Text] The round of talks between representatives of the Bank of Lebanon and the Ministry of Finance and an International Monetary Fund mission was held last 18 May in Paris in the framework of periodic talks dealing with monetary, financial and economic affairs.

AL-SAFIR today is publishing the text of the minutes of the second session of the talks, which included "political and financial developments." In its issue which appeared yesterday it had published the text of the minutes of the first session on "production, manpower, prices, growth and planning for reconstruction."

The minutes of the second session contain the observations of the International Monetary Fund mission, which it expressed to the Lebanese negotiating delegation, including the need to show discipline in government spending and increase revenues by all possible means, including studying the feasibility of reviewing the [effect of the] customs dollar (6 pounds) on treasury revenues.

The mission expressed its concern that the costs of subsidizing fuel "came to about 9 billion pounds in the first 4 months of 1987," but the Lebanese delegation considered that wheat commodity subsidies were an issue "not subject to discussion" and presented a recommendation on the possibility of improving real estate revenues.

The text of the second minutes:

The Lebanese representatives supplied the mission with real estimated figures on financial product in 1986 and the proposed budget for 1987 (Table One F). As to revenues, which increased 19 percent in 1986, these were, again, below budget estimates, as a result of the effects of the security situation. As to spending, which grew by 34 percent in 1986, that was five times greater than revenues for the second year in succession. Thus the magnitude of local interest payments, which came to more than double the level set out in the budget, also came to more than double the total level of revenues.

The mission stressed its interest in the magnitude and ramifications of the decline in local currency. Since every pound added to the deficit forces the government to pay additional interest, there is a dynamic relationship between additional spending and the growth in the deficit, based on the structure of interest. The great volume of indebtedness to the local banking system on the part of the government was an important element in the expansion of the liquidity of Lebanese currency (the elements making up the Lebanese pound, in

the form of money and money near-equivalents). In 1986, the volume of government indebtedness exceeded the increase in the liquidity of Lebanese currency. The growth of liquidity in a decade in which production declined put pressures on the foreign exchange value of the pound and the rate of inflation. The mission expressed its anxiety that if the annual deficit continued to grow, the drop in the value of the pound and also the rate of inflation might increase geometrically, and for this reason it was urgent to show discipline in setting out the level and priorities of capital and government spending and also to increase revenues by all possible means. The surge in the costs of subsidies on oil in the first 4 months of 1987 to about 9 billion pounds, that is, approximately an estimated two-thirds of the government's entire spending during this period, provoked anxiety.

The Lebanese representatives stated that parliament had not codified the budget laws for 1985 and 1986, which meant that agreement had not been given to any measures regarding revenues. On the other hand, monthly spending in all categories had been restricted to 1-12th the annual amount cited in the last budget that was approved (the 1984 budget), except for wages, salaries, interest payments, loans, money transfers and the increasing oil subsidies.

Customs revenues remained at about 400 million pounds a year between 1984 and 1986. One of the reasons for that was that the rate of exchange, in the customs estimates, had been stabilized at 6 pounds to the American dollar since February 1985. However, the real reason was the continued shift of imports to illegal ports in order to avoid the duties imposed by the government. The government representatives stated that about 80 percent of customs revenues were from duties on imported cars which could not be transferred to the illegal ports, because the customs authorities demanded the receipt of duties as a condition for enabling the owners to register the cars. The mission asked the Lebanese authorities carefully to restudy the effect on revenues from an increase in the exchange rate on customs estimates. The acknowledgment was made that this would have unsuitable effects in terms of encouraging remaining illegal car imports to shift to the illegal ports.

In addition, it would reduce the number of imported cars and encourage the importation of cars of lower value. However, in the positive area, it would lead to a rise in revenues from other imported vehicles not just from duties but also from graduated taxes in the case of cars, which range from 20 to 90 percent according to the value of the car.

In response to a question from the mission, the Lebanese representatives stated that revenues from duties exceeded budget levels as a result of the new payment of levies on properties and land transactions, levies which were set at the level of 6 percent of the value of transactions and increased as a result of the increase in property values. In response to a question as to whether the tax rate had increased, the Lebanese representatives said that the profit would be greater if the sales transactions which contained a declaration less than the sales prices were disregarded, and they added that it was possible to impose tax on the prices of sales paid before the transactions were recorded and that would not just result in creating new revenues but also in encouraging purchasers to present the real value of their

transactions with respect to registry levies, with the goal of reducing them in all subsequent sales.

The Lebanese representatives mentioned that the Lebanon Electric Company and the Port of Beirut Company had raised their rates at the beginning of 1987, but raising levies was a sensitive matter in the political context. The rate of the Electricity Company's levies on household consumption increased from 0.45 to 0.85 pounds per kilowatt, but remained radically below production costs, which came to 3.6 pounds per kilowatt. In addition, the rate of levies on industrial consumption continued to be lower. Moreover, about half the electricity consumers had not made payments. As to their making attachments to the main lines, that was because they did not want to pay, or could not. As to the airport departure tax, that had risen from 50 to 150 pounds per passenger in economy class and from 150 to 250 pounds for passengers on first class, except for children below 12.

The Lebanese representatives informed the mission that the process of collecting taxes, especially in the case of direct taxes, was difficult, but revenues from income and profits taxes had improved. The authorities had tried to apply the same principle to property taxes and they also expected an expansion in the registration of taxes owed and taxpayers on computer, in order to improve payment.

With respect to government spending, the mission pointed out again that oil subsidies were less in 1986 than they had been in 1985. The Lebanese representatives replied that the increase which had been imposed on oil product prices in December 1985 and June 1986 kept subsidies on oil low in the first part of 1986, but they grew rapidly with the end of the year because of the severe drop in the rate of the pound. More than that, as a result of the constant drop in the rate of the pound, oil subsidies exceeded 9 billion pounds in the first 4 months of 1987 and threatened to reach 30 billion pounds with respect to the whole year. The Lebanese representatives added that the Ministry of Finance had proposed legislation that local prices would be automatically linked to the rate of the pound with respect to oil imports, in order to put an end to subsidies. The mission stressed the need to end the subsidies and expressed enthusiastic support for this initiative.

The Lebanese representatives pointed out that loans and transfers to the government agency responsible for imported flour had estimated the money offered to cover administrative costs and import costs in 1986 at 1.6 billion pounds, and for a period in the course of 1986 bread processed in Lebanon was exported as a result of the drop in its prices locally relative to its prices in the neighboring countries. Although moral abstention and public protest led to a halt in this, flour was still being shifted to halva and pastry processing. The Lebanese representatives emphasized that subsidies on flour were something that could not be touched.

In response to a question by the mission on the 50 percent increase in wages in 1986, the Lebanese pointed out that parliament had agreed to the increase, which began to go into effect in January 1986, in June 1986. This increase came to 40 percent on the first 6,000 pounds of the monthly salary and 25 percent on the rest. After this modification, wages ranged from 3,200 pounds

to 20,000 pounds a month, with an average rate of 8,000 to 9,000 pounds. This rate was equal to \$75 a month, or double the costs of a night's stay in a hospital. The Lebanese representatives informed the mission that parliament had agreed in May to an increase in wages of 4 percent with respect to workers with low salaries, retroactively to the beginning of 1987. As regards the employment of government workers, since 1985 there had been a freeze on the filling of most positions which had become vacant. The only exceptions involved the judiciary and other positions which there was no way to avoid filling, such as the armed forces. The mission felt that the drop in the value of real salaries resulting from the cautious wage policy the authorities were following was unfortunate but inevitable.

Lebanon's representatives mentioned that the Lebanon Electricity Company was the greatest recipient of loans and transfers in 1986, since these came to 1.7 billion pounds, followed by the agency responsible for the import of flour (1.6 billion pounds), then communications. In the two cases of the electric company and the agency responsible for flour, the payments covered labor costs, while with respect to communications the payments ought to have covered foreign debt service and imports.

The second chapter of spending (including equipment purchased by the Ministry of Defense) was less than had been outlined in the budget in 1986 as a result of some projects (communications and airport equipment) which had been transferred from the ministries to the Development and Reconstruction Council (which is outside the budget) and also the deferral of some projects. In response to a question from the mission, the Lebanese representatives expressed their belief that it might not be right to reduce the public investment sector (the total of the second chapter of spending and spending by the Development and Reconstruction Council), especially since the Development and Reconstruction Council's investments required intensive labor. Whatever the case might be, they agreed that investment in the public sector had declined in real fashion since 1984.

With respect to the financing of the deficit, the Lebanese representatives pointed out that the Bank of Lebanon and the government agreed to an undertaking at the beginning of each year that they would directly offer a sum of money as a loan to the government and the government could approve these loans according to its needs. However, with the treasury bonds, the Bank of Lebanon had become more reserved in expanding the provision of credit, since it could resell it in the secondary market.

The mission observed that the government had withdrawn the sum of 900 million pounds from the Bank of Lebanon as a result of the revaluation of the exchange rate (the 115 account) in March 1986. However, most of the account, which is estimated at about 60 billion pounds, was not touched. The mission pointed out that major withdrawals from the account could result in serious harm to the government and disregard of the real need for austerity in public spending. More than that, the economic effect of withdrawals at the 115 rate were instances of borrowing from the Bank of Lebanon. In order to slow down the growth of the reserve of money, it would be preferable if public sector financing by the bank were reduced. The Lebanese representatives replied that the authorities did not resort to financing outside the 115 account, and the

mission welcomed this position.

[25 Jul 87 p 6]

[Text] The International Monetary Fund mission referred to the policy which the Bank of Lebanon had followed in the framework of interest in 1986, but warned of the "dangers of a severe increase" in interest rates in 1987.

The International Monetary Fund mission expressed its satisfaction that the Bank of Lebanon had refrained from transferring currency profits to the Ministry of Finance. These were profits resulting from the rise in the value of foreign assets in the Bank of Lebanon's possession.

The minutes of meeting three which was held in Paris as part of the round of meetings between a mission from the International Monetary Fund and the Bank of Lebanon and the Ministry of Finance stated that the Bank of Lebanon had retreated from many measures under political pressure and on the part of the Society of Banks, and that most banks did not honor the Bank of Lebanon's measures.

The Lebanese negotiating delegation also pointed out that the effectiveness of the financial policy had become limited due to the magnitude of the financial deficit and the dollarization of the economy.

AL-SAFIR has published the texts of the minutes of the first and second sessions, and today is publishing the text of the minutes of the third session, which deal with the fiscal and monetary situation.

The discussions concentrated on developments in 1986 and the policy of measures taken on the part of the Bank of Lebanon in order to repress debt expansion and halt the deterioration in the value of the Lebanese pound.

1. The form and composition of local liquidity.

Local liquidity expanded in 1986 by about 172 percent as compared with 56 percent in 1985 and the equivalent of 24 percent in the period between 1982 and 1984. About 90 percent of the expansion was the result of growth in foreign currency deposits. Measured in dollars, these deposits rose by 20 percent, although, since their currency structure (the form of the currency) is not available, it is not clear to what level the rise was reflected by the rate of the decline in the value of the dollar with respect to other major currencies. The Lebanese representatives considered this increase in foreign currency deposits mainly a result of the accumulation of new deposits, based on exceptions bearing on the continuous collapse in the value of the pound and improvement in the trade balance. The other motives for retaining foreign currencies in recent years included political uncertainty, considerations related to the stable financial situation of Lebanese banks and in addition demand transactions on the part of merchants and citizens who have relatives or children abroad. At the end of 1986, American dollar deposits came to about 68 percent of local liquidity, with an additional important share of the wealth of residents deposited in foreign currencies. As regards the latter (the share of the wealth of residents), the Lebanese representatives expressed

their belief that people conducting transactions in foreign currencies had imported significant amounts of foreign currencies to the country in recent years. The representatives added that the "dollarization" of the economy was nonetheless still far from being completed, since, while Lebanese families which had moderate financial revenues kept a part of their wealth in foreign currency, and the real prices of properties and some goods in which transactions took place were set in foreign currencies, most of the payments were still made in Lebanese currency.

The growth of the Lebanese pound's local liquidity component slowed to 29 percent a year in 1986 from 47 percent the previous year. The real levels of the Lebanese pound dropped sharply in 1983 (by 8 percent in 1984 and 1985 and 48 percent in 1986). The private sector adjusted itself to the expansion in allocations (debts) with an excess in demand for liquidity in the Lebanese pound by increasing spending and shifting to foreign currency -- from which resulted a further decline in the rate of the pound, a rise in inflation and also a drop in the real levels of the pound. In addition, the liquidity basis of the Lebanese pound changed in recent years. Foreign currency's share dropped from the level of 19 percent in 1981 to 13 percent in 1986, perhaps because in this period of relatively high inflation the largest financial notes continued to be 250 pounds. The Lebanese representatives considered this increase in the share of time and savings deposits in Lebanese currency, which indicated deposits since 1981, to be unimportant, while the Lebanese banks showed flexibility in giving depositors an abundance of credits before the loans were due (with low interest rates). In addition, time and savings deposits showed a high degree of "money performance" (moneyness).

2. Bank financing of the deficit in the public sector.

Net public sector debts with the banking system rose in 1986 to 15.6 billion pounds, as compared with 14.3 billion pounds in 1985. This increase could have been greater had the increase not been based on the Lebanese pound and the value of the public sector's foreign currency deposits (12.3 billion pounds). Ruling this evaluation out, the public sector's indebtedness rose from 18.4 billion pounds in 1985 to 27.9 billion pounds, the equivalent of about 35 percent of the local liquidity provided in Lebanese pounds.

The Bank of Lebanon exerted great efforts in 1986 to limit the growth of demand in the public sector. More important than that, payments to the public sector were refused or deferred, whenever that was possible. In addition, the basis of Central Bank financing of the public sector deficit changed with the Central Bank's reliance in increasing fashion on sales of treasury bonds more than an orientation toward indebtedness with the treasury. The Lebanese representatives considered that the maturation of the debts provided in the previous basis put pressures on the treasury to limit spending with the goal of making repayments to the Bank of Lebanon, and that had a character of a link with the financial system. More than that, the treasury bonds could be sold by the Central Bank on the secondary market, which would give the Bank of Lebanon greater flexibility relative to interest rate policy, and provide that with the ability to carry out open market operations in the future. This shift in public sector financing did not increase the costs of interest to the government, since it was the party directly in debt to the Bank of Lebanon,

and it was also connected to the market rates. In addition, a relatively minor sum, estimated at about \$900 million, of the profits from the evaluation of the exchange was shifted from the Bank of Lebanon to the treasury in March 1986. However, the Lebanese representatives informed the mission that the government would not henceforth be permitted to use this kind of financing. The mission welcomed this decision, since the use of the profits of exchange evaluation (speculation in foreign currency) would have the same effect on reserve funds as indebtedness with the Central Bank. In addition to that, the mission stressed that the government's use of such profits in showing that a drop had occurred in the financial deficit might weaken the insistence on adopting corresponding financial measures.

Demand on the public sector by the commercial banks (including that related to the Societe Financiere du Liban, SFL), increased by just 5 billion pounds in 1986 as compared with 16.5 billion pounds the previous year. The role of the Societe Financiere du Liban in financing the deficit dropped dramatically, reflecting a more effective role for the Bank of Lebanon in the treasury bond market. In addition, the Societe Financiere du Liban's deposits of treasury bonds dropped from 4.7 billion pounds in 1985 to 0.6 billion at the end of 1986.

In 1986, with the objective of lessening the effect of the financial deficit on local liquidity, the Bank of Lebanon started to sell treasury bonds directly to the public. The public's holdings in treasury bonds was estimated at about 2.5 billion pounds, in spite of the refusal of the majority of commercial banks to provide a market for the sale of these bonds. In spite of that, treasury bonds demonstrated that they are an attractive investment instrument, especially since their returns are greater than the returns on bank deposits, are of high liquidity (since it is possible to deal in them in the financial market at any time) and are guaranteed in the form of low-cost bonds (50,000 pounds).

3. Interest rate policy.

In 1986, interest rate policy was restricted by the treasury's refusal to increase the rates on 3-month class treasury bonds to more than 18 percent. Within these limits, the Bank of Lebanon strove to move the rates higher. Treasury bonds were sold in the secondary market with revenues on 1-year bonds that reached 35 percent. The rates of deposits came to about 16 percent in September 1986, as compared with 12 percent in the last quarter of 1985, while the rates of indebtedness reached 24 percent, as compared with 18 percent in the last quarter of 1985. The penalty levels on banks which failed to respond to reserve requirements were at 364 percent in January 1986, but dropped to 120 percent in June. The committee welcomed these high rates, which reduced the banks' enthusiasm to put reserves below the level of the desired rates with the goal of increasing their position relative to foreign currencies. In response to a question from the mission, the Lebanese representatives said that the rates among banks had reached 100 percent on numerous occasions in 1986, normally accompanied by strong pressure on exchange rates, which indicated that the banks used the amounts of the debt for speculation against the Lebanese pound.

The mission observed that interest rate policy in 1986 was largely appropriate and agreed with the Lebanese representatives that a severe increase in interest rates in 1987 would lead to large risks. The financial deficit reached a magnitude which made the interest rates on government guarantees on the true positive level increase the risks on fiscal financing and growth in financial reserves. In particular, the private sector would view this increase in interest rates as a sign of further weakness in the financial situation, which would strengthen expectations regarding a further drop in the value of the pound and so forth by confinement to the original goal of the expanded sale of treasury bonds. Nonetheless, the Lebanese representatives pointed out that interest rate policy above all else required flexibility in responding to the rapid change in the components of the foreign exchange market and any increase in rates, however moderate, was absolutely to be ruled out.

4. Measures to limit private sector debts.

In the context of the limited scope of interest rate policy in 1986, the burden of the attempts to limit the expansion of private sector debts was based on treasury bond portfolio reserves and requirements. A number of measures were imposed at the beginning of the year. These measures were abandoned or moderated in the second quarter of the year as a result of resistance to them and political pressure on the part of the Society of Banks. Financial policy was restricted once again in December 1986.

Reserve requirements rose from 18 to 21 percent in January 1986 to 22 percent in February. Nonetheless, as part of a general agreement with the Society of Banks, they were lowered to 10 percent in June. In December 1986, the Bank of Lebanon informed the banks that the reserve requirements would rise in three stages to 13 percent, along with an increase in the permissible ownership of reserves based on special treasury bonds (offering a 6 percent yield).

In order to increase commercial bank financing of the financial deficit and slow down special allocations, bonds related to financial vouchers (treasury bonds) were offered in March 1986. Banks were requested to retain the equivalent of 30 to 70 percent of their deposits in the form of treasury bonds by calculating the volume of the base of all the banks' revenues then demanding that banks which had pound deposits of less than 1 billion pounds keep 30 percent of their deposits in the form of treasury bonds, banks which had pound deposits of less than 2 billion pounds 45 percent, banks with less than 3 billion pounds 60 percent and banks above 3 billion 70 percent. These requirements dropped to between 15 and 30 percent in June. In December, the requirements on commercial bonds were tightened up once again: on banks with pound deposits worth less than 1 billion pounds, reserves of 30 percent of deposits on the form of treasury bonds were imposed plus 60 percent of the deposits they had obtained after 4 December; on banks with deposits greater than a billion pounds, reserves of 45 percent of the value of their deposits in pounds were imposed in the form of treasury bonds, while the margin requirements were also 60 percent. However, banks might be exempted by the Bank of Lebanon from these requirements if commitment to them would cause these banks to avoid increasing public sector allocations on the basis of a rate equal to their interest rates on loans, for example the financing of interest payments. Indeed, a ceiling was placed on the growth of the

allocations of each bank to the private sector equal to the rate of interest on loans, since the remaining amounts of the loans of banks (after attainment of the reserve requirements) had to go to treasury bonds.

The mission observed that the effectiveness of financial policy had now become limited to the volume of the financial deficit and dollarization of the economy. More than that, not all banks had honored the measures of the Central Bank. In spite of that, while the measures mentioned above were not effective in stifling the acceleration of growth in private sector allocations, they had a noticeable restrictive effect. Obvious allocations to the private sector in pounds dropped by 60 percent in real terms in 1986 (in comparison with 44 percent in 1985 and 21 percent in 1984), in spite of the severe drop in the real interest rate. The rate of reserves relative to deposits in pounds increased slightly in 1986, which led to the avoidance of a large increase in allocations of Lebanese pounds as a result of the significant drop in the liquidity rate of the average deposits in pounds. This was noticed in particular since an environment of a negative increase in interest rates and exceptions with respect to the acceleration of the drop in the value of the pound had of necessity to be attractive to some banks in taking positions in foreign exchange, or the guarantee of loans to participants for the sake of purposes of speculation. Financial bonds in the average deposits in pounds increased by 4 percent in 1986 in comparison with 1985, in spite of the decline in the attractiveness of treasury bonds relative to foreign exchange. These factors without a doubt reduced growth in private sector allocations and spared a greater decline in the value of the Lebanese pound.

The mission raised a question as to whether the expansion in allocations might be more effective in exerting pressure through a ceiling on allocations or through a consolidation of reserve requirements and treasury bonds. Specifically, growth in private sector allocations in 1986 financed through growth in "other debts" (by about 24 billion pounds; the growth in other debts in Lebanese pounds was greater than the expansion in private sector allocations) was not the object of interest with respect to the requirements above, although they might have included some private sector deposits. The Lebanese representatives answered that by saying that they had seriously ruled out the issue of putting a ceiling on private sector allocations, since they believed that the reserves and treasury bond requirements had, fundamentally, the same effect. They felt that the commercial banks would oppose credit ceilings even more rigidly than the means set out that were in effect, since ceilings would lead to a further reduction in the banks' flexibility. They added that it would be impractical to abandon the current system, which it seemed the banks had finally accepted.

5. Other elements affecting local liquidity.

Net foreign assets once again imposed a strong expansionist effect on liquidity. However, that was basically a result of the effects of the evaluation. With fixed exchange rates, the increase in the foreign assets of commercial banks to a large extent changed as a result of the drop in official reserves. Other matters imposed an inhibiting effect on local liquidity, primarily as a result of the increase in Central Bank and commercial bank revenues.

6. Capital adequacy.

The Lebanese representatives informed the mission that the statutes on debt exemption which had been declared toward the end of 1983 were not adhered to. On the basis of these statutes, banks had to retain capital and reserves equal to at least 3 percent of assets. However, as a result of the drop in the value of the pound, the commercial banks' assets rose sharply, in terms of local liquidity. Thus the debt payment rates declined. However, the banks argued that in terms of principle there was no weakness in "capital adequacy" as long as debts in foreign currencies were equalled by the foreign assets which for the most part had been placed as deposits in similar banks abroad, which meant removing risk from the situation. There were numerous recommendations aimed at reducing the capital adequacy bases, including the provision of detailed percentages of foreign and local currency assets. The Lebanese representatives pointed out that the "capital adequacy" rates to some extent were arbitrary and perhaps it would have been preferable to offer a rate similar to that which had been agreed on recently by the Bank of London and the American organization authorities. Taking this into account, a new capital adequacy rate would be presented soon. The mission welcomed this and pointed out that whatever the rate which would be used might have been, observing "capital adequacy" had to have priority with respect to the monetary authorities.

The Lebanese authorities were confident that the state of the banking system had improved to a great extent in 1986. Numerous factors were noted in this area. First of all, the majority of the banks held positive positions with respect to foreign currencies. Thus, they benefitted to a large extent from the drop in the rate of the pound. Second, costs (specifically salaries and pensions) dropped to a large degree in 1986 as a result of the drop in the value of the pound and to some extent because a portion of the revenues were obtained in foreign currency. Third, the majority of banks restricted the distribution of profits and built up capital and reserves at the expense of dubious loans. Fourth, the amounts owed by the private sector in foreign currency were largely reduced in 1986. Fifth, the level of payment by debtors in 1987 improved as a result of the stimulation of economic activities. Sixth, restrictions related to the retention of capital and reserves in foreign currencies were further liberated, which also strengthened the level of payment of debts. It was now possible to retain the increases in capital in foreign currencies.

The Lebanese representatives also expressed their belief that the state of capital was better than the banks' balance sheets showed, as a number of banks were refraining from putting some of their capital into their balance sheets. The representatives expressed their fear that this capital might not be used to cover losses in the event they occurred. The authorities' main interest in the area of capital adequacy was the guarantee of an increase in capital. They said that a study was being made on a number of plans, including the approval of secondary debts, in order to encourage such an increase. The mission was in favor of the banks' observing caution regarding the payment of profits, pointing out that the profit accounts from the re-evaluation of the conditions of the banks in the context of foreign exchange must be used to increase capital and reserves.

7. Execution of policy.

One of the main difficulties facing the authorities in applying their policy was that the banks did not all commit themselves to the guidelines and laws of the Bank of Lebanon. Five to 10 of the major banks were effectively overseen. Although these might have 50 percent of the deposits, on the other hand, a number of smaller banks refused to open their accounts to the bank oversight committee. The Lebanese representatives said that it was possible to carry out some policies more effectively than others. The banks' accounts with the Bank of Lebanon could be easily used to pay any deficit in reserves, which made requirements in the context of the current circumstances an effective measure. The tentative estimates on the part of the mission showed reserves below the desired levels during most of the period of 1986, although the Lebanese representatives felt that compliance had improved during 1987. On the other side of the picture, the measures limiting the banks' positions relative to foreign currencies to 15 percent of capital were to some extent difficult to be committed to, because of the law on bank secrecy which facilitated speculation in foreign currencies. The Lebanese representatives expressed their anxiety that there was little clarity of vision regarding changes in other net items, which had sharply increased in recent years. In order to rectify this, more detailed measures would be presented soon.

[28 Jul 87 p 7]

[Text] The minutes of the fourth session of negotiations between a delegation from the Bank of Lebanon and the Ministry of Finance and a mission from the International Monetary Fund last 18 March contain the details of discussions on the foreign sector, especially the balance of payments and the exchange rate of the pound.

The minutes of the session revealed that a meeting of Arab central bank governors would be held in Tunisia the coming August to discuss a support fund for the exchange rate of the pound, "which is not reflecting its true economic value."

The International Monetary Fund considered that "the Bank of Lebanon is able to stabilize the exchange rate of the pound on the basis of the great reserves of the pound."

The minutes of the session state that Lebanon's foreign transactions have relied on statistics which the International Monetary Fund obtained from Lebanon's commercial partners abroad.

Herewith is the text of the minutes of the fourth session.

The Foreign Sector

1. The balance of payments.

The meeting began with a summary statement by the mission of the method of preparing balance of payments estimates. It was stressed that the table of figures on foreign transactions was extremely obscure, and that all the

deductions had to be dealt with as not final. The major source for trade figures was the International Monetary Fund's office of commercial statistics, whose figures depended on reports presented by Lebanon's commercial partners. Nonetheless, in light of the delay in obtaining final figures for 1986 from Lebanon's commercial partners, the statistics for that year were adjusted to reflect the Lebanese partners' assessments of economic developments in general, which showed a big revival in exports accompanied by a continued decline in the volume of imports. The mission pointed out that a number of sections were estimated on the basis of current and basic accounts, and the principal deficiency in the statistics remained in the areas of private remittances, payments and bills for unrecorded services. These various major current accounts set out under "other net sections" were collected from a number of sources, principally the fund's documents. A number of categories in the balance of payments were founded on figures issued by the bank statistics of the International Monetary Fund, which were used as a base measurement of classification goals. These categories included "amounts owed to other than banks by international banks," "debts other than those of banks to international banks," and "revenues on interest for other than banks from international banks." The total balance was described as the carbon copy of the change in net foreign assets in the Bank of Lebanon after their adjustment to the effects of change on the level of the rate of fluctuation in exchange rates. However, the Lebanese representatives defined the total balance as reflecting the change in net assets of foreign currencies in the banking system in general after removal of the estimated influences of the exchange rates.

As regards balance of payments estimates, the Lebanese representatives observed that the trade deficit in 1986 dropped by about 28 percent to \$1.2 billion, which was the lowest level since the seventies, and consequently continued its constant post-1983 decline. The value of exports increased by 21 percent to \$700 million as a consequence of benefit by the sectors of agriculture and industry from the improvement in security conditions and the increase in the competitive ability of Lebanese exports due to the severe drop in the exchange rate in the Lebanese pound and the great surplus in the context of exports as a result of the drop in local demand due to high inflation rates. To that it should be added that exports rose as a result of the drop in the disturbances which had afflicted production and transportation sector facilities, and the restrictions that had been imposed in neighboring countries on Lebanese goods with respect to determination of the country of origin had become less intense. The Lebanese representatives noted a significant ability to increase exports in the event security circumstances improved further. At the same time, imports dropped by about 15 percent, to \$1.9 billion, based on the accelerating drop in import allocations in the banks and the drop in payments of oil imports by about 25 percent as a result of the drop in oil prices in the international context and because of the additional drop in the real revenues prepared for disbursement.

The mission observed that the reasons why the flow was not clear lay in the other net sections and that it had dropped from more than \$2.3 billion in 1983 to less than \$0.7 billion in 1986. The drop reflected a decline in net revenues from services and private remittances, along with an increase in the flow of short-term capital.

In spite of the significant improvement in the balance of trade, overall balance of payments recorded a deficit estimated at \$630 million in 1986 in comparison with the surplus of \$350 million in 1985. As a result of that, the Central Bank's total foreign reserves fell to \$462 million at the end of 1986, that is, the equivalent of 2.9 months of imports, as compared with \$1,051,000,000, the equivalent of 5.6 months of imports, at the end of 1985. The Lebanese representatives were not in a position which would make it possible for them to supply the mission with the balance of payments drafts for 1987 or covering an average period, especially in the light of the continued uncertainty regarding political conditions and the exchange rates.

2. Exchange rates and reserves management policies.

The Lebanese representatives observed that the policy of supporting the rate of exchange through broad intervention in the market was abandoned, in general, with the advent of the end of 1984, while foreign currency reserves fell in a frightening manner to their lowest levels at the end of 1984 (\$652 million, that is, the equivalent of 2.6 months of imports). In 1985 the Central Bank tried to increase reserves whenever it considered that possible, and of necessity it permitted the market to set the exchange rate. Net purchases on the part of the Central Bank that year came to \$134 million while the exchange rate of the pound dropped 60 percent relative to the American dollar. The Lebanese pound dropped by a rate of 83 percent in 1986 to about 38.37 pounds per American dollar. The deterioration in the price of the pound hastened in the last quarter of the year, with an exchange rate that came to 87 pounds per dollar. At the end of the year the value of the dollar reached 120 pounds.

The Lebanese authorities suggested that the most effective means for softening the drop in the exchange rate of the pound would be to increase commercial banks' demand for treasury bonds, to limit commercial bank loans used in speculation and entice them to abstain from strengthening the Euromarket for pounds. The Bank of Lebanon sought to support the exchange rates in 1986 through intervention in the market during the months of February and March, from which the sale of about US \$120 million resulted, and a rise in the demand for treasury bonds by commercial banks. The policy of supporting the exchange rates proved how costly it was and when the Bank of Lebanon's reserves dropped to \$168 million in 1986 and payments on the part of the government came to \$444 million, this policy was abandoned. It was observed that an important share of the losses arising from the intervention afflicted the Bank of Lebanon in February 1987 when the rate of the pound rose from 120 to the dollar to 180 to the dollar. The Bank of Lebanon's goal in that was to reduce the short-term fluctuations in the exchange rate and reduce the rate of the drop in Lebanese currency.

The Lebanese observers noted that although the Bank of Lebanon did not have a specific reserve objective, the high level of foreign exchange reserves was necessary to avoid the encouragement of speculation and increase stability in the money exchange market. While the developments in the exchange rate in 1986 could to a large extent be defined by the commercial banks' desire to finance the financial deficit and by the desire to control speculation, a number of other factors could have played an important role. The Lebanese

representatives stressed the role of expectations in setting the exchange levels and the psychological effects of non-economic events, which could lead to a drop in the rate of the pound greater than could be justified by economic facts. More than that, psychological factors now are imposing a cumulative effect on the exchange rates, since the lack of political stability has continued for more than a decade. With low daily exchange rates, estimated at a level of \$4 to \$6 million, temporary factors like everyday security circumstances could cause severe fluctuations in the rates of exchange. In these circumstances, the Central Bank might be able to stabilize the exchange rate on the basis of the large reserves by eliminating a period of speculation against the pound. It has been observed that the Lebanese pound was perhaps below value with respect to the main economic factors in the economy, such as the volume of gold reserves and foreign currency holdings and the liberalization of the exchange system. The Lebanese representatives pointed to factors which were increasing in the economy, such as the volume of the gold reserves, foreign currency holdings and the liberalization of the exchange system. The Lebanese representatives pointed to factors which added to the complexity involved in the stability of the exchange rates, such as the effect of dealing in the Euromarket for pounds, which expanded in a large manner in 1986.

The Lebanese authorities stated that the expansion in the European market for the Lebanese pound principally reflected further speculation activity on the part of the private sector and the commercial banks. Since Lebanese pound deposits in the local banking system faced reserve requirements, keeping money in banks abroad (in pounds or foreign currency) has become more beneficial for depositors and the commercial banks. These deposits have been outside the control of the Central Bank, and, more than that, the foreign banks could lend anyone large amounts of Lebanese pounds which would be used for purposes of speculation. Since the deposits in pounds were owned by creditors, the banks were outside judiciary prosecution and outside the control of the banking committee, the committee of surveillance over banks. While the level of deposits in pounds exceeded 10 billion, they did not reach half that level at the present time. The Bank of Lebanon recently issued memoranda to limit Eurodeposits in the pound and as a result of that has not permitted local Lebanese banks to accept deposits in pounds from foreign institutions. More than that, the banks have been prohibited from offering loans in pounds to foreigners.

The mission observed that intervention in the market to stabilize the exchange rate would not have any effect worth mentioning in the medium term, in the context of the growth of financial imbalance. It stressed that rapid expansion in local liquidity at a time when real incomes fell might result in shifting the pressure for adjustment toward the exchange rates. Considering the acceptance of the shift of pressure for adjustment toward the exchange rates and the traditional acceptance of the rate of foreign currency reserves as an index of the strength of the banking system in Lebanon, the mission stressed the dangers of the policy of intervention in the market, which could lead to a drain on reserves. At the same time, the mission advised the Central Bank to follow the policy of forming foreign currency reserves whenever that was possible and limiting its intervention in the market with the purpose of reducing short-term fluctuations in the exchange rate.

The Lebanese representatives asserted that the most effective way of stabilizing the exchange rate would be to establish an independent financial fund in Lebanon on the part of the Arab central banks. The Bank of Lebanon would pay the participating members interest rates which were in effect internationally on their deposited funds. The fund's effect on the exchange rates would be primarily psychological. The governor, Dr Edmond Na'im, agreed to the vital condition for any plan to support the exchange rate, which was reform of the financial imbalance, including the suspension of subsidies on oil, effective control of the investment activities of the Development and Reconstruction Council and a severe reduction in non-productive expenditures. A suggestion was made that it would be possible to arrange a meeting, perhaps in Cyprus, between Lebanese representatives and fund employees before the meeting of the governors of Arab central banks to be held in Tunisia next August, with the purpose of discussing these recommendations and decisions which the Lebanese government would adopt regarding financial reform measures.

As regards foreign public debt, the Lebanese representatives noticed that the rate of service dropped sharply in the years 1985 and 1986 to the equivalent of 5 percent of the value of exports, in comparison with the rate of 10 percent in the years 1983 and 1984. It was observed that there had been some delay in the service of payments of foreign debts with the advent of the end of 1986, but these demands were settled in early 1987. The volume of foreign non-military debts remained small (estimated at about \$207 million at the end of 1986), with new debts during 1986 which were estimated at \$24 million. The mission observed that the investment program which had been prepared by the Development and Reconstruction Council called for a limited increase in financing in foreign currency. The Lebanese representatives pointed out that all foreign loans required government guarantee by means of the the Central Bank. In March 1986, the Central Bank decided not to extend public guarantees on any loans (except for oil and grain import credits). On that basis, the agreements to projects in 1987 would be reflected in the form of loan agreements signed before 1986, as the medium-term agreements related to loan undertakings before March 1986 gradually diminished. The mission recommended to the Central Bank those measures which would help reduce spending in foreign currency and reduce pressures on the exchange rates. In addition to that, it was expected that the government would reduce the investment activities of the Development and Reconstruction Council with more useful effects on the future service of foreign debts.

3. Other subjects.

The Lebanese representatives observed that there had been no major changes in the system of commerce and trade since the latest consultative talks (between the two parties) and they repeated their emphasis on preserving a free liberal system, pointing out that the payments agreement exchanged with Poland, which was signed in 1961, had led only to a minor level of trade. The mission urged the Lebanese representatives to contact the Polish authorities with the purpose of carrying out talks bearing on the ultimate termination of the bilateral agreement. One should bear in mind that the two countries are members of the fund.

The Lebanese representatives expressed their preference for thorough annual talks, especially since the economic situation was extremely changeable and any settlement of the political and economic situation would be quickly followed by the need for a comprehensive financial and economic program.

HADRAMAWT WITNESSES 49 PROJECTS DURING SECOND YEAR OF PLAN

Aden 14 UKTUBAR in Arabic 1 Jul 87 p 2

[Text] The total number of development projects that were implemented in Hadramawt Province during the second year of the third 5-year plan was 49 projects in various fields. The amount invested in them was 29,467,200 dinars. Meanwhile, the number of joint projects with the provinces was 19, in which 32,200 dinars were invested. That is in addition to the local projects outside of the plan, which were carried out in the province with assistance from the Development Fund and which amounted to 610,000 dinars.

A report evaluating the activity of the executive office of the Local People's Council in the province, which the office discussed recently in its ordinary session, explained that discussions had been held with the utilities and production competition committees to get them to implement the economic and service plans by the end of next November, as a gift in commemoration of the twentieth anniversary of national independence.

The report mentioned that in the area of supplying the people with water, about 80 percent of the neighborhoods of al-Mukalla had been supplied with water through the project which was recently completed at a cost of 130,000 dinars with help from volunteer efforts. It is expected that work will begin shortly on the greater al-Mukalla water project, which will cost \$45,000. In addition, an agreement has been signed with the Chinese company and the general organization for digging, and Soviet-Yemeni projects to dig wells in a number of the province's districts.

With respect to electricity projects, the report affirmed that in a project involving five cities east of al-Mukalla, electricity had been connected to the eastern regions of al-Hami and al-Dis in the al-Shihr district. Meanwhile, an agreement has been signed to bring electricity to a number of the regions of Fuwwah, at a total cost of 50,910 dinars.

In the area of public health, final arrangements are being made to open Fuwwah Central Hospital this October. The project cost \$3 million. Meanwhile, the upcoming period will see the implementation of a project for mobile exchanges in al-Mikalla, Say'un, al-Qutun, Tarim, and Ghayl Ba Wazir with a capacity of 7,200 lines.

The report said that the agricultural project achieved a success rate of 102 [percent], and preparations are being made to start work on a project for 15 million eggs in the Fuwwah region at a cost of 900,000 dinars. It pointed to the fact that the local establishment for land transport, the port of al-Mukalla, the national maritime company, and the agency for wired and wireless communications in the province had realized a net profit of 2,333,880 dinars in 1986. As for housing, the report mentioned that 33 residential apartments would be completed in the province this year, and that 300 hectares in the districts of al-Shihr and al-Mukalla--the equivalent of 400 dwellings--would be mapped and surveyed. Meanwhile, the housing administration is repairing 1,142 homes in the province, at a cost of 360,790 dinars.

The experiment to renovate homes in coordination with the people's defense committees in the province last year had positive results. In the districts of al-Mukalla and al-Shihr 109 homes received maintenance at a cost of 15,694 dinars. A similar maintenance agreement, with an estimated value of 389,430 dinars, has been concluded.

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EXPATRIATE HOPES FOR PEACEFUL RESOLUTION OF CONFLICT

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 11 Jul 87 pp 4-5

[Article by Wolfgang Koehler: "Colonel Says 'We Have Everything,' But All One Can See Is Submachine Guns"]

[Excerpts] Al Sauwadija, 10 July--Next to the road leading to South Yemen, just a few kilometers beyond the North Yemeni village of Al Sauwadija, there is a barrier manned by North Yemeni soldiers. A rocky sand trail covered with many vehicle tracks branches off toward the hilly frontier area which has never been clearly marked. A few kilometers down this trail the view opens up toward a plain dotted with basalt hills as far as the eye can see and full of simple stone huts covered with brightly colored canvas. There is another barrier and it, too, is manned by Yemeni soldiers. My escort from the information ministry tells me that these, however, are South Yemenis who fled the new regime during the past 18 months following the bloody power struggle. Their control post stands at the entrance to a military camp. A trail marked by rocks leads us to the tent of Col Ahmad Salih Alaiwa, the camp commander, who herewith welcomes his first Western visitor.

The camp, named the "camp of unity," is just one of many, the commander says, while not divulging "for security reasons" exactly how many there might be in all or, for that matter, telling us how many soldiers are stationed in this particular camp. What about weapons? "We have everything, even including tanks," the colonel says; but all we can see are submachine guns. Just as in back of the village of al Sawadija there are a number of antiaircraft guns positioned on some of the surrounding hills here. They belong to the North Yemeni army. Is he afraid of air strikes? No, says the colonel. This is merely a routine precautionary measure. They brought the other weapons along from South Yemen; they do their training elsewhere. As far as vehicles go, the only ones we can see are tank trucks and Japanese-make four-wheel drive vehicles.

The commander's tent contains three upholstered chairs, two cots, a field telephone and a television set. It has a linoleum floor and its sides are covered with cloth. Where do all these things come from, including the uniforms and the food? The colonel prefers not to say and points in the direction of the headquarters of his supreme commander, Ali Nasir Muhammad, the deposed head of state of South Yemen. The colonel and his men still consider Ali Nasir Muhammad to be South Yemen's rightful president. "We hope to return with our President Ali Nasir Muhammad," says the colonel. "We are sure we will return." When? we ask. The colonel says he does not know.

At morning roll call on a level piece of ground the size of a soccer field, the camp commander gives a brief speech reiterating his resolve to return home with Ali Nasir Muhammad. There is a brief round of applause at the mention of the deposed leader's name. The assembled soldiers--about one thousand of them--make an orderly and well-disciplined impression. They do not strike one as a wild band of men from the hills or a guerilla unit but rather like an army unit that has not trained as a group but is composed of new men arriving each day from South Yemen. Their uniforms and shoes are clean; they are clean-shaven, their hair is cut short; they seem healthy and well-fed. For lunch, there is boiled mutton and rice. Some of the men are still dressed in ethnic civilian clothes but we are told they will soon be given uniforms. Colonel Alaiwa tells us that 30, 40 or more men come over from South Yemen every day. They are first registered by a committee and then brought to the camp.

In mid-January of last year, when the fighting broke out in South Yemen which toppled Ali Nasir Muhammad from power, the camp commander was just about to complete a military training program in the Soviet Union which was allied to the previous regime in Aden as it is to the present one and which may still be lending support to the deposed South Yemeni head of state. The 39 year-old colonel thought it wiser not to return to South Yemen but to join forces with the deposed leader in North Yemen in February 1986. At that time, he says, he was the only officer to go to North Yemen from the Soviet Union. Later, "a good many others" followed suit after completing their training cycles in the Soviet Union. His wife and his two daughters are still living in Aden, he says; but he rules out returning there under present political conditions. He is afraid that, being a native of Schabwa province whose population supports Ali Naisr Muhammad, the Aden regime would kill him.

The camp commander emphasizes his peaceable intentions and his hopes for a return to South Yemen following an agreement between "his president" and the new rulers. For that matter, he has no other choice because, as a North Yemen government official in Sanaa assures us, the North Yemeni army would step in if a military action across the border (wherever it might be) were mounted.

That official has been to the camp but says that he cannot really tell whether it is situated inside North Yemen or whether it is already on the territory of South Yemen. Military actions across the border or--more accurately--from the territory under the control of the Sanaa regime into that under the control of Aden would provoke a reaction on the part of Aden against Sanaa. It would not necessarily turn into a frontier war such as those which occurred periodically in the past; but the Aden regime might incite its own supporters inside North Yemen to similar action. It is also impossible to pinpoint the location of Ali Nasir Muhammad's radio station of which he spoke in a conversation in Sanaa. It is "on the border," he said; but it cannot be visited. On the way back, in the car, its broadcasts can be picked up. They can also be heard inside South Yemen, but not in Sanaa.

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CURRENT SOVIET TACTICS, CONDUCT OF OPERATIONS REVIEWED

Frauenfeld SCHWEIZER SOLDAT in German May 87 pp 20-22

[Article by Dr Albert A Stahel: "Soviet Conduct of Operations, Tactics in Afghanistan 1986-87"]

[Text] Since 1985, the Soviet Union has made increasing use of special units in place of its cumbersome divisions in its efforts to destroy the resistance movement. To carry out these operations, Army General Mikhail M Saltsev, the commanding general of the Soviet Southern theater of operations headquartered in Tashkent, has had the following special units (numbering between 21,000 and 26,000 men) at his disposal:

Two to three SPEZNAS (spetsialnogo nasnatcheniya) brigades of the GRU; several "rasvedtchiki" sabotage units attached to the divisions and regiments; battalions of the airborne regiments and assault brigades stationed in Afghanistan; two detachments (of about 7,000 men) of KGB Border Troops and one regiment of MVD security forces. These special units are supplemented by four commando brigades of perhaps 2,000 men of the Kabul regime which are committed to battle by the Soviet command as well.

The members of these special units are specialists trained to kill whose actual use is determined by the goal of operations and the particular mission. In addition to the AK-74, 5.45-mm assault rifle, these units are equipped with the new AKR Krinkov submachine gun and pistols with silencers. They also carry bayonets which can be used as barbed wire cutters, hand grenades, RPO flame throwers, AT-7 antitank missiles and one-man operated SAM-7s.

These units are carrying out the following commando operations in Afghanistan: cutting the mujahedin supply lines by means of ambushes and mines; destroying mujahedin strongpoints; protecting convoys and airfields; killing mujahedin commanders; destroying villages and killing their inhabitants; operating outside Afghanistan, e.g. carrying out bombings and assassinations of resistance leaders in Peshawar.

The goal of cutting the supply lines is to close off the main routes and to scatter the resupply caravans. First, the rest stops and supply points are mined or destroyed by means of air strikes. Then, an airborne platoon or rasvedtchiki platoon is airlifted by helicopter to a point close to the target

at twilight. These elite units will then remain on silent watch for several days until they catch a mujahedin supply caravan in an ambush and destroy it.

As far as the destruction of mujahedin bases and strongpoints is concerned, mujahedin groups are encircled by special units brought in by helicopter on the basis of information obtained through air reconnaissance or supplied by spies. By systematically tightening the circle and dropping mines, the mujahedin are channelized and the ring is concentrically tightened from all sides.

The assassination campaign directed against mujahedin leaders started in 1984. These murders are perpetrated by SPEZNAS or KHAD (the Afghan equivalent of the KGB) killers who are infiltrated into the command structures. Prior to the 7th Panjshir offensive in 1984, such an attempt on the life of mujahedin commander Mahsud was carried out.

If a village is suspected of having provided support to the mujahedin in one of its operations, it is surrounded at dawn by a detachment of special Soviet troops consisting of 25 to 42 men. If the village is not protected by any of the mujahedin groups, every house is searched for hidden weapons or wounded mujahedin. Once the search is over, the entire population of the village is slaughtered.

Among the typical operations conducted outside Afghanistan we might mention the bombings of installations and the attempts on the lives of mujahedin commanders in Peshawar, e.g. the assassination of mujahedin commander Abdul Haq in February 1985 and the attempt on the life of Prof Rabbani, the leader of Jamiat-e Islami, on 26 October 1986.

These commando operations by the Soviet Union in Afghanistan are pursued with the following strategic and tactical objectives in mind:

In the east, along the border to Pakistan, the Soviets are pursuing a policy of deliberate expulsion and annihilation of the inhabitants as well as the destruction of the agricultural infrastructure. In this way, the Soviets are attempting to gain control over the mujahedin supply routes running through these provinces. For another thing, it helps them both to get rid of the unruly Pushtoons and to contribute to the destabilization of Pakistan by driving them into that country. It is of particular interest in this connection to note that the current plans of the Kabul regime call for the resettlement of 300,000 Pushtoons from the eastern provinces in Western Afghanistan.

The North, which is being Sovietized in accordance with the Central Asian model, is likely to be ready for integration into the USSR in a few more years. This process of Sovietization is being facilitated by the collapse of organized resistance in and around Mazar-e Sharif. The collapse followed on the assassination of mujahedin commander Zabiullah in the course of a Soviet commando operation on 14 December 1984.

In the West and the South, the military infrastructure is being strengthened which increases the likelihood that the Soviets intend to use these areas as a springboard for further operations against Pakistani Baluchistan and Iran. According to Pakistani sources, Soviet units are regularly crossing over into Iranian territory in Sistan up to a line connecting Doroh with Zahedan.

Mujahedin leaders such as Ahmed Shah Mahsud, a Tadzik from the Panjshir Valley; Ismael Khan in the Herat area and Abdul Haq in the capital of Kabul and the 150,000 men under their command have been engaged in a 7-year battle with the Soviets which has been waged under the greatest hardships and with utmost vigor.

Some of the weapons used by the resistance groups are original weapons captured from the Soviets and some have been supplied by foreign countries. The latter are primarily Soviet weapons manufactured in China or Egypt or weapons purchased on the international market. A few weapons come from Western countries, e.g. "Blowpipe" antiaircraft missiles and 20-mm antiaircraft cannon from Great Britain.

Although the mujahedin now have Chinese weapons in sufficient numbers, it should be pointed out that:

mujahedin tactical training is deficient and that Soviet battle tanks have been provided with additional armor. As a result, the mujahedin antitank missiles have become almost ineffective;

the mujahedin supply system through Afghanistan is extremely cumbersome and vulnerable. For one thing, it takes weeks to get needed ammunition, food and medical supplies from Pakistan to the mujahedin around Herat in the western part of the country. For another thing, there is always the threat of an attack on the supply convoys by SU-25 ground-attack aircraft or commando units. What is more, the threat of such attacks results in major delays in supplying the mujahedin in the western and northern areas of Afghanistan.

This situation can be remedied only by the one power, namely the United States of America, which provides most of the arms support to the Afghan resistance. To improve the position of the mujahedin, it is necessary to:

1. supply them with a sufficient number of modern antitank and antiaircraft weapons;
2. provide for thorough military training of the mujahedin;
3. do away with the existing, cumbersome logistic system and deliver materiel directly to the Afghan military commanders. In view of the poorly developed infrastructure in Afghanistan, this could only be done from the air.

The main problem with U.S. support for the Afghan resistance is that it is being provided through the agency of various bureaucratic institutions, e.g. the CIA, the State Department and the Department of Defense. In spite of Ronald Reagan's unequivocal commitment to providing this support, no one in his administration has been entrusted with the responsibility of running and

coordinating this program. Unless a general coordinator of U.S. support for Afghanistan is named soon, the lack of such a person will be responsible at least in part for the slow demise of the Afghan resistance. There is no likelihood of a sudden collapse. The Afghans' will to resist is too intense for that. They stood their ground against the armies of Persian King Cyrus, of Alexander the Great and Tamerlaine. As long as they still live, they will also stand their ground against the Red Army of the Soviet Union.

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GANDHI ELECTION EVE SPEECH STRESSES TERRORIST PROBLEM

New Delhi PATRIOT in English 13 Jul 87 p 1

[Text]

Prime Minister Rajiv Gandhi on Sunday termed the fight against terrorism as a major national problem and called upon all "secular, democratic and patriotic forces" to come together to mobilise the people against terrorism.

There could not be and would not be any compromise with the forces of terrorism as it was a challenge to the unity and integrity of the country, Mr Gandhi said, and declared the Government's determination to stamp out the menace of terrorism from the country.

Addressing a special meeting of the Congress Parliamentary Party, convened on the eve of the Presidential election on Monday, the Prime Minister extended the Centre's full support to the States to meet the terrorists' threat, and reiterated that there could not be any talks with the extremists.

He sought political struggle and popular resistance to the terrorists, and said the "victory will not be achieved until the people are in the forefront of the struggle".

Terming the fight against terrorism as a major national problem, Mr Gandhi said no political party should try to take political advantage of the incidents of violence.

Early on, Mr Gandhi won a virtual unanimous vote of confidence from his party colleagues, when an oral and impromptu resolution moved by veteran Prof N G Ranga, reaffirming faith on Mr Gandhi's leadership, was greeted by the meeting with a thunderous applause.

Of the 560 Congress members of the two Houses of Parliament, 541 were present. They included former Central Ministers Vishwanath Pratap Singh, Mr Arun Nehru, Mr V C Shukla and Mr Arif Mohammed Khan.

Briefing newsmen later, AICC general secretary Nawal Kishore Sharma and CPP secretary Hari Krishna Shastri said Mr Ranga's resolution was "spontaneous" and had not been decided upon earlier.

All members gathered in the high-domed Central Hall of Parliament stood up immediately and applauded when Mr Ranga moved the resolution.

In his 25-minute address to the members, Mr Gandhi dwelt at length on the problem of terrorism, and asked his partymen to be clear about the basic issues involved. The ideology of the terrorists was the ideology of hatred, "and ours is an ideology of love".

"Terrorism was based on ideology of fundamentalism, we stand for tolerance. Terrorism springs from communalism to challenge our secularism. Terrorists were working for separatism, whereas we stand for nationalism and unity", Mr Gandhi said.

The Prime Minister, however, cautioned the Congressmen against acting in anger, since the terrorists' objective was to provoke communal reaction. "If we act in anger and react to these events, terrorism will be strengthened", he added.

Clearly alluding to the restraint shown by the people despite anger against the Haryana bus carnages, Mr

Gandhi said he was happy that the people had risen to the occasion and refused to fall into the trap the terrorists had laid.

The Prime Minister referred to the communal riots in Meerut, Gujarat and Delhi, and said communalism represented a challenge to the secular philosophy of the Congress.

He assured that quick and stern action would be taken against those who engineered communal violence, and asked partymen to counter the communal forces with all their strength.

Mr Gandhi made specific reference to Khan Abdul Ghaffar Khan in this context, and said when he met Badshah Khan in Bombay the Frontier leader had expressed his intense sorrow at the communal violence and hatred that had strained relations between different communities.

Mr Gandhi quoted Badshah Khan as saying that unless the values of love, brotherhood and service were recaptured, there could be no peace and harmony. The message of Frontier Gandhi was relevant not only to India, but the whole world, Mr Gandhi added.

The meeting, convened on the eve of the Presidential election on Monday, was clearly called to ensure full Congress support to party nominee R Venkataraman, and Mr Gandhi sought to impress upon the members the importance of his election.

The Monday poll was "an important political and constitutional event" which would demonstrate that the party at the Centre was strong and resilient to overcome serious challenges facing the country, Mr Gandhi said.

"The world will witness the strength of our political and constitu-

tional processes and the inner strength and wisdom of our people" when Mr Venkataraman wins the election, Mr Gandhi said. He felt confident that Mr Venkataraman would bring to the high office "political understanding and profound wisdom, which will help the political system and strengthen stability".

Praising the Vice-President as one representing the national ethos, Mr Gandhi said his election would consolidate national unity and rebuff forces arrayed against India. Mr Gandhi said he had often consulted Mr Venkataraman and had always profited by his sane advice.

While exhorting his partymen to ensure Mr Venkataraman's victory Mr Gandhi thanked other political parties, like the AIADMK, and individuals who have pledged their support to the Congress nominee.

The CPP meeting later passed a resolution condoling the death of the victims of terrorist attacks in Punjab, Haryana and Delhi, and expressed sympathy with the bereaved families.

Meanwhile, a large number of Congress MPs have called on Mr Venkataraman to personally pledge their support to him, while Congress whips in Parliament and State Legislatures were directed to ensure cent per cent voting by party members.

The Congress on its own strength commands 68 per cent of the total vote in the poll, and has been pledged support of AIADMK, the National Conference and constituents of United Democratic Front in Kerala. Mizoram Chief Minister Laldenga and Sikkim Chief Minister Nar Bahadur Bhandari have also lent their support.

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CSO: 5650/0173

TRIPURA REBELS SEEK SUPPORT FROM NAGA INSURGENTS

New Delhi PATRIOT in English 11 Jul 87 p 5

[Article by Sujit Chakraborty]

[Text]

Agartala, July 10

Tribal National Volunteers (TNV) chief Bijoy Hrangkhawl, for the first time in the nine-year-old insurgency in Tripura, has called the different tribal communities in the State to form a "socialist and progressive government" and also issued directives to boycott the "courts of the Indian Government".

In a special issue of the "Free Tripura Bulletin", published by the underground "Provisional Government of the TNV" from its headquarter at Sinlum in Bangladesh on 10 May, the TNV chief has categorically said that "the noble ideology of TNV is to form a socialistic form of government".

Intelligence analysts here are of the view that the TNV has tilted and given a new orientation to its ideology and thinking, in order to appease their pro-Maoist "National Socialist Council of Nagaland" (NSCN) bosses to get recognition and operational support.

Sources say that since 1985, the TNV leadership has been desperately trying to establish links with the NSCN. TNV "foreign minister" Haripada Hrangkhawl went to Manipur in December 1985 and met some NSCN second-rankers but could not get any positive support because of the former's "faith and ideology". Being staunch pro-Maoists, the NSCN did not show any interest to establish link with the TNV, and reportedly

asked the TNV representative to follow "leftist ideology first" and adopt a clear stand.

Since then, the TNV has been reconsidering its entire strategy, and after series of meetings this year, has finally declared to form a "Socialist government in Tripura". This is a very significant step, and intelligence circles here feel that from now on, the NSCN guerillas, the most powerful guerilla outfit in the northeast, will extend its full support to the TNV.

Chieftainship

TNV supremo Bijoy Hrangkhawl in his signed communique has asked the Tripura tribals to revive their traditional chieftainship system and seek help from the "community court" to sort out all disputes within their community and avoid "Indian courts".

Criticising the "Indian panchayat system", Hrangkhawl has said that tribals of Tripura are not familiar with the system, which was "imposed on them for political motive". He has "ordered" that anybody found guilty or disobeying the verdict of the tribal chieftains will be firmly dealt with by the TNV jury.

The TNV supremo also said in its special circular that in each community there should be a "constituted body" approved by the TNV underground "provisional government", under which four different set-ups — administration, judicial, development and

community defence — will operate. The "constituted body" will be the supreme authority to recommend to the TNV jury regarding any controversial matters.

Regarding fund collection and education system, Bijoy Hranngkhawl says that the local squads to be formed by the TNV jury will collect funds, while each and every community will have the right to establish educational institutions with specific syllabus approved by the TNV headquarter. English language will be compulsory at the primary level and all children above five should be sent to school.

Stating a "guideline, on trade and economy", the communique says that the local level TNV squad will be in charge of all hill markets and other economic activities in the tribal areas of Tripura. Gambling and sale of liquor is strictly prohibited. Tribals have been asked to preserve their culture, custom

and languages and wear traditional tribal dresses and strictly avoid "refugee culture".

Attack plans

Meanwhile, the TNV has resolved to concentrate its attack on the security forces engaged in counter-insurgency operation in the disturbed areas of Tripura. At an emergency meeting held on 6-7 July at a new transit camp at Magamurung, about 50 kms from the eastern border of Tripura near Gandacherra, the outlawed TNV leaders drew up a new plan to step up offensive in the State. The self-styled TNV "captain" Kamini Debbarma, who was in charge of Sadar Subdivision, has reportedly been promoted to the most of "assistant arms commandant" to assist "field commandant" self-styled "General" Kartick Koloi. The security forces have also stepped up patrolling and alerted all posts apprehending fresh trouble.

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CSO: 5650/0170

PHONE-IN PROGRAM INTERVIEWS FOREIGN MINISTRY OFFICIALS

LD231956 Tehran Domestic Service in Persian 1206 GMT 23 Aug 87

[First in a series of programs celebrating Government Week; phone-in program moderated by unidentified Tehran radio announcer with Foreign Minister 'Ali Akbar Velayati and "A number of his deputies." Sheykholeslam, Mansuri, Mahallati, and Sarmadi, in studio--live]

[Excerpts] [Unidentified Announcer] On the first day of programs we have invited the minister and deputy ministers from a ministry that is implementing the "Neither East Nor West" slogan. The Ministry of Foreign Affairs of the Islamic Republic is the most fundamental and important base for introducing and presenting the revolution abroad. It has a decisive role in implementing the foreign policy of the revolution. During the eight years since the victory of the Islamic Revolution, this ministry has always been the target of attention. Our guests today are Dr Velayati and a number of his deputies. While thanking Dr Velayati and our other guests for accepting our invitation, we ask him at the start to introduce his deputies and make any statements to our dear listeners. Please go ahead:

[Velayati] In the name of God, the Merciful, the Compassionate. Greetings to the Imam of the Ummah, hail to the warriors of Islam and greetings to the great and honorable Iranian nation. My colleagues in this gathering are his excellency Mr Sheykholeslam; His Excellency Mr Mansuri; His Excellency Mr Mahallati; and His Excellency Mr Sarmadi.

[Announcer] O yes, thank you Mr Velayati. If you recollect, your excellency, in your first news conference as Minister of Foreign Affairs you stated that the main axis of our foreign policy continues the policies of martyr Raja'i and is based on the principle of "Neither East, Nor West," and steadfastness with Islamic countries in opposing international infidelity. Please give us and the dear listeners some explanation about the relevant policies currently being implemented.

[Velayati] Our policy continues to be the same as the one we announced at the start. That is to say the policy of "Neither East, Nor West" which is really a symbolic statement of our faith in the true independence of the country. This means no dependence on the East or the West, or any other area outside the borders of this country and outside the goals determined by the leadership of the revolution on the international scene. Not being dependent on the East

or the West does not mean not having any relationship with other countries. In fact, while maintaining our independence, we must have relations with other countries. All the efforts of our colleagues and friends in the Foreign Ministry during this period has been aimed at realizing this very valuable slogan.

In fact, the duty of the Ministry of Foreign Affairs is to ensure the independence and sovereignty of the Islamic Republic in the international arena. It is responsible for safeguarding the political borders of the Islamic Republic.

[Announcer] Yes, thank you Dr Velayati. A listener has asked us to ask you: Since you started working in the Foreign Ministry we have a powerful diplomacy with respect to our relationship with the Third World countries and particularly with African countries. Please tell us why you give the most priority to African nations within the Third World countries?

[Velayati] The first part of the question is absolutely true. We have concentrated a great deal of effort on expanding and strengthening the ties between the Islamic Republic and Third World countries. This does not mean that we are only paying attention to Africa. Our relations with Africa are, of course, important for us. However, we have not forgotten other parts of the world. In Asia and Latin America as well, our policies have been active. However, considering the fact that almost half of the countries that are members of the Nonaligned Movement are African, that is to say some 50 countries, then it is natural that when we are expanding our relationship with the Third World countries, the share of Africa will be larger than the other continents where Third World nations are located. In addition, one of the principles of our policy is aiding and helping Third world countries. Another one of the principles of the foreign policy of the Islamic Republic is the expansion of relations with Islamic countries. Africa is really the innocent continent of the world. It has suffered the most oppression. If we wish to aid the oppressed, then the prime example of such a case is the people of Africa. In addition, a large proportion of Africans is Muslim. Therefore, these various elements result in our paying more attention to Africa. [The announcer gives phone numbers for the program as well as a phone report by unidentified correspondent from an unspecified location in Tehran and music]

[Announcer] The time is 13 minutes and 50 seconds before 1600 and now I will read another question by a listener: As you know, in the matter of the Persian Gulf, the first step for the superpowers to enter the region was taken by the Soviet Union. Why has the Soviet position changed after some time and why are they now supporting our policies in the Persian Gulf? Mr Sheykholeslam, would you please answer this?

[Sheykholeslam] In the name of God, the Merciful, the Compassionate, greetings to all the dear listeners and blessings upon the pure souls of the martyrs, particularly those martyrs whose martyrdom is being celebrated this week, martyr Raja'i and martyr Bamonar.

It is a good question. It is in the nature of the Islamic Republic and our nation to pay detailed attention to events and not forget mistakes. As the listener has stated, this first step was taken by the Soviet Union by renting three oil tankers to Kuwait. However, as we all remember, following the consequences that occurred for these ships, we should say that following the first and second blows, the mistake was corrected--particularly when the Soviets realized that all the games and pretenses that they had unfortunately involved themselves in were aimed at extending the presence of the United States, even to the extent that the renting of the same three ships by Kuwait was used by U.S. leaders to explain their presence to the U.S. nation by saying that in their absence another superpower would be there. The Soviets thus came forward and took steps to correct their policies. Today we witness their demand for the withdrawal of all foreign naval forces from the Persian Gulf and that the Persian Gulf states should take the responsibility for ensuring security in the Persian Gulf. In our view this is the most logical solution to the problem of the Persian Gulf. We announced this from the start and hope that other countries come to realize their own mistakes in this respect, and not be the cause of a situation in the Persian Gulf that benefits no one except those who shed blood.

[Announcer] Yes, thank you, Mr Sheykholeslam, for your explanation. A listener has asked: Considering the fact that the Islamic Republic of Iran does not accept NATO or the Warsaw pacts why does it have relations with members of such pacts and plans to expand relations with such countries. Mr Velayati, please.

[Velayati] The concentration of various nations in military pacts in order to control the world is an unacceptable affair. Thus we have no relationship with either NATO or the Warsaw Pact, nor do we officially recognize them. However this does not mean that member countries of such pacts should be excluded from having a separate and individual relationship with us. In other words, having a relationship with each member of such regional pacts does not mean that we recognize the legitimacy of such pacts. If you take a look at the map of the world, you will see that many of the countries of the world in various areas are in some way or another either related to, or entangled with, such regional pacts--most of which also have a military aspect. However, we have a relationship with many of these countries. So, to summarize, a relationship with each country that may or may not be a member of a military pact does not mean confirming the legitimacy of such pacts.

[Announcer] Thank you very much. We have a number of questions from our listeners via the telephone. We have a recording ready for broadcast and let us now listen to this:

[Begin recording] [Unidentified listener] [Word indistinct] I wish to congratulate the doctor on the occasion of Government Week and thank him for activities during his service at the Foreign Ministry. In my view, the Foreign Ministry has carried out its duties to date very well. I have a number of questions:

1. How many ministries [as heard] do we have abroad? Are you satisfied with their activities or not?

2. When a statement is issued, does the doctor make the decision or does he consult other government officials before doing this? I thank him and wish him success. [end recording]

[Announcer] Well Dr Velayati, one of our dear listeners, after offering thanks and congratulations, has posed questions. Would you please respond?

[Velayati] I, in turn, thank this dear listener for his kindness to the respected Cabinet and the Ministry of Foreign Affairs. During our work in this period [passage indistinct] whether at the embassy, consulate or interest section. However, whether we are satisfied with all their activities or not, I should say that they are not all at the same level. There is no country, ministry, or office where similar units have the same sort of output both in quality and quantity. Certainly a number of officials in these areas are more active, while others are not as active. Our effort is concentrated on making those who are less active catch up with the more active ones.

As far as decisions on foreign policy are concerned, I would like to say that these are taken at the highest level in the country. The first steps with respect to foreign policy are taken within the Foreign Ministry; the results are then discussed during the cabinet, particularly during the cabinet sessions dealing with political issues which are chaired by His Excellency Engineer Musavi, our respected prime minister, more or less every week. Important issues are discussed by the heads of the three branches. Following sufficient discussion and collation, decisions are then passed to the Foreign Ministry which implements them. During very sensitive and vital cases, the matter is referred to his holiness the imam who voices his opinion. The Foreign Ministry is responsible for implementation of a foreign policy the first steps for which the ministry has taken and which has then been discussed and debated by respective officials and turned over to the Foreign Ministry for implementation.

[Announcer] Thank you for your explanation. We will continue our program after the news. We will continue this program until 1600. [passage omitted citing phone numbers for the phone is followed by music and Tehran Provincial News]

[Announcer] In the name of God. Greetings to our dear listeners, we are serving you dear listeners in the course of "Government and the People Program." You can call us on 290086, 290085 and 291051 to ask questions relating to the Foreign Ministry of the Islamic Republic of Iran.

A listener has asked what measures have so far been taken to popularize the Foreign Ministry and what is the public role in that ministry? Mr Mansuri, please answer.

[Mansuri] In the name of God, the Compassionate, the Merciful. Greetings to the Lord of the ages, the Imam of the Ummah and all the martyrs, especially the martyrs of the bloody Friday of Mecca and you dear listeners. The Islamic Revolution changed many of our country's political and social aspects; our country's foreign policy, in its international aspects, was also covered by these changes. The change in Iran's foreign policy, compared with the past,

was such that our foreign policy manifested the exact wishes and will of the people. Thus, the Foreign Ministry was placed at the service of the public, in every respect. For this reason, the Foreign Ministry utilized those persons who believed deeply in the revolution's values. This fundamental upheaval all over the country, naturally affected the Foreign Ministry. We are witnessing a qualitative change in the activities of the Foreign Ministry. [passage omitted on introduction of new departments to deal with public difficulties]

We have witnessed another new move; that is, a cultural move. In fact, we should say that basically there was no such movement in the Foreign Ministry before the revolution as there is today. The previous regime did not believe that it had any cultural mission in the world; it could not, for it had no such content. We, on the contrary, consider that we have a cultural mission. That is why we have to transfer this popular movement inside the country to the people outside. [passage omitted repeating this point]

The most important of our tasks is to expose foreign media and the adverse propaganda about the Islamic Republic of Iran and also to present the achievements of the Islamic Revolution and our Islamic values, which are naturally based on our beliefs.

[Announcer] I have a question. Is this transfer in the form of publications, or films or advertisements?

[Mansuri] Most of our embassies abroad have publications in local languages. At present there are publications in about 15 languages all over the world, in addition to dozens of books in various languages every year. During the past few years, every year, we have distributed more than 150,000 volumes of various Islamic books and about 500,000 publications, magazines and newspapers, in various languages, all over the world, through our missions. This has, in practice, resulted in the start of a fresh ideological movement among the Muslims. The enemy's mass media have admitted to this repeatedly. The effects of Iran's propaganda activities and our cultural activities in various societies, especially Islamic societies, have made them extremely despondent. [passage omitted repeating this point and also the activities of various missions regarding public affairs]

[Announcer] There is a question from one of our dear listeners, over the phone, which we will now hear.

[Begin recording] [Unidentified Listener] Regarding the foreign relations of the Islamic Republic, I want to know why are relations mostly established with Eastern bloc countries, when, as the Imam has said, there is no difference between the aggressor East and the criminal West?

[Second Unidentified Listener] I wanted to ask Mr Velayati a question. We recently witnessed trips by high ranking officials of the Foreign Ministry, including that of Mr Sheykholeslam to Syria, during the past few months. I want to ask the reasons for this trip; how friendly are relations between the two sides--that is, Iran and Syria? Considering the fact that Syria's stand regarding the massacre of the pilgrims was questionable, as it were, and that

covert relations have been established between Syria, Jordan and Iraq, and the reopening of the U.S. embassy in Damascus, recently, is an added proof. Also, what, in Mr Velayati's opinion, are future relations going to be like? [end recording] [passage omitted: the announcer repeating the first question and asking Velayati to answer]

[Velayati] This dear relation asked why we have established more extensive relations with the Eastern bloc; perhaps he means compared with the Western bloc. I think that a certain portion of the difficulty lies in the assumption. If we have criteria for the decrease or expansion of relations, then based on what criteria could one say that we have more relations with the East? One could then conclude that there is an imbalance in our foreign policy, that it leans more toward the East. We must provide an answer concerning this imbalance and particular tendency. I have to question the foundation of the inquiry. Events do not substantiate the listener's claim. As statistics show, most of our diplomatic relations have been with Third World countries during these years. The comings and goings--the number of delegations which came to Iran or the diplomatic delegations which went from the Islamic Republic to other countries--have been more in Third World countries. Then, the greatest number of comings and goings were with Islamic countries, or countries which have a considerable proportion of Muslims. If the volume of diplomatic relations is our criteria, statistics tell us otherwise. That is, the statistics do not show a special tendency toward the East. If industrial relations are the criteria, again, the statistics say otherwise. In any case, as this dear listener has said, the Foreign Ministry constantly follows the "Neither East Nor West" policy. It constantly strives to refrain from special biases, in either way. [passage omitted: the announcer repeating the second question]

[Velayati] Mr Sheykholeslam will answer this question.

[Sheykholeslam] Regarding the Middle Eastern issue, unfortunately, there are not many countries in the Arab world which can resist the pressure to compromise with Israel. One of these countries is Syria. Since the liberation of the Holy Land, the first Mecca of the Muslims [Jerusalem], is a long-term and strategic aim of our foreign policy, wherever we see the slightest signs of struggle or resistance--be it politically or military--we strengthen it. This is the main reason for our relations with Syria, and this reason is enough. On the Iran-Iraq war and other issues in the Islamic world, Syria has a favorable and progressive stand. On the international scene and in the Nonaligned Movement-related issues, Syria has always been with us; also at the United Nations. In sensitive times, there is a great deal of consultation between us and Syria. My trip to Syria was for this purpose. Of course, some of the remarks made by the dear listener are not correct. He said that the United States had opened its embassy in Damascus in earnest. The United States has always had an embassy there. Of course, there will be a new ambassador...[Sheykholeslam corrects himself] the same old ambassador, who had not been there for some time, will return. In our opinion, the analysis of Syria's stand on the Mecca issue is not all that sound. Because they declared their sympathy with us. Their foreign minister came to Iran. They are worried because the United States will capitalize on these incidents. Naturally, our reply to them will be: These incidents were perpetrated by the

United States, through their agents, so that they could take advantage of the situation. We ask the Syrians, we also advise others, in order to prevent this capitalization from taking place. We are now witnessing one of these cases where advantage is being taken in the Arab League. We hope that the Syrians will--and have the ability to--play their usual role in the Arab League this time. Reference was made to some consultations and certain efforts by the reactionaries in the Arab world to draw Syria away from us. Naturally there is a great deal of pressure on Syria, because one of the United States' biggest aims in their war is to call it an Arab-Persian war. That is why they are putting pressure on Syria and Libya--which from the beginning of the war were wise to the U.S. aim, and by standing with us and against aggression and Saddam, they did not allow this war to become an Arab-Persian war--to reconsider their stance and desert us. Up to now, Syria has resisted well. We expect Syria to continue resisting and not to forsake its fundamental stance.

[Unidentified Listener] In the name of God, the Compassionate, the Merciful. I thank Mr Velayati for being in the studio and for having direct contact with the public through such programs. In connection with today's speech by the Imam, as Mr Velayati knows, the Imam called the Saudi Government heretics and commanded all Muslims to fight against that government; also considering the Mecca incidents, the officials of the country have taken the necessary steps. God willing, regarding the changes in the policy of the Ministry of Foreign Affairs and our entire system which will be made with respect to Saudi Arabia after the Imam's speech, officials will explain this sufficiently and their work will further demonstrate it to the people. My question for Mr Velayati concerns the resolution issued by the Security Council and its suggestions with respect to Iran, and I would like to ask which countries have done any effective work regarding the resolution and Iran. Thank you very much.

[Announcer] We have had a number of questions and I believe that Mr Sarmadi will be answering the first question:

[Sarmadi] In the name of God the Merciful, the Compassionate. The crime committed by Al Sa'ud in Mecca during bloody Friday is a crime that cannot be described, neither in its various dimensions nor in its Islamic dimension. That the sanctity of the safe and holy shrine of God was violated in this way. The Saudis in fact played a role which started several months earlier with the United States in connection with its series of plots against the Islamic Republic of Iran with respect to the war, the United Nations Security Council resolution, its military presence in the Persian Gulf and the escorting of tankers. The timing of this conspiracy indicated that a special role has been allocated to Saudi Arabia in this series of conspiracies so as to deliver a blow to the Islamic Republic of Iran. Perhaps they thought that delivering such a blow might force the Islamic Republic of Iran to moderate its policies or that its policies might even fail. But they did not realize that such a move--that is, violating the sanctity of God's House and in fact insulting the sacred beliefs of 1 billion Muslims--would have certain consequences. Had only Iranian pilgrims been present there, then the Saudi officials might have realized their goals. However, millions of pairs of eyes witnessed this incident.

Immediately after the incident they launched a propaganda onslaught, thinking that it was all over. Some reactionary leaders even flooded the Al-Saud regime with cables of congratulations, reassuring them that the affair had ended. But, after the repatriation of the pilgrims everything changed. The Saudis were forced to give new stories of the incident. That is, every earlier claim that there had been no firing at all, had to change. We have even heard that the Saudis have announced that they will release a new film of the incident. The Saudis have in their possession some films which show the entire length of the incident. If those films were to be shown, the extent of their crime would become clear. Now they have realized that the part they broadcast earlier is not convincing, because they have committed the crime of shooting the innocent Muslims and rolling them into dust and blood.

The Saudis, because of their subservience to the United States, are facing a problem vis-a-vis the entire Islamic world. The problem of hajj is not a problem shared by world government, rather, it is a problem of their nations. That is, all the oppressed and poor citizens of Islamic states have the same rights about hajj as rich or ordinary people. I mean the reaction of Husni Mubarak for instance--if one was to regard Husni Mubarak as a Muslim--is equal to the reaction shown by an ordinary Egyptian pilgrim. However, we know that Husni Mubarak and many of his ilk, leaders of some countries, are not even Muslims. That is, they do not observe the basic regulations of Islam. Maybe Saudi Arabia has the support of between 30 to 40 million people who claim to be Muslims in appearance; whereas the Islamic Republic of Iran has the support of millions of true Muslims all over the world. Millions of Muslims witnessed what a horrific crime the Saudis committed. This is the juncture where the downhill trend of the Saudis starts. That is, they have begun their decline. The signs of their impasse can be seen in their desperate struggle; their crafty propaganda; their attempt to change the story; their persistence about receiving messages of congratulations from their ilk; their endeavor to change the adverse climate in Islamic states; the heavy expense incurred trying to buy favorable headlines in various press organs and the speeches made by other world leaders to justify the event. This is the true nature of Islam. That is, anyone who dares to challenge Islam, its sanctity and Islamic values, will face the wrath of justice. I assure you that God's justice on such occasions is very prompt and His victory is nigh.

[Announcer] God willing. And thank you. Someone has asked a question about the UN Security Council Resolution. Could I ask Mr Mahallati to answer it?

[Mahallati] In connection with this resolution, we must first see what the objective of this resolution is. As you are aware, this resolution was issued as the result of the U.S. provocations, so as to impose a global arms embargo against the Islamic Republic of Iran. And as you also know, the Foreign Affairs Ministry of the Islamic Republic of Iran strongly protested against this resolution, albeit that there were some positive points in the resolution. Following this resolution, our deputy foreign minister went to New York in order to meet the UN secretary general, hoping to adjust and amend the stances of the Security Council. The deputy foreign affairs minister is now in New York in the hope of encouraging the United Nations to take some steps concerning the observation of international humanitarian regulations; to bring a ceasefire in the Persian Gulf--something that the Islamic Republic of

Iran has always supported; to draw the attention of the United Nations to the key issues of the war, that is, Iraq's responsibility for starting the war; to make Iraq observe humane principles, including the treatment of the POW's and other similar issues. In this connection, some member countries of the Security Council have demonstrated their desire to move toward the adjustment of the council's stances. For instance, West Germany, which is now the head of the council, has expressed such a desire. In particular because West Germany's foreign minister has recently adopted a relatively moderate stance in connection with the war--that is mentioning Iraq's responsibility for starting the war. Similar stances have been adopted by Italy and Japan. Among the members of the Nonaligned Movement, Ghana shares our stance. The USSR shares our belief about the need for all foreign forces to leave the Persian Gulf. In all, I am trying to say that the objectives pursued by the United States in this resolution have reached a deadlock under the existing circumstances, and we are trying to persuade the United Nations and its Security Council to adopt a fairer stance. Of course, you know that the United Nations has various different departments and secretary general's responsibilities are separate from that of the council. The council is independent, and there is the General Assembly. We are trying to move these various departments to adopt a fair stance independently.

[Announcer] Well Mr Velayati, we had two questions. Before that I would like to advise our dear listeners of the phone numbers of the "you and the government" program. It is now 14 minutes to 1700 and we will be in the service of the dear listeners until 1800. Our phone numbers are 290085, 290086 and 291051. The dear listeners can phone in and pose their questions and air their views regarding the Foreign Ministry of the Islamic Republic of Iran. We had two questions asked about the activities of the Foreign Ministry during the past year and its successes. Dr Velayati, would you please respond?

[Velayati] With respect to the activities of the Foreign Ministry and its achievements, there is a need for a very detailed explanation which is outside the scope of this program. The difference between the Foreign Ministry which does qualitative work, rather than a ministry that does quantitative work as well as qualitative work, is that in that sort of ministry one can offer figures like saying so many roads were constructed, so many bridges produced or so much grain harvested. Our work is really qualitative in nature. Such work cannot be measured quantitatively since it is very difficult if not impossible.

I will offer an explanation regarding some of our (successes). In reality we are involved in an extensive war with international oppression. The reason for the animosity of many of the aggressor powers and countries of the world toward us is our fundamental and direct position over political issues of the world.

The nature of our foreign policy for independent position is the sort of nature that creates problems for countries that cannot tolerate an independent country in the world, particularly in the Third World; a country that pays no attention to the wheelings and dealings in the world and which acts on its policies. The decision to oppose a collection of political, propaganda and

psychological plots in the world is not a simple one. With the blessings of the Lord and the ceaseless efforts of our colleagues in the Foreign Ministry, we have had some good successes in this respect. The fact that the United Nations, following the chemical bombing of Sar Dasht, stated that Iraq had committed the act--this was brought about through the efforts of our colleagues in the Foreign Ministry in forcing the United Nations to send a delegation to Sar Dasht to visit the area and then our ministry's follow up action to make the organization state its view--considering the fact that the majority of the powerful countries of the world are supporting the present regime in Iraq, was not an easy task. Another example would be that for the first time in the history of the war imposed by Iraq on Iran, some of the important countries of the world actually announced that Iraq was the instigator of the war. This was not an accident. It required preparation of the necessary grounds and extensive efforts. The latest of such cases is the position taken by FRG Foreign Minister Genscher. This resulted in the Iraqi foreign minister saying that the statement by the FRG is tantamount to a declaration of war against Iraq by the FRG. This shows the extent of the worry this has caused the lackey and aggressor regime. The position taken by Cuba and India at Harare, by Messrs Rajiv Gandhi and Fidel Castro, regarding the war, is a new position. This is much closer to a just position than in the past.

Therefore, the fact that a number of important and well known countries of the world have assumed a positive position with respect to the imposed war can be counted among the achievements of foreign policy. Another issue is the condemnation of the use of chemical weapons by the Security Council. The latest resolution by the Security Council clearly notes all the violations of international accords committed by Iraq. This is the result of the extensive and ceaseless efforts of our colleagues in the Foreign Ministry. During this year we have continued our contacts with other countries of the world, particularly with the Third World countries. We have followed up the expansion of relations with countries of the world, particularly with those of the Third World countries and many such efforts have come to fruition.

The office of international research of the Foreign Ministry published some very valuable documents during this year, and for the first time published the journal of Islamic Republican foreign policy, which is a distinguished publication and in fact describes the points of view of the Islamic Republic's foreign policy both at home and abroad. It seems that you have some time limitations. If you like we will follow this after you have...

[Announcer interrupts] There have been other questions. We have our sports news at 1700 for sports fans. In addition the rest of the questions deal with Pakistan and Turkey and their position over the Mecca calamity. With your permission we will continue these questions after the sports news.

In the name of God. We again offer greetings to our dear and honorable listeners. Continuing our "Government and the People" program we are at the service of your dear ones and the honorable guests of this program who are Dr Velayati, the respected foreign minister, and the deputies of this ministry. We thank them again for attending this program.

We were speaking about the activities of the Ministry of Foreign Affairs and about the faculty of the Ministry of Foreign Affairs--what is being done in that respect and also a question left unanswered in the second part of the program. Mr Velayati would you please answer the question about the activities of the Ministry of Foreign Affairs.

[Velayati] Yes, as I was saying, another organization, which is in fact new and did not exist in its present form under the previous regime, is the Bureau for Political and International Studies affiliated to the Ministry of Foreign Affairs which was established four years ago. It has developed very well in this period. One of its important achievements is its publications in the field of foreign policy and the publication of the FOREIGN POLICY periodical. It has also carried out research into political and international issues in its various sections under basic research groups in connection with Africa, Southeast Asia, Latin America, the Middle East, the non-Arab Middle East, and East Asia; and also in the international economic research section, including studies in energy. There are other groups which in fact carry out scientific research into strategic issues. This institute has only recently begun its work and we have many hopes for its future.

It is necessary to point out a number of other achievements of the past few years of our brothers in the ministry. A resolution was to be passed by the Security Council last Mehr [23 September-22 October] which was, in fact, going to mean an all-round action to be taken by countries supporting the United States and thus embarking on imposing a kind of sanction against Iran. As a result of our efforts, it became quite ineffective. Following efforts made in the political and international scene in the region, in fact, the Iraqis were forced to agree to a cease-fire in the Persian Gulf and to halt attacks on ships. Although, from time to time, they renew the attacks on civilian targets and hit commercial ships and tankers. But, because of our efforts--that is to say, the overall result of the military and political efforts made by the Islamic Republic, at present, if Iraq renews the war of the tankers in the Persian Gulf, it will no doubt, come under pressure from international bodies and different countries. This point has been taken by different countries, that if Iraq stops its attacks on ships, no ship will be hit in the Persian Gulf. This has not been easy to achieve. A lot of work has been done in this connection.

For the first time, the Nonaligned Movement has referred to the party which begun the war. This has been a victory in the international arena. For the first time, the delegation sent by UNESCO to Iran has reported Iraq's violation of the 1954 treaty by attacking historical and cultural buildings. The efforts made by Foreign Ministry officials have resulted in an improvement in the condition of our POW's in Iraq. More frequent and regulated visits have been organized by the Red Cross to our POW's so that our POW's can keep their relatives informed of their state of health. All plans put forward and implemented in connection with exchanging POW's have been initiated by the Islamic Republic. You are aware that to deal with political and international affairs involving a country which is at war with you, a cruel and irrational regime like Iraq at that, is no mean feat. Thank God, we have managed to do so much in connection with acquiring information about the state of health of

our dear POW's in Iraq, providing more facilities for them and meeting some of their shortages. We hope to be able to follow up this work in the future too.

[Announcer] God willing. Mr Velayati, time is running out and the volume of questions we have received--we have a large volume of questions. In the previous part of the program we have a question about Pakistan and Turkey's stances vis-a-vis the Bloody Friday in Mecca, asking whether these countries have condemned this tragedy.

[Velayati] Mr Sarmadi will reply to this question.

[Announcer] Please do.

[Sarmadi] In the name of God the Compassionate, the Merciful. This brother's question was in fact in two parts, the second part was in connection with the steps taken with regards this tragedy in the Islamic world and what will be done in the future. The bloody tragedy of Mecca's ideological and religious aspects are more important than other aspects. This is Saudi Arabia's weak point, that is to say a crime has been committed against Islam. What is important is that this issue remains alive in the memories of the hearts of the Muslims of the world, as a crime committed against Muslims in the most holy place for the Muslims, that is, the sanctuary of God. As you are aware, because of the special relations, limitations, and parameters according to which countries establish their relations with other countries, we did not pin our hopes on them. The overall aim of our efforts is to elucidate the point and neutralize the baseless propaganda put out by the Saudi Government, to make them realize what the truth of the incident was. Although we realize that, despite clarifying the point, because of the parameters I mentioned and other political links, economic, political and cultural parameters and their dependence on power centers, these countries cannot be relied on as far as taking a stand is concerned.

From our point of view, as his holiness the Imam has stated, the issue must be alive in the minds, souls and hearts of Muslims. This needs a political and cultural effort. Most of this is to do with people. The nature of the work is a political and cultural one. We have, in coordination with various organs of other ministries, including the Ministry of Islamic Guidance and propaganda organizations abroad, done some work in this respect. God willing, the result of these activities will be the revelation of the destructive role the Saudis have played in the world of Islam--the truth of the destructive role of the Wahhabis against 'Alawite Shi'ism and Mohammadan Sunnism.

His holiness the Imam said: Had we spent millions we would not have been able to have such propaganda, and he is right. With this crime they set on fire all the investment they had made in the world of Islam in the past few decades. Millions of Muslims witnessed a crime that cannot be reconciled with any belief or logic. As far as relations with Turkey and Pakistan are concerned, as I stated, we do not attach much importance to the matter of governments considering the various parameters that are important in forming a relationship. We want to make sure that they are aware of the reality of the situation. It is necessary for nations to realize the truth.

[Announcer] Yes. Thank you very much for your explanations.

[Unidentified listener] First question: Foreign radios have been broadcasting commentaries recently saying that Iran is not really isolated in the world. In your view, considering that the world is trying to isolate us, what has caused Iran to be so proud in the world? Two: Considering the fact that international relationships are truly based on lies, blackmail, and trickery, how does the Foreign Ministry of the Islamic Republic deal with such issues? Three: Don't you think that the Foreign Ministry is acting rather conservatively? Thank you very much.

[Announcer] Do you have any examples to cite in this respect?

[Listener] My example would be with respect to relationships with Europe.

[Announcer] Well we had several questions from one of our dear listeners concerning the commentaries of foreign radios, who are saying that Iran is not isolated. He has gathered this from these commentaries and has asked us what has caused our pride in this respect. Mr Velayati, please.

[Velayati] As far as Iran not being isolated and proud, which was the first part of the question by this dear listener, I should say he is right. The efforts of many governments in the world have been and continue to be aimed at Iran's isolation. In other words they want to impose their wishes on this government.

The nature of the Islamic Revolution, its justness, directness, and bravery in stating its political views are among the attributes that are rare in today's world and are very attractive. The Islamic Republic, in this period has shown that it is a powerful government which adheres to principles, states its position within the framework of its principles, and wants to implement them. Sometime ago, last week, some papers in Europe wrote that Iran has so far shown that it will carry out whatever it states it will do. This is very rare in the world.

The other point is that the strategic position of the Islamic Republic is such that the world cannot ignore it. The importance of the role played by Iran and the people of the Islamic Republic in the political equations of the region and the world are such that cannot be ignored. Therefore, if the matter of forcing the Islamic republic into isolation is raised, it is something that does not correspond to present realities and those who are after this goal cannot succeed. This is because they have very powerful factors and important parameters against them. Therefore, the secret of Iranian pride, resistance, and lack of isolation is somewhat clear.

In connection with the second question...

[Announcer interrupting] Yes, they had asked what steps has the Ministry of Foreign Affairs taken in order to inform the world of the truth and justice of the Islamic Republic of Iran in view of the fact that the news broadcast about Iran in the world is based on lies?

[Velayati] Mr Sarmadi will answer this question.

[Sarmadi] The oppressive system ruling over the world in its various economic, political, military, and cultural dimensions, is in fact backed by imperialism in the news media. This provides a false exterior of this complex to the whole world, which is, in fact, imbued with lies, deceit, oppression, and crime. As this brother has pointed out, what we observe in this imperialist and Zionist current in the world is based on blackmail, lies, rumor-mongering, and the creation of certain climates. What should be done in this connection is in fact an attempt not to be digested and dissolved in this melting pot of lies. One should stick to ones principles and values.

Secondly, we should improve our links with the world and inform the people of our message. We should inform governments and nations of these issues. The system ruling over the world is not the absolute rule which has a definite and overall domination. We do not believe this at all. We believe that even the imperialist news media with all its complexity, sewing of discord, blackmail, and duplicity, can be confronted if we succeed in identifying its peculiarities. It is bound to have weak points to confront it. Another point which has helped us in taking our message to the world, as Mr Valayati pointed out, is that Iran has generated more news in the past seven or eight years than any other country in the world.

Being a new generating point, some of the news broadcast in the world about Iran has originated from what has been brought about by the Islamic Republic of Iran and the world has had to follow it up. Not all of the news developments and changes reported from Iran in the world have been allegations. In any event, the Islamic Republic and the Islamic Revolution of Iran--because of its characteristics--have created conditions in which sometimes the world news media has had to follow it up. This is where we can influence the news system. Naturally, we need to have the alertness and freedom to confront imperialism in news media, just as we confront imperialism in its economic, political, military and cultural dimensions.

[Announcer] Now, I should refer to the last part of our dear listener's question. He says: Do you not think that the Ministry of Foreign Affairs is acting in a conservative manner. When asked to supply an example, he mentioned the relations with Europe and European countries. Mr Sheykholeslam, would you please answer this question?

[Sheykholeslam] The question itself is not clear. That is to say, it is not clear what is meant by conservatism. Are they questioning our relations with Europe? If so, what part of Europe, East or West? Let us take it that they mean Western Europe. Maintaining relations constitutes the basic function of the Ministry of Foreign Affairs and the main principle of the Islamic Republic's foreign policy. Without links nothing can be done. What is important is that these relations should be in keeping with the prestige of the Islamic Republic, that these relations entail mutual respect. The Islamic Republic has established this everywhere, not only in connection with the West European countries but with all countries. Mutual respect is one of the main principles of our foreign policy. That is why I do not understand what is meant by conservatism. Yes, most European countries have embassies here, we

have embassies, we have exchanges with them; some on ministerial level. The question itself is not clear to me. What is meant by conservatism? Does it mean: Why do we have relations? It is our duty to have relations. They need us and we need them. Right now, I can say that there is the highest demand to establish relations with the Islamic Republic. When some countries encountered difficulties in their relations with the Islamic Republic which resulted in problems, they were scorned by their own officials and their own press. Generally, maintaining relations with all countries--except for a few countries, countries whose representatives can in no way be recognized by us--these relations with other countries have the approval of the highest ranking officials of this country. What, in my view, we should keep away from, are the cat and mouse relations which, fortunately, have disappeared after the revolution. We have not accepted a relationship based on domination by one side, even with the most powerful countries of the world, let alone the smaller countries.

[Announcer] Thank you very much, Mr Sheykholeslam, for your explanation. The time is now 23 minutes and 30 seconds to six o'clock when this program will end. A brother has asked a question which I think Mr Mansuri could answer. This brother asks: Some of the brothers who have travelled abroad, some of whom have asked for asylum, have now changed their minds and would like to return. Is this possible? Can they return? Where should they go?

[Mansuri] In the name of God the compassionate, the merciful. Travelling abroad is an issue accepted by the Islamic Republic of Iran. Therefore, the nature of travelling is no problem. As you are all aware, such trips do take place. If some people, under certain influences, have asked for asylum from some countries and have subsequently changed their mind, or if they have, for some reason, realized that they have been deceived and have discovered the truth, there are no problems regarding their return to the country. The Islamic Republic, with its positive and flexible approach toward its subjects would, naturally, forgive them. Those who have returned up to now, or will return later, will not be prosecuted for this reason. They will not face any problems in the Islamic Republic.

That is why I take this opportunity to address all the rumor-mongers and those who, for these reasons, might have changed their minds and might even suffer in their lives abroad but are not taking the decision to return because of the fear of what might happen when they return to Iran, I would like to announce that such persons will not face any problems in living in Iran. Some people have done so already and it would not be very difficult to find out what has happened to these people and to find out whether they have had the slightest of difficulties.

[Announcer] Let us go among the people in the city of Tehran and ask the people to raise their questions.

[Unidentified listener] Hello! Am I speaking to the radio announcer who is interviewing Mr Velayati in the studio?

[Announcer] Yes, that is right. What is your question please?

[Listener] Yes, I would like to congratulate Mr Velayati on the occasion of Government Week. I would like to ask him about the UN secretary general's trip to Tehran and I have heard that Mr Khamene'i is going to New York to attend the UN General Assembly. I would like to ask Mr Velayati's views on these two issues.

[Announcer] Well, I expect that Dr Velayati and his honorable deputies will answer your questions, God willing.

[Velayati] I think it would be better if Mr Mahallati answers the first part of the question.

[Mahallati] Yes, of course. Well, several years ago we declared our readiness to meet the esteemed UN secretary general here, if he wanted to discuss our problems with the war, including the observance of international regulations. He could also come here and raise his proposals and hear our stances. He came here several years ago and was quite impressed, and after that visit he introduced some measures. We have always been ready to meet him here. The issue recently raised is nothing new, and we are still prepared to host him to discuss our stances.

[Announcer] Thank you, Mr Mahallati. Let us hear the answer about President Khamene'i's trip to New York.

[Velayati] Yes, as our dear listener pointed out, Mr Khamene'i the honorable president of the Islamic Republic of Iran, will go to New York this year to attend the UN General Assembly. One of the foreign policy objectives of the Islamic Republic of Iran is an active presence in the international arena. At present the most important international arena is the United Nations which is the most effective and most active organization. This organization is at its most active during its general assembly session held in the early fall annually, when all the member countries take part. Some of the participants announces his country's stance in connection with current political issues of the world. This is going to be a crucial trip, and it is necessary for the Islamic Republic to attend. The Islamic Republic of Iran should always follow a constructive and assertive policy in the face of the world political problems, and this requires our active presence in international forums.

[Announcer] Thank you. As you said, President Khamene'i's trip will take place by the end of the current month at the latest (by 22 September) to enable him to attend the assembly by the early fall; am I right?

[Velayati] God willing.

[Announcer] Thank you. We have more telephone questions. Let us listen to one of them.

[Identified listener] While offering greetings and gratitude to Dr Velayati, I would like to ask him about his recent trip to Oman. We live in the same region as Oman and we are almost neighbors. The state of Oman has in general approved the stance of the Islamic Republic on many occasions. I would like to ask Mr Velayati whether the state of Oman has proved its stance in

practice? That is, has Oman endorsed in practice the stance of the Islamic Republic in the Persian Gulf region and vis-a-vis the United States, or is it only making superficial promises?

[Announcer] Well, Mr Velayati, the question was about your visit to Oman, could I ask you to answer it, please?

[Velayati] My trip to Oman took place at the invitation of Mr Yusuf 'Alawi, that country's foreign affairs minister [as heard]. As our esteemed listener mentioned, Oman is our neighbor. In fact we and Oman are on both sides of the Strait of Hormuz, and this strategically very important waterway is controlled by these two states. During the past several years and particularly in recent months Oman has tried to show greater coordination and understanding with the Islamic Republic in the face of the region's problems. The stances of the state of Oman in connection with the Iraqi war upon Iran have been closer to being balanced, compared with the stances of some of our other Arab neighbors.

And in the international arena, particularly during the recent international marine commission meeting, one of the countries which has a large fleet of commercial ships had protested and they were planning to hatch and implement a conspiracy in this region; they wanted to move the shipping line, near the Iranian coast, to somewhere else; that is to bring it closer to the Omani coast. Oman approached the issue very positively and in fact thank to its positive approach, this conspiracy was foiled. In practice, we have seen some positive signs in the behavior of Oman's responsible authorities; and in accordance with some agreements exchanged between us, we shall witness expansion of the two countries' diplomatic, economic and commercial relations in future. Basically, a principle of our foreign policy is to pursue good-neighborly relations.

[Announcer] Thank you Mr Velayati. Our colleague is still among Tehran's citizens. Let us hear more of their questions:

[Unidentified listener] Hello, thank you for giving me the opportunity to put my question at the closing stages of the "Government Week" program today. The Hague Court had issued a verdict ordering the United States to pay \$500 million of its debt to the Islamic Republic, has it done so or not; and if not, what steps have been taken by the Foreign Affairs Ministry to recover this sum?

[Announcer] I think Mr Sheykholeslam has prepared himself to answer this question.

[Sheykholeslam] This was one of the legal victories achieved by the Islamic Republic in the Hague. The United States, despite their earlier reluctance, agreed to pay and declared it. Of course, the process of repayment has to go through a complex mechanism and it will be up to our banking officials to announce the receipt of this sum.

[Announcer] Thank you very much. A large number of our dear listeners from every region of the country have asked the exact figure of our martyrs, the wounded and missing persons in the bloody tragedy of Mecca. Could Mr Sarmadi

please answer this question, since he has been answering all such questions so far?

[Sarmadi] Well, there were 322 corpses from the martyrs of the bloody tragedy of Mecca. That is, only the Iranian martyrs. Out of this figure, 267 martyrs were positively identified and were taken to Tehran. About 55 bodies have not been fully identified yet and they are left in Mecca. Some of the wounded have returned to Iran and their families are aware of their situation. Up to the date when the Iranian Hajj Headquarters was active and the medical team of the Islamic Republic of Iran was working in Mecca, we had 22 wounded persons in Saudi hospitals. There were also a number of prisoners. On the basis of the latest reports we have received, most of the prisoners have been released. We might still have a few of our people imprisoned in Saudi Arabia. Therefore, we have no missing persons. That is, there are unidentified corpses, but no one is missing [sentence as heard].

[Announcer] Thank you Mr Sarmadi.

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GUARD LEADER DISCUSSES GULF STRATEGY, TACTICS

Tehran KAYHAN AL-'ARABI in Arabic 4 Jul 87 p 6

[Article: "Commander-in-Chief of Islamic Revolutionary Guards: We Are Preparing to Undertake Extensive Operations Similar to Karbala'-5 and al-Fajr-8"]

[Excerpts] In a special interview with KAYHAN AL-'ARABI newspaper, the commander-in-chief of the Islamic Revolutionary Guard explained the various defensive plans the Islamic Republic has drawn up to thwart the military presence of the superpowers in the Persian Gulf, aimed at supporting the Iraqi regime in the war which that regime itself set ablaze.

He also explained how various types of missiles in the region are being used by the heroes of Islam to close and and take control of the Straits of Hormuz. The commander-in-chief of the Islamic Revolutionary Guard disclosed the military strategy of the Muslim fighters in the southern fronts, and characterized the formation of the Iraqi liberation forces this year as a prelude to the fall of the Iraqi regime and the determination of Iraq's future.

In the course of his explanation of the American and Soviet motives behind their endeavors to establish relations with Iran with a view to taking advantage of them in determining Iraq's future, the commander-in-chief said that "the Americans and the Soviets are ready to discuss this matter with us when they are forced to do so, when they suffer huge defeats on the battlefronts or when they resolve the matter of their relations with us and obtain from us a guarantee of their interests."

In the interview, Rida'i compared the magnitude of operations undertaken by Muslim fighters last year to those undertaken prior to that, saying that "our suffering nation last year succeeded in determining the crucial phase of the war and is actually in the process of determining Iraq's future."

The commander said: "Last year we were able to effect a radical change in the balance of power in favor of the Islamic revolution through military, political, and economic victories, proving that aid from the East and West has no impact on saving Saddam and his regime, and proving that this regime is unable to carry out the designs of the East and West."

"France's move to pay up its outstanding debts, the change in government, and the statements of the new government, which used to say that it condemned the previous government for not maintaining its neutrality and said 'if we defend Iraq we must also defend Iran and we want to establish good relations with it'...All these admissions are in fact tantamount to a recognition of the failure of French policies (or France's retreat before Iran)."

About the key motive behind the American and Soviet military presence in the Persian Gulf region, Rida'i said that "The American and Soviet presence is clear evidence of the victories we achieved last year. Our accomplishments caused America and the Soviet Union to lose patience, for they did not hesitate recently to proclaim their desire to interfere directly in the war."

"Notwithstanding that this step is shaky and undertaken under the pretext of protecting Kuwait, we are well aware that superpower intervention is aimed at saving the Iraqi regime after Kuwait has lost its identity and is operating as an Iraqi province."

"On the one hand, the Americans are compelled to undertake the dangerous risk of going into the Persian Gulf. On the other hand, they cannot avoid this kind of involvement in the Gulf for fear of losing control of Iraq's future. Nowadays America needs to be on the battlefield in order to control Iraq's future."

"The Americans have used a groundless and fallacious excuse to go into the Persian Gulf, and we believe that they are deceiving their friends, the Soviet Union in particular."

"Kuwait is a pretext. What the Americans intend to do is establish a presence in the Gulf in order to be able to change Iraq's future to their advantage."

"There is no doubt that our primary objective has been achieved through the American and Soviet entry into the Persian Gulf. This is a greater indication of the golden victories we achieved last year. They have realized that they cannot control the future without direct presence in the region, a step they could have taken in past years."

The commander added that a number of other important issues evoke hope:

"First of all, disagreement between America and the Soviet Union is much more intense than their alliance against us; this is a very significant problem which transpired during the attack on the American warship 'Stark'."

"The fact is that America and the Soviet Union are like predatory animals waiting to prey on Iraq's political future in the Persian Gulf. Actually, the Soviet attack [as published] on the Stark is a struggle over this region. America cannot tolerate the Soviet presence in Iraq, especially when Iran is out of its reach, and the Soviet Union cannot tolerate America because the Soviets have had designs on Iraq for a long time."

"Therefore, despite the fact that America and the Soviet Union have joined hands like never before to prevent our victory over Iraq, the matter does not end there. Yes indeed, if we were to let it end at that, and if the conservatives and liberals within the country were to spread rumors of peace and conciliation, then we would definitely be involved in a more difficult international confrontation. If we let the war strategy end that way, and if we remain apathetic, waiting for America and the Soviet Union to make a decision regarding the war, then the best decisions will not at all be in our interest, for America and the Soviet Union will remain in total accord so long as we do not win a victory, and after that they will disagree. The Americans are ready to abandon Iraq in exchange for returning to us, but they do not want to agree with the Soviet Union on Iraq's future without going into Iran, especially since we find countries like Kuwait offering help and assistance to Iraq and getting closer to the Soviet Union. Only then will the Americans feel that they could lose Kuwait as well should they fail to play the key role in Iraq's future.

Political Victories

"Therefore, notwithstanding that America and the Soviet Union are trying to ward off our total victory over Iraq and even to prevent us from scoring a political victory, we believe that the East and West are better able to block our political victory than to block our military victory, an important issue to which we must afford great attention. And notwithstanding this union of theirs, there are deep differences between the two nations. In order to attain the war's strategy, which is to get to Karbala' to liberate the Iraqi people, it is our duty at this stage to determine Iraq's destiny in the battlefields, in cooperation with the Iraqi people. In other words, we must have the final word in what kind of future Iraq will have and how it can be realized."

The commander-in-chief added in this regard: "We are at a crossroads with regard to Iraq's self-determination. Either we determine it with the help of the superpowers, or with the revolutionaries inside Iraq, or with the Iraqi people.

"With regard to the first course of action, namely dealing with the superpowers, it is incompatible with the imam's guidelines, and the superpowers are not ready to recognize our rights. We believe it is judicious not to lose the time factor by waiting for the superpowers, because this course is futile and impractical, and, therefore, totally unacceptable.

"The second course of action would be to undertake this task with the revolutionaries within Iraq, but there is not one revolutionary in Iraq who is not connected to one of the superpowers. To sever these ties, they must resolve their affairs with us. The Americans and Soviets are ready to negotiate with us over Iraq's future when they are forced to do so, when they suffer devastating defeats at the battlefield, when they settle their relations with us, or when we guarantee their desired interests. It is obvious to everyone that as long as the superpowers do not obtain a practical guarantee from us to achieve their interests, they will not be inclined to establish such relations with us.

Only the third course is left, which is to determine Iraq's destiny with the help of its people, and to succeed at this final stage of the battle in realizing our ultimate goals."

Mr Rida'i then alluded to the general military strategy in the Islamic Republic, and had the following to say about the Islamic Revolutionary Guard's war plans and projects for the current year: "Taking into consideration the aforementioned points that sum up the imam's clear guidelines and the opinions of the heroic Muslim fighters and highly-esteemed political leaders in the country, our plan for the current year will be as follows: the focus of our operations will be a series of limited operations and a series of major operations, coupled with efforts to organize, train, and equip the Iraqi popular forces. There will also be a series of operations inside Iraq, the new front in particular.

"On the old front, we have a series of limited operations and a series of major ones. On the new front, we will organize, equip, train, and enhance the capabilities of the Iraqi Liberation Army to undertake a series of operations inside Iraq. Our battle this year will evolve around these focal points aimed at realizing our ultimate goal with God's help. Actually, the current phase of the war strategy is based on these operations. Our limited operations are similar to the "Nasr" operations now under way, and the land forces officials will go into its details soon, God willing. These operations are meant to keep the battlefield continually ablaze, to prevent the enemy from regaining its strength and regrouping, and not to allow its war machine to rest, but rather to be subjected to our attacks and constant strikes. We are also preparing for extensive operations similar to the Karbala'-5 operations (Shalamcheh) and the al-Fajr-8 operations (Faw) which will be carried out at the proper time this year.

"As for operations inside Iraq, they are a series of deliverance operations which we will resume this year; these operations will be five and six times as massive as last year."

Forming the Iraqi Liberation Army

In this special interview, the commander-in-chief of the Islamic Revolutionary Guard announced the organization of the Iraqi Liberation Army forces, saying that "these forces will include such popular groups as religious leaders, Iraqi freedom fighters, and Iraqi tribes, whether they be those who are working independently and have turned to us for armaments, or those armed by the Iraqi regime who have joined our ranks with their weapons and equipment."

He added that "3,000 individuals from the Iraqi tribal forces have joined us so far, and 1,500 more joined our ranks recently and they are multiplying daily. The third group consists of former Iraqi politicians receiving protection from us and it is in the process of expanding.

"As for the fourth group, it is the one that originated under unusual circumstances during the Islamic revolution. It consists of the Hizballah group in northern Iraq and the Sayyid al-Shuhada' group in southern Iraq.

This group will grow and expand in the current year, and a large number of its members have been armed and will be organized and trained as needed.

"The fifth group is composed of some Iraqi military defectors, including a number of repentants.

"The fact is that the future revolutionary system in Iraq will emanate from these groups."

The commander-in-chief of the Islamic Revolutionary Guard replied to a question regarding the defensive position of Iran and the Iraqi regime in the Persian Gulf by saying: "Besides the border and foreign fronts, another front has been opened in the Persian Gulf. We have prepared ourselves to maintain our blockade of Iraq and prevent America and the Soviet Union from lifting the blockade and coming closer to the battlefield. In light of the firm defensive plans and capabilities in the Persian Gulf, the Straits of Hormuz, and the coasts and islands, we hope to maintain our blockade of Iraq and keep America and the Soviet Union away from the Islamic areas.

They, of course, will not stand by idly. They have turned to plotting. Their latest plot was in the al-Shariqah shaykhdoms, which failed, thank God. And because we feel responsible for the Islamic world, we cannot be indifferent toward superpower intervention in Islamic countries' affairs. I hope that by our effective participation in this front, we will be able to prevent the superpowers from intervening in the affairs of the Islamic nations in the region. We deem the Persian Gulf important and have formulated a Persian Gulf strategy because the Gulf is considered, not only now but always, a vital and crucial center for the Islamic revolution. This strategy has been referred to the Supreme Defense Council and includes the defense of the coasts, the islands, the Straits of Hormuz, the Gulf's waters, and the Sea of Oman. these are the main focal points of our defense.

"The forces equipped with modern fleets may be able to foil 5 or 10 of our campaigns at the most, but due to our great and extensive campaigns, we will find these fleets themselves in a state of confusion and disarray and will easily catch the prey and disable their weapons.

"The third method is to use the weapons we have acquired from various parts of the world, for we have excellent weapons and anti-aircraft arms which, if used, will cause America once again to lose face in the Persian Gulf and will place us in a new political situation in the Persian Gulf area. This is in addition to the various missiles we have acquired from other places.

"As for the other equipment, it is being produced domestically by various means whereby if the enemy fired the first shot, the matter would not end there. The enemy will be dragged to a place where we have the upper hand and are in a better position to call the shots. During the course of the battle, the world will be aware of the situation and, therefore, the enemy will be compelled to expand its front, thus placing itself in a self-destructive situation whereby it will be forced to ignite World War III or retreat from battle, thus making it perfectly clear who the victor will be. These are the general lines and tactics for defending the Persian Gulf area."

The KAYHAN correspondent asked if these tactics had been tested and used; the commander said that some of these tactics had been used to thwart Iraqi campaigns, and some of these operations were put on film for which the world is willing to pay large sums of money to show on TV. These films contain live situations of Persian Gulf operations full of heroic epics and martyrdom.

[Question] You mentioned the missiles planted in the Persian Gulf. What is their range and effectiveness?

[Answer] We have three kinds of missiles in the Persian Gulf. Surface-to-surface missiles are capable of meeting the American and other fleets trying to get to the various ports. These ports will be the target of our missiles, as well as the coastal air bases under American control. Surface-to-sea missiles planted along the coastline are being used against warships, but are not very effective due to the short distance of the Straits of Hormuz; but we have found other areas similar to the Straits of Hormuz, thus recreating the straits in other areas of the Persian Gulf. If America or any other foreign power is able to slip away from us, it will fall in the trap in another area of the Gulf. The third type is surface-to-air missiles, which have been emplaced to counteract possible enemy shelling of the coasts and islands. These include sophisticated models which we will be able to employ, God willing.

12502

CSO: 4604/30

ARTICLE REPORTS ON PIPELINE CONSTRUCTION

Frankfurt BLICK DURCH DIE WIRTSCHAFT in German 30 Jun 87 p 2

[Article: "Iran Plans Two Overland Pipelines: Precautionary Measure Against Possible Interruptions in Gulf Shipping"]

[Text] Vienna (vwd)--Iran possesses an emergency plan for the transport of approximately 2 million barrels of crude oil daily via two overland pipelines in order to counter possible interruption of shipping in the Persian Gulf, according to high-ranking spokesmen for the Iranian government and foreign affiliates in Vienna. A 900-km-long pipeline is said to be under construction for the transport of crude oil from the southern province of Khuzistan to Yask, outside the Strait of Hormuz. A second link is to be provided when an already extant natural gas pipeline which passes through the USSR is converted into an oil pipeline and extended to the Black Sea. It is said that, in order to keep these measures as secret as possible, Iran parcelled out work on the project at the Strait of Hormuz into 100-km stretches. Reportedly, both Iran and foreign firms, including the Italian Saipem, have already been working for 6-8 months on this pipeline.

The professional journal PETROSTRATEGIES, which appears in Paris, reports in an article that the pipeline project at the Strait of Hormuz is one of the Iranian Government's highest priorities, and that as many as 5,000 workers and technicians are involved in the construction of the pipeline, which is to have a capacity of 1 million barrels per day. The first phase of the project is to be completed by 21 March 1988 and the rest during the course of 1988. According to the informants, after completion of the initial phase this pipeline will already be capable of transporting about 500,000 barrels of oil per day from Khuzistan to the Strait of Hormuz. Floating oil depots are to be used with the pipeline. These will be situated 400-500 km east of Kharg and thus outside the range of Iraqi war planes.

The second planned oil link, to the Black Sea via the USSR, is an indication that Tehran may wish to improve relations with Moscow. The natural gas pipeline which is to be converted to oil begins

in Agha Jari and Marun, crosses the Soviet border at Astara, and is known as IGAT-1. It has an annual capacity of 10 billion cubic meters. Iran had supplied natural gas to the southern USSR until 1979, using this link, but had then closed it down because of price disputes.

Later it was reactivated for domestic use, and Iran is negotiating with the USSR about resuming export. A spokesman for the Iranian Government said that the USSR would be glad to accept the conversion to an oil pipeline if the situation in the Gulf gets out of control. No further details were known as yet about the conversion schedule or about the extension of the pipeline to the Black Sea. But it would have a capacity of approximately 1 million barrels per day.

9337/12223

CSO: 4620/046

PDP CHAIRMAN NASRULLAH KHAN BELIEVES ZIA REGIME MUST END

Islamabad HURMAT in Urdu 23 Jun 87 pp 9-12

[Interview with Nasrullah Khan by Asif Bhalli; date and place not specified]

[Excerpts] [Question] As Pakistan's prominent and distinguished politician, what do you think about the present situation in the country? The civilian government has been in power for over 2 years. Can you tell us your views about its performance?

[Answer] You are aware that the main purpose of establishing the MRD (Movement for the Restoration of Democracy) was to have a democratic rule in our country and to make the people interested in the working of the government. We also wanted to eradicate the problems arisen from the total ban imposed on political activities. This had hurt the national unity badly and we wanted to rectify this situation. For these reasons we have been asking for elections with full involvement of political parties. We campaigned for these demands during the martial law regime and hundreds of our colleagues lost their lives in that campaign. Thousands of our associates were put in jails and the military courts also sentenced our workers to public whipping. Despite all this, we have managed to keep those traditions alive that General Zia wants to eliminate from this country. This is the same Zia who has been telling us since 1979 that there should be no elections. He argued that our country was divided into two parts after the '70 elections and there was almost a civil war after the '77 elections and the army had to enact martial law to suppress it. He advised the country that we should not get involved in elections again. However, our sacrifices paid off and General Zia was forced to change his philosophy and hold elections. It is obvious that his decision to hold elections was an open defeat of his philosophy. General Zia, however, invented a new form of elections -- no political parties were allowed to participate in them. This was an open insult to the term elections. One purpose of elections is to provide an opportunity for political parties to present their programs in the context of national issues to the public. The public, in turn, decides to pick a party to support. The elected party follows through the mandate issued by the people. General Zia's elections were conducted in a martial law atmosphere. Political parties were still defunct, basic human rights were missing, and the newspapers were still under censorship. It is obvious that such an atmosphere was not appropriate for elections. What is more? These elections were held on non-party and non-political bases. We feared that

people would win elections based on their contacts and money and would use regional and racial prejudices as an election issue. My greatest fear was that these elections would seriously damage our country's unity and encourage regionalism. The elected people were not given the opportunity to pick their leader and the prime minister! Instead, various people were appointed. The same method was used in provincial assemblies; appointed people were presented for a vote of confidence. Obviously, we cannot expect these persons who were appointed prime minister or chief minister by General Zia to be able to think independently and tackle the problems of the country. There are so many problems here after the 9 or 10 years of the martial law regime. Graft, which has increased a hundred times, is the biggest and most serious problem. Then there is unemployment and the question of safety of people's life and property. You are aware of the situation in Sind. Even the prime minister and chief minister cannot travel on highways there! Incidents of robberies, murder, and kidnapping are very common. Racial riots in Karachi, Lahore, and Quetta and open encouragement of separatists have caused a critical situation in our country. We could not even think in the past that people would be allowed to openly make speeches about breaking up the country. Separatists have even established organizations to carry out their program without any fear. The government is either afraid to apprehend these organizations or is encouraging their growth. There never is a difference of opinion in any country when the issue of a country's unity is raised. Unfortunately, Pakistan's unity is being challenged and slogans to break up the country are raised openly. A person criticizing a member of the ruling party is seriously punished, but nothing is done against someone who spreads hate against the country. They are even given special friendly attentions. Government officials attend parties given by the enemies of our country's unity and send them flowers. Even more unfortunate is the fact that our nation is surrounded by danger from all sides. We have serious danger from the Afghan and the Soviet governments. Both countries violate our ground and air space at will and our rulers are helpless. Several incidents of bombing and other atrocities have happened in Sarhad and our government never took any retaliatory action. Our border from Chaman to Chitral was bombed repeatedly resulting in death of our many citizens. The so-called civilian government has never expressed any concern about these. This government does not meet the criteria required to develop national pride among the people. Thus, this government has done nothing to solve the problems within the country or face the dangers threatening us. It is obvious that political parties and other forces that want to see the country prosper have to unite. We had established a united front called the MRD in 1981. Now it is time to mobilize and strengthen it. We have to first admit that the kind of unity in our ranks that is required to solve our country's problems is not there. People feel helpless and harassed because of political inactivity. What is worse! People do not react appropriately when the name of our country is mentioned. This is a very painful fact. I feel that no spark of life is left in our nation. As the poet Iqbal said, "these are the symptoms of senility among the dying nations." The symptoms of old age and death have appeared in our country. We need political unity to revive our nation. Unfortunately, politicians have not reacted to this demand with the needed intensity.

[Question] You have often commented that you have never seen a weaker government than our present government. You also have claimed that the MRD has

popular support. Why have not you succeeded then in forcing your demands? Why have you failed to establish the "real democracy" you are talking about?

[Answer] What happened was that the campaign we started with such difficulties did not succeed fully. Many parties decided to start their own election campaigns and work with the people and started to neglect the MRD mandate. Their sacrificing our common national cause for the benefit of their individual parties has resulted in regression in our efforts to establish a democratic government. We still can rectify this problem if we can develop the strong feelings we had when the MRD was established. The MRD is not the name of any organization; it is a feeling. We can have an active MRD only when this feeling is there. The MRD will disappear when this feeling is not there. This is the feeling I want in everyone. Individuals and parties should forget their personal goals and interests and work for the common goals. We will succeed for sure if this feeling is aroused among our people.

[Question] What were the reasons for the disappearance of this feeling among the parties in the MRD? Why have the politicians changed so much that they cannot sacrifice their personal interests for the sake of the country?

[Answer] All I can do about this situation is express my grief.

[Question] As a democratic politician you must be in favor of checking on governmental mistakes. What mistakes were made by you and other people in the MRD that hindered establishment of a democracy?

[Answer] I have already said that the feeling we had before the martial law was established is not here anymore. We must have full perception of the situation. The purpose for which the MRD was established was never attained. Our greatest mistake was that we started to weaken our own ranks prematurely. We should have strengthened our unity after the martial law was enacted. This would have made people join us in our demands for a democratic rule.

[Question] The MRD has called for an all parties conference. What are the major goals of this coalition?

[Answer] I believe that all political and social parties agree that General Zia who got himself appointed as president with the help of his referendum should resign from his position and abolish these assemblies that came into being after the elections held on non-party basis. They must hold elections on a party-basis. I want to establish a large coalition to attain these two goals. Our greatest problem is time. How much time can we spend in attaining these goals? Any delay in this regard will hurt our country. The future of our country will become dark if we keep postponing the establishment of a democratic government.

7997
CSO: 4656/96

GOVERNMENT FAILURE TO DEAL WITH BOMB BLASTS DENOUNCED

Lahore NAWA-I-WAQT, in Urdu 7 Jul 87 p 2

[Editorial: "Government Responsibility: A New Wave of Blasts"]

[Text] The railway station and the bus stop at Badami Bagh in Lahore, the capital of the largest province in Pakistan, were shattered by intermittent blasts that left 16 people dead and more than 70 injured. Following the onset of the Afghan problem, the number of bombing incidents has risen. But until the beginning of this year, the bombing targets were usually sites in the NWFP [Northwestern Frontier Province]. Taking advantage of the presence of a very large number of Afghan refugees in the NWFP, the subversionist became more active in their criminal activities against humanity. But during the current year, on 23 March a bomb exploded during a meeting of the Jamiat Ahl-e Hadis, killing 9 people including Allama Ehsan Ilahie Zaheer. On 9 April there was an explosion in the Kashmiri Bazaar, the busiest commercial center in Lahore, as a result of which 11 people lost their lives. Only 4 days later, explosions ripped Lala Musa and Sheikhpura, killing 5 people. And the death of 16 people on the same day has shattered the comparative calm and tranquillity of the Punjab. It is deplorable that despite big pledges made by the government to punish the subversionists and criminals after every incident, no master plan has been devised to prevent future incidents, nor has any interest been shown in arresting the criminals responsible for the incidents and in punishing them. The most outrageous part of the whole affair is that after the explosions which rocked the meeting of Ahl-e Hadis and the Kashmiri Bazaar, the chief minister of the Punjab clearly announced three times that the miscreants had been arrested. Repeated assurances have been made by the prime minister and the president that no one would be allowed to play with the lives of human beings. After the bombing incident the other day at the Lahore railway station, the chief minister of the Punjab asserted that if anyone raised his hands against peaceful citizens, his hands would be cut off. But people have seen for themselves that the hands of innocent people are being cut at the site of the incident, but in the past 3 months no one has seen the dismembered hands of the criminals. Only a few days before the deplorable explosions, anonymous threatening letters were received stating that a new series of explosions would occur. The lack of any advance plans to prevent such incidents despite the fact that the chief minister was informed of these letters through reliable sources clearly demonstrates the thinking and the ability of the provincial

administration. This has provided the opposition with the opportunity to criticize the government. The opposition declares that the present elected civil government in Pakistan has failed to perform its most important responsibility: to safeguard the lives and property of its citizens. During the prime minister's visit to London, the chief minister of the Punjab announced that the assistance of Scotland Yard would be secured in tracing the perpetrators of the bombing incidents. It was also announced that a special team would be established under the chairmanship of DIG [director general of investigation] to prevent terrorist incidents in the Punjab. But these measures were not implemented, either, with the result that the Lahore railway station became the scene of bloodshed of innocent people. After this incident, the agencies concerned must certainly have begun looking into the causes and motives of such incidents. (According to a report, a DIG was able to arrive at the scene of the incident only after 2 hours.) But national circles are very much concerned and agitated. It is said that there must be a hidden hand behind these incidents. Some attribute it to Afghan agents; some express the apprehension that India may be trying to create a sense of insecurity and instability in Pakistan; some are of the opinion that international terrorists may have chosen Pakistan as their new base. Whatever the cause may be, it is clear from the way these explosions have been carried out that this is not the work of one individual but that these incidents are being perpetrated by a well-organized and well-trained group of people. It is certainly difficult for police in any country to trace any group, but not impossible. The police in the Punjab served their British masters so well that they traced underground groups working for the independence movement and placed the members behind bars. With three explosions taking place on the same day, it is deplorable to note that the same police today are unable to trace the criminals. Furthermore, the chief minister says that these explosions were not directed against the government but represented a conspiracy against the people. In any case, in accordance with its commitments the government is dutybound to safeguard the lives and property of its citizens. It is in the interest of the government to insure that the citizens are safe and sound.

9315/9738

CSO: 4656/95

CALL FOR ALL-PARTIES CONFERENCE SEEN AS FAILURE OF MRD

Karachi JASARAT in Urdu 27 Jun 87 p 5

[Abdul Karim Abid "Siyasat Namah" column]

[Excerpt] Following the MRD [Movement for the Restoration of Democracy] Karachi conference, everything has come out into the open. It has become amply evident that the MRD needs support for its survival and that it must get this support from parties outside the organization. Agreement to hold an all-parties conference in itself indicates that the political platform of the MRD has failed badly and that another platform will have to be found. But before embarking on such a venture, serious consideration must be given to why the MRD platform met with failure.

The most important problem facing the MRD has been the so-called parties that exist only on paper. As these paper tigers do not have to meet any opposition or engage in campaigns, their activities consist mainly of words and no action. Therefore, the parties that are close to the people, that on the basis of bitter experience are well aware of the consequences of confrontation and are always careful not to engage in it, and that instead of engaging in further propaganda or seeking the path of destruction wish to organize themselves and press forward with moderation and peace, will not cooperate with paper tigers. In fact, parties that exist only on paper or in drawing rooms are devoid of any political assets and as such have no fear whatsoever of losing them and they have been pushing the MRD to a policy of extremes. Most of these paper parties were assigned this task by the authorities as their secret agent for the purpose of leading the MRD astray, and these parties have accomplished their duties very efficiently. The People's Party and the Jamiat-ul-Ulema-i-Islam, in particular, suffered great losses. But now the time has come for the genuine political parties to remove the so-called paper parties from their midst and evaluate the situation.

If the leaders of the People's Party, the Jamiat-ul-Ulema-i-Islam, the Jamiat-ul-Ulema-i-Pakistan and the Jamaat-i-Islami were to communicate with one another and come to an understanding, even if no alliance were formed, the a healthy force would emerge in national politics. But the approval by the MRD of an all-parties conference had as its goal something other than a struggle for democracy. For example, some people wanted to form a new joint front under the leadership of Mr Jatoi, with the participation of parties both

inside and outside the MRD alliance, for the purpose of disrupting the People's Party. The purpose of an all-parties conference was to establish a new political alliance. This may be called an initial step in that connection. It could deal a serious blow to the existence of the MRD. At the same time, the survival of the MRD can serve no useful purpose, because whatever wrong or wright it had to perform, it has already accomplished. In regard to future politics, it will certainly confront scenes of new alliances, new friendships and new animosities, and new politics will take the place of the old.

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